

Speech by Professor Jean-Paul Fitoussi at the Turin Forum on Social Rights – Turin, 18 March 2016 (*translation of the transcribed text in French*)

Thank you very much, Mr Director. You say so many nice things about the speakers that I hope I will not disappoint the audience. [*Mr Fitoussi then said in Italian that he was not sure what language to speak in but opted for French*].

The previous two speakers spoke very wisely and said most of what needs to be said about social rights. It is now for me to say the rest.

I am going to be highly critical because I am angry. I am angry about the current situation in Europe and because the policies being pursued in Europe run completely counter to what the previous two speakers want. The reason for this is clear: the watchword for all economic policy in Europe is competitiveness. And what, I ask you, does competitiveness mean?

It means reducing labour costs more than one's neighbour and hence, by extension, reducing social rights. This is what is referred to as "structural reform" and the question is why it is called that as it is a process that belongs to the past – in fact the distant past. People try to absolve themselves from any blame for going back in history by claiming that structural policies are modern and that policies for the dismantling of social rights on the labour market are modern, whereas they are actually totally out-dated.

So, how did we arrive at such a state of affairs? I have my own theory about this, which is that there is no Europe or at least not enough Europe. I'm sorry to have to tell you that I am a federalist and I believe that Europe will not be able to solve our current problems, have some influence on the world and impose its own geopolitical view unless it has its own government. Otherwise it would be the only region in the world not to have a government.

And, if we do not have a government, how do we protect social rights? If the way in which they are to develop is to be determined by competitiveness, how do we uphold them? I do not really know what we should be doing. We have searched in all directions, but the first, which seems to me to be the most promising, is to show that social cohesion is a means of promoting productivity and that general productivity in cohesive, united and inclusive societies increases output, in other words, it is a factor which reduces the private sector's operating costs. Yet, instead of seeking such social cohesion, we are eroding social rights and so we are losing with one hand what we gained with the other. There are various conflicting theories on this matter but I am convinced that the theory of solidarity is the best and the one that is most justified by history.

We should remember the thirty-year post-war boom, during which we built our social system and were not yet dismantling it, and in which overall productivity and the productivity of the workforce in the economy increased the most. However, productivity implies investment and at the moment, we are told, states are poor and cannot invest. But why can they not invest? Because they cannot borrow, we are told. But why can they not borrow when the lending rate is at 0% or even negative? Nobody has been able to tell me this or answer my question. Yet social rights are key elements of citizens' and populations' well-being. As we have been shown in various works including those of Stiglitz and Sen, there are objective determining factors for well-being such as employment – decent employment not unstable employment – economic security, security per se, the environment and health. I would link the environment

and health because currently, regardless of the matter of how sustainable our development is, our environment and our health are interconnected. It is enough to see what happens to our children when they live in polluted towns. They all end up with asthma, as do many adults, as well as developing allergies. There are therefore certain fundamental keys to well-being which only social rights can uphold. I was, of course, forgetting education which is also a deciding factor in well-being.

What then are we seeking in truth? Are we seeking the highest growth rate or the highest level of well-being? I would not say that the two are incompatible but it has to be understood that if we secure well-being, we also simultaneously secure growth. Why is it not our sole aim to seek the highest possible growth rate? Because growth rates do not tell us anything about people's situations, including their degree of equality and their social rights. You can have a very high growth rate, or at any rate greater than in Europe – which, you will tell me, is not difficult – but, as in the United States, this can be combined with a totally terrifying rise in inequality. This increase in inequality means that the growth in question is actually only of benefit to 1% of the population, or, not to exaggerate, 10% of the population, though degressively. In other words, it is most advantageous for the top 1%, then a little less for the next 1% and so on. What we are interested in, however, is the type of growth that benefits the most people. A model of growth which benefits only a very small number of people is of no interest to us as a social objective or an objective of our countries.

What we want instead is a form of growth which secures the equality of peoples before the future, if I might put it that way. Something which is ingrained in the thinking of all families is that their children's destinies should be better than theirs. This is a platitude though, because today the dismantling of social rights means that families' futures are not secured because we do not know what type of pensions workers will receive when they grow old. In this way, we have created two layers of uncertainty: uncertainty among the present generations themselves and uncertainty about future generations. This is a quite awful situation and, most importantly in my view, it is one which affects the very core of our democracies.

Democracy, or at least what we call democracy, is a combination of conflicting principles. On the one hand, there is census suffrage, which is ensured by the market and can be summed up by the motto one euro, one vote, and on the other, universal suffrage, which is secured by democracy and comprised in the maxim, one person, one vote. These conflicting principles mean that the attempt to manage the democracy of markets properly implies an ongoing quest for compromise to ensure that all people are as equal as they can be before the future. In the mid-twentieth century, an American Supreme Court judge said that you could either have a situation in which wealth was concentrated in the hands of a small number of people or you could have democracy, but you could not have both at once, and I believe he was right. Yet, what is the situation to which the policies pursued by our government are leading us? It is a situation in which the middle class, in other words democracy's mainstay, will have practically disappeared.

What we see is a gradual decline of the middle class and the ever increasing enrichment of the smallest section of the population and this development will inevitably result in the end of democracy. Why is this inevitable? Well we can see it happening. What is the meaning of the increase in extremism or the significance of the rise of Trump in the United States? It comes to the same thing. In the United States 90% of the population are not benefiting from the country's progress or growth. We are in a situation in which democracy itself is in grave

danger. And this, I believe, along with Stiglitz and Sen, is the result of the fact that we are failing to measure the key variables of our economies. And what we measure determines what we do.

If I were to try to present the results of any economy in very simplistic terms, I would say that one would find, in the debit column, the debt burden – consisting of public and private debt – and, in the credit column, a whole series of capital assets. The first of these would be intangible capital, and this intangible capital would be democracy and the people's attachment to democracy. Next would come private and public economic capital, human capital and social capital, which we cannot measure. After this there would be natural capital, which it is also impossible to measure. So can anyone tell me what point there is in policies which attempt to reduce one component of the debit column on the back of the nation? Well, the answer is that the effect of these policies is to undermine the nation's wealth and to reduce its assets. We know this because we have seen it and experienced it first-hand. All that these policies have achieved is to raise unemployment to levels which we have not experienced since the 1930s or even to exceed the levels of that time, in other words to result in the wide-scale destruction of human capital.

We live in ageing societies and we are faced with the paradox that young people and young people's contributions and work are considered to be worthless. As any first-year student could tell you, anything that is scarce is valuable and since young people are scarce, they should be valued. But, alas, this is not the case and we are destroying our human capital. And we are destroying it for a long time into the future because we know that when young people botch their entry into the labour market, they feel the effects of this for the rest of their career. However, we are also destroying social capital. How can we have confidence in a society which is prepared to reduce human capital by 10 points to reduce debt by one? Consequently social capital, which is based on the mutual trust of economic operators, without which there would be no real growth, is on the decline. And it is also clear that economic capital, whether private or public, is dwindling.

There have never been as many bankruptcies during these crises as there are now, and it is clear to everyone that infrastructure is not being renewed and that states are failing to exercise their sovereign powers. We no longer have an army, a police force or a gendarmerie! I am exaggerating of course but, as I told you, I am angry. What this means is that we are sacrificing our fundamental social rights to stupid policies. Because, of course, in this kind of context, we no longer have anything to invest in nature conservation. How can we be expected to preserve our natural assets when we are counting every penny or at least, avoiding exaggeration, all the figures after the decimal point of the public debt, if I can put it that way - although we know that it is very poorly measured?

The question therefore is how much longer we are intending to pursue these policies? And my answer is that we will continue for as long as there is no European government. And my answer is also that until there is a European government, the most basic things, such as the right to immigration and the right to live within secure and recognised borders, will not exist.

We also need to solve the problem of immigration, which is an extraordinarily simple problem to solve in one way or another, rather than accusing the Greeks or Italians of being lax when in fact they are simply being humane. We should be sharing the burden of the world's troubles rather than deciding today to ask a mercenary – or should I say a country which we should perhaps not be associating with, to guard our borders for us. I am sorry but I

prefer to describe this as I see it. I know that it is not very politically correct but I stand by what I say.

This then is where the destruction, or the dismantling of social rights has led us. Yet, what we need to do today more than anything is to establish new social rights rather than dismantling old ones.

We need to develop social rights which secure an equal future for the sexes, enable life expectancies to continue to climb and allow states to place the greatest possible emphasis on educating their children. This though is not what is happening today as education budgets are being cut. It is also quite clear that in a number of countries, less priority is being placed on keeping people healthy. I am sorry to have to say it, but life expectancy has fallen in Greece and this is not because the Greek government decided itself to reduce health spending but because it was forced to pursue a policy of truly unbelievable harshness towards its own population.

Is this what modernity is all about? I do not think so. Thank you for your attention.