

Europe and sustainable development: scenari per il futuro (2040)

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Focus on sustainability: Design and logistic face to face

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I. Europe now and then

II.1. Europe 30 years ago

II.2. The youngest country in the world!

II. Four scenarios for the future, rooted in the past

Sc1. Antiquity

Sc 2. Middle-Age

Sc 3. 19th century

Sc 4. Renaissance

I. Europe now and then

I-1. *Europe 30 years ago*

- Europe 30 years ago: another continent.
- Berlin wall, communism.
- No internet or cell phone.
- Very few women in the labor market
- ECC with 9 countries, no single market, no European institution elected by the people, no Euro...
- Yet, some unpleasant familiar features: stagflation, oil shock,... but growth and hope.

I.2. The youngest country in the world !

- Europe sometimes is portrayed as « old ». Actually it is the youngest country in the world (created in 1992), except for former Yugoslavia countries!
- Its fate is thus largely undetermined and deeply uncertain
- What do we know for sure about Europe in the next 30 years?
- ... Ageing population, like much of the rich and emerging world, but it does not help us much to foresee the future.

Ageing Europe, 1975-2040

Population growth rate (%) of Europe, medium variant

1975-1980	0.49
1980-1985	0.38
1985-1990	0.41
1990-1995	0.20
1995-2000	0.00
2000-2005	0.07
2005-2010	-0.02
2010-2015	-0.09
2015-2020	-0.14
2020-2025	-0.19
2025-2030	-0.23
2030-2035	-0.27
2035-2040	-0.30

Sources: United Nations.

II. Four scenarios for the future, rooted in the past

- Tocqueville: « When the past no longer illuminates the future, the spirit walks in darkness ».
- We contemplate four scenarios for the future, but they are all rooted in Europe's 2000 + years of history.
- *Sc.1* refers to the Antiquity, *Sc. 2* refers to the Middle-Age, *Sc. 3* refers to the 19th century, *Sc. 4* refers to the Renaissance.

Sc. 1 (Antiquity): « The hollow empire »

- First scenario: closest to what Europe is at the moment.
- Europe has become an « empire of the rule ».
- Empire of democracy and the market. Historical success in spreading democracy (picked up where the US left in 1945).

The empire of democracy

	1972			2005		
	Political rights	Civil liberties	Status	Political rights	Civil liberties	Status
Bulgaria	7	7	Not Free	1	2	Free
Croatia	..	..	..	2	2	Free
Czech Republic	..	..	..	1	1	Free
Czechoslovakia	7	7	Not Free	..	..	..
Finland	2	2	Free	1	1	Free
Germany	..	..	..	1	1	Free
Germany, E.	7	7	Not Free	..	..	..
Germany, W.	1	1	Free	..	..	..
Greece	6	6	Not Free	1	2	Free
Latvia	..	..	..	1	1	Free
Lithuania	..	..	..	1	1	Free
Poland	6	6	Not Free	1	1	Free
Portugal	5	6	Not Free	1	1	Free
Romania	7	6	Not Free	2	2	Free
Serbia & montenegr	..	..	..	3	2	Free
Slovakia	..	..	..	1	1	Free
Slovenia	..	..	..	1	1	Free
Spain	5	6	Not Free	1	1	Free

Source : Freedom House.

The economic cost of non-political Europe

- But progressively, imbalance between democracy and market: the power of rules crowds out politics so the centre of the empire becomes hollow. Market democracy without politics.
- Economic cost of non-political Europe: the lack of politics affects the government of the economy.
- European monetary unification: high price for large continental countries (lower growth+higher unemployment); « dogmatic penalty » still paid today (ECB policy, Stability and Growth Pact);

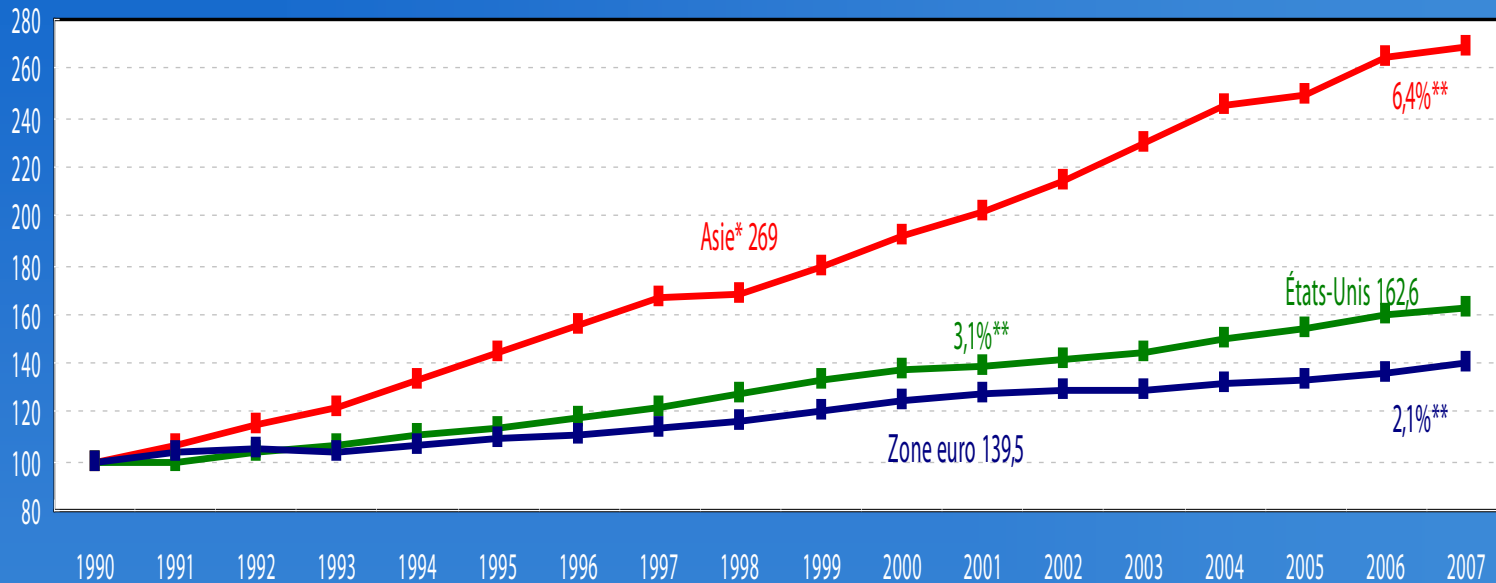
The economic cost of non-political Europe

- Development of tax and social competition. « Social disinflation » turns monetary union into zero-sum game, symptom of the absence of government of the economy. Euro area today: collection of competing small economies while it should be a cohesive large economy;
- Same goes with the Lisbon strategy: wrong side is being implemented. « Poor country » side = « perspiration », not « inspiration » = employment is up, but productivity is down (problem of EU budget, SGP, even monetary policy and exchange rate policy);
- In the end, the « empire of the rule » will be unsustainable politically, because it will become unsustainable economically.

The power of Europe

	US	UE (27)	Euro zone (13)
Population (2007)	303 m	497 m	320 m
GDP	13,800 bn	16,570 bn	11,900 bn
GDP growth (1996-2007)	3,1 %	2,5 %	2,2 %
GDP per capita	44,760	30,100	32,900
Unemployment (1996-2007)	4,9	8,5	8,9

Index of GDP (100 in 1990)



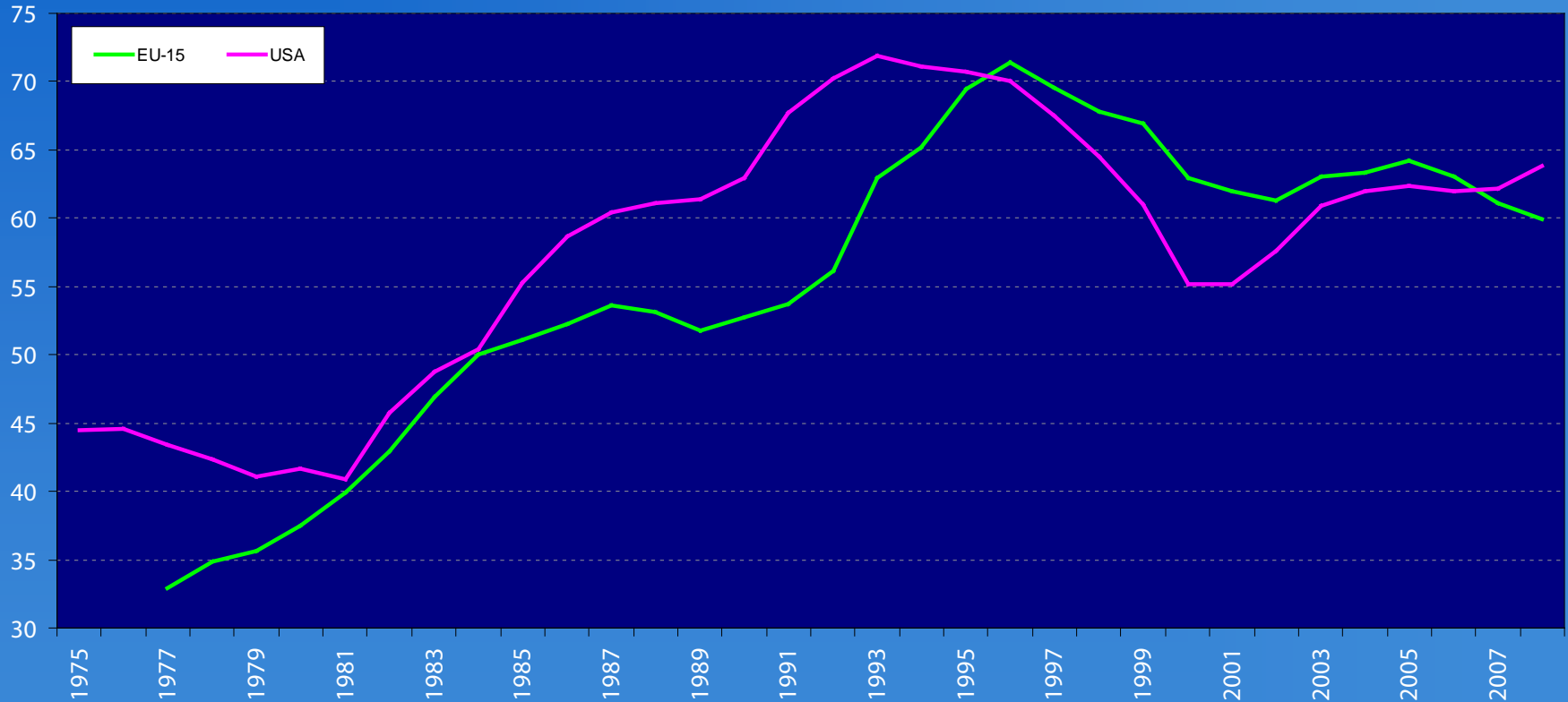
*Chine, Inde, Corée du Sud, Hong-Kong, Taiwan, Singapour

** Taux de croissance global sur la période 1990-2007

Exchange rates & Interest rates



Gross government debt



Source : European Commission and OECD, ESA-95 definition.

Note : Values for 2007 and 2008 are estimates from European Commission and OECD

The euro area at (almost) 10

Same (or even better) nominal performance
for EU countries that stayed out of the euro

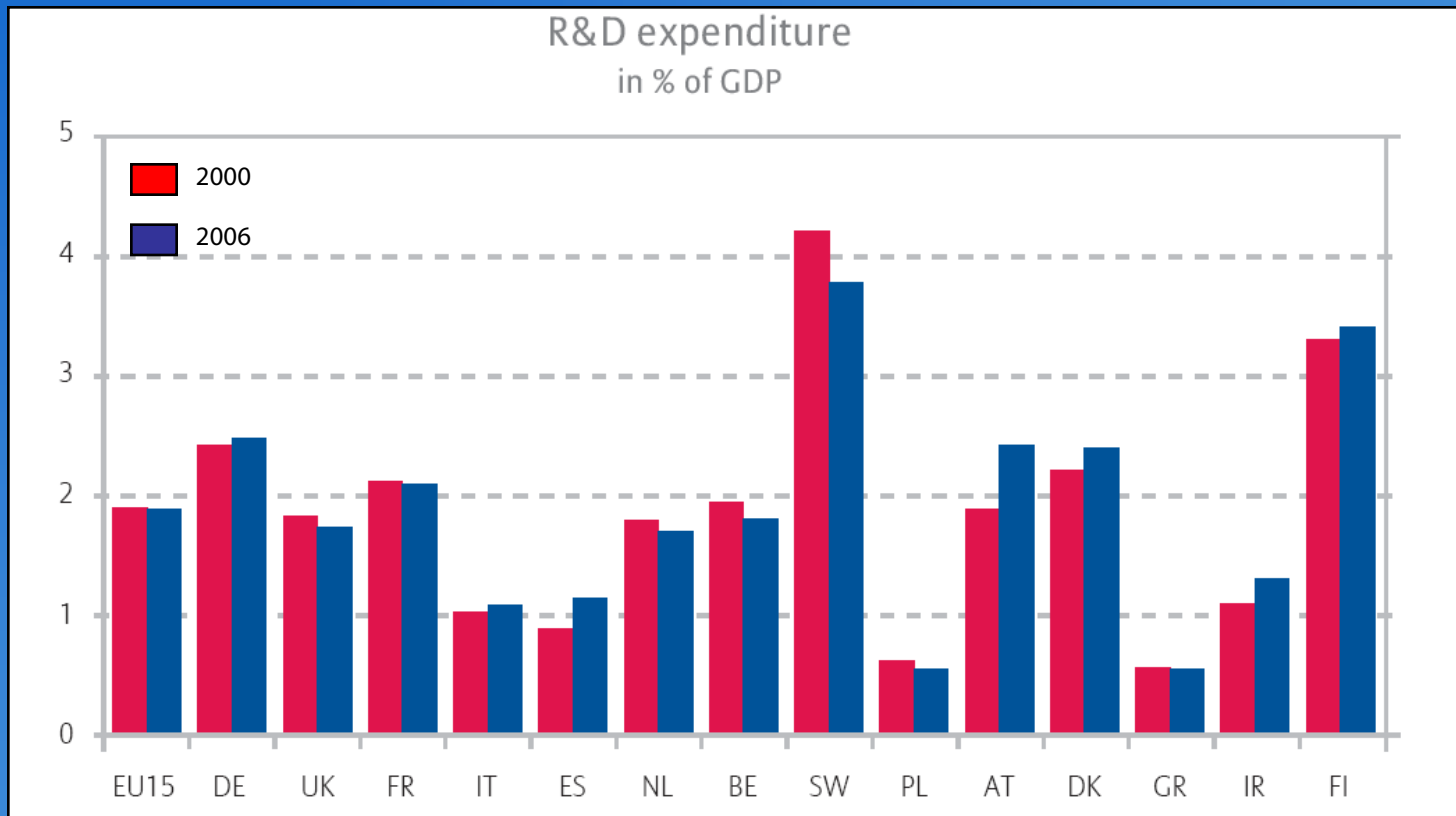
		Period averages			
		Euro area		Denmark, Sweden, UK	
		1989-1998	1999-2008	1989-1998	1999-2008
Inflation	%	3.3	2.2	3.4	1.7
Fiscal balance	% of GDP	-4.3	-1.7	-3.6	-0.9
Gross public debt	% of GDP	68.6	68.6	48.7	43.0
Long term interest rate	%	8.1	4.4	8.6	4.9
Real long term interest rate	%	4.7	2.4	4.2	3.3

Much better real performance

		Period averages			
		Euro area		Denmark, Sweden, UK	
		1989-1998	1999-2008	1989-1998	1999-2008
Real GDP	% rate of change	2.2	2.1	2.0	2.7
Real GDP per capita	% rate of change	1.9	1.6	1.7	2.2
Real GDP per capita	index, US = 100	73	72	74	76
Employment	% rate of change	0.6	1.3	0.1	0.9
Labour productivity	% rate of change	1.6	0.8	1.9	1.8
Unemployment	% of labour force	9.3	8.3	7.9	5.2

Source : EMU@10, European Commission

Lisbon: R&D spending



Source : European Commission

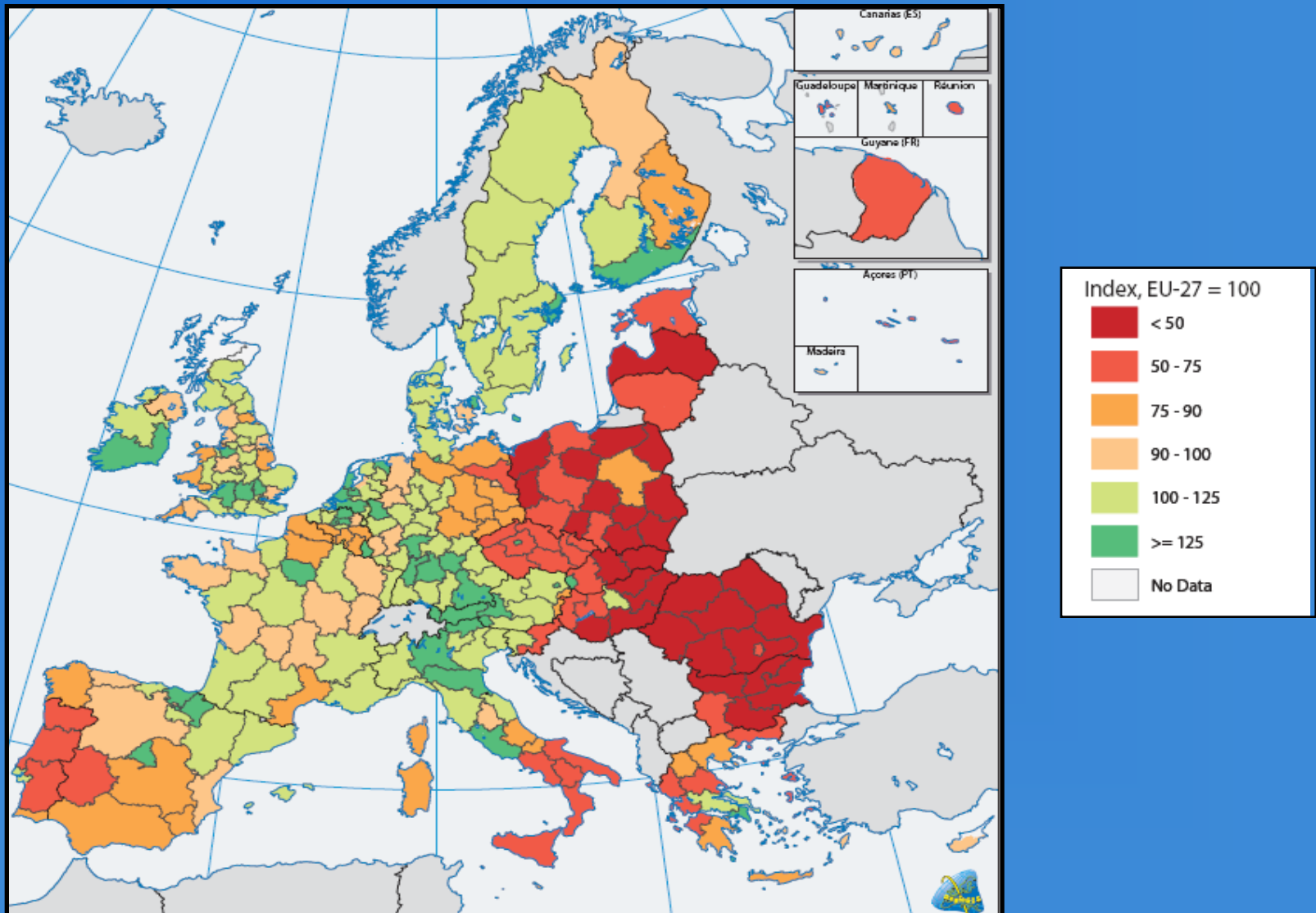
Sc. 2 (Middle-Age): « Globalized cities-state »

- EU is now a small globalized world: regional GDP per capita in 2005 ranged from 24% of the EU27 average in Nord-Est in Romania to 303% in Inner London: 1 to 13.
- Very high and growing inter-regional differences that could threaten national unity.
- Agglomeration and concentration effect of the Single market could bring back the reign of cities-state in Europe.

« Globalized cities-state »

- Worlds apart territories: different space areas corresponding to different time eras (already the case in the UK with London and the rest of the country)
- Taxation will only be possible at the local level (amenities), no longer at the level of nations because of tax competition
- People driven out of cities because of rent and cost of living, disenfranchised social classes relegated in urban periphery, far from public, cultural and natural amenities.

GDP/head (PPS), 2005



Source : Eurostat.

Regional GDP per inhabitant in the EU27 in 2005

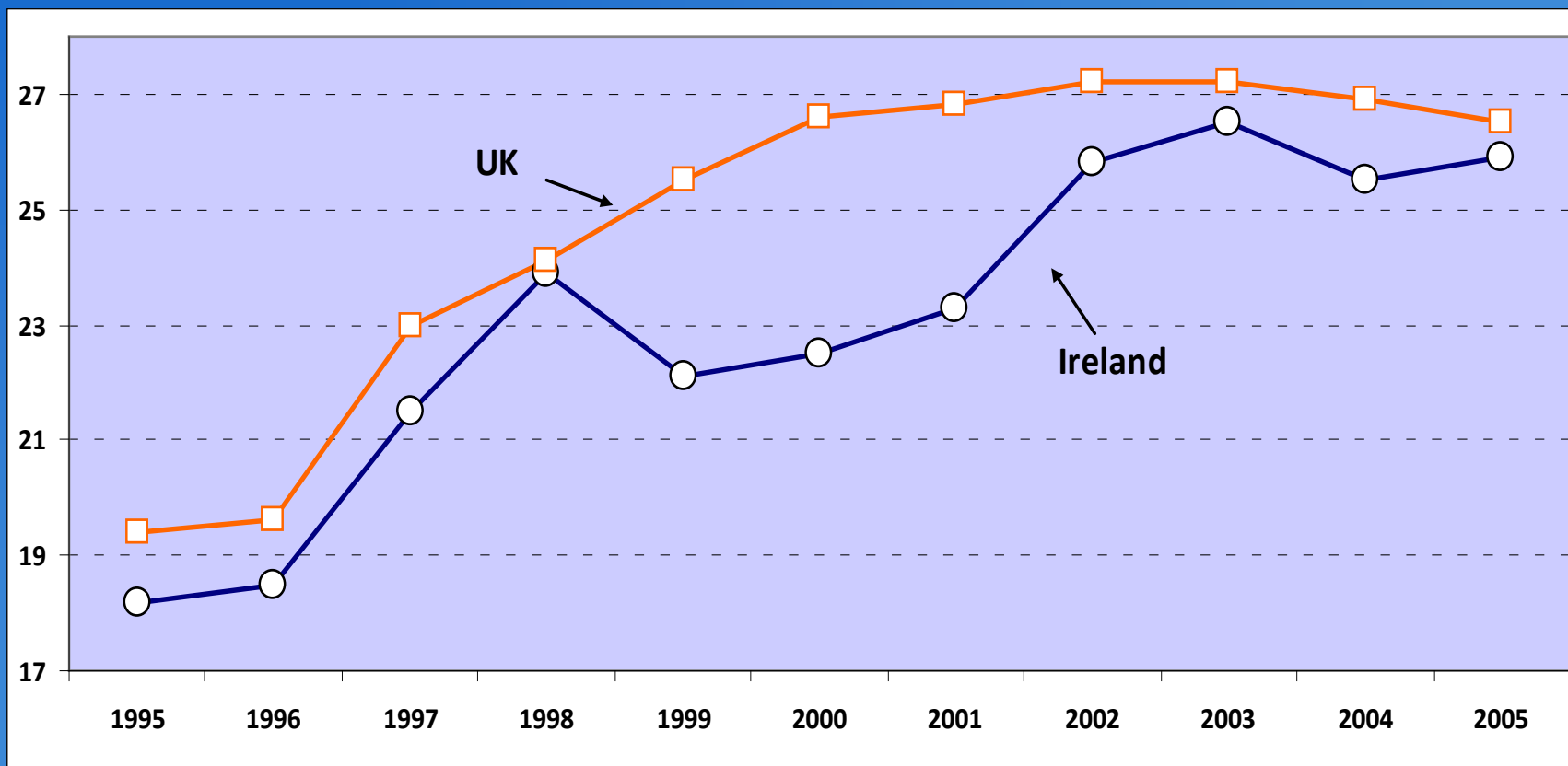
(in PPS, EU 27 = 100)

The fifteen highest:		
1	Inner London (UK)	303
2	Luxembourg (LU)	264
3	Bruxelles-Cap. / Brussels Hfdst. (BE)	241
4	Hamburg (DE)	202
5	Wien (AT)	178
6	Île de France (FR)	173
7	Stockholm (SE)	172
8	Berkshire, Buckinghamshire & Oxfordshire (UK)	168
9	Oberbayern (DE)	166
10	Groningen (NL)	164
11	Hovedstaden (DK)	161
12	Praha (CZ)	160
13	Utrecht (NL)	158
14	Southern & Eastern* (IE)	158
15	Darmstadt (DE)	158

Source : Eurostat.

Regional dispersion of GDP/head 1995-2005

(in % of national GDP/head)



Source: Eurostat.

Sc. 3 (19th century): « 19th century in reverse »

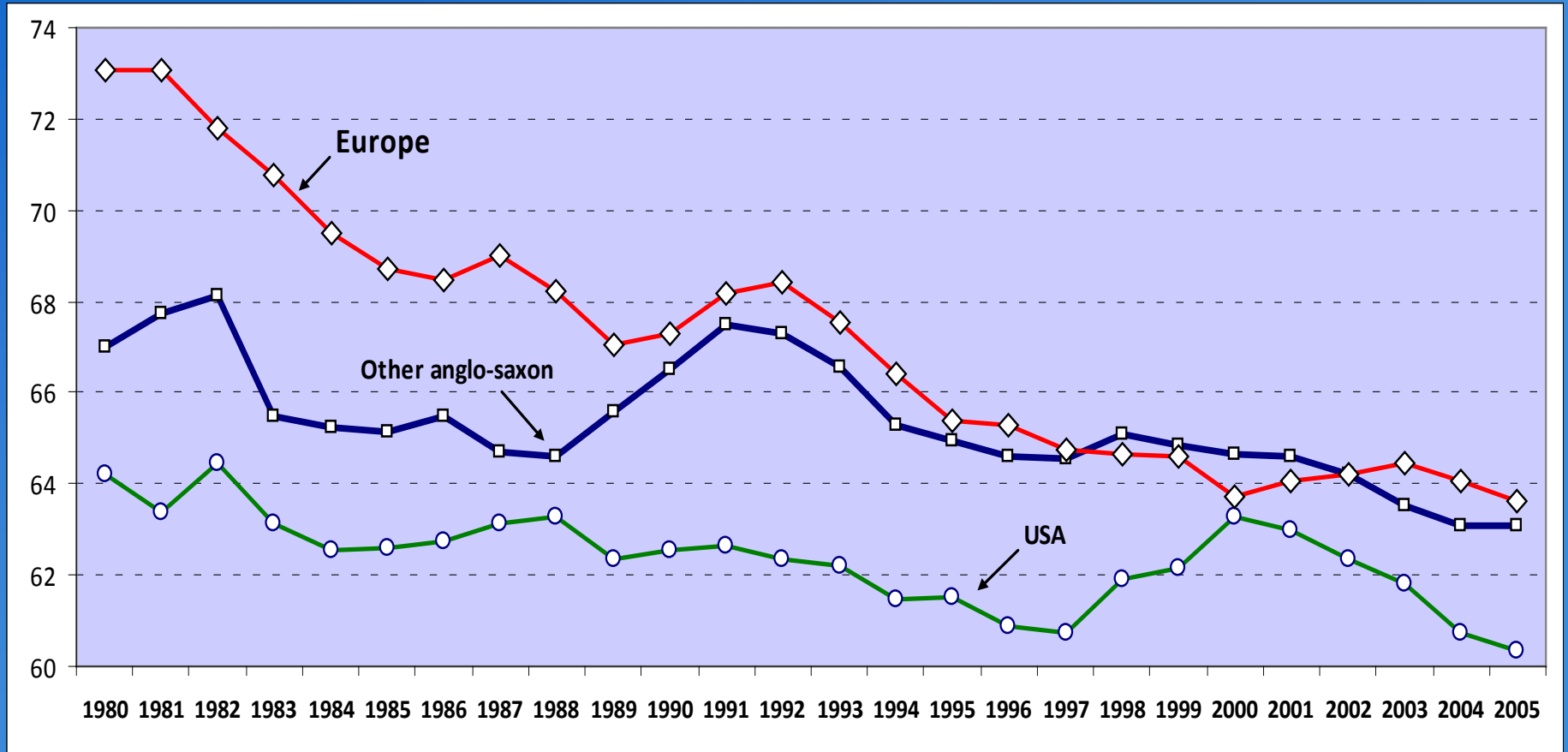
- Fall of labor income share since 30 years. Will it go on for the next 30 years?
- GDP per capita has hardly increased, income inequalities have gone up
- Globalization may become inflationary or deflationary but only at the expenses of the workers (The great doubling) environmental problems for at least the next 20 years: commodities prices will go up. Poorest are hit the hardest.

Sc. 3 (19th century): « 19th century in reverse »

- = 19 th century + the welfare state
- But if we roll back the welfare state, then = 19th century in reverse, from the founding of the welfare state (end of 19th century) to the « Springtime of the peoples » (middle of 20th century)
- Democracy will be at risk

Income share of labor

(Percent of GDP)



Source : IMF

Growing income inequalities

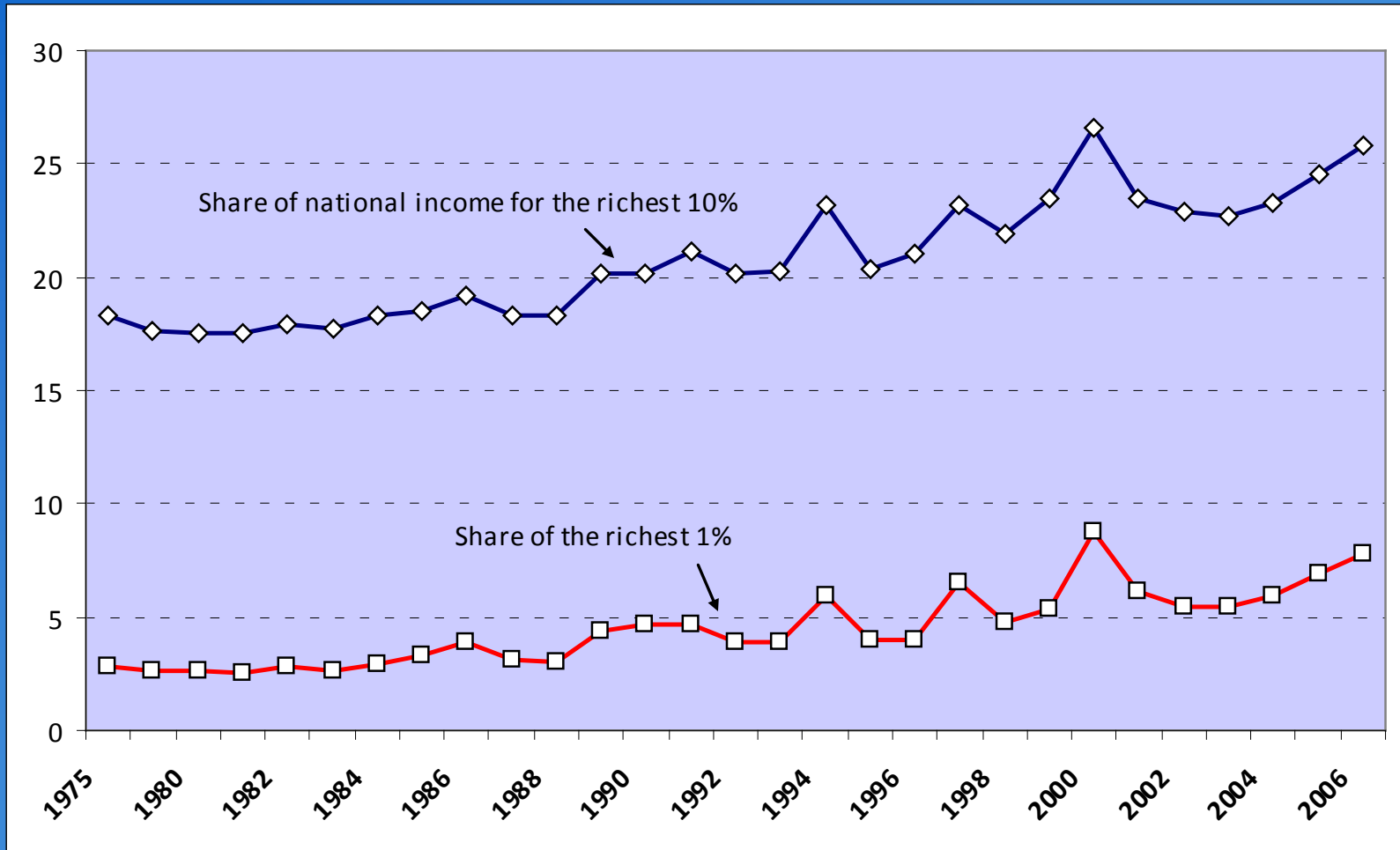
Distribution of household disposable income among individuals, Gini coefficients

	Mid-1980s	Mid-1990s	2000
Austria	23,6	23,8	25,2
Czech Republic	..	25,7	26
Denmark	22,8	21,3	22,5
Finland	20,7	22,8	26,1
France	27,6	27,8	27,3
Germany	..	28,3	27,7
Greece	33,6	33,6	34,5
Hungary	..	29,4	29,3
Ireland	33,1	32,4	30,4
Italy	30,6	34,8	34,7
Luxembourg	24,7	25,9	26,1
Netherlands	23,4	25,5	25,1
Norway	23,4	25,6	26,1
Portugal	..	35,9	35,6
Spain	36,7	33,9	32,9
Sweden	19,9	21,1	24,3
United Kingdom	28,6	31,2	32,6

Source: OCDE

Growing income inequalities

The example of... Sweden



Source : SCB

Sc. 4 (Renaissance): « A new Renaissance »

- If we look at the coordinated and *quick* response of the euro area to the financial crisis, this scenario appears as less improbable than it were two weeks ago. In effect, the countries of the euro area have found the means to invest in an essential public good: economic stability. Why should they be unable to invest in those public goods that they repeated emphatically that they are essential: knowledge, environment and clean technologies?

Sc. 4 (Renaissance): « A new Renaissance »

- The real freedom of circulation that matters in Europe: knowledge
- University of Bologna: founded in 1088, university of Paris founded in 1208
- In Bologna: foreign students of law grouped themselves together as « nations » and developed a basic form of European university (Hilde De Ridder-Symoens, *A History of the University in Europe*, CUP)

Sc. 4 (Renaissance): « A new Renaissance »

- Bologna, Paris, Salamanca, Oxford, Coimbra: foundation of Europe, « Studium Generale »
- Middle Age to Renaissance: active role of universities in society and the economy (vita contemplativa to vita activa)
- Solidarity between scholars stronger than belonging to nationality
- Academic mobility strong in the Middle Age, culminates at the Renaissance, but declined because of nationalism between 17th and 19th century.

Sc. 4 (Renaissance): « A new Renaissance »

- After Second World War, wave of scientific cooperation in Europe because of reconstruction, but since then little has been achieved, except the « Declaration of Bologna » (convergence: LMD, ECTS), « Erasmus » (students) and « Socrates » (prof.)
- European universities must be richer and better connected
- Arts breeds sciences, humanities breeds technique

Sc. 4 (Renaissance): « A new Renaissance »

- Intellectual, and not national, citizenship.
- Renewal of the European project
- But we have to start investing in our future now and not in 30 years...

European universities in 2007

Region	Top 20	Top 100	Top 200	Top 300	Top 400	Top 500
North and Latin America	17	58	98	138	164	197
Europe	2	34	80	123	172	208
Asia/Pac.	1	9	24	42	64	100
Africa				1	2	5
Total	20	101	202	304	402	510

Source : Institute of Higher Education, Shanghai Jiao Tong University