



Department for Economic Policy and Constitutional Theory

Social Sustainability and Sustainable Governance for Europe - the Euro-Dividend

***BASIC INCOME AND THE EURO-DIVIDEND
AS SOCIOPOLITICAL PILLARS OF THE EU AND ITS MEMBER COUNTRIES***

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Prof. Dr. Bernhard Neumärker
ALU Freiburg <bernhard.neumaerker@vwl.uni-freiburg.de>

Outline



- *New Ordoliberalism & Sustainability:*
The basic concept of social sustainability
- Sustainable Governance for Europe:
A specific Universal Basic Income (UBI) for a social and sustainable Europe
(EUBI: the Euro-Dividend)
- Conclusions



- Traditional Ordoliberalism, Freiburg School and Constitutional Economics efficiency biased
 - ⇒ „New view“ (Neumärker 2017):
Modern social contract research: collective (contract) decisions on ex ante fair rules (*traditional* social contract theory, e.g., intergenerational justice), which (*new/additional* items):
 - (1) survive the ex post justice check
[Consequence proofness (or, Conflict/Reform/Renegotiation proofness)],
 - (2) are individual or political-strategically non-manipulable
[Strategy Proofness] and
 - (3) *either* are self enforcing *[Self Enforcing Constraint]*
or delegate/generate/organize hierarchically enforcement power
[Governance Constraint]
 - ⇒ (1) – (3) define (institutional/contractarian) *social sustainability*
(→ *durability*, → *stability*, → *[state] capacity*)



- Introductory example for non-social, but *ecological sustainability contracting* and the analytical standpoint of the “New View”:

The Paris Accord (UNFCCC 2016)

⇒ ex ante fair rules (see *traditional* social contract theory): **MAY BE**
(⇐ **agreement based on robust data**), but:

- (1) survive the ex post justice check **NO or MAY BE**
[*Consequence proofness (or, Conflict/Reform/Renegotiation proofness)*],
will the contract be “attacked” do to ex post identified perceived unfair conditions for some countries
⇒ *Renegotiation threat! (Trump really wants to renege the resonsibility/cost conditions, or, the agreed time schedule*



- (2) are individual or political-strategically non-manipulable
[Strategy Proofness] **NO**
(many countries misrepresent their responsibility for climate change and air pollution (under-revealed), try to „manipulate“ the goals (e.g., other short-term conflicting goals, goal interpretation,...))

 - (3) *either* are self enforcing *[Self Enforcing Constraint]* **NO** (see exit of US) or delegate/generate/organize hierarchically enforcement power
[Governance Constraint] **NO** (the potential hegemon exit (Trump), who is now secondary hegemon (EU, China), or self-enforcement between the remaining countries possible [„We will do it without US“]?)
- ⇒ **Social sustainability not achievable**
- durability, stability, and capacity of the international contract very weak
 - **no ecological sustainability without social sustainability!**



- Other parts of the “New Ordoliberalism”
(analytical prerequisites for social sustainability)
 - **Reform Economics:**
political economy of constitutional/contractarian reform *and* constitutional rule of postconstitutional reform [*Reform / Renegotiation proofness resp. Reform flexibility (Second Best Constitution)*]
 - **Economics of Conflict and Power:**
„shadow of conflict“ in the existing order/constitution/social contract with its consecutive distribution/balance of societal power [*Conflict proofness of constitutions*]
 - **SoCoLab: Experimental Social Contract Research**
empirical relevance of equally rational but different concluding contract theories; experimental test of sustainability demands on social contracts
- ⇒ interlocking the endogenized topics and model complexes
(“harmonization”)



- "New Ordoliberalism" and the European crisis of convergence, poverty, participation and inequality
 - Presenting the "European Pillar of Social Rights" in May 2017, the European Commission started the discussion on (contractually) regulated *transfer union*
 - ⇒ Appraisal:
 - recognizes problems of convergence reversion, participation, (old age) poverty and (increasing) inequality in the EU
[on the basis of different socio-economic indicators]
 - concludes a highly relevant confidence crisis in EU and Euro Zone
 - ⇒ Policy implications:
 - equal opportunity on labor markets
 - fair working conditions
 - social inclusion / participation / European solidarity

Sustainable Governance for Europe

SoCo Lab

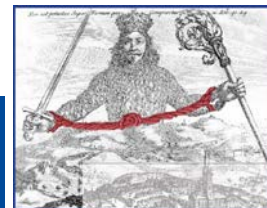


⇐ neoliberal view and orientation towards market conformity supported by old-fashioned labor/leisure-choice and labor market models
[⇒ dated Ordoliberalism / traditional constitutional political economy],

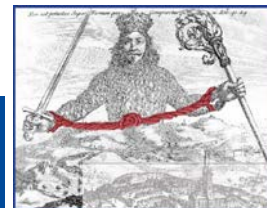
but also listed:

- minimum income
- „real opportunities to everyone“
- restoration of confidence in the European project
- coordination of national (social) policies
- priority of the Euro Zone

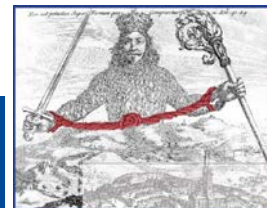
⇒ novel and contractarian transfer/social union (?)
⇒ Euro-Dividend as UBI for all EU-(Euro Zone) citizens
[as *one* concept of the transfer union; see, also,
”convergence in living standards“]



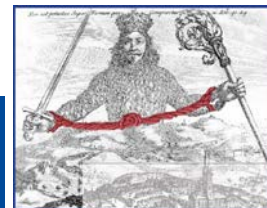
- Initial definition of the Euro-Dividend (*EUBI*):
 - Unconditional transfer to any citizen (and individuals with long-term right of residence) as dividend from the welfare/surplus generated by the European integration / monetary integration
[alternative EU- or Euro-UBI arrangements, e.g. participation on member state indexed payments (PEUBI)]
 - *supplementing* national minimum income [not substituting]
[\Rightarrow NUBI + EUBI, e.g., 1000EUR + 200EUR]
 - German Parliament treated legal questions of EUBI
(Bundestag [Unterabt. Europa] 2017 in contrast to zu BMF [EUBS] 2016)



- Funding (fiscal options)
 - European VAT
 - European Social Fund (previous payments substituted)
[for Germany, e.g., it could be essentially cheaper than the continued financing og rescue funds]
 - European Financial Transaction Tax
[coordinated tax evasion policy in Europe supports implementation]
 - Euro-Bonds
 - Dynamic adjustment as Tolerance Premium



- Is EUBI a socially sustainable concept of “New Ordoliberalism”?
 - (a) “Tolerance Premium” (Buchanan 1975):
the dividend is (over)compensating, if not any citizen receives directly a positive integration rent from the European integration
 - ⇒ safeguarding the compliance/solidarity to EU resp. Euro Zone:
self-enforcing mechanism for a flat hierarchy of the EU
[*Self Enforcing Constraint*]
(Appropriate design and amount can substitute the *hegemonic Governance Constraint*)
 - (b) Due to the coverage of participation on EU integration no problem of an ex post – “justice attack” [*Conflict / Renegotiation proofness*)]



[Overcompensation:

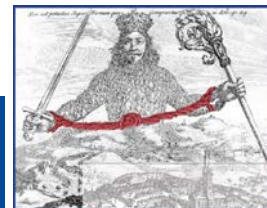
political economy of reform \Rightarrow we have to pay to any citizen the same amount when we do not know who exactly will be a loser]

(c) Moulin (1995) showed that uniform rationing/payments is for a given fund [Cap] individual- or politico-strategically non-manipulable

[Strategy Proofness]

\Leftarrow Opponents of European Redistribution may support EUBI as “reward for individual European citizenship” with participation on the integration benefits

\Leftarrow “Nationalists” do not see national programs of social justice bothered thanks to the supplement function of EUBI national



⇒ Citizens not knowing their relative position in the European society as well as future technological development, would vote for an EUBI social contract/constitution

[experiments on distribution schemes show the constitutional support of UBI (against utilitarian, Rawlsitarian, and laissez-faire market distribution)]

⇒ Constitutional preferences about amount and funding may be tested in a social contract experiment (SoCoLab).

[Additionally, in the contractarian stage the probands can choose, if they prefer the self-enforcing social contract with the EUBI or the governance solution (e.g., evolutionary determined hegemonic states/institutions)]

Conclusions



- 1) Especially flat hierarchy contracting needs the check of social sustainability, and, therefore, “New ordoliberalism“ studies (hint: any basic social contractarian situation is non-hierarchical [specific unanimous agreement])
- 2) The Euro-Dividend is a socially sustainable and socially improving solution to the crisis of the EU
- 3) Not the expenditure of the Euro-Dividend is the main problem (finding the rightful amount), but the funding out of the economic and monetary integration rent (how to extract the necessary part of that rent)

Conclusions



- Conclusions (II):

- 4) Analytical convenience:

- (a) Ecological sustainability in the objective function,
social sustainability in the restrictions of the problem
(or, the other way around: depends on hierarchy of problems)

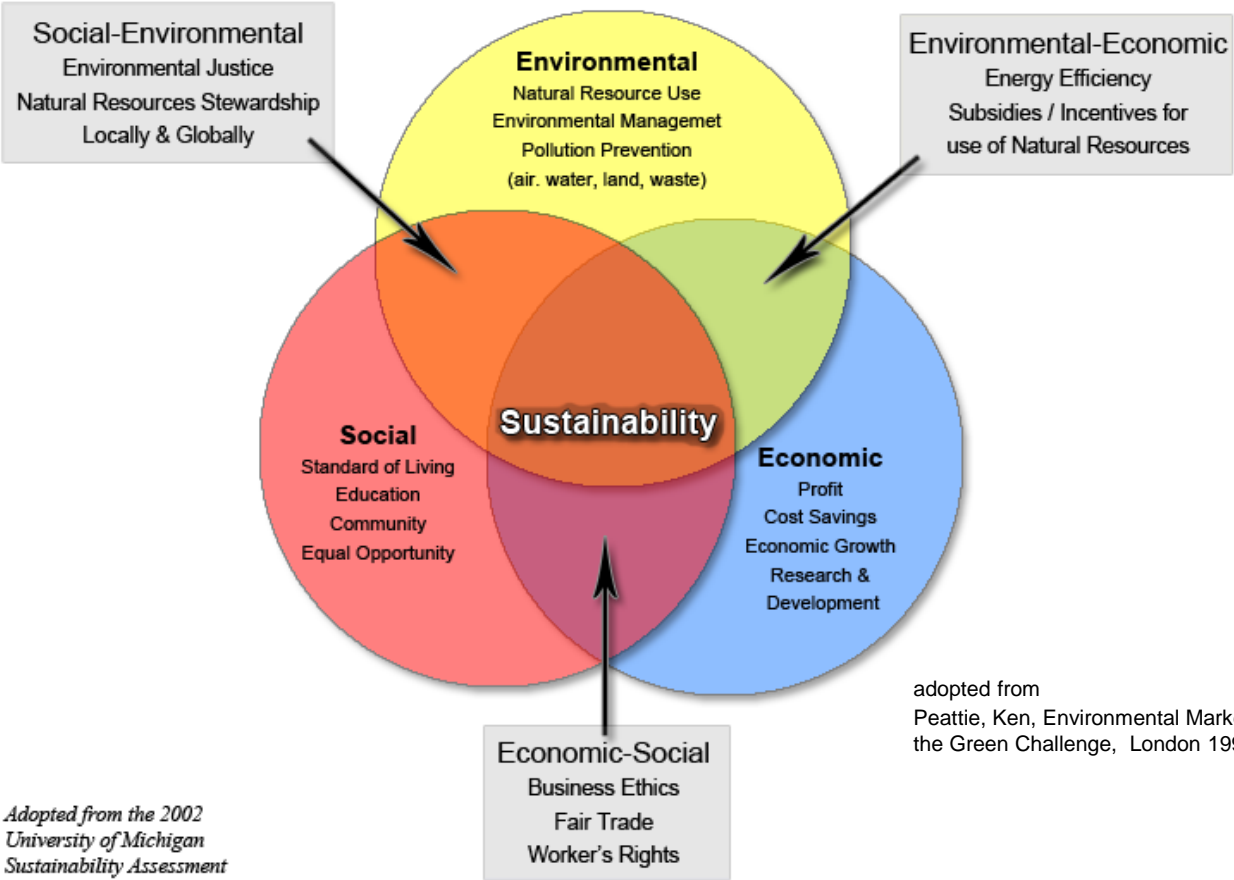
- (b) \Rightarrow The simple well known overlap graph of sustainability
is (in the end) not appropriate

e.g., economy and society has to be seen as an
integrated aspect
(red and blue surfaces ONE problem with restrictions!)

Conclusions



The Three Spheres of Sustainability



adopted from Peattie, Ken, Environmental Marketing Management: Meeting the Green Challenge, London 1995

Adopted from the 2002 University of Michigan Sustainability Assessment



Conclusions

