

Towards a European Economy of Care

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We all know that it is relatively easier to study past times than your own time. For, in relation to the time in which we ourselves live, the possibility of keeping a distance is missing. There is, so to speak, a lack of depth, of dimension. So, if we have to come to a kind of judgment about our own time and our own situation, then the best thing we can do is to bring in an artificial kind of distance. For instance by using criteria or yardsticks which have an inter-temporal or supra-temporal significance. And that indeed is what I will also try to do today in speaking about a European economy of care, and also what my good friend Harry de Lange and I tried to do in our joint publication*. In our case, we have used and specifically use the criterion or yardstick of the presence of paradoxes. That is our instrument to discern in a more distancing way what is happening in our present economy. For studying concrete paradoxes can indeed add something to the depth of what we are seeing, and maybe correct our sometimes too limited, too short-sighted, too superficial way of observing and thinking.

Let me try to illustrate the background of these remarks. We live in a time in which we can observe a simultaneous appearance of a number of very remarkable changes in the world economy. Those changes have indeed no doubt the potential to alter the outlook of the world drastically within a period of one or two decades. For the globalisation of markets is now taking place at an accelerated speed. And this goes hand in hand with an ongoing revolution in information and communications technology and is accompanied by an outburst of new forms and types of financial capital, including derivatives to even the second and third degree. We may feel increasingly overwhelmed by these tumultuous changes, and become insecure about what they could possibly mean. For they have not only the capacity to change the relationship between all Western economic powers. They can also imply that the countries of the fourth world will lag behind even more than now. And they may also threaten earlier designed projects like the European Monetary Union. Will such a project be wind and waterproof enough in this new dynamic universe?

But if you and I are so intensively surrounded by accelerating economic and financial waves and taken upwards by the roaring technological winds, the distance which we need to see and to act responsibly may easily fall short. Then indeed the crucial

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question arises, how we should observe these and similar phenomena, and from which vantage point?

One possibility is for instance to suggest that we are obviously now placed in the midst of an economic *universum* which is expanding in many ways and forms at the same time. Survival in this new reality means above all adaptation, and the adherence to a strongly dynamic approach. In this approach everyone and everything is not only on the move, but also has to move to maintain his or its relative place in the new *Omniversum*. It sounds very realistic, this approach, but is this way of looking to the new reality the only possible one? No, of course not. We can also choose our Archimedean point elsewhere. For instance in fixed or slightly less variable factors in nature or culture, like the size of the earth, the general human condition, the general availability of land and water in the world, and the particular character of our Western heritage. If we do so, then our judgments and opinions may also change. Seen from this point of view it may for instance look like a sign of lack of wisdom to plead for an unconditional and immediate adaptation to all new dynamic economic, financial and technological tendencies. For not everything in reality can change and will change as rapidly as this dynamism suggests. Which means that it will lag behind and even may be lost forever by our efforts at exclusion. Or, what is possible as well: if you try to force everything and everyone to move, it may be transformed in character. Brought under the laws of universal change, it may reveal other and unexpected traces in that new situation.

And that precisely is the place where paradoxes easily arise or occur. For paradoxes are clear signs in those situations that there is more in heaven and earth than is dreamt of in our dynamistic economic and technological scenarios. Let me mention some of these paradoxes by name.

The majority of economists and politicians of our days defend the thesis, that a universally expanding world-wide economy still has an inbuilt positive effect on human wellbeing, especially for those countries which are able to run the race. Of course it does not make life easier. But in any case it contributes to the stock of economic means, which we need to satisfy our desires. And if well distributed it offers all of us also more possibilities to achieve our self chosen goals, collectively or privately. In other words, in an economically expanding *universum* there is a perspective of diminishing scarcity. In reality however this perspective is not fulfilled. On the contrary, there are paradoxically many signs of an increase of scarcity. The Dutch philosopher Hans Achterhuis even sees an increasing scarcity as the landmark of all modernizing societies. For only there we find a growing awareness in all realms of life of a real shortage of means and even a lack of satisfaction; necessary expenses cannot be fulfilled and good provisions have increasingly to be cut.

This paradox of an increase of scarcity may indeed sound strange in the ears of

economists, who always see relative scarcity as the tension between people's unlimited wants and limited means. For in that world and life view indeed any increase of economic means automatically reduces the awareness of scarcity. But the paradox is easily solved if we realise that by and through a continuous economic dynamism of growing production the human wants and desires may also be growing. And that via imitation and by the constant pressure of advertisements they even can grow and expand to such a degree that it exceeds the speed in which more means are produced. Was it not the philosopher Hegel who, already in 1826, on this basis came to the unavoidable conclusion that the modern market society would ultimately collapse? In his opinion civil society had to go because of what he called "the false infinity" - *die falsche Unendlichkeit* - of the growth of human desires. And indeed if human needs are totally and unconditionally brought within the sphere of economic dynamism so that they are subdued to all kinds of advertisement and rivalry, then indeed they can explode. And because of that, they also threaten both the carrying capacity of nature and the long-run availability of scarce resources for poorer countries, and the awareness of happiness of the citizens within the rich countries themselves as well.

A second example may be even nearer to us. All member states of the European Union are these days heavily confronted with the structural, not only cyclical problem of how to control the budget and to keep the deficits within limits. Of course this problem has become more acute and visible because of the Maastricht conditions for the start of European Monetary Union. But seldom is the question asked why especially rich nations are so constantly plagued by that problem. Why does the opposite not occur, namely that government finance is becoming more and more easy during ongoing economic expansion? For if incomes go up, the tax base also improves.

Of course this paradox too can partially be explained by the growing needs and desires of enriching societies. But is that the full story? Observe for instance the increasing erosion of care in our society, and the corresponding lack of time for patients in our hospitals and in our homes for the elderly, together with the long waiting lists for special education of the handicapped. The decreasing care for the preservation of the inner centres of our older cities could also be mentioned. Again we should expect something different, namely that the increase of the average income per head of population should have broadened the possibility to afford more care in all these realms. In the case of the European Community the income per head, and therefore the standard of living, for instance has doubled in the last thirty years. If the discretionary buying power is growing so strongly it should lead via the high income elasticities for services to a far better fulfillment of all those forms of care. But in almost all cases the opposite has become true. Why can rich and enriching societies not afford themselves the personal care and attention which they were used to in the past? This strange outcome becomes even more paradoxical if it happens at a time of a high degree of unemployment. Why should unemployment stay and even increase while there is also such a need for more caring labour at many places in society?

So, to summarize, we meet a budgetary paradox, a care paradox and a labour paradox at the same time! And they are extremely important. Just think for example of the deep underlying connections between these paradoxes and the emergence of new kinds of poverty in the United States and Europe. New poverty is namely predominantly caused by the combination of a lack of employment, a lack of care, and a lack of public means for welfare.

If we really want to find a solution for these paradoxes, we indeed have again to look outside the borders of the present economic universe; the expanding universe, in which maximum change is always seen as the best possible change. Just imagine a moment when the whole of society chooses in all circumstances the highest possible level of productivity in production; and let us call that a tunnel economy, because all hail and wellbeing is here expected from the speed by which you can reach the daylight of abundance at the end of the tunnel. Such a tunnel economy will of course sooner or later be confronted by the fact that the sectors of personal care in the economy can not reach the same yearly rise of productivity which are possible in the sectors of industrial production and industrialised services. For a nurse cannot help three percent more patients every year, and a teacher cannot teach larger classes all the time. So what will happen if their income level grows as fast as the average incomes in society? Then a growing gap will emerge between what has to be paid to them and what economically can be paid to them. And what happens if that gap has to be reduced or closed? Then of course the prices of all those services will rise, even if the prices of most of the industrial products go down. All personal services will continually become more expensive, until they become unpayable for the poor. But problems also begin to arise for governments. For the majority of the government roles and functions in a modern economy are naturally related to the sector of labour intensive care - from policemen to judges, and from teachers to doctors and welfare workers. They are becoming too expensive as well. So all these public expenditures have continually to be cut, with the corresponding loss of employment. Unless either the taxes go up every year, which is impossible, or rising deficits are accepted.

So indeed the paradoxes can work in combination, and with devastating results inside and outside our borders. But it is the same combined working, which has to lead us to question the iron logic of economic dynamism, which fills the minds and brains of most of today's politicians and economists. For the reason why these paradoxical developments are taking place is of course narrowly linked with the prevailing concepts of growth and development which are too limited, just as in a tunnel the sight is limited to what is just before you in the perspective of the light spot at the open end of the tunnel. Therefore indeed de Lange and I have made a plea to start from a broader horizon. A horizon which tries to take into account the wellbeing of human beings and of nature also in those aspects and factors of life which cannot grow, or should not expand in the same degree as the technological possibilities of modern industrial production, or as the financial horizons of modern money makers. In our

opinion those vulnerable aspects and factors of life should be given at least some priority in all economic development, as aspects and factors to care for before the processes of production and consumption are taking place. In accordance with what the old word economy - *oikonomia* - meant from the beginning, namely careful administration.

One of the reasons that such a reasonable broadened horizon for economic and cultural life however is not easily accepted but even heavily challenged is of course, that those elements of pre-care in an economy go against prevailing interests. Especially the interest of those groups, organisations and persons which want to increase income and power by all means; those who want to be rich. For as soon as an increased care for nature and for fellow human beings is integrated in an economy and its institutions, and not only discussed as a political and ethical afterthought, it asks for its economic price. And the main and for many groups intolerable price is that then the general rise of income and consumption per head of population has gradually to come to a standstill, to a stop. For only in that case will personal services not be increasingly driven out of the market; only then can government budgets be kept in balance; and only then can the degrees of freedom in the economy arise to transform the pattern of production in the direction of more pre-care in products and sectors. I mean - pre-care for the protection of the environment, for the security of employment, and for a real cooperation with the poorest countries.

But can such a model of economy also work in practice? Here it may be good to remember that it does certainly not imply a total absence of the growth of production. It is the way and the character of growth which will change. It is more similar to the organic growth which we find in a tree, where all the cells cooperate to make fruit-bearing possible. The metaphor of a tree is also nice and adaptable for another reason: every tree contains namely the inbuilt wisdom that to be able to bear fruit it should not try to grow to heaven. As a tree you need to limit your vertical growth to save the energy which you need to bear fruit as another form of growth. The same is true for our modern economies. Economists and politicians should not orient themselves to an infinite tunnel vision, but to the reality of a finite, God-created universe. Only then will they be really serviceable to a society which lives not by bread alone.

The question arises of course, what all this could possibly mean in the context of the European Union, and for internal European policies. What has been said implies at least that a kind of reversal is needed; not only in our economic thinking, but also in the realm of our economic action. And even if we stress the limitations of concepts like a European economy of care - I could for instance be pointing to the fact that this concept does not have the character of a blueprint which has to be realised, but far more the character of a way which you have to go step by step - even then the answer is difficult. For the opposing streams and currents in our present economic reality are

very strong, and even seem to be compulsive as far as technological innovation, economic productivity and financial liberty are concerned. Let me therefore in conclusion just mention three possible steps, steps which on the one hand illustrate what we really mean by concepts like care and enough, and which on the other hand can be helpful to reorient our thinking and acting in the context of the European Union on its path towards an integrated care within the economy.

The first step is already to some extent indicated in the White Paper of Jacques Delors on the future of the European Union, especially in Chapter X, where thoughts are developed about a new model of development for the Community. With a great sense of realism, the present existing model of development is here described as a model with an insufficient use of labour and an overuse of the environment, therefore resulting in a deterioration of the quality of life. Already by using those words a broader horizon for economic development is chosen than a tunnel economy can possibly perform. Also because it is stressed, that an extrapolation of the Western patterns of production and consumption to the world as a whole would imply a tenfold increased pressure on scarce resources which is unsustainable. Also we find in this chapter one of the paradoxes of the present economy explicitly mentioned; namely that the search for always higher financial gains by using labour-saving devices will even result in an increase of poverty. And there is also a hint of a possible solution. For it is explicitly said that in all market prices of goods systematically all external costs of their production and consumption should be expressed and included. This is important because this chapter at other places clearly indicates that the intensity of consumption has to be lowered. It is obviously therefore not the intention, that those new higher prices lead to a corresponding income compensation; a net loss of disposable income has to be accepted. And that is indeed one of the first necessary steps in the Community as a whole towards a care-integrated economy. In this context it may also be useful to remind all member states explicitly of the principle of a sustainable economy in the way in which it was formulated in the Maastricht Treaty. For in the new formulation of Article 2 the care for the environment is remarkably not expressed in terms of one of the deliberate goals or targets which should be honoured, but in terms of a necessary boundary condition. This implies that care for the environment has to be seen as a context or a framework for all other goal-realizations. Here indeed an element of pre-care is expressed, with possible binding consequences for the resulting income or standard of living. It is by the way unfortunate, therefore, that in other parts of the Treaty and even in the White Paper the desirability of a strong economic expansion is still so heavily accentuated. It is the remaining part of the old model of acting and thinking. The future will learn that you cannot combine these two different options; a choice will here become unavoidable.

A second step, a second line of approach runs via the monetary domain. In relation to this issue I suppose it to be well known, that the present international monetary system is highly unstable, and that mainly for two reasons: on the one hand because of too

high a level of creation of international liquidities which flow in and through speculative financial markets, and on the other hand because of the ambiguous role of the dollar as key currency. For the dollar is issued by a country which clearly gives priority to its national economic interests on the short run above its responsibility for a good working international monetary system. Both these factors mean that in any case a thorough transformation of the international monetary system will become necessary. And in that context the whole world is looking anxiously to the role which Europe with its potential own key currency will play.

Thinking in the traditional economic style, you should try to keep your monetary interests as far as possible aside from all other interests. You should just look to the interest of price stability and monetary power, so that you are able to claim an important and maybe growing share of the over-all creation of international liquidities. A new and better way of thinking is however, to place the European monetary policy in the context of a conscious pre-care. Especially in the context of the care for the preservation of the world's ecosystem, and of the wellbeing of the poorest nations. It is not good for us or for them if we try to expand our share in the world creation of international liquidities. For the poorer countries should be entitled to grow more than we as rich nations. Therefore these countries should be given, for instance by a direct participation in the creation of separate rounds of special drawing rights, the monetary room to expand their economies, while we in Europe abstain from at least a part of our share of the world's possible money creation. It will not only help them and dampen down inflation here, but also support the stabilisation of the international monetary system. And it will also strengthen those national income policies within Europe, which are oriented to a sustainable stabilisation of incomes and consumption per head of population.

A third and last step which could be suggested is linked to the organic character of the type of economic growth which we need in future Europe. Earlier I described that type of growth already in terms of growing fertility of an economy in preserving good jobs and better care, and a more effective cooperation with less privileged countries. Those goals can of course never be realised by dealing with an economy as if it was no more than a complicated mechanism; a bunch of mechanical processes which only need from time to time some instrumental corrections. To reach those goals, living people should be involved, actors should be addressed, and the old word "responsibility" should return in our ways of dealing with economic life. Business firms, labour unions and organisations of consumers should be given an impulse to grow faster into their new role of keepers of care, of institutions of *oikonomia* or stewardship.

In this context there is a highly interesting proposal, which George Goyder once made. It is a proposal which can be easily expanded and adapted for the European theatre and it runs like this: let the European Commission announce that all European firms can apply for the right to make use of a specific honorary label or name. Goyder mentions

the name of public company; we could call it a European Public Company or EPC. The Commission should however announce at the same time that only those applications which have the unanimous support of at least one recognised labour union, one recognised consumers organisation, one qualified environmental agency, and one leading development agency will be acceptable. Those organisations and agencies are in their turn asked to give their support only if the respective firm in their opinion fulfils a positive or even pioneering role in the dimensions of respectively its social policy, product policy, environmental policy and behaviour in the Southern or Eastern hemisphere. If the EPCs are allowed to use this new label in all their public affairs and selling activities, something quite useful may happen, namely that the most responsible, caring and innovative firms are able to mobilize their own public of potential buyers and so are able to build up a competitive advantage. They set in this way a good standard for entrepreneurial behaviour which may induce other firms to follow this path. Here indeed a real transformation of the economy may begin to occur, a real step towards a European economy of care. Would that not be really fascinating?

A long way is still before us, but it is certainly not a way without hope and perspective. Let us therefore be companions on the road.