

The Parish of St Precarius

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Did you ever visit the parish of St Precarius?

At your age, you will probably go to church there very soon and I warn you. You won't find salvation in the parish church of this unknown saint. In fact, you will not *go* to Saint Precarius, you will be *driven* to this sanctuary, whether you like it or not.

Most of the parishioners of St Precarius have to work very hard for a mere pittance. They work so hard because they have to finance the exorbitant privileges of the higher clergy.

Long time ago, these high priests of St Precarius have replaced old fashioned theology by what they considered as being modern: economics. In this theology for the XXIst century, one of the main dogmas is that a national economy (or the world economy for that matter), in order to be sound, has no need at all for a prosperous majority of the population. All a thriving economy needs is a great number of people toiling day and night for starvation wages. Shining examples are China and India. In the EU, last month optimistic figures about the revival of the Greek national economy were published. Jubilation was heard in Brussels headquarters. But thousands of Greeks are still scavenging from dustbins in the streets in order to check their worst hunger. No problem, ladies and gentlemen. Everybody can see the Greek economy is thriving. Our statistics tell the truth. A few thousand beggars can't contradict our economic truth.

One of the supreme commandments of this new theology runs as follows:

Thou shalt ban solidarity.

Low wages, brilliant growth rates and an eternally balanced budget. Lo! Behold the haloed holiness of St Precarius' sacrosanct doctrine.

Now, you might be tempted to think this is nothing more than a nightmarish sort of fantasy of an obscure poet – which indeed I am.

Maybe you have a point. But no doubt it's also the essence of German chancellor Angela Merkel's economic policy today. And, surprising though it may sound, it was also the essence of her predecessor's economic policy, though he had the reputation of being a social democrat. And, last but not least, it is the summary of the European Commission's economic guidelines.

The moment has come to explain to you why for Gods sake I have chosen the metaphor of this parish of St Precarius.

Ten years ago, i.e. long before the world wide financial and economic breakdown, hundreds of young professionals gathered on a city square somewhere in Milan, Italy, carrying a statue of a strange, hitherto unknown saint: San Precario. *Precarius* is a Latin word, meaning: obtained by entreaty or by mere favour, and hence, doubtful, uncertain,

precarious, which in turn, means: dangerously insecure or unstable or unsteady, depending on the intention or goodwill of someone else.

The degrees of these young professionals were splendid, their wages were miserable or, indeed, non-existent. Their income depended entirely on the whims or the greed of their employer. On, let's say, on the unpredictable somersaults of today's capitalism.

Soon, their example was followed in dozens of European cities. Thousands of intelligent, highly educated young people, ready to work, organized processions in honour of St Precarius. In their dreams, they clearly saw the saint and he spoke to them: *Io sono la tua rabbia che si è fatta santa*, he said. I am your anger that has become sacred.

I really have to tell you something about the parish church of St Precarius, because in all probability, some of you, perhaps many of you, will end up there some day.

The walls are very high, there are no windows, so you can't see what's outside, and there is no roof to protect the parishioners from rain, snow, hail or scorching sun. You may bang your head against the walls, they won't even tremble. Above the altar, you won't read the word INRI (Jesus Nazarenus Rex Iudaeorum), but the word TINA, which means, in contemporary manager's Latin: There Is No Alternative.

My basic idea, which I tried to develop for the Huizinga Lecture 2012 in Leyden, runs as follows:

The European Commission is taking great pains at demolishing the foundations of European civilization. These foundations are, today, in my opinion twofold: Democracy. The welfare state. The offensive against the foundations of European civilization has switched into high gear since 2008. Today it has become naked aggression against the achievements of democratic social policy.

The European Commissars are not the only aggressors. They receive active support from:

- National governments
- The European Central Bank
- The International Monetary Fund (though this institution is split by bitter discussions about its course of action)

One of the major developments in the last, well, not six years, but twenty, nay, thirty years, has been the breaking of the tacit social contract which came into being mainly after 1945, especially in the heartland of what was, in later years, to become the European Union. But we already find traces of this social contract just after the First World War and even before, in the German Empire.

The bottom line of this social contract is very simple.

Let upper class people pile up as many bags of money as they like, there's nothing wrong with that, but only on condition that Joe Average and Plain Jane earn a decent salary and are protected by an efficient and generous social security system.

It's easy to see this is not an egalitarian programme at all.

Well, it is this tacit social contract which is violated now. On both sides of the Atlantic the higher classes changed the rules of the game and, in doing so, they wrecked the conditions of social harmony utterly. Instead of class peace they reinvented good old Marxist class struggle. In 2011, not beating around the bush, Warren Buffet, one of the richest men in the world, put it this way: *Actually, there has been class warfare going on for the last 20 years, and my class has won.*

This class warfare is continuing up to this day and it doesn't look as if it will be finished soon, or what did you think?

One year after Warren Buffet's candid statement, Mr. Mario Draghi (who used to be on the payroll of Goldman-Sachs) said in the *Wall Street Journal* that *the European social model has already gone* and in the *Financial Times*, he had already asked before, rhetorically: *Do you see any alternative?* Mario Draghi is one of the cardinals in the parish of St Precarius. He launches a frontal attack on the European social model, he actually thinks it has been successfully destroyed. Apparently, Mario Draghi is blissfully unaware of the harsh fact that when you destroy the European social model, you destroy European civilization. The barbarians are not at the gates. The barbarian chieftain is ruling the city.

Now, I have to clarify my argument about the European social model, or the European social security system or the European welfare state being one of the foundations of European civilization.

Like any really important phenomenon of civilization, polyphony, the Renaissance, the Enlightenment, to name a few, our social security has a complex history. It's one of the great achievements of the European trade-union movement and it's a shining example of the culture of negotiation and bargaining between organized labour, organized employers. But that's only part of the story. For the pioneer of social security in Europe was not a social-democrat or a left wing christian-democrat. The pioneer of social security was a Prussian large landowner, a *Junker*, a notorious warmonger, called Otto von Bismarck. How come? Bismarck just hated socialists. But Bismarck was also a shrewd and level headed politician. He wrote: I'll have to bribe the working class. To put it this way: better a satisfied working class than a red working class. And so Bismarck introduced the first forms of social security in imperial Germany. It is an insight of *Realpolitik* sadly lacking among today's economists, politicians and European commissars. After 1945, in France, West-Germany, the Benelux and in Scandinavian countries, politicians, trade-unionists and employers organized, not charity, but solidarity. People didn't have to beg for alms, they had a right to unemployment benefit,

a right to public health insurance, a right to an old age pension. The social security system combined two principles: the solidarity principle and the insurance principle. And it was public. This system banned poverty, insecurity and misery, it banned these scourges, not entirely, not completely satisfactorily, but to a large extent. Societies in Western Europe changed beyond recognition. It was a giant stride forward, without a shadow of doubt, for the populations benefiting from this system, but also, for European civilization in general.

You could say, it was nothing less than a miracle that capitalists were ready to give up this strange idea that absolute liberty of markets, without the slightest social correction, and ensuing gross inequality could bring about a satisfactory way of life for everybody or indeed a smoothly functioning capitalist economy.

Today, the idea of complete freedom of action in the marketplace, free from obsolete obstacles like social protection or ecological legislation, this bizarre understanding of freedom, is back. In fact, it was reintroduced down in the 1980's, in the days of Ronald Reagan and Margaret Thatcher, and, during the decades that followed, it gained considerable ground. It was Margaret Thatcher who invented this ominous little phrase: There is no alternative, short: TINA, which is, by the way, the most anti-democratic thing you can say. Democracy is *always* about alternatives, democracy can be defined as the non violent debate about alternatives. If there's no alternative, there's no democracy. A political system without an alternative has a name: dictatorship. So far so good for Mrs. Thatcher, but I must confess, many other politicians followed her example, e.g. Mrs. Merkel – *Es gibt keine Alternative*.

People who are arguing that absolute freedom for all markets is unavoidable, that it is necessary to face the globalized challenges of the XXIst century, are in fact backward looking incurable reactionaries. They want to lead us back to the first half of the XIXth century, a period of unbridled, savage capitalism, a brand of capitalism so ruthless and cruel in its overall effects, that it gave birth to the Communist Manifesto. Karl Marx wrote it in the years 1847-48, when he lived as an exile in my city, in Brussels. This type of capitalism is only leading us to catastrophe, not to a shining future.

In 2012, when I was writing my Huizinga-lecture, I hadn't read yet *Le capital au XXIème siècle*, this monumental study into the implacable mechanisms producing inequality, written by French economist Thomas Piketty. I wasn't familiar with his astonishingly simple pair of equations: $r > g$. In short: when return on capital is higher than the growth rate of the GNP, there are no limits to the accumulation of capital not earned by work. And $r < g$: income will be redistributed from top to bottom, an evolution which took place on both sides of the Atlantic between roughly 1920/30 and the 1980s. Now, we all know economic growth in Europe is extremely low. Some economies in the euro-zone are not growing at all, they are shrinking. So, according to Piketty's insights prospects for a redistribution of wealth in the EU are rather bleak.

Piketty argues that redistribution of wealth *to the top* is less visible in the top decile, because it is taking place essentially in the top 1 percent and even more so in the

top 0.1 percent, i.e. only one thousandth part of the entire population. In this extremely tiny segment the accumulation of wealth verges on the grotesque.

I think every economics student, every political science student, every future lawyer, well, every intellectual or intellectual to be should read this book. It's available in many translations, e.g. in Dutch and in Czech too: *Kapitál pro jedenadvacáté století*. So, there really is no excuse for you.

When Thomas Piketty is right, which I think he is, this inexorable evolution to a blatantly unequal distribution of wealth is a real threat to the foundations of our European economy (and, as I will argue, civilization).

I'm now coming back to my argument.

In my opinion, social security is one of the crown jewels of European civilization. It's contribution to European civilization is as important, is as irreplaceable, as Beethoven's symphonies, Michelangelo's paintings or the writings of Franz Kafka. You may add the brilliant architecture of Prague or Venice.

The construction and development of social security demand a strong sense of organization, powers of imagination, a firm control of technicalities, rationality, in short, exactly the talents Beethoven needed to compose his 9th symphony or architects to construct Prague's towers and Venice's *palazzi*. And yes, of course, these are exactly the talents needed to hide a series of bad debt mortgages in dazzling securities or to concoct flashing derivatives and to make astronomical profits.

That's exactly what makes the difference.

People developing and refining social security systems towards more justice and more comprehensiveness make use of their talents to establish and to extend the realm of solidarity. People exploiting hedge funds use their talents to grab mountains of money, leaving in their wake mountains of ruins.

Social security is in essence ethical. Financial markets are in essence unethical. Financial markets are not amoral, financial markets are immoral.

Perhaps you don't know, but in China tens of thousands of people gather to listen in religious silence to open air performances of Beethoven's symphonies. It is, of course, our European music. But it's *their* music as well. The value of Beethoven's music (and Bach's and Mozart's etc.) is universal.

A European musician talking to an African colleague in Kinshasa, asked him: Why for God's sake do you want to play our Beethoven all the time? And do you know what the African musician answered? What entitles you to talk about *your* Beethoven? Beethoven is just as well for us, the Africans.

The same is true of social security.

European social security should be an irresistible export product of the European Union. Not irresistible for economic power brokers, no, irresistible for millions and millions of badly exploited people in China, Bangladesh, India, Nigeria, Brazil, etc. They want our social security, yea, they crave for our social security. And I mean European social security in its most generous forms, not the emaciated remnants made in Britain

or made in Germany, no, social security export products should be assembled with spare parts of the most encompassing systems: Sweden, Belgium, etc.

Indeed, this process has already started. ILO-delegates (the International Labour Organization in Geneva), are, well, not exactly negotiating, but engaging themselves in exploratory talks with delegates from China and Brazil. Very soon, they found out that their counterparts wanted very badly to introduce in their own countries something like a broadly European model, without calling it European, i.e. our combination of the insurance principle and the solidarity or, if you want, the redistribution principle.

We should not allow ourselves to be obstructed by fashionable post-modern ideas of the equality of all cultures. Our social security system is simply the best system available. People from all non-European continents have high hopes and press us to export this social security system. In doing so, Europeans and non-Europeans might counterbalance Piketty's rather unpleasant predictions about the endless accumulation of riches by an ever shrinking upper upper class.

But what do we see in the EU?

Union and member state governments do their utmost to restrict or to destroy social security systems. In one sweeping movement, they try to cut wages wherever they can. And then, rather surprisingly, the very same government leaders and European Commissars and central bankers start in unison a wailing chorus about low demand and no growth.

What else did they expect?

Brushing aside democratic control, they whipped entire populations into privatization, which meant immediate, dire poverty for millions. Italy, Greece, Portugal, Spain. They wrecked public investment. They lavished praise on German chancellors who invented systems to establish low wage classes, i.e. hundreds of thousands of people who work but can't lead even a poor life on their wages. German chancellor Gerhard Schröder, a social-democrat, was very proud to say at the economic world forum in Davos (2005) that Germany had the best low pay sector in Europe. It still has. Should all other EU member states follow suit, then? The fact is that exports of EU member states, especially, but not exclusively in the euro-zone, flow mostly to other member states, the figures fluctuate around 60%. So, when every single member state starts to impoverish its own population, which, by the way, seems to be the EU-mantra, in order to boost its exports, which is exactly what Germany did and still is doing, where is the relative advantage? Vanished into thin air. And how could those millions of new poor afford to buy all those exported products? What can you buy when you are short of money, especially when banks are not very eager to grant credit?

Don't we have another choice?

In my opinion democracy is always about choice. Unless, of course, you think democracy is an obsolete system. Well, as to that, German chancellor Angela Merkel gave us a hint. She coined the expression *marktkonforme Demokratie*, not easy to translate: a democracy which conforms itself to the market, a democracy in line with the market. This means the end of democracy, full stop. If you are attached to the values of

democracy, it should be the other way round: *Demokratiekonforme Märkte*, markets conforming themselves to democracy, as German novelist Ingo Schulze wrote.

But we are exposed to world wide globalized competition.

Cambridge economist Ha-Joon Chang put forward very cogent arguments for the thesis that economic growth is actually stimulated by a certain degree of protectionism. In the parish of St Precarius though the word protection is forbidden. It is pure diabolical heresy. Long live heretics, for they have the courage to defend ideas unsettling the powers that be. The powers that be by definition want to keep power.

But money is running out, because we had to save all those capsizing banks, too big to fail, remember?

Let's assume one moment that those banks were really too big to fail. Nobody ever furnished the slightest scrap of evidence for that apocalyptic scenario, but let's accept it for the time being. So, governments saved those banks after banks produced a devastating show of gross financial misconduct and total incompetence in financial matters. Logically, bankers should have been fired (some of them were, many of them were not) and banks should change drastically their lines of behaviour. This did not happen. For banks, nowadays, it's business as usual. Hysterical bonuses are back as if nothing happened, bonuses no human being ever can *earn*. You can grab them, you can steal them, but earn them? Never, unless you are Mozart or Marie Curie or Da Vinci. Control on banks? Some European central control has been organized lately. It remains rather thin and national bankers are organizing large scale resistance, especially *Deutsche Bundesbank*. Should banks keep more reserve capital? Yes they do, to a small extent. It will be utterly insufficient and completely inefficient when the higher powers of finance will throw their next twilight of the gods party.

But sure national budgets should become balanced as soon as possible?

Eminent economists, not Marxists, not even social-democrats, no, eminent middle of the road, even slightly conservative economists, like prof. Paul de Grauwe (London School of Economics) or Paul Krugman (Nobel Prize Economics 2008), argue that trying at any price to force national budgets into balance in the short run, is a recipe for economic recession if not for economic disaster. And as it comes to debt, you all know Tomáš Sedláček and his famous book *Ekonomie dobra a zla* (the economics of good and evil), in which, amongst other arguments, he writes about cancelling debts, a time-honoured practice, reaching back into the millennia before Christ. Or read, of course Daniel Graeber's masterpiece *Debt. The first 5000 years*. When massive, wide spread debt is threatening to tear apart the fabric of society, as indeed it does in southern Europe, debt should at least be relieved, or, better, completely cancelled. It's not only an age-old practice, it's a practice applied in the XXth century by, e.g. the IMF, for African countries.

And I am not feebly justifying malpractices in southern European countries. If they exist, which I think they do, to a certain extent, it is up to the citizens of these countries to tackle these problems, not to technocrats forced upon countries by Brussels, like Mario Monti (who used to be on the payroll of Goldman-Sachs).

But that is only part of the story.

Banks and companies from northern Europe made huge profits in southern Europe, e.g. by selling Leopard tanks to Greece or by lending money rather frivolously, without solid guarantees, to Spain. Even after the 2008 collapse, German banks had stakes worth more than € 100 billion in the Spanish real estate bubble. And before the collapse, the level of Spanish public debt was 50 percent below the level of German public debt. No, this crisis is not about economic virtue in northern Europe, thrift, hard work, efficiency, against economic vice in southern Europe, corruption, laziness, prodigality. All this is haughty, northern European self righteousness without a shadow of proof and, as a consequence, bullshit.

This crisis is now a determined hypercapitalist, extremist neoliberal attack on the welfare state. It is an attempt to reintroduce the scandalous practices of early XIXth century capitalism into our century. To reintroduce misery, poverty, hunger, ignorance and soaring inequality in Europe and this means to destroy even a semblance of democracy. Resistance is needed. Resistance is badly needed. You may think now I am an old style communist thinly disguised. Well, I have to disappoint you. Never in my life, I adhered to any even remotely communist faction whatsoever and I have not the slightest intention of doing so in the few years left to me. I'm only defending a socially and ecologically corrected market economy under tight democratic control, this means under control of the sovereign people.

A last remark before question time.

Only a handful of economists predicted the 2008 crisis. Most economists were deaf and blind. Many economists even denied the possibility of such a crisis. I myself was trained as a sociologist and I never had a high opinion about the scientific basis of sociology. But economists seem to have a strong and deeply rooted belief in the scientific basis of their profession. They tend to see themselves and their propositions as infallible. As I said, a sort of new theology, a theology essentially composed of dogmas. They love intricate mathematics. But to build up their mathematical constructions, they have to ignore or to exclude large chunks of facts. The result is a series of dazzling, beautiful, yea, elegant theorems, signifying next to nothing. But, and here's a real problem, many economists see their theorems as dogmas. Doubt is strictly forbidden, which, by the way, is a totally unscientific attitude. And surprise, when an outsider expresses doubts, economists say: you are not realistic.

Now, the basis of theories about free markets is a metaphor coined by one of the founding fathers of economic theory. I mean, of course, Adam Smith, in his magnificent classic *An enquiry into the wealth of nations*, first published in 1776, at the time of the first industrial revolution, the steam age. In that very year 1776, Boulton and Watt's first fully developed steam engine started to work at Bloomfield Colliery.

Perhaps Adam Smith's book has changed the world more thoroughly than the steam engine. Today we live in the age of nanotechnology, but the supreme religion among economists remains stuck in the steam age. Economists still worship the invisible hand. Especially the highest clergymen in the parish of St Precarius drop to their knees in front of, well, of nothing, at least nothing you can see.

It strikes me as being an utterly outlandish superstition. My mind boggles when I see how thousands of highly educated people, economists, cling to some obscure superstition from a remote age. One of the most vocal prophets of the invisible hand, e.g., was Alan Greenspan, during years chairman of the American Federal Reserve. After the subprime crisis and the world wide collapse of the financial system, Greenspan at least fell away from his stubborn superstition. But many of his fellow cardinals remained staunch supporters of their weird theology.

Imagine one moment some eminent economics professor in, say, Harvard or Chicago or, why not, in Prague, would seriously proclaim in his lectures and in scientific publications that the behaviour of millions of people is steered rationally into the right direction, by the Invisible Foot or the Invisible Earlobe. What would you think? But a man proclaiming that our behaviour is steered rationally into the right direction by another invisible part of the human body, this man has been allowed to lead for years nothing less than the Federal Reserve. The result was world wide chaos. A world ruled by madmen goes mad. But economists don't budge. Among economists, even today, the old superstition stands firm.

I think we have to take refuge with some other belief. Moderate Christendom e.g. might be helpful. And certainly shrewd, quiet, rational analysis. And, of course, always *our dear old bag of a democracy*, as the great English poet W.H. Auden put it.