

# Beyond Prosperity?

European Economic Governance as a Dialogue  
between Theology, Economics and Politics

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Peter Pavlovic (Editor)



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*The Conference of European Churches (CEC) is a fellowship of 115 Orthodox, Protestant, Anglican and Old Catholic Churches from all countries of Europe, plus 40 National Councils of Churches and Organisations in Partnership.*

## FOREWORD

Europe is going through a very difficult period. The times bring to us a number of difficult challenges: continuing impacts of economic and financial crises, increasing social hardship in substantial parts of the continent, violent conflicts, and refugee and migration crises have become part of our daily life. These are accompanied by growing questions about the functioning of the European Union and growing mistrust of citizens towards political elites. Our overall wealth is growing, however our capacity to efficiently face the accompanying problems seems to be diminishing. As a fellowship of churches from the whole of Europe, the Conference of European Churches raises its voice and concerns in facing current socio-economic challenges. In these difficult times, we are seeking the Gospel.

The present publication contains two texts which the Conference of European Churches offers as its expression of current concerns and as a contribution to the discussion among the churches as well as in wider European society: The open letter *What Future for Europe? Reaffirming the European project as building a community of values* and the position document of the Conference of European Churches on European economic governance, *Seeking justice and prosperity for our common future in the European Union*.

While talking about future of Europe we have to keep two perspectives: a broad one, which reminds us that the problems we are facing in a globalised world are increasingly interconnected. Our future is not one-dimensional, but built out of interwoven interactions among different

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fields and stakeholders. None of the crises we are facing can be solved without looking at parallel developments in other areas. Seeking prosperity and wealth—an unquestioned pursuit in our time—cannot be managed in a proper way without looking at social and environmental dimensions and inequalities caused by our way of life in other parts of the world. This dovetails well with the focus of the second text in this publication, which turns its attention to the economy and economic governance. This text points out that the economy must have an ethical dimension. The impact of this in our current situation is far reaching. The churches want to be present in the public sphere and this contribution distinguishes our presences there.

In commending this publication we invite the churches in Europe, as well as wider society to a dialogue about our common concerns. One major question facing Europe is the problem that some constituencies have not been heard or at least not been attended to. When this happens, whole groups of people become suspicious of any European institution and the wider aspirations behind the European project. We want to support an inclusive discussion to which all are invited.

This publication aims to enable us under God's command to offer a meaningful and relevant witness in a Europe where the propensity for division is too often more characteristic than our aspiration for unity.

Rt Rev. Christopher Hill KCVO, DD  
President  
*Conference of European Churches*

# WHAT FUTURE FOR EUROPE?

## *Reaffirming the European Project as Building a Community of Values*

An open letter of the Conference of European Churches to churches and partner organisations in Europe and an invitation to dialogue and consultation

### **Summary**

Fifteen years ago, the historic Charta Oecumenica, brought together the churches of the Conference of European Churches and Council of European Bishops' Conferences – Consilium Conferentiarum Episcoporum Europae (CCEE) in a bold pronouncement in support of the European project. Here they proclaimed, “*without common values, unity cannot endure.*” Today, less than a generation later, such a call to common values and unity seems alien and rare in European societies. Political and economic disintegration seem the new norm. Europeans are losing confidence in the European project, mistrust of politicians and the structures they serve is growing, and policies are reduced to national interests.

In this open letter, CEC returns to the fundamental question of common values and how these are expressed in Europe today. The existence

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and flourishing of the European Union is central to this discussion, but we will also look beyond its borders. The text elaborates on the overall context of and historical perspectives on European development. It takes into account the achievements of Europe, especially those that go beyond economic cooperation and the common market. These include, support for solidarity mechanisms, free travel under the Schengen agreement, and the student exchange programme Erasmus. At the same time, the text raises concern about the multiple and interrelated crises facing Europe today. The influx of migrants and refugees, violent conflicts and terrorist attacks, economic crises and growing Euroscepticism all threaten the European project and development of common values. By way of response, this open letter elaborates a theological perspective to these issues, including reflection on *koinonia* and *diaconia*, and encourages churches to make a positive contribution in building a common European home.

In evaluating Europe's current challenges as part of our efforts leading to the next CEC Assembly, which will take place in 2018, the CEC Governing Board:

- Issues this open letter to churches in Europe on the situation in the continent, which outlines its vision of Europe with regard to the EU and shares its concerns about the future of this historical European project in the present circumstances;
- Reaffirms its understanding of the EU as a community of values pursuing human dignity, peace, reconciliation, justice, the rule of law, democracy, the respect for human rights, solidarity and sustainability;
- Encourages CEC Member Churches and all Christians in Europe to step up efforts in making such Christian virtues as respect for others, solidarity, *diaconia* and building up a community more visible in public life;

- Calls churches in Europe to an intensive discussion on the future of our continent, the role of the European Union and our vision of shared values;
- Invites CEC Member Churches and partner organisations to react to this letter in considering the specific situation in different parts of the continent and in contributing to a consultative and participatory process leading to the next CEC Assembly.

## **Introduction**

*“On the basis of our Christian faith, we work towards a humane, socially conscious Europe, in which human rights and the basic values of peace, justice, freedom, tolerance, participation and solidarity prevail.”*

- Charta Oecumenica

In 2001 the churches in Europe jointly and boldly pronounced in Charta Oecumenica support for a process destined to bring Europe closer together. Churches in the same document stated that *“without common values, unity cannot endure.”*<sup>1</sup> Now, 15 years later, we find ourselves in a situation in which increasingly vocal political parties and groupings argue against further political and economic integration on our continent. What seemed a logical position 15 years ago seems less evident today. Rather, we see a growing body of opinion that has lost faith in the promise of a united Europe, that distrusts political elites, and that would like to renationalise policies.

In this letter, CEC makes an effort to analyse recent developments in Europe in relation to the question how these affect jointly held basic

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<sup>1</sup> For the full text, see Charta Oecumenica, the joint document of CEC and CCEE (Strasbourg 2001).

values. The focus will be on the European Union, and the deep challenges facing the EU today. At the same time, it is obvious that development in the EU cannot be considered in isolation. The broader picture of Europe as a whole, which includes both EU as well as countries outside of the Union has to be taken into account. Fragmentation of Europe becomes an increasingly serious challenge for the continent.

In this historic moment the European Union, which covers the major part of the continent and is responsible for developments that have considerable impact on other parts of the continent, is at a crossroads. We must work together to foster hope and cultivate constructive solutions to our common problems. This open letter is a call to join in this process, to outline a new vision for Europe—a home for all of us, building on the past and looking to the future with renewed hope.

## **Context**

*“Respect for human dignity, peace, justice, freedom, tolerance, participation and solidarity can be maintained in times of change”*

Problems arising in an increasingly globalised and interdependent world need global and international approaches to be effective. Climate change and pollution, for example, do not stop at national borders. International crime and terrorism need international responses. Global economic problems need globally coordinated solutions. It is clear that individual countries are less effective in tackling their problems when they act on their own than when they coordinate with other countries. They need partnerships and networks to amplify their voice and strengthen their influence.

More and more people disagree with the view that global issues can best be addressed through global approaches. They point to the fact that only small groups of people have reaped the benefits of globalisation

and that the majority of the population bears the brunt of the negative outcomes of this process. Almost everywhere in the world, globalisation has been accompanied by growing inequalities and eroding prospects for the middle and lower class. In addition, many feel that they are subject to global forces that they cannot control and threaten their identities. Therefore, it is not surprising that the ideal of sovereign independence retains—and even regains—an important appeal. Many people have become suspicious of globalisation and have come to view those who argue for economic and political integration as out-of-touch elites which promote their own agenda while neglecting the people’s agenda. As a consequence, we see a growing emphasis on national identity, sovereignty, and a renationalisation of policies. A key question in this context is how the obvious need for international cooperation and joint policy making can be reconciled with the legitimate desire of many people to own and control policies that affect their daily lives.

It is clear that within the churches and between Christians different opinions exist on detailed policy questions and on how to organise ourselves in Europe. Also on bigger issues such as to stay in or leave the European Union, Christians find themselves on different sides of the divide. Such differences are perfectly legitimate.

For the Conference of European Churches the key question is how we can make sure that the fundamental values that should guide political processes on our continent—respect for human dignity, peace, justice, freedom, tolerance, participation, solidarity, and sustainability—can be maintained in times of change. CEC holds that no compromises can be made with regard to these basic values. Even if policy choices may differ, unity in Europe is rooted in these values.



## **Historical Perspective**

*“Pray for, dream of, and proclaim the possibility of a better way.”*

After the Second World War, our continent was reeling from multiple crises. Food shortages were endemic, there were vast flows of displaced people—not just prisoners of war and concentration camp victims—trying to find their way home, to reunite with family, or to find a new home because their pre-War house was no longer there. Major and costly reconstruction was needed for most of the great cities on the continent. Virtually every national economy was in need of a financial bailout. Germany alone had half of its national debt written off. Soon after the War, the continent was split along ideological lines, East and West, and a Cold War developed.

It was in this febrile atmosphere in the mid-twentieth century that a small multinational group of devout Christian statesmen came together and dared to pray for, dream of, and proclaim the possibility of a better way—a way for the diverse peoples of Europe to live and prosper together in peace. This hope could only be realised if people and nations were prepared to accept common values emerging from the cultural, religious, and humanist inheritance of Europe; values that are also at the heart of the Gospel message. Love your enemies, forgive others as you are forgiven, be in solidarity with the poor and the down-trodden, and share with your neighbour. It is to this heritage we turn as we continue our efforts for reconciliation and solidarity in Europe today.

So when French Foreign Minister Robert Schuman made his famous declaration on 9 May 1950 in favour of European cooperation, it was met with a positive response from German Chancellor Konrad Adenauer, Italian Premier Alcide de Gasperi, Belgian Foreign Minister Paul Henri Spaak and many others. At its heart was a message of forgiveness on behalf of France and the offering of an olive branch to Germany.

This was in the form of a new multinational entity to conduct the affairs of Europe in which the two long time protagonist nations stand together as equal partners. This early model still reminds us of the power of dialogue in resolving tensions.

The Coal and Steel Community was established in 1951 and brought together the coal and steel sectors of previous enemies, thereby making hidden rearmament impossible. This initial Community transformed first into the European Economic Community (1957) and later into the European Union (1993). From the initial six core Member States, it succeeded in enlarging with other countries.<sup>2</sup> The institutions and structures originally devised for the six nations were revised with occasional treaty adaptation with the Treaties of Rome (1957), Maastricht (1993) and Lisbon (2007). These adaptations served to contain disagreements between nations in the negotiating room and away from the battlefield and entrenching respect for the rule of law, democracy and human rights across the continent. All this happened in the context of mutual dependence between the EU and the Council of Europe, which provides among other things underpinning for activities of the Union in several areas. Council of Europe also offers a platform for cooperation and sharing in a much broader geographical area and provides an image of a much broader Europe than the EU. Cooperation with the Council of Europe and its European Court of Human Rights in Strasbourg is essential for the EU.

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<sup>2</sup> It needs to be acknowledged that reasons for other European countries to join the community have not always coincided with the aim of original six Member States. Economic reasons have in later accession rounds played an increasingly dominant role. For further elaboration of the argument see for example *European Integration – A Way Forward?* Church and Society Commission of the Conference of European Churches, 2009.

## **Achievements**

*“The European project, in its various manifestations, stands as an example of what can be done through reconciliation, stability and prosperity.”*

In the history of Europe, people living on our continent have had devastating experiences with ideologies claiming to set clearly defined cultural, ethnic and religious or pseudo-religious standards which apply to everybody. Therefore, the unification of most of Europe in peace and freedom since the Second World War, and for the first time since the Middle Ages, is a major historical achievement. Also in the area of human rights, progress has been made. The European Convention on Human Rights, the European Court of Human Rights, the European Social Charter and the EU Charter of Fundamental Rights are all milestones for Europe. The European project, in its various manifestations, stands as an example of what can be done through reconciliation, stability and prosperity.

The European Union with its undergirding values and framework for cooperation and common action was a key factor in overcoming undemocratic and totalitarian political regimes, which ruled for a substantial part of the 20<sup>th</sup> century in the east and south of the continent. The EU was also a key factor in integrating countries from these parts of the continent into the new model of collaboration and sharing.

On its own territory, the EU has promoted solidarity between rich and poor regions through cohesion policies and the accompanying funds (such as the European Social Fund). A number of EU financial instruments helped in the development of most disadvantaged and poor regions. Solidarity between urban and rural areas has been promoted through the Common Agricultural Policy (CAP), however imperfect the CAP may be. The social *acquis* of the EU in fields such as equality

between women and men, health and safety at work, social security for mobile workers within the EU, is considerable.

The twinning of towns and villages across the EU and student exchange programmes such as Erasmus, as well as free movement of persons in the Schengen zone are among the most appreciated successes of the EU. Universities from 28 EU Member States, plus Iceland, Norway, Liechtenstein, as well as candidate countries FYROM and Turkey, participate in the Erasmus programme. From its beginning in 1987 the programme has supported more than 3 million students. The Schengen agreement includes EU Member States (except Bulgaria, Croatia, Cyprus, Ireland, Romania, and the UK) and non-EU states Iceland, Norway, Switzerland, and Liechtenstein. Projects like these have brought people in participating countries together, promoted mutual understanding, and gave meaning to the European cooperation at the grassroots level.

At a global level, the EU runs the world's biggest emergency humanitarian aid budget (ECHO) while the EU and its Member States are also major players in the area of development cooperation (particularly through its development budgets and the European Development Fund). Regarding climate change and nature protection the EU plays a leadership role. Last, but not least the EU has led several peacekeeping operations in different parts of the world.

In general the EU provides the institutional contexts where problems that matter to citizens that Member States cannot readily tackle on their own, are addressed. This is often in a spirit which is mindful of the fact that more can be achieved together than as individual countries which act on their own. Through regular and transparent dialogue with these institutions, we work to address the challenges facing Europe democratically and openly.

## **Europe at a Crossroads: Reimagine Europe and Reaffirm Core Values**

*“We are at a crossroads in European history. The very future of developing common EU policies based on interdependence and on reconciled diversity is at stake.”*

By establishing the European Union as a supranational entity, the founders of the EU wanted to overcome the trap of nationalism that twice in half a century led Europe to disastrous wars. The integration of Europe, as the European Union, was a visionary project. It went beyond reconciling states and aspired to unite the peoples of Europe around the notion of a ‘community of shared values.’ In 1990, the then President of the European Commission, Jacques Delors, even called upon churches and religions to actively contribute to creating “*the heart and soul of Europe.*” In more recent documents such as the Charter on Fundamental Rights (proclaimed in 2000) and the Treaty of Lisbon (2009), the shared values on which the Union is built were re-emphasised.

Lately, however, EU political leaders and many citizens have ceased to proclaim, and are even contradicting values that underpin the EU. For many people the European Union has become a mechanistic, technocratic institution, a bureaucratic project, remote from daily concerns of citizens. Something impenetrable, cumbersome, and costly. Popular support for the EU is rapidly declining. This has been aggravated when national leaders in a number of occasions refer to EU institutions as being responsible for all that is going wrong, and fail to attribute to the EU what is going well. If there is joint policy making in the EU nowadays, it seems that it is based less on a joint vision and more on a simple cost-benefit analysis of individual Member States.

Many of the values which are seen as having contributed to the shaping of Europe during the past sixty years or so, such as solidarity with the weak and respect for human rights, seem to evaporate under the

pressure of multiple crises. The churches in Europe must seek to uphold these values as an indispensable basis for justice and peace on our continent.

We are at a crossroads in European history. The very future of developing common EU policies based on interdependence and on reconciled diversity is at stake. This idea has, over the years, contributed to a Europe which has largely lived in peace, and which pursues a growing degree of economic integration and social justice.

Facing such a situation, we need to reimagine Europe as a whole and the EU in particular, reaffirm the core values of the historic project and reassess these in view of the developments which have taken place during the past sixty years. What are the values that should be at the core of European identity? How do we handle the tensions that exist between the desire for sovereignty and homogeneity on the one hand, and European cooperation and cultural diversity on the other hand? What does this mean for the future of the European Union and for the future of the continent as a whole? What kind of Europe and European Union are necessary to live up to the common values which the churches identified in the *Charta Oecumenica*?

## **Multiple and Interacting Crises**

Europe in general and the European Union in particular are facing multiple crises. Some are global (such as the economic down turn) and geopolitical in nature (such as the wars in Syria and Iraq, and the ‘frozen conflict’ in eastern Ukraine). Other crises are due to issues that are more directly related to EU policies, (such as the Euro crisis) and the lack of an effective EU-wide policy on refugees who want to enter the EU. These simultaneously occurring crises impact the continent in a dramatic way. For the first time in decades, some of the fundamental achievements and tenets of the EU are under threat. Rather than rising to the challenges, the EU is cracking under the strain. A sense of crisis

mounting, distrust growing, and the EU unable to respond effectively, countries are increasingly inclined to act unilaterally.

### ***Violent Conflicts and Terrorist Attacks***

The first crisis with which Europe is confronted is violent geopolitical conflicts, including those in Syria and Iraq, and in Ukraine. The implications of these conflicts in the European Union is a rising numbers of refugees and recent terror attacks across Europe. As a result, one would expect that the European Union would try to play a major role in ending or even preventing these conflicts. This could be achieved by continuous and intensified diplomatic initiatives and by making sure that arms exports do not fuel the conflicts even further. Instead, the European Union has adopted a rather passive attitude. Regarding the conflict in the Ukraine the EU has been more active, but it failed to prevent difficulties that have led to tensions between the Union and Russia. This situation illustrates the weakness of the EU in developing coherent common foreign policies (through the European External Action Service).

Besides the violence of wars, Europe has also been struck by the violence of several recent terrorist attacks in Spain, the United Kingdom, France, and Belgium. Although it will probably never be possible to eradicate terrorism altogether, it is clear that effective cross border cooperation between intelligence and police services are a prerequisite to counter terrorism in an age of globalisation. It is clear that these developments deeply challenge the EU as an organisation that has peace-making as one of its fundamental values.

### ***Migration***

The biggest challenge currently facing the EU is how to respond to the high numbers of refugees, mostly arriving in the southern European countries that were hardest hit by the economic crisis since 2008. This is mainly, but not exclusively, a result of violent conflicts in Europe's neighbourhood. It appears to be very difficult to find a common re-

sponse to this challenge. International law requires Member States to examine every asylum application lodged on EU territory. Rather than sharing the responsibility and investing in the Common European Asylum System, EU Member States are blaming each other for creating pull factors, as was the case for Italy with the Search and Rescue Operation Mare Nostrum, or Germany's Chancellor Angela Merkel for welcoming all refugees. The European Commission's proposals for sharing the responsibility and addressing issues of refugee reception, while requiring negotiations, were dismissed by a considerable number of Member States. In order to reduce numbers of arrivals, the EU and Turkey adopted a deal in March 2016. According to this agreement all newly arriving irregular migrants crossing from Turkey to the Greek islands will be returned to Turkey; and for every Syrian returned to Turkey from the Greek islands, another Syrian will be resettled from Turkey to the EU. This deal has been seriously criticised by the United Nations, international and national NGOs and churches for being incompatible with international law.

Churches have advocated for safe passages into Europe—including more resettlement of refugees from countries of first asylum, such as Lebanon, Jordan, Turkey; as well as more generous family reunification, humanitarian visas or lifting of visa requirements. This could—combined with legal labour migration opportunities—drastically reduce the loss of human lives at the EU's borders and contribute to more orderly migration. Detailed proposals were elaborated ecumenically by Christian organisations already in 2014.<sup>3</sup>

While the European Commission has proposed to change the Dublin Regulation, there appears to be unwillingness in many Member States to modify the Dublin Regulation's underlying principle requiring that asylum claims be registered in the first EU state entered. This puts a

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<sup>3</sup> See the recommendations: [http://www.ccme.be/fileadmin/filer/ccme/20\\_Areas\\_of\\_Work/01\\_Refugee\\_Protection/2014-11-20-Christian\\_Group\\_Recomm\\_for\\_safe\\_legal\\_paths\\_to\\_protection\\_final.pdf](http://www.ccme.be/fileadmin/filer/ccme/20_Areas_of_Work/01_Refugee_Protection/2014-11-20-Christian_Group_Recomm_for_safe_legal_paths_to_protection_final.pdf)



heavy burden on southern states bordering the Mediterranean, which are the first point of arrival from North Africa and the Middle East.

Although international law demands that Europe offers protection to those in need and therefore grants the possibility for every person arriving in Europe to ask for asylum, harsh deterrents adopted by some countries may even become the norm. Europe's politics face a clash of values. On the one hand the moral and legal obligation to offer protection to those in need, and on the other the political task of ensuring orderly movement and procedures to and in the EU. With anti-immigrant sentiments currently growing, this clash is likely to intensify in the near future.

Efforts to try to find a common response have led to bitter disputes and tensions between and within EU Member States. The Schengen agreement, permitting passport-free travel across much of the EU and other participating countries, as one of the most visible manifestations of European unity, has been put under pressure. Border controls have already been imposed unilaterally between some Member States. In spite of all its human, economic as well as symbolic importance, the future of Schengen is now in doubt. While this is attributed to the continuing arrivals of refugees and migrants from the Middle East and North Africa, it also shows a considerable degree of mistrust among EU Member States. If EU leaders are to save Schengen, they must demonstrate a degree of unity and political will that has hitherto been lacking. They would need to agree to common procedures, and promote trust among Member States and assist each other.

The present situation is extremely urgent. It does immeasurable harm to the soul of Europe to ward off victims of violence and terror by fire-arms at border fences, or let people drown in the Mediterranean. Solidarity with refugees is a consequence of Christian faith and our

commitment to working towards a just and compassionate society.<sup>4</sup> Therefore, the present predicament of refugees and migrants is a matter of grave concern for CEC.

### ***Economic Developments and Euro Crisis***

The third crisis to list in the catalogue of Europe's current woes is the economic recession triggered by the banking collapse which started in the USA in 2008. This resulted in large parts of the EU remaining sunk in a semi-depression with high unemployment and unsustainable public finances, resulting in severe austerity measures that hit people experiencing poverty the most.

In addition, the EU faces a monetary crisis that has already lasted for more than seven years. The brinkmanship policies characterising negotiations with Greece in the course of 2015 are an indication of the volatility of the Eurozone. Rather than uniting the countries of the Eurozone, the Euro is causing tensions between countries and a permanent solution to these is not yet in sight. On the contrary, Greece's decision to accept yet another austerity package has made the Eurozone look increasingly like a trap rather than a promising perspective for prospective members of the zone. The Greeks are faced with a serious dilemma: if the situation in their country shows that 'there is no alternative' but to obey the rules of a monetary union, it means that democratic choices for voters are limited. This does not bode well and it is not a sustainable situation. The Eurozone cannot indefinitely survive as a half-completed project—a monetary without an economic union. There is, therefore, a real risk of a return of a Euro crisis in the not too distant future. This would again intensify the strain between democratic sovereignty on the one hand, and joint economic and monetary policies on the other hand. It would also again be a challenge to the principle of solidarity between countries and people in the EU.

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<sup>4</sup> Statement of the Council of the Evangelical Church in Germany (EKD) on the situation in Europe, Brussels, 23 April 2016

### ***Euro scepticism***

In several EU Member States, Euro scepticism is on the rise. In some countries this has given rise to political parties and groupings which argue for their country to leave the Union. Several EU Member States (e.g., Greece, the Netherlands, and Hungary) have decided to use the instrument of referenda to consult their citizens on issues related to the European Union. The most far-reaching referendum has been called by the UK government, due to take place on 23 June 2016, on whether the UK should stay in or leave the Union.

A key word in these debates is sovereignty. Those who argue for their country to leave the EU, say that they would like to regain national sovereignty, whereas those who would like to remain in the EU argue that more sovereignty will lead to less influence on European and world affairs. *The Archbishop of Canterbury Justin Welby calls in this regard for an in-depth public debate, in which Christian faith should play a role: How can we revitalise ideas such as sovereignty and subsidiarity—ideals formed out of Christian faith whose political dimensions capture their meaning only in part—and help encourage a clearly values-based approach to Britain’s future relationship with the EU; one that includes, but does not end with, economic and political perspectives? We are going to try and make ... a helpful contribution to that debate.*<sup>5</sup>

The dilemma between sovereignty and interdependence will, most likely, continue to be discussed in the EU for some time to come. It is clear that if a country puts the full weight on sovereignty and decides to leave the EU, this could plunge the EU into a deeper crisis.

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<sup>5</sup> Reimagining Europe, a joint initiative of Church of England and Church of Scotland, <http://www.reimaginingeurope.co.uk/learning-to-disagree-well-on-europe/>

### ***Democratic Deficit***

Several EU Member States are witnessing an emerging divide between the views of the political elite, who are broadly in favour of (further) European integration, and the views of a growing number of groups in society who have lost their trust in this elite. They perceive the latter as technocratic Eurocrats who have lost touch with the realities in which most people in Europe live and have become alienated from the ideals which motivated the founders of the European project.

The gap between citizens and the establishment is not a phenomenon confined to the EU and its institutions. It can also be found at the level of the individual Member States and even beyond Europe. In many EU Member States political groupings are emerging that question the legitimacy of the governing elite, both in their own country and, even more so, with regard to the European Union. The EU is losing its appeal. For sizeable groups of citizens, the EU is seen as a distant power that cannot be influenced and is driven by its own dynamics. Moreover, the EU is perceived as infringing on national sovereignty and undermining citizens' power. Politicians who have, in the course of time, blamed the EU for many problems that were not the EU's responsibility, have contributed to this alienation between the EU institutions and its citizens.

The process of growing alienation between EU citizens and EU institutions has been going on for a number of years. It is one of the reasons why the Lisbon Treaty (2007) gave a more prominent role to the European Parliament in EU decision making processes. It was hoped that this would enhance a sense of ownership by European voters of the EU. At the same time, the role of the European Council was significantly upgraded, giving heads of state and governments of individual Member States a greater say in EU affairs. These efforts recognise that collaboration at the Union level and subsidiarity are closely linked. The legitimate desire for subsidiarity must be reconciled with the need for

collaboration among sovereign states. This will help cultivate a sense of ownership of the EU among its citizens. Collaboration at the EU level should be limited to issues and areas of work where cooperation is absolutely necessary for the promotion of the common good.

The changes resulting from the adoption of the Lisbon Treaty, however, did not have the desired result of creating a greater sense of trust among EU citizens. In fact, the European Union, originally a visionary project, is facing increasing doubts and frustration. The perceived democratic deficit coupled with the economic difficulties, leads to a situation where more and more people question the legitimacy of the EU and its institutions.

## **EU Losing its Appeal?**

*“Where there is no vision, the people perish. (Proverbs 29:18)”*

The current multitude of challenges facing the EU leads to a situation where the fundamental achievements and tenets of the Union are under threat. These include the single currency, open internal borders, access to welfare systems for EU citizens in the country where they live, and the EU as a peace project. The impression one gets is of an EU characterised by division, infighting, and the inability to frame effective responses to common problems. Rather than being perceived as part of the solution, the EU is seen by many as part of the problem. Never before in its history have tensions and divisions been so severe. A full-scale collapse of the Union is still unlikely but a partial unravelling and marginalisation of the EU currently looks like a distinct possibility.

Looking at it from a distance, the multiplicity of crises becomes part of a broader picture. For example, if you create a monetary union without shared economic institutions, fiscal policies and legal systems, you are bound to hit the wall eventually. Likewise, a passport-free travel zone without a joint coastguard and border controls cannot last forever.

The pattern emerges of an EU which has an innate tendency towards indecisive compromises and fair-weather constructions. Such an EU can unravel when pressures become too high.

The EU, with its complex systems of checks and balances, double-majority voting rules on some legislation and unanimity on others, was not constructed to deal with the emerging geopolitical and global economic crises. It was originally designed to deal with issues like negotiating trade agreements, implementing fair competition policy, conducting a Common Agricultural Policy, and disbursing structural funds. At present, the EU seems to be overwhelmed by the effects of global and regional military conflicts, the difficulties of effectively coordinating macroeconomic policy and addressing humanitarian emergencies within its own borders. Add to this recent terror attacks in Paris and Belgium, a (frozen) war in Ukraine, rows of people in front of soup kitchens in Athens, the body of a dead refugee child washed ashore on the Turkish coast, widespread anti-Islam and anti-immigrant sentiments, and large scale youth unemployment, and we see why the EU has lost its appeal to many of its citizens, and why the urge to re-nationalise policies and the call for more national sovereignty is gaining strength.

Today's Europe is characterised by a lack of vision and hope, and by growing fear. Fear of unemployment, decreasing future pension payments, climate change, terrorism, conflicts at the borders, migrants and refugees, loss of identity and loss of culture play an increasingly dominant role in daily thoughts. Many people see themselves as powerless and as victims of the processes over which they have no control. The present situation and prevailing mood presents a threat to the values on which the EU was built: peace, solidarity, unity in diversity, democracy, justice, the rule of law, human rights, freedom of religion and ecological sustainability. If the EU were to unravel, the common values on which it is based could be endangered as well. Therefore, it is not going too far to consider the present fundamental

challenges to the European cooperation project as a Kairos moment—a crucial moment of truth—for the future of the Europe.

## **EU at Crossroads**

Kairos moments and crises present dangers but also offer possibilities for choosing new ways forward. The present situation in the EU is serious but also offers an opportunity to re-imagine the Union. In this context, it is very important to listen carefully to the concerns and grievances that many people have about the EU. There is no future for the EU if no account is taken of the growing perception that developing common policies in the EU is hard to reconcile with the wish for national sovereignty. If people cannot be convinced that giving up some sovereignty can lead to more effective policies in confronting global issues, the EU will not survive. If people cannot be convinced that in an increasingly globalising world even the big European states are too small to be able to influence developments regarding the economy, social, and ecological sustainability and effectively stand up for human rights and human dignity, the EU as we presently know it has no future. If it cannot be clearly demonstrated that, on the whole, people are better off, materially and immaterially, in a body like the EU, the Union will lose its *raison d'être*. If the EU does not manage to enhance transparency in its decision making processes, the Union will continue to be vulnerable to accusations of being undemocratic. If people in the EU do not feel consulted or empowered by common EU policies, the Union will continue to lack the necessary appeal for its citizens. If people do not feel enough ownership of the EU, they will ultimately disown the Union.

The present crises offer an opportunity to readjust European decision-making mechanisms. Not everything needs to be handled by 'Brussels' but what is decided there requires democratic legitimacy. What matters, both at European and national levels, is finding ways of

listening to what people are actually saying. It seems clear that, irrespective of political point scoring, there is widespread public concern about the workings of the EU. People cannot understand how it works, voters do not feel consulted or empowered, and the results are therefore vulnerable to charges of being inadequate. Transparency and listening to citizens are of crucial importance for the future of the EU.

Another important issue is recognition of and respect for diversity. Throughout its history, there was never a homogenous (Christian) Europe, and the Europe of the future will also be pluralist. In the past, Islam has helped shape culture, especially in the Iberian Peninsula and parts of the Balkans, and during the past few decades waves of immigration have brought Islam and other religions to many parts of Europe. At the same time, we see a trend of growing secularisation, especially in the western and northern part of Europe. While parts of Europe have been moving towards greater unity, diversity remains a characteristic of the continent's identity. This diversity of cultures, traditions and religious identities must be respected, cultivated and even celebrated for the EU to have a future. The Union as a 'super state' is, certainly in the foreseeable future, not feasible, if it would be desirable at all. However, a Europe characterised by, and based on multiple identities would be a good basis for developing joint policies towards common issues, and for a win-win situation for all those involved.

Within the EU there appears to be growing disenchantment with the way the EU has evolved in recent years, resulting in a revival of national and regional sentiment as a counterbalance. However, outside its current borders the appeal of a community of peace, relative prosperity, human rights, and rule of law is more popular than ever. There seems to be a popularity paradox: while the EU has lost its charm for its own citizens, those outside are literally dying to join. From the protesters in Maidan Square in Kiev in 2014 who died in a hail of bullets wearing EU twelve star armbands, to the many refugees taking to unseaworthy boats to



cross the sea to reach our shores and taking a gamble that they or their close kin may only reach us in a shroud, and those camped out in cold and unsanitary conditions at the (for the moment temporarily) closed internal borders of Schengen. The level of devotion to, and desperation for reaching Europe or joining the EU is at an all-time high.

## **A Community of Values and a Soul Searching Project**

*“Believe me; we will not succeed with Europe solely on the basis of legal expertise or economic ability. If we do not succeed in giving Europe a soul... give it a spirit and a meaning, then we failed.”<sup>6</sup>*

– Jacques Delors

In 1990, the then president of the European Commission, Jacques Delors, felt that Europe needed a soul. Since then, churches on the continent have reflected on what this might mean and how they could contribute to this quest. Some 25 years later, the statement of Jacques Delors is very relevant again. Europe, and especially the EU, is faced with a number of interacting crises which pose serious challenges to the Union as a ‘community of values.’ Together, the values on which the EU is built—peace, solidarity, equality, unity in diversity, democracy, justice, the rule of law, human rights, freedom and ecological sustainability—could be seen as parts of a European soul. The Lisbon Treaty, signed in 2007, also clearly states that the European Union is based on shared values. Member Churches of the Conference of European Churches have always seen it as part of their task to promote values like those mentioned above in the public space, both at the European and national levels.

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<sup>6</sup> European Integration – A way forward? Churches in Europe contributing to Europe's future: framework and issues, CSC of the Conference of European Churches, Brussels, 2009, p.49.

Whereas CEC acknowledges that much can and should be done to improve the functioning of the European Union, we do not consider this a reason to disavow joint European cooperation, coordination and policy making as such. We are also convinced that the solution to the problems of the EU is not to draw up our bridges and hide behind our national borders. Europe tried that in the past, with disastrous consequences. Rather, the way forward is to search for ways to make the EU function better on the basis of the common values mentioned above. A community is not only based on laws and on rules but is also undergirded by values. In the case of the European Union these values are not exclusively Christian but they are deeply rooted in the Judeo-Christian tradition.

The emphasis on values was one of the reasons why CEC and a number of individual churches in Europe appreciated the Lisbon Treaty. Shared vision, objectives and values that go beyond the sphere of economics are of substantial importance. A search for common European values is indeed the road leading to goals that cannot be reached merely by economic growth, increased competition and institutional reforms. Jointly owned values can bring enthusiasm, trust, spirit, and vision to the European project. At the same time they can bring the Union closer to its citizens while also promoting a sense of identity.

Another way to bring the Union closer to its citizens is through vigorous application of the concept of subsidiarity. Subsidiarity—to make decisions at levels as closely as possible to citizens—is not the opposite of solidarity. On the contrary: subsidiarity relies on the idea that every institutional level within the Union should do what it does best and on the basis of solidarity. Only such an approach could enhance accountability and legitimacy; two concepts that, according to many people, are short in supply in the EU today.

## **The Role of Churches and of CEC in Europe**

*“The intrinsic value of each individual human being is of fundamental importance for the churches.”*

In discussing which values should underpin society at large in Europe, churches should apply a certain degree of modesty, being mindful of the ambiguous role religion has played in Europe during the past 2000 years. This role cannot be discussed in any detail here but some keywords to keep in mind are: crusades, wars over and between religions, inquisition, patriarchal structures, persecutions of witches, colonisation, slave trade and slavery, racism and fascism.

At the same time, it should not be forgotten that churches, in the course of history, have also played a positive role in European society, for example through their pastoral and diaconal work, setting up and running healthcare systems, hospitals, schools and universities. At times, churches and Christians have also played a prophetic role, such as in the case of issuing the Barmen Confession in 1934 against the Nazi regime and its attempt to implement the *Führerprinzip* (leader principle) in the protestant church in Germany. Churches have also often been in the forefront of the fight against racism and militarism, in caring for refugees and asylum seekers, the struggle against poverty and exclusion and more recently, in the quest for ecological sustainability. The intrinsic value of each individual human being is of fundamental importance for the churches. This reflects the understanding of the human being as made in the image of God and as a counterpart to God (Genesis 1:27).

From their own experience, churches recognise the tensions and conflicts that can accompany diversity. In their best moments, churches have overcome such conflicts because the sense of belonging was stronger than striving for disunity. In those instances, they put more emphasis on what unites than on what separates the churches. It is on the

basis of this experience and conviction that churches united in the Conference of European Churches dare to address issues related to unity in diversity on the continent of Europe. At the same time we are aware that Europe builds its identity in relation with other parts of the world. In this view, cooperation of churches with the World Council of Churches and developing of relations with regional ecumenical organisations in other parts of the world is of immense importance.

### **Faith in Action: Diaconia and Koinonia**

In a period where European values like solidarity and human rights are under threat, it is important that churches in Europe show, through their actions, how such values can be put into practice. Statements on issues like future of Europe are only credible if churches themselves try to live up to the values they promote.

From the very beginning of the Church, Christians have pursued their social agenda through diaconia (Eph 6:7; Cor 16:12-18; Phil 2:30).<sup>7</sup> It is a fundamental attribute of the Church and a guiding motive for its mission. Diaconia<sup>8</sup> is based on communication and participation, directed toward wider society, and toward the fundamental economic, political and cultural structures that shape life.

An important function of diaconia is working both with, and on behalf of, those whom it seeks to serve. This role encompasses identifying and challenging injustices at every level—locally, nationally and internationally. It means addressing the huge disparities of income and wealth which mark the globalised economy. But it also means advocating the cause of those who are excluded because of race, gender, faith, ability or age. It points to the need for all to change in order that all may live in dignity. “*Diaconia also has a ministry and a duty to address all*

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<sup>7</sup> European integration – A way forward?, Church and Society Commission of the Conference of European Churches. Brussels, 2009.

<sup>8</sup> Origin of the word is in Greek and means ‘service.’

*injustices covering the vast territory from unjust use of force to injustices against nature and God's Creation. Such activity goes back to the foundational values of modern culture and rests on our fundamental belief in the equality of people before God, and of people as made in the image of God.*"<sup>9</sup>

In church history, Christian diaconia (service) has always been understood as a contribution to the creation of a fellowship (koinonia) of solidarity, in the sense of a koinonia of persons (1 John 1,7). It is an expression of the fullness of the body of Christ. From a theological perspective, diaconia is inseparably related to koinonia. A local church can only fully realise itself when it is a serving, diaconal church. As the prominent 20<sup>th</sup> century theologian Dietrich Bonhoeffer (1906-1945) pointed out: *"The Church is only the Church when it is there for other people."*

The need for a common witness in civil society has been echoed on several occasions by the presiding bishop of the Evangelical Church in Germany (EKD), Heinrich Bedford-Strohm. He stresses that *"public theology and public witness, need to get much attention in our work."*<sup>10</sup> This view is echoed and focussed on Europe by Archbishop Michael, former metropolitan of Austria, who stated that, in critical times, churches are more than ever called to *"project their values in a broad society and exhort the responsible politicians to respect the human person created in the image and likeness of God. In order to do so, the churches should demonstrate an ecumenical responsibility, a common Christian testimony and a cross-confessional witness within Europe."*<sup>11</sup>

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<sup>9</sup> European integration – A way forward?, Church and Society Commission of the Conference of European Churches. Brussels, 2009. p.66.

<sup>10</sup> For example see his speech at the CEC consultation on the Pilgrimage for Climate Justice held at the Evangelical Academy Villigst in Schwerte (Germany), 15 October 2015.

<sup>11</sup> Archbishop Michael (1946-2011) former Metropolitan of Austria quoted in: European integration – A way forward?, Church and Society Commission of Conference of European Churches, Brussels, 2009, p.54-55.

## **Europe: A Common Home**

European identity has always presented paradoxical traits. On the one hand, the history of our continent has demonstrated a shared sense of belonging; on the other, it is equally evident that for many centuries the shared patrimony has always manifested itself in quite a plurality of forms, cultures, and languages.

CEC Member Churches come from diverse cultures and traditions. We know from experience that it can be difficult to deal with differences. At the same time, however, we know that we should not be afraid of differences and that 'unity in diversity' can be a successful formula if we focus on common concerns, respect and even treasure different identities by providing space for diversity and focusing on that which unites us.

CEC observes with concern that in the Europe of today common values are less in evidence. The EU today is at a stage in its history where serious questions can be asked about its identity as a community of values. Soul searching is required anew and with renewed intensity. Europe needs more than a common market. It has to include the question of identity and social relationships. The neglect of their importance over the past years led to Europe's current empty heart, driven by economic competitiveness and profit, equipping students and young professionals with high profile science degrees, but forgetting about a bigger goal than success and profit. The EU and Europe as a whole need once again a clear explanation about what its roots and goals are. The desire for more sovereignty can be understood but, in the view of CEC, sovereignty should not mean selfishness and closing one's eye for the legitimate needs of other people who are need of solidarity. Over and above sovereignty, CEC prefers koinonia to be the leading concept in the debate about the future of Europe. Koinonia focuses on how genuine communities, which are based on sharing, service and solidarity, can be created.

Even in communities based on the concept of *koinonia*, conflicts and difference of interests can be part of daily life. If the spirit of *koinonia* prevails, such conflicting interests can be fruitful because they are handled in a responsible way. Cultural and political diversity in Europe should not necessarily be seen as a threat to its unity but as a potential treasure and enrichment. The creation of a common Europe must not be based on an expansion of one particular lifestyle nor on imposing standards of one part of the continent on another. *“The process of developing a common Europe is certainly a process of developing a sense of European community . . . The true value of 'community' should be once again given importance in the European context. A natural feature of the 'community' is life in solidarity.”*<sup>12</sup> *“The biblical notion of multiple identities as it is introduced in Paul's letter to the Romans is something that can be further developed especially in the conditions on our continent.”*<sup>13</sup> Fruitful European cooperation can only succeed if it is based on dialogue, mutual understanding, respect for each other's history and culture, and learning from each other. *“The EU and, indeed, Europe as a whole, need to be clearly recognisable as a community of values; it must sharpen its social profile and give young people better prospects for their future. Europe needs to be a continent of reconciled diversity which confronts its worldwide responsibility.”*<sup>14</sup>

For CEC, the choice for the future of the EU is not between a full blown federalist system on the one hand, and a patchwork of independent states hiding behind their draw bridges on the other hand. Each issue and policy has to be judged on its own merit in order to assess where 'more Europe' or 'less Europe' is necessary. The main criterion for making such an assessment is the question which policy is most

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<sup>12</sup> CEC/CSC: Churches in the Process of European Integration, Brussels, May 2001, p.14.

<sup>13</sup> *Ibid.*, p.15.

<sup>14</sup> Statement of the Council of the Evangelical Church in Germany (EKD) on the situation of Europe, 23 April 2016.

effective for enhancing the quality of life in Europe and in the world as a whole. In this broader view, an EU operating at different speeds is feasible. An EU *à la carte* with members continually opting in and out of joint policies is not desirable and would be unworkable. It is possible, however, that a core group of Member States decides to pursue further integration of policies while others prefer not to go along. For example, in our view not all Member States have to agree on detailed political issues such as joint monetary policies. It is, nevertheless, crucial that policy decisions are based on fundamental values that unite countries in the EU. Such values should not only apply to the EU but should extend to Europe as a whole.

To address the current pressing problems in Europe and to respond to all the practical challenges, we need vision and commitment, and the cooperation of all available forces; public and private sector, politicians and civil society, and also churches and others motivated by faith and conviction. Cooperation and dialogue are essential principles in this respect. In order for our dialogue to become more than a mere cultural exchange, politicians of the European Union, as well as the wider public were reminded by the Ecumenical Patriarch Bartholomew during his visit to the European Parliament that *“there must be a more profound understanding of the absolute interdependence—not merely of states and political and economic actors—but the interdependence of every single human person with every other single human person.”*<sup>15</sup>

For CEC it is crucial to strive for peace with justice in Europe, as citizens and as churches. We can achieve this only when we join forces. The process of joint policy making based on shared fundamental values, which has been promoted by many churches and their members must continue to serve its purpose—the fruitful management of relations between interdependent nations to the benefit of the common good in

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<sup>15</sup> Ecumenical Patriarch Bartholomew, European Parliament, Brussels, 24 September 2008



Europe and in the world. The churches in Europe, with their broad-based membership and ecumenical structures, are in a good position to encourage people to strive for a common European house with commonly shared values as its foundation.

In 1989 at the first European Ecumenical Assembly in Basel, the concept of a ‘common European home’ played an important role. The Basel Assembly set up something like ‘house rules’ for the European home:

- the principle of the equality of all who live there, whether strong or weak;
- recognition of such values as freedom, justice, tolerance, solidarity, participation;
- a positive attitude towards adherents of different religions, cultures and world views;
- dialogue instead of resolving conflicts through violence.

CEC believes that these words are still very relevant for the situation in which Europe finds itself today. They continue to inspire us, both as a vision and as an urgent agenda for the citizens and the politicians on our continent.

Europe needs both vision, as well as clear acknowledgment of our roots. The Union needs to provide for people living there a home offering the place, as well as the space. In this regard it may be helpful to make a distinction, proposed by the former President of the EU Council Herman van Rompuy:

*A place—‘ein Ort’—brings protection, stability and belonging. It is ‘ein Heim’, where people feel at home. A space on the other hand ‘ein Raum,’ opens up movement and possibilities. It is about direction, speed and time. As human beings, we need both. A space in which we fly, and a nest we can call ours.*

*We are very simple creatures! With Europe, the focus has always been on space.*<sup>16</sup>

The European Union cannot survive as a beacon of hope if the law of the market is the only guiding principle. We have to recapture the spirit that inspired the founding fathers—including reconciliation, forgiveness, solidarity, human dignity with equal respect for all. The multiple crises that Europe is currently facing are not as great as those suffered after the end of the Second World War, and yet competing interests seem to be paralysing an effective common response. A society that is not a community will fall apart. We call upon all people of goodwill, whatever their creed or conviction to join in the struggle to overcome petty differences and be willing to put the best interests of the continent as a whole—both its longstanding citizens and those arriving as new residents—before sectional interest and afford to all the dignity merited by fellow human beings, creatures made in the image and likeness of God.

## **Our Call**

In evaluating the current challenges people in Europe have to face, in the spirit of the Charta Oecumenica and responding to the call to a Pilgrimage of Justice and Peace of the World Council of Churches, the governing board of CEC:

- Issues this open letter to churches in Europe on the situation in the continent, which outlines its vision of Europe with regard to the EU and shares its concerns about the future of this historical European project in the present circumstances;
- Reaffirms its understanding of the EU as a community of values pursuing human dignity, peace, reconciliation, justice, the rule of

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<sup>16</sup> Herman van Rompuy in his speech on 4 December 2014 at the occasion of launching the new headquarter of CEC in Brussels

law, democracy, the respect for human rights, solidarity and sustainability;

- Encourages CEC Member Churches and all Christians in Europe to step up efforts in making such Christian virtues as respect for others, solidarity, diaconia and building up a community more visible in public life;
- Calls churches in Europe to an intensive discussion on the future of our continent, the role of the European Union and our vision of shared values.
- Invites CEC Member Churches and partner organisations to react to this letter; considering the specific situation in different parts of the continent, we invite churches to be part of a consultative and participatory process leading to the next CEC Assembly in 2018. We appreciate receiving your contributions highlighting your specific experiences and concerns related to the European project. We also appreciate reflection on the role of the churches in this historical moment, and in shaping the vision of a European home, as well as questions arising from these discussions.

# **SEEKING JUSTICE AND PROSPERITY FOR OUR COMMON FUTURE**

## *European Economic Governance: A Dialogue between Theology, Economics and Politics*

### **Introduction**

This position document was adopted by the Governing Board of the Conference of European Churches on 25 November 2016. It is a contribution to the EU wide discussion on the future of European economic governance.

The document has two aims. First, it seeks to be a reflection of the Conference of European Churches on the relationship between economy, politics, ethics and theology. Second, it hopes to develop a pointed contribution to the discussion on European economic governance, as it was shaped in the follow up of the economic and financial crises and how this was addressed within the EU. The European Commission plans to present a White Paper in spring 2017 outlining the next steps toward a deeper and fairer economic and monetary union. Through this position paper, CEC hopes to contribute to the discussion of this issue.

The submitted CEC document discusses the impact of the recent economic and financial crises and the way the crises were managed by existing EU instruments. Our concerns relate primarily to two major problems facing the economic agenda in Europe: deepening income and

wealth inequalities and an unsustainable rise in sovereign and private debt. Growing and increasingly unhealthy mutual dependencies between the financial industry and governments accompany these dilemmas. The situation makes some economists and philosophers ask if we are facing a crisis of globalised capitalism.

Through theological reasoning, the Conference of European Churches explores the specific issue of the coexistence and mutual influence of politics and the economy. Our Christian perspective speaks to the inseparability of ethics and economy, with an emphasis on the core values that have undergirded the European project since its beginning. These efforts form a contribution to a wider and more academic discussion on the relationship between theology, ethics, politics, and economy.

It is an undeniable ethical challenge that the political and economic structures of this world seem to always serve the interests of the wealthy and powerful, against the weak and the poor. That 90% of the world's resources are held by just 10% of its people is an unequivocal indication of how development is not going toward a more balanced direction. This logic between wealth and poverty in this world requires an inertia of violence. One expression of this violence is the way the European Union and our countries in the Union try to keep the poor out of our so-called welfare societies: with walls and fences, and mechanisms to expel those who made it in. The perpetual shameful treatment of the Roma, a trans-European ethnic minority, speaks of a similar culture of marginalizing the poor, rendering them invisible and inaudible. The poverty and marginalization are always amplified if you are a woman or disabled, or if you belong to a discriminated against religious, racial, or ethnic group.

Recent economic and financial crises hit the Union and many of its citizens in a hard way. The EU contributed to calming the immediate consequences of the crisis through several initiatives. These need to continue. Individual EU countries are too weak to address these

challenges alone. Though prepared better now than a few years ago, the Union still does not yet fully command effective European structures for managing economic and financial governance.

A critical question from the churches' concrete experience is whether the measures undertaken by the Union were correct. As a result of several years of austerity, many European families carry excessive burdens in their daily life. Unemployed young people cannot see beyond a horizon of hopelessness. Churches have been active in responding to these situations. They provide social services to the needy, especially in countries most impacted by economic hardships. They offer assistance to refugees in places where it is most needed. Churches have come up with many concrete ways that help those in most dire need, providing food, basic services and offering counselling and pastoral care. Churches in many countries also react to these challenges by raising their voices through public statements.

In order to realistically grasp the situation of the world, we need to listen to the majority of humankind—the poor. According to many spiritual writers, to be truly Christian we need to learn from the poor, to become poor. In the Gospel and the tradition of Christian spirituality and service we find the axiom that has been called *God's preferential option for the poor*. To see the world from the point of view of the Gospel, we need to look at it from the margins, from the point of view of the poor, and not from the centers of power and capital. Such an approach challenges the order of this world. The Church Fathers and Mothers do not present theories of economy or political ideology, rather they demand justice for the poor and the downtrodden in a concrete way. According to them the urge to possess and own is a very dangerous passion, like a demonic addiction. According to St. John of Damascus, all other temptations have their limits, but this one is never satisfied, it wants always more and more. Thus, the doctrine of perpetual growth as the basis of the global economic system is unsustainable according to

the Christian faith. The same challenge bursts out in an alarming way in the natural environment. The teachers of Christianity call for repentance, to change our way of thinking and our way of life.

Churches do not have ambitions to be political actors. They do, however, express through theology their concerns and are part of a broad and diverse dialogue in a pluralistic society. Christian discussion of economy is linked with the message of the Gospel, which in Patristic terms is called the Economy of Salvation. To give voice to the voiceless, the poor, is an essential dimension of the churches' mission in society. With this priority in mind, the churches can engage in a real dialogue about the EU's economic governance and contribute to it with their essential message. While the focus of this position document is on the European Union, the constituency of the Conference of European Churches is much broader geographically and politically. Our concerns, therefore, have wider implications and recall the responsibility of the EU for those that lie outside its borders. To this end we offer this document for wider consideration and as a contribution to a pressing and much needed discussion for the whole of Europe.

Fr Heikki Huttunen

*General Secretary*

*Conference of European Churches*

# **EXECUTIVE SUMMARY AND POLICY RECOMMENDATIONS**

## **1. Why Churches Raise Their Voice on European Economic Governance**

*The European Union is one of the major projects of hope and vision initiated on our continent in the last century. The vision of the Union incorporates in many ways a path towards a peaceful and sustainable future based on overcoming divisions through dialogue and cooperation. This has been anchored in the European treaties from the inception of the project. The vision and the founding idea of the European project is based on a conviction central to the core documents of the Union: that economic order and economic functioning must serve the fulfilment of human needs and ends, and the flourishing of human beings as they live out their calling.*

*Since its initiation, the primary driving force for building up the EU has been the achievement of goals that reach beyond economic cooperation. The pooling of resources is an effective instrument for achieving goals beyond the narrow scope of economic prosperity. These include fighting poverty, exclusion, and exploitation through the creation of an area of wellbeing for all. Complementarity and mutual dependence of economic and social development is not just an ideological or political aspiration; it is an expression of the basic need for the healthy development of any society. The European Union is determined to raise the*



quality of life for its citizens. In the last few decades this includes increasing consideration of how economic development and the ecological limits of our planet are intrinsically linked. Efforts for sustainable production and consumption, for a sustainable society, fall naturally among the basic objectives of the Union even though they were not explicitly mentioned during the first decades of the project. They clearly belong there, however, being a natural corollary of the original aims upon which the EU was built.

*Effective economic governance can properly function only within this perspective. An appeal to humanity and solidarity, demonstrating the human face of a Union attentive to the world and nature around, must not stand in opposition to economic prosperity.* The EU must not lose touch with its fundamental values, as established in the first articles of the Treaty on European Union.<sup>17</sup> Our world has never been more prosperous and, at the same time, more inequitable than it is today. Inequality has reached a level that we can no longer afford to ignore. The one-sided belief that social benefits automatically follow from economic growth (GDP) is misguided. Economic growth without constraints strangles the flourishing of our own natural habitat. The EU is inevitably part of an increasingly interconnected world with growing power for international economic actors. The effective regulation of markets must be cross-border as well. In practice, however, the structures and mechanisms needed to deliver this successfully are often absent. Business globalises much more easily and quickly than the regulatory framework that ensures that the market environment serves the common good. These multifaceted effects of globalisation cannot be overlooked. With respect to globalisation, the EU is playing a dual role. The Union is one of the prominent active players on the global economic scene and consequently faces increasing pressures from other global economic actors, including transnational corporations and banks. At the

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<sup>17</sup> Articles 2 and 3 of the TEU

same time, the Union is challenged by its own guiding principles to counteract the negative impacts of globalisation by upholding justice, fairness and the protection of the weak.

*Currently the European project is facing a difficult time.* Outcomes of the UK referendum radically affect the view of the EU from a British perspective and raises far reaching questions about the functioning and future of the Union as such. Although the factors behind individual voters' decisions in the poll were varied, it is clear that feelings of disillusionment with the EU after 40 years of membership were widespread. This feeling is not confined to the United Kingdom; similar opinions are increasingly present in several other EU Member States. These are a serious threat to any model of a continuing, geographically broad-based EU. The refugee crises, coupled with the inability of the Union to work out in a reasonable time a consistent policy package around which all its Member States could unite, poses another challenge to the cohesion and long-term perspective of the European project. There can be no doubt that the perception of the refugee crises played a significant role in the decision of many UK voters. The new reality which the EU faces is characterised by a growing lack of trust in the European project among its citizens, especially among the most vulnerable groups in the EU Member States.

*The EU is faced with diminishing trust towards the project among its citizens.* The achievements of an increasingly globalised economy together with progress in some EU-managed policy areas brought many positive results. They failed, however, to deliver the promised benefits to significant segments of society. The debate around steps towards European economic governance, joint resolution of economic crises, a banking union, and so on, demonstrated substantial structural weaknesses in the EU. These steps have been accompanied by worsening living standards in several EU Member States. Increased poverty and household indebtedness, as well as growing inequality have become a reality

for many. Rhetoric around the UK referendum on the EU reinforced the widespread assumption that EU migration rules have worsened the impact of the economic downturn for many economically less mobile communities.

*Human, social and natural capital is the precondition for achieving economic objectives.* GDP growth is an almost unquestioned parameter in making decisions about many other policies. Economic targets aiming at GDP growth, efforts to increase competition and enlarge market areas have become central to the dominant mainstream policy. This often comes at the expense of human, social and natural capital, and leads to the breakdown of social cohesion as currently witnessed across Europe and beyond. There is a need for reflection about how to make our policies and our politics more humane and compassionate.

*The situation in Europe cannot be treated in isolation from other parts of the world. There will be no peace and no prosperity in European Union if Member States continue to feed conflicts and participate in the exploitation of societies in other parts of the world. There will be no peace and no prosperity if economic policies continue to be accompanied by growing social inequalities and growing fiscal as well as ecological indebtedness.* Tax havens, centres of financial and commodity speculation, vulture funds and irresponsible lenders are based in the EU but the damage they cause is global. Different aspects of the ecological, financial, and debt crises reinforce each other and cannot be treated separately any more. Widespread migration, caused not only by war and conflict, but increasingly by poverty and climate change, affects life in the EU more and more. People who have been submerged into poverty, driven into overwhelming debt, marginalised, and displaced are crying out with a greater sense of urgency and clarity than ever before. Moreover, citizens of the Union do not feel represented by the European Commission, whose members are not elected but appointed. The future of the Union depends on increasing accountability and transparency,

listening to citizens, and creating possibilities for participation. Taken together, such developments will be capable of cultivating a sense of ownership and filling the void which is giving rise to increased Euro-scepticism.

*Considerations on economic governance in Europe as presented in this document are developed by the churches against the background of their theological convictions.* Churches articulate the socio-ethical and economic consequences emerging from the confession of the Christian faith. Through an emphasis on the core values underpinning the European project, they shine a light on the close and inseparable link between economics and ethics. From these Christian values emerges the imperative to give a voice to the voiceless, which is a principal task of churches in society. Upholding the Gospel message, churches promote the vision of a just society with an emphasis on supporting the poor, those on the margins and those who are cast out of mainstream society. With this priority in mind, churches can engage in a real dialogue about EU economic governance and contribute to it with their essential message. These considerations are not without a broader context. Churches are part of a pluralistic society and present their specific concerns while upholding values of mutual respect between different societal, religious, and faith communities. In an effort to contribute to public discussion, CEC Member Churches underline the importance of ecumenical work, in which the Christian faith is presented by churches with different histories and sometimes different socio-ethical consequences. This constitutes collaboration on the way to unity.

*There is a long tradition of Christian thinking on the economy.* In developing approaches based on Jewish roots this tradition goes back to the first Christian communities and their vision of creating a just society in the midst of injustice, poverty and deprivation. Centuries and millennia later, churches in Europe continue this work. Many CEC Member Churches have published comments and statements on the financial

sector crisis and the broader social impacts of the global economic crisis.<sup>18</sup> As the Christian tradition in this area unfolded, different aspects of biblical teachings were accentuated and different theological interpretations were advanced. These were influenced by external factors, including social and political realities. Different ecclesial traditions may emphasise different aspects of Christian teaching in discussion of the economy, nevertheless it can be argued that there is a set of guiding values and principles characteristic of the understanding that unites a variety of Christian traditions, including Orthodox, Protestant, and Roman Catholic. These will guide the approach of this document.

*The Conference of European Churches (CEC), being a community and a pan-European broad network and fellowship of churches of different confessions and representative of many Europeans, is concerned about the recent economic and social developments in the EU. This document follows up on previously articulated concerns and reflections. CEC now offers it as a contribution to a wide-ranging discussion on the future of European economic governance and the future of Europe.*

## **2. Churches' Perspectives on European Economic Governance: Challenges and Recommendations**

### **2.1 Human Beings Do Not Live by Economics Alone**

*Competition and social targets act as joint and mutually supportive objectives. How to strengthen of the role of ethics aiming at the common good in the overall socio-economic and political narrative?*

The economy has to serve to increase the well-being of all within the limits of ecological boundaries, to contribute to a just and fair society, to

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<sup>18</sup> An overview is available at: <http://csc.ceceurope.org/issues/eu-financial-and-debt-crisis/>

promote freedom, to act responsibly and seek peace through economic stability and to strengthen communities. In its origins, economics was seen by some thinkers as a part of moral philosophy. Competition needs to be complementary to cooperation, profit to altruism, the self to the neighbour, and so on. Solving this problem starts with anthropology is indeed the major weakness of the *homo oeconomicus* is that this is not taken into consideration. There is, therefore, a role for moral arguments in the tension between strictly economic objectives (e.g., competitiveness and profit) and broader social objectives (e.g., cohesion and well-being). This guards against treating social and ecological objectives as nothing more than externalities to economic aims.

The concept of the European Union in itself represents a shift from the historical competition of national state economies towards a political, economic, and social paradigm. This is based on the cooperation of states and citizens aiming at a just and fair society. Therefore, when it comes to implementation, sound institutions and redistribution systems ensuring fair competition and appropriate taxation are needed to foster social relationships and solidarity at all levels. Although, admittedly the competence of the EU in this particular area is limited, fair and efficient economic governance requires fair taxation, fair rules for taxing international companies (as demonstrated by recent steps of the EU),<sup>19</sup> fighting tax havens and curbing the power of the financial industry.

Policy recommendations:

- The ethical dimension of policy decisions, balance, and complementarity in sometimes conflicting economic objectives (e.g., competitiveness and profit) and broader social objectives

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<sup>19</sup> EU Action plan: A Fair and Efficient Corporate Tax System in the European Union: 5 Key Areas for Action, Brussels, 17.6.2015, COM (2015) 302 final. In the framework of this action plan the European Commission concluded in August 2016 the investigation on undue tax benefits of the state in an amount up to €13 billion to Apple in Ireland.

(e.g., cohesion and well-being) need to be upheld now, as they were in the early times of the European project.

- Appropriate implementation and prioritising of the ‘social clause’ of the Treaty on the Functioning of the EU: *In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health* (Article 9 of the TFEU).

## **2.2 In Search of the European Common Good, Social Cohesion and Welfare**

Historically, unity was driven by the quest for reconciliation. In our contemporary times, this quest must be imagined anew. Europe has to find a way towards respect and appreciation for its richness in diversity. Diversity is a positive phenomenon. It can be a helpful corrective in the face of dominant ideologies or excessive concentration of power. On the other hand, it is necessary to keep unity aiming at the achievement of the common and shared good. The EU is a visionary project with benefits and risks, gains and losses, requiring sacrifice along the way, but the recent crisis resolution measures have exacerbated the already missing element: a common perspective. This must go beyond a vision of prosperity. Prosperity must not be an aim in itself, but needs to have a broader purpose. Therefore, we call for reinforcement of a narrative of the European common good and a common narrative on the servicing role of the economy as related to crises in the Euro area.

### Policy recommendations:

- Reinforcement of the narrative aiming at the European common good and quality of life.

- Reinforcement of trust in common aims, which need to go beyond economic aspirations, wealth and prosperity.

### **2.3 Reinigorating Subsidiarity and Proportionality**

The European Union is a common effort by participants to benefit from thinking and acting globally on global issues and locally on local issues. Due not least to its global impact and linkages, effective European economic governance also needs to become more politically integrated. On the other hand, the lack of a common public sphere and public identification with the EU is a serious constraint in improving the EU's capacity to promote fair and just societies. The issues of accountability, transparency, listening and participation described above are instrumental in discussions about the future of the Union.

While current pressures in the Economic and Monetary Union (EMU) for economic governance may focus largely on more integration, more discussion is also needed on regionalisation. This might extend as far as the re-nationalization of certain EU policies if the judgement is that their placement at the EU-level has not worked. Most importantly, no dichotomy should be allowed that promotes two competing visions of the EU: one as a one-way street toward federalism and the other as implosion if a political union does not materialise. We call for a return to balanced subsidiarity thinking in a contextually sensitive manner and the identification of ways forward towards fair and functioning multi-level governance.

#### Policy recommendations:

- To improve possibilities and strengthen incentives for citizens' participation in defining common aims for Europe.
- Renewed emphasis on acknowledging subsidiarity as a guiding principle leading to an effective system of EU governance and



paving the way to developing governing structures based on functioning subsidiarity.

- To strengthen the visible role of the national institutions of EU Member States, going beyond participation by national leaders and sectorial ministers in different constellations of the EU Council.
- To encourage an EU-wide discussion about a balanced subsidiary structure of governance which acknowledges the need for integration in specific policy areas but also the role of all democratically elected institutions at other levels of governance.

#### **2.4 Seeking a Legitimate and Effective Monetary Union: the Importance of Social Performance and Trust**

In the absence of a (federal) government at the EU level, the EMU remains for the foreseeable future a multi-level mixture of voluntary cooperation and federal executive-type decision-making structures. A long-term shared narrative needs to emerge in order for EMU to move forward. The Euro is an unfinished project; in the absence of new measures we can therefore expect regular ‘flare ups’ of crises around the common currency. The EMU faces two concurrent challenges: how to reduce overall risk and uncertainty, thus delivering shared stability and prosperity (effectiveness) while at the same time enjoying the acceptance of the people (legitimation). Crucial initiatives such as the banking union prove that overall risk reduction is possible both through risk sharing and also appropriate risk prevention. If the EMU is to be deepened, this can only happen through more effective accountability structures as well as more effective social policy coordination.

Policy recommendations:

- Deepening and stabilizing of EMU through more effective accountability structures as well as more effective social policy coordination.
- Strengthening financial supervision and regulation so that the people of Europe do not keep having to foot the bill. Completing the Banking Union is crucial.

## **2.5 Addressing Over-indebtedness and Financial Dominance**

Indebtedness of both the public and private sectors is a serious challenge in the EU, and it has worsened as a result of the crisis. While, from a micro-economical point of view, indebtedness is a phenomenon that is certainly to some degree inevitable, its duration and nature should be temporary and sustainable, since otherwise it becomes dangerous. This also reflects the Biblical ethos, which tends to view indebtedness as a negative phenomenon when it establishes an oppressive relationship from the creditor to the debtor. From a macro-economical point of view, indebtedness in itself is not only present but indeed a strong prerequisite for the functioning of the economy. The issue of debt is closely related to innovations and liberalization policies in finance reaching back a few decades. Despite recent regulatory efforts, an underlying systemic challenge remains the relative size of the financial sector as a whole.

From a moral perspective, there is a lot at stake. We have witnessed a financialization and commercialization of human interactions as more and more social interactions have been transferred into the realm of the market, using money as a central valuation metric. The moral argument needs to extend into the quest for solutions. In terms of limiting over-indebtedness, debt restructuring and debt forgiveness need to be real alternatives. In conjunction with restorative and restrictive policies in the financial sector, we call for a true reform of the banking sector. Our

key recommendation is therefore to increase capital requirements and to create incentives for equity-based financing rather than debt-based financing.

Policy recommendations:

- Debt restructuring and debt forgiveness need to be real alternatives.
- To end overproviding liquidity which promises quick returns within the financial sector and to re-direct it towards entrepreneurship and innovation.
- A reform of the banking sector including:
  - A reconsideration of regulation in the banking and finance sectors;
  - Banks serving the routine needs of small customers should be separated from banks engaging in global investment activities;
  - Banks enjoying de facto lender of last resort guarantees should have to accept some obligations to wider society that are not necessarily expected of purely commercial operations which have to bear their own risks of failure;
  - To guarantee access to credit for the most vulnerable parts of society.
- To intensify steps towards introducing a Financial Transaction Tax (FTT), a Financial Activity Tax (FAT) and ending the exemption of financial services from VAT.
- To adopt EU-wide rules to establish publicly accessible registries of the beneficial owners of companies, trusts and similar legal structures and establish a Eurozone tax information system.
- To increase tax transparency by adopting provisions for full country-by-country reporting for all large companies and ensuring that this information is publicly available.

## **2.6 The Urgency of Reducing Inequality, Fighting Poverty and Promoting Meaningful Employment**

A central challenge for EU economic governance is to reinvigorate solidarity in combination with responsibility and accountability. From a Christian point of view, the economy does not exist for its own sake. In the medium and long-term perspective, a widely unequal distribution of income and wealth which disadvantages the poor, thus keeping them poor, cannot be accepted. Apart from primary and secondary inequalities, current trends in wealth and income inequality are alarming. A thorough distributional analysis should accompany all economic policies and reforms.

### Policy recommendations:

- In order to curb inequalities that go beyond an acceptable limit for a healthy society and inequalities which endanger societal cohesion, the EU should promote the impact measurement of social and economic progress on social cohesion. To facilitate this effort, EU institutions need to work together to improve the measurement of the social impact of economic solutions and decisions and to streamline all policies with the aim of strengthening social cohesion and the reducing economic and social inequality.
- To adopt an ambitious European Pillar of Social Rights, which seeks for a levelling up of employment and social standards, and promotes social cohesion; and to monitor its implementation continuously.
- Pursuing an employment policy which provides meaningful employment with jobs for everybody and reduces precarious jobs.
- Continue progress towards the 2020 target to reduce the number of people living at risk of poverty by 20 million.
- To adopt social investment as an investment pillar, to be defined not as a cost, but as investment in a sustainable and inclusive fu-

ture for European societies. Social investment should therefore be a part of the investment plan for Europe, supported by its fund.

## **2.7 Towards a Sustainable Economy; Diversification of the Economic Growth Orientated Approach**

The current economic paradigm is not sustainable in the long run. If the vision of a sustainable economy replaces the reverence for quantitative economic growth, then the GDP will no longer be the main guide for organizing and orienting economic governance. The debate on what type of economic concept could be developed to orient the EU towards a sustainable economy should be included in shaping the concept of EU economic governance. A crucial element of such a concept is consideration of externalities of economic progress.

It is increasingly clear that the idealised model of the economy, which treats social and ecological costs as externalities, is not viable. The economy together with social and ecological aspects forms a triad that cannot meaningfully be split up. Such a vision focusses on the transition to a sustainable economy. It also recognises that growth of the economy beyond a certain level hardly increases well-being and quality of life. It could be called an 'economy of enough.' A transition towards a society having the ambition to guarantee a good life for all, both now and for future generations, might need a form of economic governance that is oriented not towards growth and efficiency, but towards combining an efficient economy with caring and solidarity. Re-focusing of this kind is not possible without a broad discussion.

### Policy recommendations:

- To stimulate a broad discussion on a sustainable economy that prioritises quality of life over quantitative growth tied to the

GDP. This includes discussion of the internalisation of external costs as necessary parameters for a sustainable economy.

- To develop political strategies for governance of a society without further economic growth or with very low growth rates.



# SEEKING JUSTICE AND PROSPERITY FOR OUR COMMON FUTURE

*European Governance: A Dialogue between  
Theology, Economics and Politics  
(Full text)*

## **1. Churches Raising their Voice on European Economic Governance**

### **1.1 Background and Churches' Concerns**

Decades ago, the European Union started out as a visionary project of peace and reconciliation. Though the economy played a central role in this work, the primary driving force was the urgent call for mutual respect, trust, and solidarity following decades of devastating wars. One of the founders of the European project, Jean Monnet, expressed this basic conviction powerfully: “*We are uniting people*”. Over the course of time, the economy has become an increasingly dominant concern. At a specific moment of its development, the European Union expressed its goal as follows: to become “*the most competitive economy in the world.*”<sup>20</sup> Today the EU is facing exactly the opposite challenge. What

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<sup>20</sup> The European Council conclusions of the meeting in Lisbon in March 2000, which adopted ‘Lisbon strategy,’ an action and development plan for the economy of the European Union between 2000 and 2010 which set the specific objective the EU economy has to achieve by 2010. The Council agreed that: ‘The Union has today set itself a new strategic goal for the next decade: *to become the most competitive and dynamic knowledge-based economy in the*



started as a project of peace and reconciliation is nowadays prompting increased disillusionment. Disconcerted questioning resonates in European societies, and this is found among churches as well as among individual Christians across the continent. The economic, financial and refugee crises are symptoms of this unease about the common future.

*There are three lines of argument demonstrating that the European Union is more than 'just economics'. The first is historical: the yearning that there should be no more wars in Europe.* The founders of the 'European project' were driven by the longing to create a system that would make it possible to resolve emerging conflicts in a peaceful way. Economic integration was identified as an important step in the right direction. More importantly, the European project has become a framework for people to come closer to one another, to get to know each other better, to travel and visit other countries, to learn their languages and to become acquainted with their culture. This underscores the fact that there are common roots which link citizens of other European countries with their own culture. This has been the decisive step in developing a shared understanding of the 'common good' of Europe, which clearly reaches beyond an economic perspective.

*The second line of argument is linked with the task of the European Union to help European nations fight poverty, exclusion, and exploitation by building an area of well-being for all.* The European Union should strive to raise the quality of living for all. To reach this goal, economic development is needed. This must, however, be accomplished in a balanced way so that the benefits of economic development are distributed not only to the rich but to all people in participating countries. Social development and economic development have to be coherent.

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*world, capable of sustainable economic growth with more and better jobs and greater social cohesion.'*

[http://www.consilium.europa.eu/en/uedocs/cms\\_data/docs/pressdata/en/ec/00100-r1.en0.htm](http://www.consilium.europa.eu/en/uedocs/cms_data/docs/pressdata/en/ec/00100-r1.en0.htm)

*The third line of argument is oriented towards the future and the aim of a transition towards a sustainable society within planetary ecological boundaries.* Seen from this perspective, the economy in rich countries is not sustainable; their ecological footprint is much too high. This transition cannot be accomplished by any country alone; it requires strong collaboration at an international level. If planetary ecological boundaries are to be respected, the 'common good' can be seen as the natural capital that humankind has at its disposal, and that can be used within ecological limits.

*The vision of the Union incorporates in many ways a path towards a peaceful and sustainable future and towards overcoming divisions through dialogue and cooperation.* This has been instilled in the European Treaties since the inception of the project. The Treaty on the European Union (TEU) from 2009 stipulates that: *The Union's aim is to promote peace, its values and the well-being of its peoples* (Article 3.1). *The Union shall promote economic, social and territorial cohesion, and solidarity among Member States. It shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced . . . It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples...* (Article 3.3). The European vision as formulated in the TEU does not see economic prosperity and material wellbeing as ends in themselves. Their value is merely instrumental, having the function of tools to achieve aims that go beyond the economic sphere. The desire for economic growth alone should therefore never be the master of our lives. Instead, economic order and economic functions must serve the fulfilment of human needs and ends, the flourishing of human beings living out their callings.

*Churches have been contributing to the discussion about developments in Europe from the very early stages of the integration process.* They have been led to participate and contribute because of the character

of the project, namely that European development has been framed in terms of much more than economic development. The motto of Jean Monnet, who was referring to building of '*de facto solidarity*', was not only inspired by Christian teaching but it also found resonance with the churches' involvement in the project as reflected in Christian ethics and Christian understandings of society. A number of churches in the EU have developed structures for dialogue with national governments, as well as with regional and local structures of governance. Through these structures, they argue for the common good and present their concerns and their ethical arguments about the functioning of society, and they side with the marginalised and deprived. Ecumenical organisations such as European Ecumenical Commission for Church and Society (EECCS) and the Church and Society Commission (CSC), both being predecessor bodies to the Conference of European Churches, as well as CEC in its current form have played their part at different stages of the process. Similar involvement has been observed in the Roman Catholic Church, especially through participation in the European project through COMECE. At the present moment, the EU considers churches as partners in discussing a variety of aspects of European developments. In these fora, the churches argue for a vision of a just society, and the EU benefits from their first-hand experience with poverty and the marginalised as they are often providers of a wide range of social and welfare services. The structural framework for dialogue between churches and religious associations or communities on the one side and the EU on the other is formulated in article 17 of the Treaty on the Functioning of the EU. This article stipulates that in recognising their identity and their specific contribution, the Union shall maintain an open, transparent and regular dialogue with churches and religious associations.

*Recent developments in Europe have taken place in an overall global context in which the economy is presented as the main driving factor of society.* Impacts of economic crises, deficiencies in European economic

governance and the inability of the Union to react adequately and jointly to the refugee influx are just the most visible symptoms of deep-seated problems. The EU is failing to be the project of average Europeans, who are often confronted with the negative consequences of different policies. These same citizens lack clear and accurate information about the overall vision and the driving forces that determine these processes. More than ever, it is time to remind people of the prophetic voice of the former President of the European Commission, Jacques Delors, calling for a soul for Europe and warning that if the Union is not capable of inspiring the hearts and minds of its citizens, it will fail.<sup>21</sup>

*Churches in Europe are concerned about the situation of ongoing poverty and exclusion that are not unrelated to the economic prosperity of the EU.* Despite the overall increase in wealth, there is persistent and in some places deepening poverty in Europe. Inequalities are growing. At the same time tax havens, centres of financial and commodity speculation, vulture funds and irresponsible lenders are based in the EU and cause damage far beyond. Various aspects of the ecological, financial and debt crises are interrelated and often exacerbate each other. The migration movements have been caused not only by wars and conflicts, but increasingly by poverty and climate change. More and more, they are part of daily reality in the EU. People who have been submerged into poverty, driven into overwhelming debt, marginalised, and displaced are crying out with a greater sense of urgency and clarity than ever before. A number of individual churches across the continent have raised their voices on different occasions in recent years expressing their concerns over the impact of economic crises and EU economic policies. Churches in Europe are cooperating intensively with churches

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<sup>21</sup> At the meeting with the church leaders in November 1990, J. Delors used the phrase 'soul for Europe' as a metaphor indicating the need for the Union to find the way to the hearts and minds of its citizens, in other words, to find its own soul. At the same time he expressed the conviction that the European Union needs to have aims going beyond economic cooperation. According to Delors, if the Union does not reach people's hearts and minds, the project cannot succeed.

and ecumenical organisations on other continents, as well as with the World Council of Churches, spurred on by a vision of ensuring greater coherence for the realization of an Economy of Life for all.<sup>22</sup> The Conference of European Churches and its Member Churches contribute to this chorus of voices. Churches, in particular those in the most affected countries, offer practical help for people in dire need by providing food, services, advice and pastoral care.

*This document is a Conference of European Churches' contribution to the discussion of structural and institutional problems at the level of EU economic governance.* The EU contributed to calming the immediate consequences of the financial crisis by means of various initiatives and these will need to be continued. Individual EU countries are unable to address this challenge alone, but the Union does not yet command effective European structures for managing economic and financial governance, though it is better prepared than it was a few years ago.

*Churches approach the problem from their particular perspective. By putting emphasis on the core values underpinning the European project, they highlight the close and inseparable link between economics and ethics.* Giving a voice to the voiceless is one of the principal tasks of churches in society. Upholding the Gospel message, churches should identify with the poor, those on the margins and those who are cast out of the mainline that defines our economic policy. With this priority in mind, churches can engage in a real dialogue about EU economic governance and contribute to it with their essential message.

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<sup>22</sup> <https://www.oikoumene.org/en/press-centre/news/wcc-report-invites-theological-reflections-and-action-for-2014economy-of-life2014>

## **1.2 Common Round for a Christian Vision of a Just Society and Fair Governance Taking into Account Theological Perspectives and Biblical Heritage**

*Sacred texts in the Bible document the search process of Judeo-Christian faith communities for building up a community of faith, as well as a community respecting individuals and their need for justice and freedom.* The use of scripture also challenges us, however, to honour the contextuality of these sacred texts. Ancient Israel lived both as an independent nation and also as one ruled by imperial states. Early Christianity lived mostly as a marginal and countercultural movement. Since the Constantinian turning-point, the church has often been in a position to use power and wealth. Biblical views about wealth and poverty reflect different backgrounds and are manifold. The varying social context of the writers must also be taken into account. Despite these important nuances, the guiding principle throughout the Bible is the protection of the poor, the indebted and the vulnerable. Wealth and prosperity was sometimes seen as a blessing (Abraham, Job) and a tool to help the poor and needy (Deut. 15:1-11)<sup>23</sup> but also as an obstacle for

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<sup>23</sup> Every seventh year you shall grant a remission of debts. <sup>[2]</sup> And this is the manner of the remission: every creditor shall remit the claim that is held against a neighbour, not exacting it from a neighbour who is a member of the community, because the Lord's remission has been proclaimed. <sup>[3]</sup> From a foreigner you may exact it, but you must remit your claim on whatever any member of your community owes you. <sup>[4]</sup> There will, however, be no one in need among you, because the Lord is sure to bless you in the land that the Lord your God is giving you as a possession to occupy, <sup>[5]</sup> if only you will obey the Lord your God by diligently observing this entire commandment that I command you today. <sup>[6]</sup> When the Lord your God has blessed you, as he promised you, you will lend to many nations, but you will not borrow; you will rule over many nations, but they will not rule over you. <sup>[7]</sup> If there is among you anyone in need, a member of your community in any of your towns within the land that the Lord your God is giving you, do not be hard-hearted or tight-fisted towards your needy neighbour. <sup>[8]</sup> You should rather open your hand, willingly lending enough to meet the need, whatever it may be. <sup>[9]</sup> Be careful that you do not entertain a mean thought, thinking, 'The seventh year, the year of remission, is near', and therefore view your needy neighbour with hostility and give nothing; your neighbour might cry to the Lord against you, and you would incur guilt. <sup>[10]</sup> Give liberally and be

salvation (Mark 10:17-27).<sup>24</sup> Several biblical texts warn against using wealth as a tool for exploiting others.

### ***Unity and Balance of the Spiritual and Material***

*For individuals and communities the balance between spiritual and material needs is essential. Theology is not focussed only on the spiritual. Material needs and their satisfaction, balanced with justice and freedom for all, are not detached from the theological approach.* The Lord's Prayer pays attention to the link between spiritual and material needs. The simple petition "Give us this day our daily bread," (Matt.6:11) and its location in the middle of the prayer offers an insight supported by other texts of the Bible.<sup>25</sup> A positive theological assessment of the relation of the person to the material world includes the notion of property. Ownership is not negative, but property must be used

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ungrudging when you do so, for on this account the Lord your God will bless you in all your work and in all that you undertake. <sup>[11]</sup> Since there will never cease to be some in need on the earth, I therefore command you, 'Open your hand to the poor and needy neighbour in your land' (Deut. 15:1-11).

<sup>24</sup> As he was setting out on a journey, a man ran up and knelt before him, and asked him, 'Good Teacher, what must I do to inherit eternal life?' <sup>[18]</sup> Jesus said to him, 'Why do you call me good? No one is good but God alone. <sup>[19]</sup> You know the commandments: "You shall not murder; You shall not commit adultery; You shall not steal; You shall not bear false witness; You shall not defraud; Honour your father and mother." ' <sup>[20]</sup> He said to him, 'Teacher, I have kept all these since my youth.' <sup>[21]</sup> Jesus, looking at him, loved him and said, 'You lack one thing; go, sell what you own, and give the money to the poor, and you will have treasure in heaven; then come, follow me.' <sup>[22]</sup> When he heard this, he was shocked and went away grieving, for he had many possessions. <sup>[23]</sup> Then Jesus looked around and said to his disciples, 'How hard it will be for those who have wealth to enter the kingdom of God!' <sup>[24]</sup> And the disciples were perplexed at these words. But Jesus said to them again, 'Children, how hard it is to enter the kingdom of God! <sup>[25]</sup> It is easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God.' <sup>[26]</sup> They were greatly astounded and said to one another, 'Then who can be saved?' <sup>[27]</sup> Jesus looked at them and said, 'For mortals it is impossible, but not for God; for God all things are possible' (Mark 10:17-27).

<sup>25</sup> You shall not steal. <sup>[16]</sup> You shall not bear false witness against your neighbour. <sup>[17]</sup> You shall not covet your neighbour's house; you shall not covet your neighbour's wife, or male or female slave, or ox, or donkey, or anything that belongs to your neighbour (Ex. 20:15-17).

by owners in a responsible way. A person's relationship to property must be kept in balance with their relationship to God and neighbour (Luke 12:30-31).<sup>26</sup> The relation to God and other people takes priority over and above personal property.

*For Christians the relationship to the world is determined by the specific relationship between human beings and the transcendent power of God. Humans are not the real owners of the material world. People did not bring anything to this world personally.*<sup>27</sup> The task of the person is primarily to be a responsible steward, accountable for their handling of material gifts from God (Deut. 14:28-29; Luke 16:1-13).<sup>28</sup> If a person

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<sup>26</sup> For it is the nations of the world that strive after all these things, and your Father knows that you need them. <sup>[31]</sup> Instead, strive for his kingdom, and these things will be given to you as well (Luke 12:30-31).

<sup>27</sup> The Divine Liturgy of St. John Chrysostom underlines in this regard: 'Thine own of Thine own we offer unto Thee, on behalf of all, and for all.

<sup>28</sup> <sup>[28]</sup> Every third year you shall bring out the full tithe of your produce for that year, and store it within your towns; <sup>[29]</sup> the Levites, because they have no allotment or inheritance with you, as well as the resident aliens, the orphans, and the widows in your towns, may come and eat their fill so that the Lord your God may bless you in all the work that you undertake (Deut. 14:28-29).

<sup>[1]</sup> Then Jesus said to the disciples, 'There was a rich man who had a manager, and charges were brought to him that this man was squandering his property. <sup>[2]</sup> So he summoned him and said to him, "What is this that I hear about you? Give me an account of your management, because you cannot be my manager any longer." <sup>[3]</sup> Then the manager said to himself, "What will I do, now that my master is taking the position away from me? I am not strong enough to dig, and I am ashamed to beg. <sup>[4]</sup> I have decided what to do so that, when I am dismissed as manager, people may welcome me into their homes." <sup>[5]</sup> So, summoning his master's debtors one by one, he asked the first, "How much do you owe my master?" <sup>[6]</sup> He answered, "A hundred jugs of olive oil." He said to him, "Take your bill, sit down quickly, and make it fifty." <sup>[7]</sup> Then he asked another, "And how much do you owe?" He replied, "A hundred containers of wheat." He said to him, "Take your bill and make it eighty." <sup>[8]</sup> And his master commended the dishonest manager because he had acted shrewdly; for the children of this age are more shrewd in dealing with their own generation than are the children of light. <sup>[9]</sup> And I tell you, make friends for yourselves by means of dishonest wealth so that when it is gone, they may welcome you into the eternal homes.

<sup>[10]</sup> 'Whoever is faithful in a very little is faithful also in much; and whoever is dishonest in a very little is dishonest also in much. <sup>[11]</sup> If then you have not been faithful with the dishonest wealth, who will entrust to you the true riches?

<sup>[12]</sup> And if you have not been faithful with what belongs to another, who will



is greedy and dependent on wealth, they lose their normal innate relationship with the Creator, the neighbour and all of Creation. They rush after property, like a mirage, and chase an elusive vision of happiness. Material values cannot ultimately make people happy. Jesus expressed it very clearly: *“And he said to them, Take care! Be on your guard against all kinds of greed; for one’s life does not consist in the abundance of possessions”* (Luke 12:15). A person whose hope lies only in material values loses their relation with God and fails in their principal task. Such things are fleeting, because *“hard it will be for those who have wealth to enter the kingdom of God!”* (Mark 10:23). An excessive accumulation of assets cannot constitute the meaning of life.

*A person is determined by their relationship to their neighbours. People have to be responsive to the environment and to the community where they live.* Fair dealing with property is a necessary component of social justice and fair governance. For this, scripture offers a number of paradigmatic examples of the lives of righteous people, including Abraham, Job, Nicodemus, Lydia and a number of others, and their specific actions in different circumstances. The key insight linking them all is an inseparable link between individual virtues and their social connotations. The good fortune of an individual has to be accompanied by sharing the benefits with the community. *“You shall love your neighbour as yourself”* (Mark 12:31), always at the right time and right place, to cooperate with neighbours and to provide them with aid. This is especially true when these principles are extrapolated from social and interpersonal relationships to considerations of economic governance.

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give you what is your own? <sup>[13]</sup> No slave can serve two masters; for a slave will either hate the one and love the other, or be devoted to the one and despise the other. You cannot serve God and wealth’ (Luke 16:1-13).

### ***Economic Principles Based on Trinitarian Theology***

*Theological principles transposed into secular life play an important role going beyond the ethical codes regulating individual ethics.* Modern economics and regulations of social life derive from theological thinking as it was developed in early church. They are closely linked to basic considerations of Christian doctrine, in particular the concept of the trinitarian character of God. The principles of trinitarian theology, as they were formulated in the third and fourth centuries after Christ, were developed on the basis of the fundamental relationship and the mutual dependency between the sovereign power of the single God and the idea of *oikonomia*, understood as ‘*immanent ordering of domestic of both divine and human life.*’ It is in this context that we recall the original meaning of the Greek term *oikos*, designating the house and its internal structure and order. Taking care of the household, which is the original content of economics *oikonomia* thus contains additional elements going beyond managerial techniques, and including:

- Experience of God’s presence in everyday life and God’s involvement in earthly matters based on belief in the incarnate Christ;
- A conviction that the economy is not only about management in a narrow sense, but equally about a vision of a just and mutually supportive community;
- Awareness of values and ethical concerns, highlighting an overall responsibility and solidarity, as well as justice and respect for the other;
- Cooperation; ensuring that everyone can contribute to the household and in this way fulfil their calling;

- Respect for diversity; callings are different and they constitute individuality. They are valued and respected. Each of them contributes to the common aim.<sup>29</sup>

*Christian trinitarian theology and the trinitarian conception of God is built on the principal assumption that for the character of God—as well as for the character of humans—the relationship to its counterpart is of principal importance.* Underscoring the ultimate value of the relational aspects of the human has had a fundamental impact on Christian anthropology. The human being can flourish only in relationship with their neighbours and with the surrounding environment. A Christian paradigm based on precisely these principles has been shaped over the centuries. God is one, who gives to this relationship *ordo*, order, and who substantiates it. The being of God is therefore structurally *ordinatio*, that is, praxis of government and activity that arranges things according to certain principles. Already early Christianity specified that the *oikonomia* does not merely concern the management of the house, but of the soul itself and that the term designates trinitarian aspects of the divine life. Giving order to the world around (which is the meaning of the term *ordinatio*), management of the soul and management of the house belong together. *Oikonomia* has become in the common sense an expression for *praxis ordered for a purpose*. Christian theology is thus, from its beginning, economic-managerial. The theological-economic paradigm obliges us to think of this history once more and from a new perspective. Modern political philosophy has recently made substantial steps along this path.<sup>30</sup>

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<sup>29</sup> This is related to the original meaning of the concept of *oikonomia* and related words, as they are used in Gospels. Here *oikonomein* occurs once, *oikonomos* four times and *oikonomia* three times. All these terms as used in Luke's gospel refer to stewardship. The biblical concept of *oikonomia* is used for the description of the gradual unfolding of the hidden mystery of God in the plan for humankind's salvation.

<sup>30</sup> E.g. Giorgio Agamben, *The Kingdom and the Glory*, Stanford University Press, Stanford, California, 2011.

*There is a need to recover more fully the foundations of particular economic structures, especially their social and relational aspects.* The impact of Christian theology and ethics on economics has long been absent from general consciousness. Important concepts like work, freedom, stewardship, calling, hopefulness, creativity and entrepreneurship, rationalization, and voluntary association arise from the Christian theological tradition. All of these directly and indirectly impact economic outcomes and all are influenced in turn by theology (in the wider sense).

***The Market as an Instrument of Well-being  
and the Market as a Subject of Idolatry***

*Principles of economic exchange constitute a significant dimension addressed in the Holy Scriptures. At bottom, they express the simple truth: although the market is recognised as a potential good, this is not generally the case (Luke 16:1-13; Amos 8:4-7).* In order to guarantee fairness in market operations, a framework is provided by entities of non-market character, including states or supra-national bodies that protect the weak and defend social justice. The basic structures of the modern economic order, such as the existence of markets, competition and the use of capital as the key incentive ('capitalism') are legitimate. Their role in a general increase and spread of prosperity, fighting poverty through maintaining a sustainable redistribution of resources with the help of fair taxation of income and wealth is indisputable. Markets as such fulfil a number of other tasks necessary for the functioning of a healthy society being, for example, places of exchange, communication and sharing. Markets must, however, be criticised if they lead to excessive inequality, causing growing poverty, deprivation and exclusion. Inequality exists in every society. The extent to which society tolerates inequality depends on how different traditions and values, including justice and freedom, are respected and pursued.

*The theological principles undergirding this argument are rooted in active opposition to idolatry.* Recognition of a proper place for markets in society is also recognition that a price tag cannot be attached to everything. What is necessary for life cannot be partially or entirely commodified. The applicability of such an approach is based on recognition of the values of justice, solidarity, peace, redemption and grace, and their links to the economy. The current form of economics and politics tends to extend disproportionately the logic of the market to other areas of life. In this way, we come to idolise the market. In Christian and biblical understandings, market relations understood without taking into account their impact on other dimensions of human and social existence must not be the principal mechanism for forming individuals and societies. An economy based on belief in the ‘invisible and universally present almighty hand of the market’ is a form of idolatry and violates the basic principle of trinitarian theology: an indivisible link between *theologia* and *oikonomia*.

*Market and economic relations are necessary for society. They operate, however, within strict limits.* Support for the poor and liberation of the oppressed is more important than a successful profit oriented economy. The Bible reminds us: “*If you lend money to my people, to the poor among you, you shall not deal with them as a creditor; you shall not exact interest from them*” (Ex. 22:25). This should not be taken only as a reference to a historical situation and thus as an appeal with only limited relevance for us today. Instead it is a justification for a model of social enterprise that needs to find more support in the modern economy too. ‘Since there will never cease to be some in need on the earth, I therefore command you, “*Open your hand to the poor and needy neighbour in your land*” (Deut. 15:11).

*This provides justification for specific Christian positions criticising unsustainable impacts of globalisation. It also justifies calling for regulatory mechanisms to correct the impact of unfettered markets.*

*Effective regulation of markets operating increasingly across national boundaries has, in principle, to be cross-border as well.* In practice, however, the structures and mechanisms needed to deliver this effectively are often absent. Business globalises much more easily and quickly than regulatory frameworks to ensure that the market environment serves the common good. The result of this imbalance is that the principle of profit maximization does not have an operational counterweight. As a result, profit maximization is not only becoming the leading principle for guiding one particular area of human activity, but is also coming to be seen as the overall principle for humans, their relationships to each other, and the whole society. Purely in an economic sense, today's capitalism is losing its productive momentum more and more and is tending towards domination by rent-seeking.

*It is incumbent upon governance at the national and supranational levels, as well as upon civil society, to control economic action. The key task is to guarantee compliance with socially acceptable rules and to provide the framework for broad and fair competition between economic actors.* There is a consensus that in a social market economy the government, together with the social partners, other public authorities and civil society, has the right to shape markets to a significant extent. This is especially true in situations of increasingly negative impacts of markets, but equally in many instances where they can contribute to preventing social imbalances. In these instances, governments must intervene and correct those striking inequalities that threaten individuals and the cohesion of society as a whole. In fulfilling its corrective task, government has a crucial role in safeguarding both justice and the economic and social sustainability of society.

***Framing the Market and Limiting Over-indebtedness: Regulation, Sabbath and Jubilee***

*One of the inspiring biblical examples of setting limits on power of the market is the introduction of regulatory principles through the concept of Jubilee.* The problem of over-indebtedness has been with us since ancient times. The partial or full abolition of debts and the redistribution of wealth is an important part of the biblical narrative (Deut. 15; Lev. 25; Acts 2:45). In a similar tone, scripture reminds us of mutual reciprocity of the indebted through the Lord's Prayer: "*And forgive us our debts, as we also have forgiven our debtors*" (Matt. 6:12). In this way, through this prayer, the Bible articulates that extensive and unrepayable debts are detrimental for society. This raises a significant challenge for the concept of justice. It may seem that this undermines the right to appropriate and just repayment of debts and justifies behaving unfairly. However, this principle sets limits for economic transactions and opens up the possibility of a fresh start for those who have once failed. It may be difficult to argue for uncritical acceptance of this principle. The gradual unrestricted dominance of market logic devoid of any ethical framework invites us to engage in creative theological reflection on the principles of the modern economy. The examples of several overindebted economies in the Eurozone indicate that it might be wise to implement this principle once again.<sup>31</sup>

*Another form of regulation of economic activities is the biblical call for observing the sabbath, as a time for pausing from everyday activity.* The pressure for increasing economic output in the form of ever-growing GDP, to which so many tirelessly contribute, is counteracted if one day in the week is guided by different principles than the others (Ex. 16:26; Ex. 20:8-10). It is not up to entrepreneurs to decide to follow this

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<sup>31</sup> The success of the Jubilee campaign focused on eradication of debts in some African countries is another case in point. See for example: <http://www.oxfam.org.uk/media-centre/press-releases/2013/05/make-poverty-history-and-g8-promises-was-it-all-really-worth-it>

rule. Rather, it is government that needs to make wise decisions for the health of all members of society. The gradual loss of work-free Sundays in an increasing number of European countries is the result of deregulation policies aimed exclusively at economic objectives.

***No to the Economy of Exclusion:  
God Takes Sides with the Marginalised***

*The biblical narrative on the poor is well known. The spirit commending the protection of the weak and excluded is present from the first pages of the sacred texts until the last.* The phrase of Deuteronomy 15:11 quoted above sets the tone, which is then confirmed throughout the Bible: “*The needy shall not always be forgotten*” (Ps.9:18); “*those who oppress the poor insult their Maker*” (Prov. 14:31); “*Stretch out your hand to the poor, so that your blessing may be complete*” (Eccl. 7:32), and so on. In considering the impact of a globalised economy, it is not possible to read these statements as a neutral description of some kind of far distant reality. In many ways, the economy we have today produces severe exclusion and inequality. On the one hand, the Bible describes the situation realistically by admitting: “*you always have the poor with you*” (Matt. 26:11). On the other hand, the sacred texts repeatedly come with the commandment that we should do something about it. We strive for equality but are constantly failing, as we know from our history.

*There is no doubt that the biblical narrative emphasises a God who takes sides with the poor, the excluded, and the marginalised.* Growing inequality is devastating for society. Markets, if not regulated, can lead to disproportionate inequalities, and economic and social destruction. To function properly, markets need an institutional and anthropological framework that provides regulation and acts as a balancing force to legitimise markets. This is the wisdom transmitted in biblical stories and conceptualised in theological constructions.



*The lasting improvement of economic and social situations can only be based on the recovery of principles of individual and social responsibility, as well as bringing together political accountability with economic well-being, which eliminates social and ecological externalities.* The concept of a social and ecological market economy, which takes these externalities into account, is an important milestone in such a development. An important component of such a concept is to recognise that different actors (meaning not only those who are active in the economic sense) have a role in framing the economic well-being of society. In such a system, the market is a legitimate instrument of economic progress. This is only the case, however, under the condition that the aims of the market go beyond the economic prosperity and material well-being of a certain part of society. The market must also take costs and external impact into account (e.g., human and environmental degradation). The central question that divides today's political camps is how extensive these corrective measures should be: should they be limited to the absolute minimum, as some argue when calling for 'a minimal state,' or should governments' responsibility be wider? The role of the Church in this regard is to go beyond the ideological right-left divide. The churches' key concern is to look for the closest possible approximation to those political outcomes capable of producing social and economic justice. The 'central question' becomes how extensively these correctives should be applied.

### ***The Role of Theology in Relation to Politics, Society and Economy***

*The link between freedom and justice, competition and solidarity is of key importance for considerations of economic governance.* Freedom cannot be real without justice and justice cannot exist without freedom.<sup>32</sup> In a similar way, in a fair society, competition cannot exclusively

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<sup>32</sup> In this respect the biblical concept of freedom may differ from the common secular understanding of the same term. "European churches living its faith in

benefit individuals, but must also benefit the whole community and be complemented by solidarity. An exaggerated emphasis on freedom can have a negative impact on justice and equality, as evidenced by liberal and neoliberal capitalism. But at the same time a one-sided highlighting of social justice and equality at the expense of freedom cannot in the long term endure, as we have been reminded by the historic example of former socialist countries in central and eastern Europe. As we can observe in the development of Europe and across the globe in recent decades, excessive freedom that fails to take account of justice and equality undermines the basic fabric of any healthy society. To the central insights of Christian understanding belong core values that must not be seen in isolation and without being aware of their mutual interdependence. Interdependence expresses the basic tenet of the Christian faith: our individual and communal accountability to God.

*To take a step on this journey, we need to engage in more ambitious biblical hermeneutics and, on that basis, to encourage our own flock to be active as concerned citizens with regard to economic governance.* By way of example, the biblical social ethic calls upon us to administer justice (Deut. 16:18; 2Sam. 8:15),<sup>33</sup> to work towards peace and prosperity (Jer. 29:7)<sup>34</sup> and to contribute to the common good by helping the poor and needy when they are victims of oppression and injustice (Ps. 72:4; 82:3; Ez. 22:29-30; Zech. 7:10).<sup>35</sup> In carrying out these tasks,

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the context of globalisation”, Conference of European Churches, Brussels, 2006, pp.29–31.

<sup>33</sup> So David reigned over all Israel; and David administered justice and equity to all his people (2Sam. 8:15).

<sup>34</sup> But seek the welfare of the city where I have sent you into exile, and pray to the Lord on its behalf, for in its welfare you will find your welfare (Jer. 29:7).

<sup>35</sup> May he defend the cause of the poor of the people, give deliverance to the needy, and crush the oppressor (Ps. 72:4).

Give justice to the weak and the orphan; maintain the right of the lowly and the destitute (Ps. 82:3).

The people of the land have practised extortion and committed robbery; they have oppressed the poor and needy, and have extorted from the alien without redress.<sup>[30]</sup> And I sought for anyone among them who would repair the wall and

political and economic powers must not to be excessively concentrated (Deut. 17:18-20)<sup>36</sup> and political authority should organise itself in a dispersed and subsidiary manner (Num. 11:16 ff).<sup>37</sup>

*From a Christian anthropological perspective, the balance of material and spiritual needs is the key to a healthy society. The economy by itself cannot create solidarity;* in fact economic development is essentially based on trust, and thus on prior mutual bonds that people share. These can be empowered through the right kind of social policies and a vibrant non-governmental sector in which religions and faith-based organisations have their part to play. Mutual acceptance and dialogue are a significant element of such a system. Solidarity and social cohesion can only be secured by a democratic balance of different interests guaranteed by law and respect. Economic forces must not destroy the communities which people share, but help them to thrive. We are looking for embedded and sustainable economic development, in which people are seen as respected actors within the realm of markets, and companies are able to participate powerfully in shaping their future.

*The economy in this respect has a much broader scope the narrower, but widespread, perspective that sees it purely as an instrument for the pursuit of material wealth.* The social, ethical, and even theological aspects of the economy are being undermined in favour of increasingly

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stand in the breach before me on behalf of the land, so that I would not destroy it; but I found no one. (Ez. 22:29-30)

do not oppress the widow, the orphan, the alien, or the poor; and do not devise evil in your hearts against one another. (Zech. 7:10)

<sup>36</sup> When he has taken the throne of his kingdom, he shall have a copy of this law written for him in the presence of the levitical priests. <sup>[19]</sup> It shall remain with him and he shall read in it all the days of his life, so that he may learn to fear the Lord his God, diligently observing all the words of this law and these statutes, <sup>[20]</sup> neither exalting himself above other members of the community nor turning aside from the commandment, either to the right or to the left, so that he and his descendants may reign long over his kingdom in Israel (Deut. 17:18-20).

<sup>37</sup> So the Lord said to Moses, 'Gather for me seventy of the elders of Israel, whom you know to be the elders of the people and officers over them (Num. 11:16).

merciless competition that will supposedly bring benefits shared by all society. What we face is progressive financialisation and commodification of all aspects of life. The same process also involves the pursuit of wealth without considering the costs, which may go beyond those that can be expressed in material terms, such as health, social relationships, ecological damage and climate change as an overall externalisation of cost factors. However, growing inequalities and over-indebtedness undermine trust in the economic system as well as trust in the politics that serve it. There can be no separation between economics and ethics aiming at the common good.

### ***Unity of Narrative and Action***

*Christian theology is characterised by a unity of thinking and acting.* A Christian perspective on the economy is not limited to theoretical considerations. A good part of the biblical narrative is focused on guiding the everyday life of individuals and their communities. Churches and their members should live by the principles they proclaim. There are a number of good examples of churches and individual Christians putting their values into action: organisation of diaconal services by Christian entrepreneurs, employees or civil servants, as well as individual consumers guided by Christian ethical principles. When demonstrated in concrete action, the vital relationship between the economy and ethics is not only a call to be implemented at the level of national and international politics. It is a call that needs to be made real in everyday life. Although, as Christians, we often fail in these efforts, we are called not to give up but rather to redouble our efforts. We may be reminded of at least some of these appeals:

- The pursuit of well-being is different from the pursuit of wealth;
- Be honest and hard-working in your labour;

- As entrepreneur or employer, keep in mind social and ethical standards for your employees and consider what is your contribution, as a Christian entrepreneur, to community life;
- Respect rules of fair competition and support social enterprises as far as possible;
- Be open to social innovations oriented towards the needs of the people among whom you live;
- As an employee of a productive enterprise, the finance sector or a public institution, work with integrity and commitment for the common good; be an effective grain of salt through which your responsibility and your affiliation to the Christian faith can be made visible;
- Take responsible decisions as a consumer;
- As we do not live in isolation, the pursuit of well-being needs to be consistent with environmental standards in our use of resources, management of waste, and so on so as to develop a sustainable lifestyle for all.

*Apart from larger systemic solutions that are certainly needed, we call on all Christians working in different sectors of economics, finance, and production to be salt and light at their workplace.* Not wishing to demonise anyone for simply working in an industry that merits criticism, we applaud and welcome the efforts of many Christians working in economic and financial management, who in their free time also contribute much expertise to the mission of their local congregations and denominations. We also note that larger changes and reforms often begin with small steps taken by committed groups of people. We therefore call on them to approach their duties with integrity and a devoted commitment to the common good.

### **1.3 Diversity in the Churches' Approach to Economic Ethics**

*For a long time, a range of quite different social-political regimes, as well as different economic styles have operated in Europe.* To varying extents, most have recognised the roles of various institutions in providing welfare, including the welfare state, municipalities, private companies, NGOs, religious actors and families. The practical organisation of welfare provision varies greatly among European countries. These differences underlie varied understandings of justice, tolerance of social inequality and the understanding of welfare, but also of rationalisation, performance, work ethics and general lifestyle. Different conceptual approaches to the relation between the economy and the social system and the role of the state in supporting welfare systems reflect different cultures and church denominational differences. Recently, this was most clearly observed in the conflict between Greece and northern European countries.

*In considering the relationship of faith and theology to economics, a Protestant approach traditionally emphasises some specific features characteristic of Reformation theology.* Most of them are not found only in Protestantism but are shared with other Christian confessions. At the same time, they very often describe more an ideal than the reality, which is frequently marked by deviations from the ideal. This divergence demonstrates the reality of sin. Nevertheless, there are some emphases determining socio-economic relations influenced by Protestant theology that deserve to be mentioned in this regard:

- *Positive turning to the world.* The world is the only place and time where one has to demonstrate one's faith by enacting one's personal calling from God. God empowers the individual to develop their abilities and use them to engage in cooperation and life together with others. Ministry (i.e., service in the world) is therefore an important component of a Christian lifestyle. This

includes the appreciation of everyday life and taking responsibility for things that enable and shape this life. Christians do not demonstrate their calling by turning away from the world and everyday life, by turning their backs to society, but by conscious and deliberate involvement in the shaping of society. This principle has been often set against its opposite, namely life in isolation and away from the world, as emphasised in the traditions of some other churches. Although the extent, as well as the intensity, of both can be discussed, a positive attitude to the world has been one of the characteristics of the Protestant understanding of the world and life in it.

- *Appreciation of work.* The well-known call of St Benedict, *ora et labora* (pray and work), which gives equal status to care for the soul and care for material well-being, is not only highlighted, but brought to even higher appreciation. Work is part of God's calling, the mandate given to human beings. The way to fulfil your calling is to engage in work in the broadest sense: not only in paid work, but also in family work, neighbourhood obligations and so on. Through daily work one cares not only for one's own needs but also contributes to meeting the needs of others. All work is, in principle, done in a communal spirit. This has been expressed in the popular saying that 'work is love made visible.' Of course this idea is often distorted and work seems to be an alienated area of life. But Christian faith not only keeps a utopia of work as love in mind, it claims that work organized in this way is more productive than other forms of work, since it respects fundamental fairness and the equality of all people in the eyes of God.
- *The fight against poverty.* Poverty is not only the absence of fundamental means of living, food and shelter. Poverty is also the inability to participate in the way of life that is prevalent in the

society in which the individual lives. Poverty means lacking the resources needed to participate in the normal way in the life of the surrounding society. To let people live in poverty while, in principle, having the means to help them out, is sin. Avenues out of poverty are, first, the empowerment of family life, then the educational process which should be geared especially towards disadvantaged people, and, finally, providing job opportunities for everybody.

- *Attitudes to wealth and prosperity.* Wealth in biblical terms is a gift from God and is at best only partly produced by human individuals. It is always generated in cooperation and with the help of others and by opportunities given in society. Wealth, however, does not imply righteousness. As the Bible reminds us, wealth can be in direct opposition to justice and an impediment to salvation (Luke 18:24-25).<sup>38</sup> Wealth must therefore be treated as something given to individual people and at the same time to be used for the benefit of all. Properly treated, wealth is re-invested to provide better living conditions for more and more people. Mere consumption of opportunities for oneself is questionable. Wealth has to be used to produce prosperity for all.
- *Cooperation and fairness.* Work is usually organised in unity with entrepreneurial action in the form of companies or businesses, which can be understood in theological terms as temporal alliances where people shape a way into the future with differentiated responsibilities. These are based on mutual promises set forth in the contracts of the company. But in addition to these explicit contracts there are also implicit agreements such as the

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<sup>38</sup> Jesus looked at him and said, 'How hard it is for those who have wealth to enter the kingdom of God! [<sup>25</sup>] Indeed, it is easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God' (Luke 18:24-25).



rules of fairness which characterise company culture and are extremely important.

- *Celebration of diversity.* God's calling constitutes people as individuals. Although all are equal in the eyes of God, they are totally different in their life-styles, traditions, cultures and denominations. This all-embracing diversity is of high value since it is given by God. And it is one important source of beauty and well-being in the world. Diversity has to be cherished rather as we look after the different flowers in a garden. This idea also applies in principle to different economic and social styles in different cultures, as long as they are participating in the pursuit of a common aim and the common good, and respect other core values guaranteeing human dignity and mutual respect.
- *Ecological responsibility of market stakeholders.* All social actors, civil authorities and businesses, as well as individuals, share responsibility for preserving natural resources and the creation. For a considerable part of history, even in societies dominated by Protestant culture and ecclesiology, this was more an ideal than a guide for action. Today there is renewed awareness of this responsibility and a call to action. The current exploitation of resources simply cannot continue indefinitely. We need a decisive transformation towards sustainability in all economic and other actions in society.

*The link between economic action and social responsibility is of key importance for the churches. It includes the provision of social services and in particular the prevention of poverty or, where poverty exists, welfare measures.* This responsibility is organised differently across the Christian traditions. In predominantly Lutheran countries with a long tradition of state churches, comprehensive welfare states have evolved and have taken over substantial responsibility for social protection. In contrast, Reformed traditions have often developed social security

systems based in civil society and having stronger links to companies and businesses, thus fulfilling a similar function as in state-centred welfare states.

*There are some differences between Orthodox, Roman Catholic and Protestant teachings that have consequences for motivation for economic action.* Themes related to limitations of private economic interest, cooperation and solidarity, fair distribution, self-limitation especially on the part of the powerful, asceticism and liberation from one's own will, and particularly from greed, are of great importance for Orthodox economic ethics. At the same time there is an emphasis on a eucharistic and doxological approach, which strengthens work for social justice. The value of family and community is highlighted and underlines a communal rather than an individualistic spirit. Attention centres on the building up of long-term relations, rather than quick profit maximisation.

*The central theme for Orthodox theology is the concept of God's particular relationship with the world through the divine economy, which is focused on humankind's salvation through the action of Christ: His incarnation, earthly life, death and resurrection.* In Eucharist (thanksgiving) bread and wine are offered as symbols of the fruits of human labour and all of material creation. The Eucharist is an expression *per se* of cooperation with God and people for the sustenance and the transformation of the world. People became co-workers with God. This link between daily bread and the eucharistic bread illustrates the inseparable connection between the divine economy and the secular economy, the spiritual and the material. A holistic approach is typical of Orthodox theology. Emphasis is given to a comprehensive reading of the Bible, patristic writings, liturgical texts and the life experience of the Church as expressed in the Holy Tradition.

*In Orthodoxy, particular attention is given to the historical experience of the Church. The Church is called to be a sign of hope to this*

*world and to work for the spiritual rebirth of the human being.* The great classical theologians were engaged in the world and offered a range of social advice and explanation, dealing with a whole variety of human actions. Social problems like poverty, injustice, violence and greed have accompanied humanity throughout history. Church Fathers such as John Chrysostom, Gregory of Nyssa and Basil the Great were dealing with these everyday social tasks and calling for an ascetic ethic. They argued that wealth is a gift from God. They also insisted, however, that when wealth creates inequality—a cleavage between the rich and the poor—it must be denounced as unjust. In patristics, poverty and wealth are in a causal relationship; the wealth of the wealthy is often the result of the impoverishment of the poor. Wealth is given by God to be enjoyed by all. Patristic writings condemn lending at interest, which leads to over-indebtedness and exploitation. They see profit in sharing. Sharing, they say, doubles the wealth and the stakeholders become twice as rich in the Kingdom of God. The pursuit of unlimited financial profit is in many cases inversely proportional to spiritual profit. Despite the concepts developed at different stages emphasizing Orthodoxy's insistence on metaphysics and a seeming indifference to worldly matters, Orthodox researchers have accentuated Orthodoxy's positive attitude toward worldly affairs.

*An Orthodox view of the human being emphasizes living in a particular community, which assumes that an individual develops in the community only in relation to others.* A person's identity, as well as the identity of the community, is based on communication and respect for other people. The whole world and everything in it derives its meaning, purpose, and mission from the Creator; the Church is seen as 'a place' and an economy is seen as 'an effort in human life'. The fact of being created is a manifestation of God's will, love and wisdom; therefore a man was created in image and likeness of God (Gen. 1:26).<sup>39</sup> All

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<sup>39</sup> Let us make man in our image, after our likeness (Gen. 1:26).

material and spiritual creation came from God's hands as a unity and as very good (Gen. 1:31).<sup>40</sup> The human as the *imago Dei* has become a reasonable and free being who aims—in the words of Christ—for continuous growth and self-improvement (Matt. 5:48).<sup>41</sup> The first humans received their mission from God to be good stewards and ruled over all creation on earth (Gen. 1:26–30).<sup>42</sup> Through right relationships with God, neighbour, and nature, humans come to develop and grow. But humans abused this freedom and chose sin, transgressing the commandment of God and breaching God's purposes. As a result, the harmony of all beings in creation was disrupted. Through this disobedience, sin entered the world and by sin came death (Rom. 5:12).<sup>43</sup> Therefore, not only humans but the whole creation groans and suffers (Rom. 8:22). Not only does the earth bear thorns and brambles, but humans through their great efforts also devastate nature, so they do not derive benefit and enjoyment from work (Gen. 3:18-19).<sup>44</sup> This is one reason why the material creation, including the economy, encounters many different obstacles and agonizes in numerous crises.

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<sup>40</sup> God saw everything that he had made, and behold, it was very good (Gen. 1:31).

<sup>41</sup> You, therefore, must be perfect, as your heavenly Father is perfect (Matt. 5:48).

<sup>42</sup> Then God said, "Let us make man in our image, after our likeness; and let them have dominion over the fish of the sea, and over the birds of the air, and over the cattle, and over all the earth, and over every creeping thing that creeps upon the earth."<sup>[27]</sup> So God created man in his own image, in the image of God he created him; male and female he created them.<sup>[28]</sup> And God blessed them, and God said to them, "Be fruitful and multiply, and fill the earth and subdue it; and have dominion over the fish of the sea and over the birds of the air and over every living thing that moves upon the earth."<sup>[29]</sup> And God said, "Behold, I have given you every plant yielding seed which is upon the face of all the earth, and every tree with seed in its fruit; you shall have them for food. And to every beast of the earth, and to every bird of the air, and to everything that creeps on the earth, everything that has the breath of life, I have given every green plant for food (Gen. 1:26–30).

<sup>43</sup> Therefore as sin came into the world through one man and death through sin, and so death spread to all men because all men sinned (Rom. 5:12).

<sup>44</sup> In the sweat of your face you shall eat bread till you return to the ground, for out of it you were taken; you are dust, and to dust you shall return (Gen. 3:19).

*The economic and financial crisis that leads to an increased disparity between rich and poor is therefore usually understood by the Orthodox Churches as primarily a spiritual and cultural crisis. It is attributed to unrestrained individualism that leads to an excessive desire for wealth and to consumerism. This has disconnected people from loving God and their neighbour, thus preventing them from reflecting in their lives God's love for all creation. Because of selfishness and pride, humans broke the commandment of God in paradise and violate it still today. Therefore, in humans is sown a blind desire for profit. Being focused so much on material values we cease to perceive the environment and God. Particularly today, humans are so focused on consumerism that consumption takes priority, far ahead of other objectives. The message of the Primates of the Orthodox Churches in 2008 underlined that: "The gap between rich and poor is growing dramatically due to the financial crisis, usually the result of manic profiteering by economic factors and corrupt financial activity, which, by lacking an anthropological dimension and sensitivity, does not ultimately serve the real needs of mankind. A viable economy is that which combines efficacy with justice and social solidarity."*

*From an Orthodox perspective the basis of a healthy economy and a spiritually moral life of society is moderation, which should guide production, planning, consumption and redistribution. Supply and demand cannot, therefore, be the only or the fundamental guide for economic development, because people will not always have the right spiritual and physical needs or offers. Society is distorted by sin and not everything which produces profit for society in the market is actually beneficial to it. Obeying the principle of moderation has positive repercussions for the development of good interpersonal relationships, spiritual well-being and physical health. Moderation should be an accurate and strict guideline for economic development and the life of society. Failure to observe moderation and pride became the beginning*

of sin (Sirach 10:15), (Prov. 16:18). Efforts to limit consumption have a substantial impact in forming moral capital and incentives for social justice.

*A Christian perspective on the relationship between theology and the economy is supported by a unified theological base built on a specific anthropology, and a specific understanding of the mission of the human person in which there is no separation between the spiritual life and the material life.* Neither the Conference of European Churches, nor churches of any confession in general, are in a position to suggest concrete alternatives, nor do they intend to endorse or reject complex economic policies and practices that regulate the economy. Yet, based on the eschatological orientation of the gospel, they believe that all political and economic theories and practices are subject to criticism and modification. These are aimed at overcoming those aspects that generate violence and injustice and encouraging those aspects that generate opportunities for a more equitable and just distribution of power and resources. Churches are led by their faith to take an active role in fostering economic practices that reflect God's peace and justice. Such economic practices integrate into their logic those elements of social life that promote a culture of compassion that unites all human beings in peace and justice. Indispensable aspects of this culture are: respect for the dignity and the rights of all human beings; equitable socio-economic relationships; broad participation in economic and political decision-making; and a just sharing of resources and power.

## **2. Challenges of European Economic Governance: Churches' Perspective and Lessons from the Crises**

### **2.1 Human Beings Do Not Live by Economics Alone; Competition and Social Targets Acting as Joint and Mutually Supportive Objectives**

*The economy has to serve—in accordance with the above-mentioned values—the increasing well-being of all, to contribute to a just and fair society, to promote freedom, to act responsibly and seek peace through economic stability and to strengthen communities.* This basic recognition has been increasingly questioned in recent years and has much to do with the growing mistrust of the EU citizens on functioning of the Union. The EU has been increasingly seen by its citizens, as well as in its own rhetoric, as a project aimed at pursuing wealth and prosperity, often without proper consideration of human and ecological costs. The economy has ceased to be an instrument for achieving ends which meet the complex needs of a harmonious society. It has, instead, focused on the narrow calculation of material quantity, presenting this as an aim in its own right. The most visible consequences of this are growing inequality and increasing debt, which are accompanied by the diminished role of states and other democratically legitimised structures, which are becoming too weak vis-à-vis other strong economic actors. The question of what form and what framework effective economic governance needs to have in a globalised economy is of growing importance.

*From its origins economics was seen by economic thinkers as a part of moral philosophy.* However, within the neoclassical paradigm of economic theory, the illusion was spread that economics could be regarded as some sort of natural science, if only a few basic assumptions could be broadly accepted. But an economy based on ethics cannot start from the picture of a 'homo oeconomicus' alone. Market principles must

not take the upper hand over social relations. It is not only the maximization of individual utility that governs the economy. In case of a conflict between economic and social objectives, between capital and peoples' interests, priority has to be given to people. Although the EU treaty contains the so-called social clause,<sup>45</sup> neither its wording nor its spirit is fully taken into account in the implementation of economic policies

*There is a moral argument which needs to play a legitimate part in the conflict between strictly economic objectives (e.g., competitiveness and profit) and broader social objectives (e.g., cohesion and wellbeing) that counteracts any possibility of treating social and ecological objectives as apart from economic objectives. In an increasingly globalised economy political institutions alone do not provide a sufficient moral or practical basis for properly functioning markets. The current institutional set-up for economic policy decision-making at both national and European levels is characterised by dominance of economic objectives over public policy objectives centred on the attainment of a 'good life' and the 'common good.'* Competitiveness has positive effects but the excessive promotion of competitiveness leads to the reduction of social policies. Competitiveness as one of the key principles leading to economic efficiency has to go hand in hand with other principles emphasizing respect, cooperation, and proper social policies. The current situation at least in some parts of Europe, is a reminder of an overemphasis on competition, without a necessary counterbalance. The dominance of the market over social relations is to be noted in some parts of the EU, especially in the former Eastern bloc countries, for important historical reasons. The need for balance between market and

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<sup>45</sup> In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health. Article 9 of the Treaty on the Functioning of the EU.



social objectives is increasingly evident, as well as the fact that the market on its own is not in a position to provide the basis for a cohesive society. Balancing different objectives is the key task of political institutions.

*In order to humanize and 'relationalize' the market, more cooperation needs to be sought in order to strike a balance between, on the one hand, a sometimes excessive competitiveness and individualism and, on the other hand, a more community-based approach.* In the end, the market is a trust-driven social construction that functions best when there is an appropriate balance between right self-centred incentives and other-centred solidarity. In all of this it has to be acknowledged that, in the end, economics and economic governance are inherently about moral choices, about 'good and evil'.<sup>46</sup> Although it acknowledges the importance of the economy and the limits to EU competence on social issues, CEC urges that the EU must not be purely driven by economics. We also acknowledge that, even at the current stage, the economic has not been rendered independent of the political. Decision-makers have in practice to weigh the economic consequences of political intervention; we are arguing, however, that economic objectives are ultimately only the means to a social end.

*The concept of the European Union in itself represents a shift from the historical competition of national state economies towards a political, economic, and social paradigm based on the cooperation of states and citizens aiming at a just and fair society.* Thus when it comes to implementation, sound institutions and redistribution systems ensuring fair competition and appropriate taxation are needed in order to foster social relationships and solidarity at all levels. This can be done by maintaining, respecting and strengthening institutions that foster social consensus-oriented outcomes in social partnerships and economic processes. This includes collective and local wage bargaining and

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<sup>46</sup> Tomas Sedlacek, *Economics of Good and Evil*, Oxford University Press, 2011

support for dialogue between the different stakeholders in the process. There is no doubt that the market as a dynamic process requires gradual changes enabling adaptation to innovations. These have to be accompanied by changes in labour markets, which are necessary if the economy is to be competitive. Nevertheless, the churches hold that there is a need for real solidarity with the economically weak. Alongside competition, there should be ways in which lower paid employees can negotiate effectively on their conditions of employment. Within the EU, a system has to be created for reporting the social and economic progress made by the EU Member States in order to arrive at an equal level. Measuring the impact of economic policies on social cohesion must receive proper attention. In addition to this, relevance must be given not only to the quantitative side of social impact measurement, but the qualitative side too. The value of consensus, cooperation and cohesion as complementary elements to competition need not only to be implemented in all policies but also explained to the people of Europe. At the same time, the challenges of market competition need to be embraced. Faced with unprecedented competition in certain sectors (e.g., manufacturing), the impossibility of sustainably maintaining a protectionist ‘fortress Europe’ needs to be admitted. The subsequent call for structural reform and sectoral shifts with painful short-term consequences thus need to be acknowledged.

## **2.2 In Search of the European Common Good, Social Cohesion and Welfare**

*Historically, unity was driven by the quest for reconciliation, but diversity was always present also in how European integration was perceived by the public. Europe started as a project of peace building and reconciliation following the experience of the immense suffering caused by conflict between European nations and as a response to the political and economic situation in Europe which was marked by severe*

economic crises before World War II. This experience provided the rationale for the European project. Leaders such as Robert Schuman, Jean Monnet and later Jacques Delors were at the centre of formulating the crucial steps towards European integration, as well as setting the agenda for further deepening. The human dimension of European integration and the creation of a political framework for implementing ‘*de facto solidarity*’ among the participating nations were the core aims of the project. The phrase of Jean Monnet: ‘We are uniting not only the states but the people,’ was its leading motto. This conviction of the founders of the EU has been incorporated into the preamble of all the agreements from the Treaty of Rome (1957) onwards. The order in Europe was to be based on social equity. Peace in Europe should be based on justice and solidarity. Social justice and economic welfare belong together. Not just competition, but fair competition and balanced trade. The aim is to deal with existing differences through jointly decided and jointly controlled development: “*Resolve differences by pooling their resources, to preserve and strengthen peace and liberty, and calling upon the others of Europe who share their ideal to join in their efforts.*” Economic cooperation is not an aim on its own; it should serve to achieve well-being, equity and solidarity in Europe. In order to achieve this aim there is a need for a renewed evaluation and conceptualisation of solidarity in Europe. The Conference of European Churches therefore calls for the reintroduction of justice, solidarity and social equality in Europe, a development which would give EU citizens a renewed sense of social security.

*Europe has to find a way to respect and appreciate its richness in diversity.* While European integration brought peace to the first six founding members which included France and Germany and in the public perception is often associated with bringing democracy to countries such as Greece, Spain and Portugal, for many other countries membership of the EU was more a cost-benefit calculus than the

incarnation of any higher ideals. Diversity begins with the very definition of concepts, but also extends to the content and aim of policies.

*Diversity is a positive phenomenon. Churches seek a European Union with diversity. This can be a helpful corrective to the dominant ideologies and to the excessive concentration of power. On the other hand, it is necessary for unity to keep the achievement of the common and shared good as an important aim.* There are legitimate differences in the shape that institutions should take and in this respect diversity plays its part in preventing autocracy and despotism. Already Immanuel Kant opined that while religion and language divide people, they also prevent a universal monarchy. From a Christian perspective, ideologies of any kind are in themselves dangerous as they can easily turn into exclusive worldviews. It needs to be stressed that every ideology carries with it an danger of taking something out of creation's totality, raising it above creation, and making creation revolve around it and serve it. Moreover, diversity provides a basis for healthy (economic) competition of ideas and ideologies, as we can learn from different moments in European history.

*The recent crisis resolution measures have exacerbated the element that was already lacking: a common perspective.* The inability of EU bodies and institutions to handle these crises and the resultant dwindling public support for the European project has far-reaching consequences. As stated in the document of the Evangelical Lutheran Church of Finland *Towards the Common Good*: “*In our day the instruments of economy are glossy but the goals are vague. Many matters seem to have been wrenched out of human control. One day a society is boiling in its overheated economy and the stock exchange promises a sharp rise. Another day a giant investment bank on the other side of the globe collapses and economic indicators are turned upside down. Worldwide changes are reflected almost immediately in the lives of individuals.*”

*Bewilderment and confusion gain ground. Many ask where one should anchor one's life, where to look for something to lean on.*"<sup>47</sup>

*Prosperity needs to have a purpose. Prosperity must not be sought for its own sake.* There is a long tradition of churches' engagement with interrelated social and economic issues, including a significant body of contributions from the different denominational traditions. Churches in general see the positive value of the market that contributes in many respects to increasing the living standards of people in Europe and other parts of the globe. Churches, however, also raise their concerns by reminding us of the 'paradox of prosperity,' in other words the decoupling of personal fulfilment from the level of amassed wealth. Churches also raise concerns about a number of negative side effects of unregulated, or inappropriately regulated, market competition. Prosperity needs to have 'a purpose,' which includes elements such as: effects on employment, poverty alleviation, environmental sustainability, and life satisfaction.<sup>48</sup> The question of what constitutes education in economics needs to be seriously investigated and debated. We are perpetuating a system which is based on contradictions and is devoid of ethical content. There is evidence of a student revolt<sup>49</sup> against what is being taught and examined in this regard. There needs to be serious enquiry into curriculum content. The teaching of economics should encompass not only issues of economic efficiency but also issues of distribution such as income and wealth inequality. In its basic form the principal role of the economy is to satisfy basic needs. If the economy as presently structured cannot deliver these, the situation requires serious consideration.

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<sup>47</sup> Cf. Towards the Common Good, Statement on the Future of the Welfare Society by the Bishops of the Evangelical Lutheran Church of Finland, March 1999, available at: [http://sakasti.evl.fi/sakasti.nsf/0/AC5B7C3890F48F5AC22577030038D858/\\$FILE/Towards%20the%20Common%20Good.htm](http://sakasti.evl.fi/sakasti.nsf/0/AC5B7C3890F48F5AC22577030038D858/$FILE/Towards%20the%20Common%20Good.htm)

<sup>48</sup> Prosperity with a Purpose, Exploring the Ethics of Affluence, Churches together in Britain and Ireland, 2005

<sup>49</sup> See, for example, the International student initiative for pluralism in economics (website <http://www.isipe.net/>). And—among many others—the writings of Neva Goodwin, Julie Nelson and Irene van Staveren.

*We believe that re-energizing a narrative of the European common good and a common narrative on the servicing role of the economy needs to emerge as a necessary precondition for steps forward in the current situation.* We believe that the strength of a future EU will be dependent on telling a positive story of the project, while at the same time accepting and developing more flexible ways of accommodating a variety of approaches in different countries. The lesson to be learned from the way in which the Euro crisis was addressed can be instructive in this regard. Crisis resolution policies have produced important achievements, but the basic shortcomings of the system have not been solved. The policy failures of the common currency are a matter of common responsibility but unfortunately this fact has been absent from the debate. This might be one of the reasons why the institutionalization of governance structures in the EU is neither effective nor clearly understood by the citizens of the EU. Churches in the European Union can play a part in efforts to give shape to the idea of the common European good. Churches can offer inspiration through the interpretation of stories assembled as historical experience in Scripture, as well as through positive examples of community life among different Christian groups across the continent. Churches, religions and non-governmental organisations, as well as educational institutions and other sections of civil society can make a significant contribution to building up the dialogical structures in society upon which the development of a broad social narrative is to a large degree dependent.

### **2.3 Reinvigorating Subsidiarity and Proportionality**

*The European Union represents a common effort by participants to benefit from thinking and acting globally in global issues and locally in local issues.* In order to balance to the free market, the EU has defined minimum common standards in employment policies and environmental policies and it has also included redistributive and cohesive elements in

its budget so as to facilitate solidarity among its members. The organizational logic of the EU was intended to be governed by the principle of subsidiarity. Subsidiarity was introduced into the EU governance system in Maastricht. It provides that decisions are made as closely as possible to the citizen, but also at a level high enough to ensure effective implementation. Unfortunately, the concept of subsidiarity as outlined in subsequent EU treaties has suffered because of different understandings and different interpretations within the EU structures and in different Member States. For some, the most relevant aspect of the whole concept was an emphasis on closeness to citizens while others emphasised efficiency of implementation but neglected richness of structures enabling involvement and citizens' participation.

*Today, the spirit of subsidiarity has been lost as the term itself has been abused for various purposes, and is most often used with a negative connotation to describe views that are not in agreement with European integration.* These and similar misunderstandings need to be corrected, and subsidiarity needs to be reinvigorated as a healthy and balanced organizational logic. In order to do so, it is necessary to clarify the responsibilities and rights of individual countries, regions and municipalities and their role in contributing to EU construction. A shift in responsibilities towards lower units of governance is the subject of wide discussion. In some EU Member States this is even the subject of policies at the national level. Experience with these policies varies. The precise shape of the power equilibrium between central and local is not clear for the moment. It seems very hard to discern any natural distribution of rights and responsibilities which would be universally applicable in different political systems, different cultures and social structures. In spite of that, there is a growing feeling that the one-sided move of political and economic power towards centralized institutions needs to be counterbalanced.

*The content of subsidiarity goes back to the experience of the churches.* Churches of different traditions, whether Orthodox, Protestant or Roman Catholic, developed ideas linked to the concept of subsidiarity at different periods of history and under different names. The core idea of the concept is linked with the key recognition of Christian teaching that all human beings are interconnected, and each therefore deserves their own autonomy while, at the same time, each has a duty to serve all others. The inspiration for this goes back to the original content of the word ‘catholic’ in the Nicene Creed (325) and Church’s conviction of the conciliar basis of authority. For the Christian understanding of the concept there is an intimate and indivisible correlation with solidarity, responsibility and accountability. They can be enacted only on the basis of trust. Malfunction of any of these leads unavoidably to failure and the misinterpretation of subsidiarity.

*It has been suggested that effective European economic governance needs to be more integrated. Movement toward political union has been considered as necessary for such a step. On the other hand, the lack of a common public sphere and public identification with the EU is a serious constraint to further integration.* Any functioning European ‘public sphere’ must be embedded in a shared political culture based on common values and the memory of European history. While a lot has been achieved through the years, and certain European projects and processes work very well in promoting common values (labour mobility, the Bologna Process, Erasmus), the building of a European public in the sense of *demos* has not worked. In the absence of a European *demos*, Europe continues to be a space of plurality of identities. This lack correlates strongly with a deficit of discursive structures which make political community possible. Testimony to these failures are the common media projects of the early EU which all failed, (e.g. the Europa television channel and the Television without Frontiers Directive (1989). When it works, shared political culture can prevent the kind of



‘executive federalism’ which we currently observe in times of crisis: a system of governance that intervenes in the core domains of the national parliaments and undermines the democratic exercise of political authority. How to achieve steps in this direction in the absence of a shared political culture is one of the main current challenges. They need to be urgently promoted at different levels of social and political life.

*The current pressures in EMU economic governance point strongly toward more integration. The outcome of the EU referendum in the UK needs, however, to be taken seriously and not only as an expression of the wishes of one Member State. It points to a widespread feeling of apprehension vis-à-vis the Union in a number of other Member States. The EU is just at the beginning of the process of deeper considerations of its reaction to this situation, a process which was launched by the extraordinary meeting of the European Council in Bratislava (September 2016). The Juncker Commission, while far from adopting a re-nationalization agenda, has nonetheless thus far adopted a more critical stance to EU level regulation than its predecessors. The pace and scope of EU legislation may thus be stabilizing and stagnating rather than intensifying.*

*Further deepening of the EMU is desirable from a number of perspectives. However, no dichotomy should be allowed to emerge between, on the one hand, the vision of the EU as a one-way street towards federalism, and, on the other, implosion and break-up if political union fails to materialize. Rather, a healthy balance of visionary and pragmatic thinking is needed in order to make it work. Each issue has to be looked at in accordance with its own inherent logic, and as part of a larger picture and vision. In some issues this may mean that an existing institution will have to extend its scope outward from the national (or even European) dimension. Issues where this sort of dynamic may be preferable include, for example, financial supervision (Banking Union), or effective climate and environmental regimes as well as, with*

a particular urgency, immigration. In other areas, where it is established that the institutional control mechanisms cannot adequately follow the rules applicable in the European or international arena, their scope might be limited to narrower borders (regional, national). One such example could be the Common Agricultural Policy (CAP) that, contrary to established wisdom, may be better able to respond to the needs and requirements of both Europe and the world through more regional management.

*We call for a return to balanced subsidiarity thinking in a contextually sensitive manner. In this regard the idea of functioning multi-level governance structures is appealing.* This consists in the sectors of European structures combined with national governments (parliaments), sub-regional and local administrations, and non-governmental organizations and their local sub-units. Taken together, these form a network based on interaction and shared responsibility. In order to live in this kind of a network, we have to know who we are. The ability to be linked to the network is becoming crucial for survival.<sup>50</sup> This can often mean arguing for cooperation, integration and solidarity, in other words for ‘more Europe.’ However, in other circumstances there should be no taboo on calling for ‘less Europe’ when such a call is warranted. Admittedly, it is a politically sensitive matter to identify the areas in which the EU may have gone too far; it is all too easy to be labelled as a xenophobe and a Eurosceptic. However, it can sometimes be too easy to find alleged ‘quick fixes’, justifications as to why ‘more EU’ is needed, and it requires more diligence to honestly answer questions implying the opposite. The guiding question should be: how are humans flourishing and how are individual freedoms, as well as solidarity and the common

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<sup>50</sup> Cf. Towards the Common Good, Statement on the Future of the Welfare Society by the Bishops of the Evangelical Lutheran Church of Finland, March 1999, available at: [http://sakasti.evl.fi/sakasti.nsf/0/AC5B7C3890F48F5AC22577030038D858/\\$FILE/Towards%20the%20Common%20Good.htm](http://sakasti.evl.fi/sakasti.nsf/0/AC5B7C3890F48F5AC22577030038D858/$FILE/Towards%20the%20Common%20Good.htm)

good, best served at the EU level taking into account all limitations? And might these goals not perhaps sometimes be better served at a more local level?

*The empowerment and participation of people is of crucial importance for the future of the European project.* It is obvious that this objective cannot be achieved either through bureaucratic administrative procedures, or through centrally controlled mechanisms. National and regional governance structures, as well as the wide web of civil society organisations, have a natural part to play in such a process. The challenge of developing modes of sharing of experience, mutual benefits and cooperation in this effort is higher than ever.

#### **2.4 Seeking a Legitimate and Effective Monetary Union: the Importance of Social Performance, Accountability and Trust**

*The EMU remains for the time being a complicated multi-level governance structure.* The only effective way to simplify governance is, however, to move towards more federal government of the EMU. At the current juncture this does not seem to be the democratic will of the people of the EU, for many of whom the benefits are unclear and for whom it is a distant reality from the problems of daily life. While taking into account the current situation, a political union underpinned by accountability, trust and citizen's participation needs to remain as a goal for economic governance and for creating a framework for more efficient implementation of a sustainable economy.

*The EMU faces two concurrent challenges: how to reduce overall risk and uncertainty, thus delivering shared stability and prosperity (effectiveness), and how, at the same time to achieve acceptance by the people (legitimation).* As regards legitimation, the key question is how the EMU can be brought and kept closer to citizens. The legitimacy and democratic accountability that need to go hand-in-hand for the future of the EMU are especially challenging. Strengthening the European

Parliament's powers of accountability may offer a partial solution. But this is unlikely to be enough on its own, especially in a situation where such powers operate to the detriment of national parliaments. National parliaments still remain in charge of the large majority of public budgets in the EU Member States and also in certain ways enjoy the privilege of being 'closer to the citizen'.

*Crucial initiatives such as the Banking Union prove that overall risk reduction is possible both through risk sharing and also appropriate risk prevention.* The Banking Union is a welcome development, since, correctly implemented, it promises to deliver simultaneously both risk reduction through appropriate risk sharing and also a remedy to the 'privatized gains, socialized losses' situation. This is why the Banking Union is to be welcomed. However, it needs to be noted that it is not a risk-free endeavour for European taxpayers, and therefore accountability procedures need to be in place in the setting-up and implementation of the Banking Union. The European Parliament's role in providing accountability is crucial here. Mechanisms need to be found for bringing these essential structures, which take important decisions, closer to the citizen. Consideration of the role of the European Parliament needs to go hand in hand with the role of national parliaments in the EU Member States, and to be coordinated with them, while also respecting existing decisions.<sup>51</sup>

*As described in other sections of this document, the EMU in its current form has come a long way and is today a highly integrated area. However, at the same time the EMU suffers in its own way from the very same deficiencies of effectiveness and legitimacy.* As explained above, the attempt has been made to remedy the lack of *government* in the EMU by *governance*, first on the fiscal policy side, and more recently by means of common supervision and resolution mechanisms on the

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<sup>51</sup> As for an example in Germany, where the Federal Constitutional Court has set boundaries for the transfer of national rights to the European institutions, especially in the area of finance policies.

financial sector side (Banking Union). With the benefit of hindsight, it is understandable (though not necessarily acceptable) that the Banking Union came so late: after all, in the mutualisation of risks through potential bank resolutions and recapitalizations the stakes are enormous, and much larger than in any previous (failed) public attempt at risk-sharing.

*For the time being the EMU will remain for the foreseeable future a multi-level mixture of voluntary cooperation and federal executive type decision-making structures.* Different levels and intensities are present. These include voluntary coordination (Open Method Coordination, Lisbon Strategy), soft coordination (EU 2020), hard coordination (reformed Stability and Growth Pact, Macro-economic Imbalance Procedure), as well as quasi-federal executive delegation (competition and trade policies for the Commission, monetary policy with the ECB). Soft coordination is to be broadly understood as a process where compliance is voluntary but is also the result of policy peer-pressure (reputational sanctions). Forms of hard coordination usually provide in addition for some types of financial sanctions. Needless to say, the complex environment makes governance a complicated matter. The only way to simplify governance, however, is to move toward more federal structures and government, which in turn raises important questions of legitimacy, as mentioned above.

*The implementation of the EMU needs to become more sensitive to concerns of common accountability structures operating at the European level.* The crisis has seen not only the implementation of innovative policies but also the creation of new institutions, where concerns of accountability and transparency need to be voiced. Apart from the ECB, which is often blamed for weak accountability of its actions, institutions such as the Euro group (within the Council) or the European Stability Mechanism (ESM) have been created as intergovernmental mechanisms without direct accountability to any public body.

*A long-term shared narrative needs to be found for EMU in order to move forward.* As long as there is no federal government with an enhanced EU budget and as long as there is a lack of agreement on the narrative as regards EMU, considerable distrust persists and no deeper level of risk sharing (e.g., broad-based permanent transfer mechanisms for public budgets, Eurobonds, and so on) stands a realistic chance of adoption or implementation. In this context, structures such as the Banking Union can provide crucial help in setting up institutions for overall risk reduction through appropriate risk sharing. For the future, effectiveness and legitimacy need to go hand-in-hand and the EMU needs to be designed in a way that avoids taxpayers footing the bill for mistakes.

*Finally, if the EMU is to be deepened, this can only happen through more effective accountability structures as well as more effective social policy coordination.* If EMU deepening is to happen, ways will have to be found to increase its legitimacy and fairness. One concrete way of increasing fairness is to agree on a set of social indicators alongside the fiscal and economic indicators that are used to measure imbalances and policy impacts in the EMU. Social performance and minimum social standards must gain equal standing with other current objectives. Political decisions that will enable steps to be taken in this direction need to be underpinned by common trust and faith in the project and politicians will be called on to display this publicly and honestly. Only in this way will citizens be able to trust EMU again, and to perceive it as a project contributing to their own well-being.

## **2.5 Addressing Over-indebtedness and Financial Dominance**

*Indebtedness of both the public and private sectors is a serious challenge in the EU, and it has worsened as a result of the crisis.* There is a distinction to be made between the micro- and the macro-economics of indebtedness. While micro-economically (for people and single econom-

ic agents), it is a phenomenon that is certainly to some degree inevitable, its duration and nature should be temporary and sustainable, since otherwise it becomes dangerous (i.e. paying off a debt, mortgage etc.). This is also the Biblical ethos here, which tends to view indebtedness as a negative phenomenon when it establishes an oppressive relationship between the creditor and the debtor, especially if this oppressive relationship extends over a longer period of time, since a long-term or permanent state of indebtedness harms human development and interpersonal relationships. Macro-economically, within our current fiat currency system and the ‘paradoxes of thrift’ that go with it, indebtedness in itself is not only present but indeed a strong prerequisite, since without it is not possible to do any proper macro-management of the economy. Overall, gross public (general government) debt in the Euro area (EMU) averages 90.8% of GDP (Eurostat 2015) while private debt averages about 161.8% of GDP (Eurostat, 2014).<sup>52</sup> There are considerable differences between countries as regards the scale of the problem. Debt is not inherently bad, and indeed at healthy levels it can function as a useful macroeconomic policy tool. However, due attention should be paid to the impact of debt on the poor. The poor in all countries of the EU often find themselves in the most precarious situations of over-indebtedness. In addition to concrete policy measures such as were outlined above, systematic solutions need to be worked out to deal with the problem of household debts, partly in the form of improved financial education of the population and partly in the form of further introducing appropriate regulation in the market.

*The issue of debt is closely related to the innovations and liberalization policies in finance which have taken place over the last few decades. Despite recent regulatory efforts, the relative size of the financial sector as a whole is still an underlying systemic challenge.*

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<sup>52</sup> <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tipspd20&plugin=1>

The growth of broad money supply in the financial sector (including notably so-called high-powered money created through financial products) has reached a level where it can too easily develop into a destabilizing force for the rest of the economy. The curtailment of excessive accumulation of money and debt in the current context is therefore desirable and could be done by means of various different measures, and perhaps most effectively through taxation. The reason is that the current system ends up overproviding liquidity where it promises quick returns (within the financial sector itself), and underproviding liquidity where it is needed, for example for small and medium-sized enterprises (SMEs).

*From a moral perspective, a lot is at stake. We have witnessed a financialization and commercialization of human interactions as more and more social interactions have been transferred into the realm of the market, using money as a central valuation metric.* The New Testament condemns the *love of money*, rather than money itself. J.M. Keynes called the love of money “*a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological diseases which one hands over with a shudder to the specialists in mental disease*”<sup>53</sup> and he was looking forward to a society which would overcome the love of money as a guiding principle for economic decisions. Today, far from this, an increasing part of human existence has entered the monetary valuation paradigm, where all fundamental values are expressible in units of money (e.g., life, rest, love). The Conference of European Churches expresses its concern about the excessive financialization and commodification of human reality and society. Money and credit are inherently relational constructions operating through (tacit or explicit) contracts between people. The expression ‘credit’ (credibility → credo) reflects

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<sup>53</sup> Keynes, John Maynard (1930): “Economic Possibilities for our Grandchildren”, in: *Nation and Athenaeum*, 11 and 18 October 1930, reprinted in: *The Collected Writings of John Maynard Keynes*, Ausg. Cambridge: University Press, Vol. 9, p.321–334



the moral and the legal background of the initial concept of lending money and entering into a relationship between creditor and borrower. Trust and personal responsibility are key ingredients in the morality of 'credit'. In contrast, as argued above, the current economic paradigm has tended to move away from relational thinking, towards abstract institutional thinking, leading also to an abstract morality. This has brought with it a strong increase in debt levels both public and private. This was possible only in connection with an increased social acceptance of debt and indebtedness and it could only happen because debt was increasingly being used as a tool for financing consumer needs.

*The lesson from recent history and developments in the banking sector in several EU Member States has to be taken into account.* Despite becoming the majority shareholder in some banks, governments have been reluctant to set social objectives for them. Some would suspect that the political lobbying power of the major banks has diluted the social return that the country might otherwise have expected from banks benefitting from public funding. For governments, the room for manoeuvre has been severely restricted and governments are also constrained by the need to avoid any bank failing to honour its obligations to depositors and borrowers. Banks have been allowed, and arguably encouraged, by governments to build themselves into comprehensive global providers of financial services. Over against this background, the role and involvement of politics in banking and the finance sector has to be reconsidered. One of the key questions to be answered in this regard is whether the banks serving the routine needs of small customers should again be separated from the banks engaging in a plethora of other business. Another question of no less importance is whether institutions having an effective lender of last resort guarantee from their governments should not have to accept some obligations to wider society obligations which are not necessarily expected of purely commercial operations that have to bear their own risks of failure.

*The moral argument also needs to extend into the quest for solutions. In terms of limiting indebtedness, debt restructuring and debt forgiveness need to be real possibilities.* Even though it is never simple, there are ways in which these processes can be managed in a relatively orderly manner that facilitates for the debtor the restoration of productive capacity and makes possible a new beginning. When speaking of debt, in a different context, churches were very vocal in the Jubilee 2000 campaign. Despite some successes in the area of debt forgiveness for Heavily Indebted Poor Countries (HIPC), the big dreams of Jubilee 2000 have admittedly not materialized. While we realize the limitations to implementing Jubilee 2000 style debt forgiveness in current EU/EMU, some of the principles underlying the Jubilee can be adapted to fit the contemporary system, and can be a source of general lessons for the ethics of debt forgiveness and social equality. Needless to say, in the contemporary economy with a large (and perhaps excessive) financial sector the question of restoration and restriction is not an easy one. Moreover, we realize that social justice is not always and automatically best served by debt cancellations. After all, creditors also deserve legal protection and responsibility always needs to be seen in conjunction with solidarity. In the end, economic restructurings need to be pursued keeping in mind not only a real and productive restoration of the debtor's productive capacities, but also the rights of the creditors. These principles apply to the Global South, but also to Greece as well as any other situation of over-indebtedness.

*Access to credit for most vulnerable sectors of society should be guaranteed.* The discussion on debt does not mention one feature that has been evident in a British context. One aspect of the reaction to excessive personal debt before 2008 has been a marked tightening in the willingness of banks to lend to higher risk people. In the abstract this can seem a responsible answer, as argued above. In practice it has left many households with lower or erratic incomes with no source of

affordable credit for unexpected needs and a consequent growth in very high interest moneylenders with questionable ethics. The market problem has been exacerbated by a reduction in state provision of emergency credit since 2011. In response to this situation, churches in some parts of the continent have taken concrete and practical decision by supporting a Churches' Mutual Credit Union. One challenge on the way has been the difficulty of obtaining regulatory approval for the necessary facilities. In formalising the institutional reaction to past debt policies, the provisions should not exclude the most vulnerable sectors of society from access to credit. In addition, there need to be EU law instruments that address consumer over-indebtedness and insolvency of consumers.

*Finally, in conjunction with restorative and restrictive policies in the financial sector, we call for a true reform of the banking sector. Increased capital requirements coupled with incentivizing equity-based financing over debt-based financing is therefore our key recommendation.* Too often, national tax systems incentivize debt, while they generally do not provide incentives for economic participation. Raising capital and liquidity requirements in banks will help to bring stability to the banking sector in the long term, admittedly however at a short term cost of reduced liquidity. A related problem is the fact that there is currently a higher growth rate on the return on capital than on wages. This also perpetuates and worsens income and wealth inequalities in society. It remains right to demand a clearer contribution to shared prosperity from the financial sector. In order to reach the primary goal and service function of the economy it is necessary to curb and reorient the financial flows that dominate financial markets. In the area of financial services, a Financial Transaction Tax (FTT), a Financial Activity Tax (FAT) or ending the exemption of on financial services from VAT are possible steps in that direction. All of these steps and others are needed in order to end the current paradigm of 'private profits,

social losses' in the banking sector. In moving towards a different kind of system, the sector and policy-makers can learn from best practices in ethical banking, such as the Global Alliance for Banking on Values (GABV)—the key element is to promote values that go beyond the merely financial.

*Fair taxation and sound financial services make possible the flourishing and well-being of the individual by bringing them into relation with the greater good.*<sup>54</sup> The EU continues to be an area in which tax evasion and unfair tax practices major economic actors are not rare. To demonstrate this sad reality, we would like to highlight the findings of the recent report focusing on 15 countries across the EU in their examination of national governments' commitments and actions towards combatting tax dodging and ensuring transparency. Among the overall findings are the following:

- Practices that facilitate tax dodging by transnational corporations and individuals are widely used, and in some cases this is done so as to enable governments to claim to be 'tax competitive'. This is creating a 'race to the bottom'—meaning that many countries are driving down standards to try to attract transnational corporations to their countries.
- A number of EU Member States fail to reveal the true or beneficial owners of companies, trusts and similar legal structures operating within their countries.
- Although EU governments have introduced country by country reporting for banks, including incentives for banks' adherence to stronger transparency rules, many countries are still reluctant to do this for transnational companies in other sectors.<sup>55</sup>

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<sup>54</sup> More to the topic of fair taxation and promoting of tax justice is to be found in the report: *Tax for the common good—A study of tax and morality*, Christian Aid, 2014

<sup>55</sup> Report: *Hidden profits: The EU's role in supporting an unjust global tax system 2014*, Eurodad, 2014

The CEC joins those civil society institutions which are calling for an end to the system allowing such abuses and calls on the EU and its Member States to adopt appropriate measures leading to fairer taxation, and in particular:

- To adopt EU-wide rules to establish publicly accessible registries of the beneficial owners of companies, trusts and similar legal structures and to establish a Eurozone tax information system;
- To increase tax transparency by adopting provisions for full country by country reporting for all large companies and to ensure that this information is publicly available.

## **2.6 The Urgency of Reducing Inequality, Fighting Poverty and Promoting Meaningful Employment**

*From a Christian point of view, the economy does not exist for its own sake.* Its goal is to provide people with what is necessary for life, and, beyond that, with everything that serves their prosperity. It achieves this goal through the satisfaction of human needs. Additionally, in line with a Christian understanding, Christian participation in the economy serves the purpose of establishing justice in society. It is always about shaping economies in such a way as to include everybody, since having a job and working for one's livelihood are part of a person's dignity. Furthermore, it is the best way to protect oneself against poverty. Those who are unable to work should be provided with adequate minimum social security. In the European context, poverty is primarily a relative concept: it is the inability to participate in the way of life that is prevalent in the society in which the individual lives. Poverty means lacking the resources needed to participate in the normal way of life of the surrounding society. At the same time, absolute poverty is also still present all over the continent. Although poverty in most of the EU is generally understood in its relative sense, the existence of absolute and

persistent poverty in a number of places in the EU must not be lost from sight.

*Growing inequalities in societies across the continent, their link to an unfair distribution of income and wealth and the threat of poverty are increasing concerns.* As the history of economic development in the world has proved, periods of rapid growth in GDP have been followed by an increase in income inequality. This can be explained by the high rate of return on initial investment capital and the rewards for early adopters of productivity-enhancing technologies. Politics matter too. The benefits of economic growth would have been more widely distributed if the societal institutions had been inclusive enough to encompass all layers of the population rather than exclusively benefitting only the few elite members of society. Initial inequality may increase incentives for economic progress that eventually benefits all members of society. However, current research demonstrates that inequality in western countries has reached a level which is actually hindering economic growth.<sup>56</sup> In order to curb inequalities that go beyond an acceptable limit in a healthy society and inequalities that endanger societal cohesion, the crucial role needs to be played by inclusive political institutions. The distinction between the inclusive and exclusive character of these institutions is crucial to this process, as has also been confirmed by noteworthy academic research.<sup>57</sup> Medium and

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<sup>56</sup> Era Dabla-Norris, Kalpana Kochhar, Frantisek Ricka, Nujin Suphaphiphat, and Evridiki Tsounta, Causes and Consequences of Income Inequality: A Global Perspective, IMF, June 2015.

Cingano, F. (2014), "Trends in Income Inequality and Its Impact on Economic Growth", OECD SEM Working Paper No. 163, [www.oecd.org/els/workingpapers/](http://www.oecd.org/els/workingpapers/); The impact of income inequality on economic growth, Bertelsmann Stiftung, Impulse 05/2015, [http://www.bertelsmann-stiftung.de/fileadmin/files/BSt/ Publikationen/GrauePublikationen/Impulse\\_\\_\\_2015-05\\_income\\_inequality\\_and\\_growth.pdf](http://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/Impulse___2015-05_income_inequality_and_growth.pdf)

<sup>57</sup> e.g. Daron Acemoglu, James A. Robinson, Why nations fail: the origins of power, prosperity, and poverty, Crown Publishing Group, a division of Random House, Inc., New York, 2012, p.93-109

long-term unequal distribution of income and wealth cannot be accepted. It needs to be addressed by inclusive political institutions.

The link between poverty, inequality and economic development can be examined on three different levels:

- *Creating provisions for meaningful jobs must be emphasized when fighting mass unemployment.* Public policy aimed at creating full employment certainly is a significant means of reducing poverty and social exclusion. Countries with a high level of employment usually have lower poverty rates and a lower level of income inequality in general. Unfortunately, certain employment structures aimed at full employment, including jobs at a minimum wage level or short-term temporary jobs, are not sufficient to achieve a permanent eradication of poverty. It is important to provide opportunities for people to get out of these precarious jobs and to find stable employment paying a living wage. In this regard it is important to note that, although all work has its own dignity, the way in which work is organised may lead to a loss of dignity. The ILO standards already give a basis and a clear orientation for reasonable standards of decent work and quality of employment. While emphasizing the dignity of all work, the Conference of European Churches stresses that the poverty of those in work needs to be given more attention in political and public consciousness.
- *Primary income distribution in a society is an expression of the distribution of a company's revenue between the wages of the employed and the profits or distribution among the shareholders of the company.* Both strong trade unions and strong employers' associations are integral parts of this process so as to commit both sides collectively and to have the power to reach binding agreements. In many European countries there are established procedures between trade unions and employers' associations

governing distribution at this level. Often they struggle for a fair distribution of existing resources with greater independence of government standards. In all of this, the existence of a prospering economy is the essential precondition. If it is missing, there is nothing to be redistributed. On the other hand, a relatively content workforce which feels that it participates adequately in social wealth can be a good productive force for a competitive economy. The specific forms of negotiation between social partners in European countries reflect national characteristics and varying factors.

- *Secondary distribution in a given society, in particular distribution through social and tax policies, is essential for guaranteeing the well-being of the most vulnerable populations.* Political decisions, such as the establishment of a progressive tax system or an unemployment insurance and good protection against specific risks of poverty, can have a great impact on social inequality and the risk of poverty in a society. In the Nordic welfare state paradigm, perhaps more than in any other, the relative character of poverty is recognized. The eradication of poverty is not merely about expenditures and compensation. It is mostly about investments in human capital and risk-promoting measures. Social investments in education for all are necessary to guarantee equal opportunity and a basis for economic growth. The promotion of human capital accumulation among the less privileged is of paramount importance in pursuing the ideal of a fair society.

*In addition to the primary and secondary inequalities in income, the trends in wealth inequality in the EU are alarming.* In general, wealth is substantially more unequally distributed than income, and can easily become a perpetuating factor of socio-economic inequality. Wealth-to-income ratios have increased from secular post-war lows of around 200 - 300% to about 600% in Europe. Developments such as the ones



explained above provide ample reasons why a thorough distributional analysis needs to accompany all economic policies and reforms. The EU should promote the impact measurement of social and economic progress on social cohesion. To facilitate this effort, EU institutions need to work together to improve the measurement of the social impact of economic decisions.

*Inequality in the EU is notable at a variety of different levels.* There is growing inequality within states, even those which are considered to be rich and prosperous, and there is continuing inequality between different EU Member States. In several of the EU MS the state has difficulty in taking care of the social needs of the population. Certain social groups are particularly vulnerable, including immigrants, the elderly, youth, Roma and so on. Against this background it is easier to understand the critical position of some governments toward migrants and refugees. In these countries such people are not considered primarily from a humanitarian point of view, but as incoming competitors for scarce social benefits and a potentially intolerable load for the social system. However, migration can also have positive effects on the economy from the point of view of longer term developments and in the light of demographic trends in most EU Member States.

*Social economy enterprises are formed to address a social or societal need.* This process of social innovation often leads to new methods, relationships and services. They often result in new policies and systemic change. They represent a diverse model of enterprise, which can be expressed as the enterprise form of civil society and is one activity to meet societal needs. Among the key characteristics of social economy enterprises are that they are user-centred, that surpluses generated are reinvested and that the outcome is to achieve social impact for the specific user group. But, of course, 'new' does not automatically mean 'better'. The measurement of social impact has to be applied and more developed in this area too.

*The EU 2020 target for 2020 to cut by 20 million the number of people living at risk of poverty needs to be upheld.* Unfortunately, the EU 2020 strategy has not so far been very successful in this regard. The currently available figures clearly demonstrate that, instead of decreasing, the number of persons and households experiencing poverty is actually increasing.<sup>58</sup> Nevertheless, the target is right and should be pursued by the monitoring of the European Commission through the European Semester. It will indeed even be strengthened when the European institutions discuss and come to a decision about how the UN Sustainable Development Goals (SDGs) will be put into practice in the period up to 2030 (SDG 1+8).

*Reflecting the Europe 2020 strategy, the target for education and vocational training, which included the reduction of early school leaving below 10%, needs to be highlighted as well.* There is a relationship between precarious jobs and education. Not having a good education may lead to fewer chances for a decent job. Many CEC Member Churches have stated on several different occasions in recent years that education is an essential tool for participation, not only in the labour market but in society as a whole. Nonetheless, skills and competences for achieving employability in a modern European labour market are only part of the mission of education; equally important is the personal development of every individual as well as his and her education to be a responsible actor in society. In line with the work of the Council of Europe, CEC highlights the significance of education as a core means for promoting values of peace and reconciliation, intercultural dialogue, and democratic participation in European society.<sup>59</sup>

*The EU needs to refer more consistently to programmes that were adopted but not fully implemented.* Through its social investment

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<sup>58</sup> European Commission, *Employment and Social Developments in Europe* 2014, Dec. 2014, p.34f.

<sup>59</sup> Council of Europe, *Charter on Education for Democratic Citizenship and Human Rights Education*, <http://www.coe.int/en/web/edc>.

package the European Commission outlined in 2013 the economic and social significance of investment in social and health services and social protection systems. Such investment leads to new and stable so-called white jobs, but also contributes to ensuring other employment by guaranteeing affordable, available, accessible and quality services, including childcare, health care, employment and training services and elderly care systems, all of which tend to strengthen the labour market. The European Commission has correctly highlighted in several documents that those EU Member States that had developed ‘ambitious and efficient social policies’<sup>60</sup> were less seriously affected by the economic crisis.

*With the introduction and implementation of a European Pillar of Social Rights, as presented for discussion by the European Commission in March 2016, the EU needs to seek a levelling up of employment and social standards, to promote social cohesion, and to monitor its implementation continuously.* So far the EU has lacked direct instruments for fighting poverty and inequality. In line with the aim for an inclusive society and social cohesion, churches underline the importance of the caring provided through unpaid work, and the engagement in families and neighbourhoods, as is done especially through countless examples of women’s work and the commitment to volunteer work for the welfare of society, especially of the place where people live. The economic significance of these contributions to the welfare of society cannot be overestimated and the question can be raised whether this significance is honoured adequately in European societies. Innovations such as basic income and participation income could be developed at the EU level not only to fight poverty and social exclusion but also to promote currently

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<sup>60</sup> European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Launching a consultation on a European Pillar of Social rights, COM (2016), 127 final, p.2

unpaid activities that promote health and well-being within families and communities.

## **2.7 Towards a Sustainable Economy; Diversification of the Economic Growth Orientated Approach**

*The current economic paradigm is not sustainable in the long-term.* The vision based explicitly on continuing economic growth and competition cannot be maintained in the long run. Even in the shorter-term perspective the focus on GDP growth is not helpful for achieving a sustainable future. Already in 2007 the EU launched the initiative ‘beyond GDP’, aiming to collect and discuss alternative measures of welfare. In some of the Member States similar projects have been initiated as well: the ‘Stiglitz commission’ in France and the Enquête-Commission on ‘Growth, Well-being and Quality of Life’ in Germany. They concluded that GDP growth can no longer be the most important measure of welfare and well-being. The shortcomings of GDP include the following:

- GDP does not consider the exploitation of natural resources as a negative factor. Damaging the stocks of natural capital has no direct effect on GDP;
- negative external effects are considered as a contribution to growth and not as costs of sustaining the original state of the economic, social and natural system;
- within GDP, household and volunteer work are not considered as a necessity or as a welfare-creating part of the economy—GDP is ‘blind’ to the informal part of the economy;
- GDP does not look at the distribution of income, thereby neglecting one of the most important aspects of welfare in society. Measurement of economic performance needs to be extended and corrected by data indicating the social and ecological impacts of economic policies.

*If the vision of a sustainable economy needs to replace the vision of mainly quantitative economic growth, then GDP can no longer be the main orientation for organizing and orienting economic governance.* The care for stocks of human, social and natural capital is as important as the flow of goods and services that societies get from their use. Not only the growth rate of economic flows but also the care of stocks has to become a guideline for economic governance. The core deficiency of the economic governance based on GDP growth is not limited to the problem of measurement and the selection of the right indicators. The debate on GDP and alternatives is only the starting point for the fundamental question whether there should be economic growth at all—and, if so, how EU policies should be aligned.

In the current discussion about growth concepts, it is possible to distinguish five main lines of argument:

- The traditional concept of unquestioned quantitative economic growth and continuing ‘business as usual,’ in which it is hoped that an overall growth strategy will ultimately provide welfare for all. If growth is massive enough, negative external effects in the natural and social systems could be ‘repaired’, and the income of the poor could be raised. There is considerable doubt whether the ‘business as usual’ strategy will continue to work; in recent decades, growth rates have declined steadily and substantially.
- A ‘green growth’ strategy would emphasize that any growth policy should be oriented towards the ‘green’ parts of the economy, thereby trying to decouple economic growth from resource and energy consumption. Until now, there is no empirical evidence to show that the decoupling of growth from energy and resource consumption which is needed for a ‘green growth’ strategy is succeeding to the extent needed to keep the economy within the planetary ecological boundaries.

- The ‘stationary state’ strategy aims to freeze GDP at a given level, arguing that the level of the economies in early developed countries may not have to be extended any more. If technological innovations proceed, it is inevitable that parts of the economy will grow, while others will shrink. It would be by mere accident that these two developments would balance out.
- A ‘de-growth strategy’ would start from the assumption that the overall level of economic activities in the earliest developed countries was already far too high and should be reduced. De-growth would however need an all-embracing reorientation of economies and societies: de-growth should not necessarily be considered as a disaster; it could be facilitated and stimulated by design. This would involve changes in lifestyles.
- An approach based on shared but differentiated responsibility would include de-growth in the early industrialized countries, and growth in developing countries, although within the limits of the ecological carrying capacity. This would need some kind of broad international consensus. The current situation proves in many ways how far the European and global community are from such a policy of global cohabitation. Such a framework would include an orientation towards an economy of solidarity, striving for moderate revenues rather than for the maximization of profits; solidarity would be a guiding economic principle at least as important as competition; just prices and fair trade would be the landmarks of globalization. National economies would not focus on increasing GDP but on improving the quality of life and the sustainability of development.

*The debate on what type of economic concept could be developed to orient the EU towards a sustainable economy needs to be included in shaping the concept of EU economic governance.* The European institutions have already initiated some steps along this path. There

have been initiatives aimed at preventing the depletion of natural resources, emphasising recycling and waste management, supporting the circular economy, as well as pursuing economic growth through intensification of production rather than by increasing its volume. All these and similar initiatives, although welcome and commendable, risk, however, suffering from their core deficiency: reliance on the model of permanent economic growth. Alternative visions for good economic governance should be formulated together as should models for the measurement of welfare 'beyond GDP'.

*A crucial element of such a concept is a consideration of the externalities of economic progress. It is increasingly clear that an idealised model of the economy that treats social and ecological costs as externalities is not viable.* The economy together with social and ecological aspects builds a triad that cannot meaningfully be split up. Such a vision would focus on the transition to a sustainable economy within the planetary ecological boundaries, and on treating the human being as a subject which is far more than an element of the production–consumption cycle. It would include the possibility that in rich countries consumers might find that further growth of their economy hardly increases their well-being and the quality of their life; so that their concept of a political economy could reconsider elements like voluntary simplicity and the structure of an 'economy of enough'. A transition towards a society having the ambition to guarantee a good life for all now and for future generations might need economic governance which is oriented not towards growth and efficiency, but towards combining an efficient economy with caring and solidarity.

*Refocusing of this kind is not possible without a broad discussion.* Part of the process needs to be an acknowledgment that a concept for a good economy must include much more than the efficiently management and organisation of production. The discussion on the future shape of the economy must bring in different stakeholders capable of enriching

the discussion by their varied expertise covering areas such as social issues, employment, sustainable development and ethics. The discussion has to reach out beyond the level of a closed circle of carefully selected experts.





## CONCLUSION

*The objective of opting for both the 'common' and the 'good' needs to regain its importance.* In addressing the crises and challenges which the EU is currently facing on the way to effective economic governance, the community of churches in the Conference of European Churches raises its voice in recalling in particular the original purpose and aim of the European project, which goes beyond achieving purely economic objectives. Increases in competitiveness and material well-being cannot be the main purpose of the European Union.

*People's participation and their contribution to the common good in Europe are essential.* This will be possible only if effective economic governance goes hand-in-hand with fighting poverty, reduces excessive inequality, and gives rise to meaningful employment, a triangle which cannot be separated from a vision of sound economic governance. Life in dignity and in a safe environment is a precondition for any sense of unity and peace, which are so powerfully declared in the first articles of the Treaty on European Union as the main objectives of the EU.

*The current structure of economic governance by the EU Institutions is neither effective nor overwhelmingly accepted by the citizens of the EU. Further deepening of the EMU and completion of the Banking Union is desirable.* Such a deepening has to be accompanied by balanced subsidiarity structures. Effective economic governance needs a concerted and balanced approach shared by all participating Member States. In many cases, however, EU citizens consider that the mere idea of such a common effort implies over-bureaucratization and loss of

national freedom. It is clear that any move in this direction cannot be sustained without the support of a comprehensive narrative which is responsive to citizens' concerns. A shared narrative for our common good in the EU that could inspire citizens and respond to their hopes and expectations needs to be a substantial element of the project.

*For future success in managing effective economic governance, a serious question has to be raised concerning the size of the financial sector and its operational framework.* Strengthening of accountability and transparency are of key importance. Financial speculation through the whole spectrum of artificial financial products may lead to short-term benefits in terms of an increase in GDP. However, economic growth is not the cure for all the problems of society. In many respects the one-sided focus on GDP only serves to postpone any serious attempt to address the real problems that lie behind it.

*The key problem of the relationship between the economy and political decision-making needs to be addressed.* Fair accountability is needed, accompanied by honesty and integrity of government. Politics and economics are strongly interrelated. On the one hand, powerful economic actors are able to influence policies. The strength of such influence is very often proportional to the economic significance and financial capacity of the relevant actors. On the other hand, as the euro crisis has shown, politics is also perfectly capable of having a damaging impact on the economy. This has happened through the EU's political efforts at resolving crises, which have often resembled a cacophony of voices and vested interests rather than a united political voice aiming to overcome the crisis. Getting the balance between politics and economics right, in terms of both process and content, is crucial to the success of any economic governance system. In the absence of properly functioning mechanisms, both politics and the economy will be driven by vested interests at the expense of the well-being of society. It is of the utmost importance to avoid such an imbalance.

*In this specific field, churches can contribute by emphasising certain key values such as solidarity, community, responsibility and accountability and by pointing out their mutual dependency. Churches also need to make efforts to broaden the dialogue on the economy, underlining the need to reach out beyond narrowly defined economic aspects, and to avoid limiting the debate to narrowly defined circles of experts in economics and finance. Churches may contribute to this debate by bringing in the distinctively Christian knowledge and interpretation of historical experience which is summarized in the biblical stories. Christian ethics and lifestyle are shown to be real possibilities by being lived out in a number of grassroots communities, and also in the lives of individuals who take them as a specific guidance for everyday life.*

*The building of a common European house started more than five decades ago as a visionary project based on sharing, cooperation, mutual respect and trust. The vision and hope for commonly shared freedom and justice, respect and solidarity need to be re-invigorated as we look for ways of responding to the current challenges in European economic governance. We are aware that the necessary reform of the EU institutions will be dependent on political configurations and on a sense of urgency. In this process, political leadership will be essential. In facing up to uncertainty and the risk of fragmentation in the EU it will be essential to recalling the EU's shared fundamental values. CEC aims, through this document, to contribute to a wider discussion on the future of Europe. CEC invites the churches, partners in civil society and the political authorities at national and EU level, as the prime movers in this process, to intensify their discussion.*



## ANNEX

### *Economic Governance in the EU: The Current State of Affairs*

*Economic governance in the EU can be understood as the system of institutions and procedures which has been established to coordinate economic policies and promote economic and social progress and well-being.*<sup>61</sup> Economic governance in the EU has been reinforced and refined over time, evolving in parallel with other historical developments. The current difficulties facing European integration need to be viewed in historical perspective and in the light of the aims, objectives and vision which have been integrated into the project from the start.

*European integration was set in motion by people who lived out in courageous ways the basic principle of ‘unity in diversity’.* The founders of the Union shared the common desire that Europe should never be subjected to war again. Through the Schuman Plan they created the European Coal and Steel Community (ECSC), the predecessor of the European Community and the European Union. The ECSC was the first supranational mechanism of its kind, and was followed by many more. However, the ECSC can still serve as a helpful reminder of a political project that combined political as well as economic rationality with

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<sup>61</sup> Article 3 of the Treaty on European Union (TEU); Articles 2-5, 119-144 and 282-284 of the Treaty on the Functioning of the European Union (TFEU); Protocols annexed to the TFEU: Protocol No 12 on the excessive deficit procedure, Protocol No 13 on the convergence criteria and Protocol No 14 on the Euro Group.

visionary thinking. The idea behind the ECSC was simple yet brilliant: joint control of the coal and steel industries of the Member States without customs barriers would help to secure peace in Europe through joint control of the markets for the very goods that are needed for warfare, namely coal and steel. Moreover, used in a peaceful manner, these goods would facilitate the reconstruction of Europe after World War II. The core idea of the ECSC lay in combining vision with pragmatism and idealism with realism.

*Subsequent to the ECSC, European integration advanced at an uneven but steady pace, through the Treaty of Rome (1957) and the Single European Act (1986) to the Treaty of Maastricht (1992) which established the EMU.* The Treaty of Rome set in motion a process of integration directed towards a customs union and a common market allowing the free movement of goods, services, people and capital. However, the treaty had no vision of monetary union, given that the fixed exchange rates in the Bretton Woods system were still functioning at that time. It was only in the late sixties that the global currency turmoil led people to think in terms of European Monetary Union (EMU). The Treaty of Maastricht (1992) and the establishment of the European Monetary System (EMS) were the most significant aspects of this development. The three stages of the process included, firstly, the completion of the internal market by 1994; secondly, by 1999, the progressive establishment of the European System of Central Banks and the adoption of the crucial institutional support framework for the common currency (the Stability and Growth Pact), and, thirdly, from 1999 on, the final fixing of exchange rates and adoption of the Euro in 1999.

*Two different approaches accompanied the vision of a common currency.* On the one hand, it was argued that a common currency should only be adopted after the introduction of a far-reaching political union, which would then be 'crowned' by the introduction of the new currency. The other option was to introduce a common currency at an early stage

as an instrument intended to facilitate the creation of a political union. Political pragmatism led to the introduction of the Euro along the lines of the second model. The introduction of the Euro was thus undoubtedly a deeply political decision: the common currency was to serve as an instrument for deepening European integration.

*Consequently, the EU created its monetary union without introducing a (federal) government, relying instead on various governance mechanisms.* The rule-based Stability and Growth Pact (SGP) of 1998 was developed as the main governance structure intended to address the asymmetry between a unitary monetary policy and decentralized fiscal policies. The Stability and Growth Pact (SGP) set limits to nominal deficits and debt limits for the budgets of individual Member States. Over time, the rules-based framework became more complex. Reforms of the SGP widened the scope of economic surveillance to cover structural reforms and also strengthened the enforcement mechanisms by providing for a range of sanctions with gradually increasing intrusiveness. The resulting overall complexity of the system is a reflection of the institutional set-up of the EU governance structure.

*Unsurprisingly, this complex governance has not been able to deliver and time has revealed the shortcomings of the existing governance mechanisms.* In 2012, the European Commission came to the conclusion that the Stability and Growth Pact “*was insufficiently observed by the Member States and lacked robust mechanisms to ensure sustainable public finances.*”<sup>62</sup> This failure of the SGP is as much an economic failure as a political failure, although its political shortcomings are evident in the cacophony of approaches and solutions put forward by different countries. The financial and economic crisis thus served to underline the weakness of the existing model of European Economic

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<sup>62</sup> Communication of the European Commission, A blueprint for a deep and genuine economic and monetary union—Launching a European Debate, Brussels, 28.11.2012, COM(2012) 777 final, p2.



Governance and led to efforts to reform and strengthen governance mechanisms.

*Since the outbreak of the economic and financial crisis several decisions have been made at different levels to further strengthen European economic governance.* The legislative procedures of surveillance of the objectives of the Stability and Growth Pact have been strengthened through the so called six-pack (2011) and two-pack (2013). Policy coordination is integrated into the European Semester, the annual cycle of economic policy guidance and surveillance. The European Semester represents a procedural innovation. Starting out as a project limited to coordinating budgetary and fiscal policy among Member States, it has since been expanded to become a tool of overall fiscal and economic policy coordination, while also attempting to take into account the social dimension.<sup>63</sup>

*The financial, economic and social crisis that Europe has lived through since 2008 has undoubtedly left deep marks in the collective psyche of the Union.* Even though we may hope that the worst turbulence is over, the financial crisis and the subsequent euro area crisis continue to have repercussions on the present situation. A number of Member States continue to be in dire need of reform, both the so-called programme countries and other seemingly more stable ones. Perhaps as a worst case, the so-called Greek crisis has left deep scars on the Greek population: as the exit of Greece from the euro was a realistic possibility not long ago. The stability of the common currency is also not yet fully assured. In Greece and other programme countries, the (no doubt necessary) crisis measures were unfortunately often implemented without due regard to social and cultural variables, which also helps to explain their limited effectiveness.

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<sup>63</sup> For an overview about all steps made, see e.g.: [http://ec.europa.eu/economy\\_finance/economic\\_governance/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/index_en.htm) (06.07.2016)

*The new European Pillar for Social Rights is a welcome addition to the EMU architecture.* It promises to complement the hitherto weak implementation of the EU social ‘acquis’ so as to guide policies in a number of fields essential for fair and well-functioning labour markets and welfare systems. The establishment of this pillar promises to correct the EMU’s relative disregard for social impacts and social policies which undoubtedly ought to play a role in the design of economic and financial policies as a whole. The crucial test for the social pillar will be whether it is implemented on a par with other binding EMU governance mechanisms, or whether it will remain as a form of cosmetic lip service on the margins of real politics. The hope certainly is that it will help deliver a renewed process of real convergence and cohesion among countries in the euro area, a promise that has thus far gone unfulfilled. The need to ensure the provision of fundamental social goods within all policy frameworks such as the EMU is urgent and crucial, not least in the light of the international obligations of EU Member States (e.g., Article 25 (1) UDHR).

*During the crisis, the independent European Central Bank (ECB) played a crucial role.* Faced with sometimes chaotic coordination by Member States of their economic and fiscal policies, it has been the ECB that has upheld the integrity of the Union through generous liquidity provision and a readiness to do ‘whatever it takes’ to save the euro (Mario Draghi, 2012). For parts of the Union, however, the ECB has already gone too far here as it has (allegedly) departed from its limited mandate, while for other parts of the Union the ECB has not gone far enough under circumstances of looming deflation. The ECB is therefore another prime example of an EU institution that is doing all it can, yet is faced with the sheer impossibility of pleasing everyone.

*A recent and very important addition to the realm of economic governance is the Banking Union.* The Banking Union was gradually initiated in 2013-14 through the Single Supervisory Mechanism and the

Single Resolution Mechanism. Through the Banking Union, mechanisms were introduced to reduce taxpayer liability for mistakes and losses in the financial sector. The Banking Union aims to establish credible firewalls between markets and public finances, thereby forcing the financial sector to contribute significantly to the cost of (future) crises, thus shielding the taxpayer as much as possible. The Banking Union today is an indispensable and evolving but still incomplete part of the EMU. The development of the third pillar of the Banking Union, a common European Deposit Insurance Scheme (EDIS) has, however, proved to be very difficult. In spite of this, the Banking Union is finding its place as an important building block of the EMU reform, which has to be seen as a dynamic process rather than a final product.

*By way of conclusion, the EMU today finds itself confronted with a complex toolbox of different kinds of governance mechanisms, some more effective than others. This complex environment results from the absence of ‘government’ in the form perhaps of clearer and more binding federal structures, and it makes governance a very complicated matter. The steps taken to fight the crisis were significant but an appropriate framework of European Economic Governance is not yet complete. The Five Presidents’ report (2015) summarizes this development by a call to complete the project which will only then be in position to achieve its objectives: “Europe’s Economic and Monetary Union (EMU) today is like a house that was built over decades but only partially finished. When the storm hit, its walls and roof had to be stabilised quickly. It is now high time to reinforce its foundations and turn it into what the EMU was meant to be: a place of prosperity based on balanced economic growth and price stability, a competitive social market economy, aiming at full employment and social progress. To achieve this, we will need to take further steps to complete the EMU.”<sup>64</sup>*

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<sup>64</sup> Completing Europe's Economic and Monetary Union, Report by: Jean-Claude Juncker in close cooperation with Donald Tusk, Jeroen Dijsselbloem, Mario Draghi, and Martin Schulz, June 2015, p.4



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**Peter Pavlovic** is the Study Secretary of the Conference of European Churches. His ongoing work includes developing dialogue between theology, ethics, and politics. He also focusses on theological perspectives on the economy, ecology, and sustainable development.