

A Vision for Europe: No Unemployment!

A simple line of arguments and a resulting proposal for policy action

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Extended Abstract

In a meeting in December 2013 president Barroso has asked Jean Monnet professors to found new think tanks and to produce proposals that could help to stimulate Europe's population to engage in democracy enhancing, pro-European activities. This attempt evidently was motivated by the fear that right-wing, anti-European parties could be the winners of the up-coming European elections. This paper will provide 13 steps of a possible answer that not only describes a vision for Europe but also proposes the policy that has to be immediately implemented to make it trustworthy. This steps can be summarized as follows:

1. The further evolution of the political economy of Europe - of **the emergence of a continental political entity** - is currently in a **most critical situation**. The stakes are high. To keep the process of integration going a profound **new impetus is needed**.
2. To create such an impetus it needs more than just the rational appeal to consider economic advantages of further division of labour, or the implementation of a 'new European spirit' in the brains of European citizens engineered by the EU marketing department. What it needs is a **vision of Europe** that unites its population because it **promises** to solve its most pressing problem, a vision that proposes a plan how to **free Europe from its most dangerous enemy**.
3. The **biggest problem** that Europe is confronted with is **how to fight unemployment**. Every European citizen - employed as well as unemployed, firm owner as well as worker and public employee - is confronted and fully aware that this is the danger that threatens his/her living standard. The **fight against this common enemy** thus is the key issue that can unite an overwhelming majority of Europeans.
4. To achieve this goal, to show how to fight unemployment, the **European Union** has to **provide an example** in those countries where the problem is worst: in the Mediterranean countries. The **successful fight against this common enemy** is the foundation of the implementation of a **new vision of Europe** that will be immediately recognized and acknowledged by the population.
5. In a **first step** to develop a solution - and **to establish itself as a problem-solving political entity** - the **European Union** has to analyse **why the economic policies** pursued in the last 6 years **failed so dramatically**.
6. It is immediately evident that such an analysis has to distinguish between at least **three levels of agents**: (i) Unemployment is **effectuated** at the firm level (bankruptcy, layoffs) and the level of certain public institutions (closing public services); (ii) it is **modified** by national economic employment policies (national labour laws, employment programs, etc.); (iii) it is only **observed** at the European level, where then just some theoretical recommendations for the lower levels are issued (by ECFIN, some DGs, etc.). **This structure of agents and corresponding activities** has proved to be **unable to fight unemployment**.

7. The **policy stance** that the **European Union** can use to generate the **new profile of a problem-solver** has to **start with a change** of this **failed decision structure of agents**. Neither have low interest rates induced firms to increase employment, nor have higher national budget deficits (and accompanying higher interest on government debt) allowed for higher public employment. For firms the shrinking expected demand was the decisive element to reduce employment and for nation states the focus on the budget led to reduction in government expenditure (mainly by layoffs) – both processes leading to a **downward self-amplifying spiral**.
8. **Economic policy of the EU** necessarily has to run from the top level down to the lowest levels that organize the actual economic labour relation. This **inverts the direction** of the just mentioned sequence of actions, which start at the lowest level. And this is the pivotal source for the current inability of the EU to fight unemployment: The relevant decision power runs from the bottom to the top, while money (and regulatory advice) runs in the opposite direction. At any point on its journey from the top to the bottom the money stream is reduced (in economic terms: **bureaucratic hold-up cost**) and the regulatory advice is re-interpreted (adjustments to locally ruling practice). In the end **EU-policy had no impact on the still rising unemployment**.
9. To implement an **effective EU policy** fighting unemployment in the Mediterranean EU countries it is mandatory to **circumvent the interrupting and diverting intermediating levels** on national and on firm level as far as possible.
10. To achieve this goal it is proposed to found **European Employment Agencies (EEAs)** in **Lisbon, Madrid, Rome, and Athens**. These EEAs are run directly by the European Union and only a minority of their staff is recruited in the respective host country. Their task is **to provide work for the unemployed** in the area of local **infrastructural improvements**. To do so they **organize procurement processes** that link **local production units** to **local infrastructural needs** (public health, public transport, housing utilities, education, etc.). Furthermore they **arrange payment** of the newly employed as well as of local production units. With respect to the latter they implement a strict control of reimbursement of cost (including entrepreneurial wages) only.
11. The **finance of the EEAs** is provided directly by the **European Central Bank**. It includes all internal cost of the EEAs as well as the cost incurred by the payments it arranges. The success of an EEA is measured in direct relation to the reduction of the national unemployment rate.
12. The activities of the EEAs are supported by a newly founded **Labour Organization Task Force (LOTF)**. This group of economists elaborates three important elements necessary for the **matching of economic activities to infrastructural deficiencies**. (i) It identifies the **characteristics of the unemployed** in the Mediterranean countries (age structure, gender, skill structure, immigration-emigration flows, etc.); (ii) it identifies which **infrastructural necessities** are most urgent and provide a most durable welfare benefit for the local population; (iii) it surveys the different **national institutional settings** concerning labour organization. Besides these more empirically oriented tasks it also comprises of a more **theoretically-oriented group**, which works on the design of **anti-bureaucracy measures** and **mechanisms of democratic decision making**.
13. The **LOTF is a centrally located group** whose work on the one (empirically-oriented) side is tightly linked to **Eurostat and ECFIN**. On the other (theoretically-oriented) side close cooperation with the group of **European Jean-Monnet Professors and EAECE** in general has to be envisaged. Finance of the LOTF again has to be provided by the ECB.