

Eco-social market economy as an European innovation

Ekosociální tržní ekonomika jako evropská inovace

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Abstract: The paper presents fundamental ideas of European social market economy that are to be applied to formulate the “European Model of Agriculture”. In connection with the needs of further development of the Common Agricultural Policy, food strategy and regional policy, some challenges to the modern and perspective strategy of agriculture and food production in the EU are formulated. A new European challenge to strengthen the principle of solidarity, sustainability, multi-functionality and subsidiarity is an appreciable point of departure to solve the problems in Czech agriculture.

Key words: agriculture, Europe, European model of agriculture, eco-social market economy

Abstrakt: Příspěvek seznamuje se základními myšlenkami evropské sociální tržní ekonomiky, na jejichž základě by měl být formulován „Evropský model zemědělství“. V souvislosti s potřebami dalšího rozvíjení Společné zemědělské politiky, potravinové strategie a regionální politiky jsou formulovány některé výzvy pro moderní a perspektivní strategii zemědělství a potravinářství v EU. Nová evropská výzva ve směru posilování principu solidarity, trvalé udržitelnosti, multifunkčnosti a subsidiarity je cenným východiskem pro řešení problémů českého zemědělství.

Klíčová slova: zemědělství, Evropa, Evropský model zemědělství, ekosociální tržní ekonomika

“A way into the future, which transfers today’s resource-intensive lifestyles of the OECD countries to a future world population of 10 billion and more, is not feasible in the future. Such a development would both undermine ecological stability and destroy social capital. It is the authors’ view that contrary to that, an approach based on the European experience of the past 50 years and in particular pursuing the central idea of a global social and ecological market economy might contribute significantly to finding a way to a global, sustainable information society” (Rademacher 1999).

SOCIAL MARKET ECONOMY AS AN EUROPEAN INVENTION

Since the 50’s of the 20th century, the model of social market economy has been developed in the free and democratic countries of Central and Western Europe and translated into diverse practical policies. The drama of the 19th and early 20th centuries was the conflict between capital and labour. One of the responses to an unrestrained capitalism was a doctrinaire socialism with a centrally planned economy. Both led to economic, social, and human catastrophes.

Based on the ideas of the Christian social doctrine on the one hand, and the school of economics of “Ordo-Lib-

eralism” (Freiburg school), on the other hand, scientists (Müller-Armack and others) as well as Christian Democratic politicians (Ludwig Erhard as the leading personality) developed the model of social market economy in theory and practice around the middle of the 20th century.

The basic principle sounds quite simple: A free, achievement-oriented economy based on private ownership with a strong and fair competition, coupled to the system of social balance and fair partnership.

In practice, that model led to a completely new quality of politics, economics and society. The former opposites, capital and labour were reconciled in a new synthesis. According to the motto ‘The whole is more than the sum of its parts’, the constructive reconciliation of capital and labour brought about an unprecedented and widespread prosperity to all classes of society. That, in turn, was the motor driving economic growth and purchasing power.

Social balance and a system of fair partnership were set up by laws and regulations providing for social security and ensuring fair competition, on the one hand, and by a system of voluntary partnership between employer and employee organisations, on the other hand. In Austria, that system is called “social partnership”, a designation which has become a special trademark.

This European model of social market economy did not only develop into an attractive and far superior alterna-

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tive to the system of socialist and centralistic planned economy, but was a very positive contrast to the models of a one-sided unbridled capitalism.

In this connection, Ludwig Erhard, the “father of social market economy” writes:

“Not the free market economy of the liberalistic free-booting of the past area nor the ‘free play of forces’ and such phrases, but the socially committed market economy which provides each individual person with the opportunity for development, which gives top priority to the value of personality and which duly rewards achievement, that is the market economy of the modern type” (Erhard 1994).

ECO-SOCIAL MARKET ECONOMY IN AUSTRIA

Eco-social agricultural policy

A new challenge was added to the former classical opposition between labour and capital in the 70's of the 20th century: environmental protection!

Through the 1972 Report of the Club of Rome on the “Limits to Growth”, the general public for the first time became aware of the fact that modern civilisation with its waste of resources and burden on the environment will inevitably overstrain the capacity of the natural system on the planet EARTH. In the Brundtland Report in preparation of the 1992 UN World Conference, the term “sustainability” was coined in 1987.

In the 80's, the new challenge to complement the system of social market economy by adding a third strategic cornerstone, namely environmental protection and ecology, presented itself.

As the Austrian agricultural minister, I concretely defined this new strategic triangle for the first time in January 1987 and made it the basic principle of a new Austrian agricultural policy:

“We feel that for Austria the way to a new orientation of agricultural policy is an eco-social agriculture which achieves its overall social goals through an economically efficient, ecologically responsible, and socially oriented small-scale agriculture. The aim is a new self-image of farmers which goes beyond the production and sale of agricultural raw materials and which includes the diverse functions and gainful activities of farmers against the background of greatly changed social demands on agriculture and forestry as well as the changed lifestyles and consumption patterns.

In a word: the farmer as a modern entrepreneur, as the provider of desirable services and as the steward of the environment” (Riegler 1988).

This completely novel approach to agricultural policy was implemented with great success by me and my successor in office as Minister of Agriculture, Franz Fischler, in Austria between 1987 and 1994:

- a new market equilibrium instead of expensive surpluses by attractive production alternatives;
- care of the cultivated landscape was recognised as an economic performance and rewarded by direct payments

to mountain farmers and farmers in less-favoured areas;

- organic farming was officially recognised, quality and environmental compatibility were given priority in agricultural policy;
- renewable raw materials and renewable energy as new perspectives for land use;
- strengthening the rural areas with integrated promotion of agricultural and non-agricultural gainful activities;
- social and family policy as integral parts of eco-social agricultural policy.

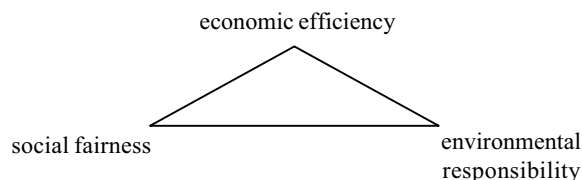
The practical implementation of this model resulted in higher incomes for Austrian farmers and high-quality foodstuffs at reasonable prices for the Austrian consumers, and it formed the basis for Austria for making an immediate optimum use of the chances of the EU agricultural policy after Austria's accession to the EU on 1st January 1995 through a very successful programme (ÖPUL – Austrian Programme for an Environmentally Compatible Agriculture).

“Invention” of eco-social market economy in 1989

Starting from the extremely positive experience with eco-social agricultural policy and continuing the model of social market economy, the vision of an “eco-social market economy” was developed by the Austrian People's Party.

Under my chairmanship, this model became the official programme of the Austrian People's Party at a “party conference for the future” in 1989.

The model of “eco-social market economy” is based on the modern strategic triangle:



The decisive novel feature of the model of eco-social market economy is, continuing the synthesis between capital and labour, environmental protection becoming a part of the market instruments.

In order to be able to achieve the aim of sustainability rapidly as well as economically and technologically efficiently, we have to give the right signals for sustainability to the market!

For this purpose, the following instruments of eco-social market economy may be used:

1. Paying a just price for nature

Environmental pollution and resource use must be reflected in the calculations of production processes and the prices of products. Laws and regulations must ensure that this applies to all enterprises in order to guarantee fair competition. Environmental pollution and consumption of natural resources can be clearly as-

sessed by means of current technologies, and the fair costs must be charged.

2. Ecosocial reform of the tax system

This includes providing price advantages for renewable sources of energy by levying taxes on fossil energy sources, on the one hand. On the other hand, the present high tax burden on the factor MAN should be reduced by increasing taxes on resources.

3. Clear product declaration

In a globalised market, the consumer needs precise and easily understandable information on origin, production methods, ingredients, treatment methods, etc. This applies in particular to the sensitive area of foodstuffs. As long as there are no global quality standards and a global application of the principle of caution, the requirement of a strict declaration is one of the most important prerequisites for fair competition.

4. If subsidies, then only those that promote sustainability!

Giant subsidies and cross subsidies are counterproductive at present from the point of view of sustainability – for example, in the energy and transport sectors! Therefore: if subsidies are granted out of the taxpayers' money, then innovations should be made in the interest of sustainability!

5. Prohibitions where market-based instruments cannot be used or can be used only with difficulty.

6. Education and information about issues of environmental protection and sustainability are the most important instrument to raise awareness of a personally correct behaviour among as many people as possible.

7. Eco-social product instead of gross national product

We need new standards for a really comprehensive and correct assessment of the economic, social and ecological development of a national economy and society. Such standards should be developed by the OECD.

8. Environmental protection as an international duty

The threat to our countryside, climate changes and many other environmental and social problems are not restricted by national or continental limits. Strategies for sustainability, for preventive environmental protection and for global justice must therefore be developed and determined on an international level.

THE EUROPEAN MODEL OF AGRICULTURE

Agriculture in Europe is special:

- in its historic development;
- by its close inter-linkage with other economic and social sectors in rural areas;
- by the tension between urban and rural areas;
- by the inter-linkage of labour, business, cultural activities, customs and religion to a complex lifestyle;
- by special requirements and demands in respect of food safety, quality, nature protection, animal protection and environmental protection.

Therefore, agriculture in Europe must fulfil multifunctional duties: in one and the same area production of food-

stuffs, protection of the environment, maintenance of biodiversity, nature conservation, protection from natural catastrophes, care and maintenance of the cultivated landscape as a basis for tourism and many others. These requirements distinguish European agriculture from farming in other parts of the world and therefore have to be taken into account for a really fair world trade.

Franz Fischler, the Commissioner for Agriculture, added a new quality to the Common Agricultural Policy by setting up "rural development" as the "second pillar" of the CAP. By adopting the Agenda 2000, this second pillar has been given an official basis and may now be built up step by step.

Definition of the European model

The Agriculture Council, being the legislative body for the Common Agricultural Policy, defined the European model in November 1997 as follows:

"In the Council's view, European agriculture must be multifunctional, sustainable and competitive as an economic sector and to extend over the entire European area (including the less-favoured regions and mountain regions). It must be capable of taking care of the landscape, maintaining natural habitats, making a substantial contribution to the vitality of the rural areas and fulfilling the needs and demands of the consumers in respect of food quality and food safety, environmental protection and animal protection."

As part of its preparatory work, the Eco-social Forum formulated its ideas in respect of the "Agenda 2000" as a "plea for a European model" and forwarded it to the Commissioner for Agriculture, Dr. Franz Fischler. In that paper, our main ideas were formulated as follows:

"We call for an independent European way, for a European model in agricultural policy as an

- integrated approach, better adapted to the sectors environment, consumer protection, opportunities for meaningful work, energy and regional policies;
- a model, open to solidarity, but internationally laid down in the WTO.

Eco-social market economy and the principle of sustainability must be taken into account in all future negotiations and regulations of world agricultural trade. This is in the interest of the world population. European agricultural policy must be designed to promote and maintain an environmentally compatible, sustainable small-scale agriculture which can perform its manifold tasks as a service to our society: production of high-quality foodstuffs, food security, care of the cultivated landscape, contribution to the settlement and prosperity of rural areas, to environmental and animal protection as well as to sustainability.

Another central idea is: Europe means diversity; we must have the courage to better solve the tasks in diversity. This will improve the chance of regional self-responsibility within the framework of European solidarity.

Challenges for the further development of the Common Agricultural Policy, of food strategy and regional policy

Independent of the topical issues in connection with the “MID-TERM REVIEW”, we are facing several long-term challenges which have to be taken into consideration in view of the further development after 2006. Other issues will have to be tackled already in connection with the newly started WTO round of negotiations as well as in connection with the EU enlargement.

Already now some challenges for a “EU strategy for agriculture and food industry fit for the future” may be identified:

- a) A future-oriented strategy is to focus on European consumers and the chances in the European food markets. Additional considerations will have to focus on safety and quality, consideration for specific European “sensitivities”, such as the use of hormones, genetic engineering, etc. as well as on ensuring the required prices and remunerations on all levels.

In this connection the following should be noted:

Safety and top quality cannot be obtained at cut-rate prices!

The “European model” must be secured in a fair way.

- b) The chances on international markets of high-quality products produced by the EU farmers and the food industry have to be improved. The success of the individual member states with top qualities, branded articles and regional trademarks shows the way.
- c) A new Common Agricultural Policy must be fit for enlargement! This requires appropriate adjustments of market organisation, of quantity regulations and direct payments as well as the strategic participation in the production of energy and renewable raw materials for the best possible commercial use of the large land potentials. Both the current tasks and the enlargement must be supported by fair funding.
- d) A new Common Agricultural Policy must be protected by the WTO! The multi-functionality of European agriculture as well as the specific safety, quality, environmental, animal and social issues have to be laid down in the WTO. Distortions of competition in international agricultural trade have to be reduced. Precise declarations must ensure that the EU quality and safety standards are strictly applicable also to imports from non-member countries.
The further development of fair trade rules for a globalised market and the inclusion of social and ecological rules into the WTO offer the chance of further developing the WTO to become an instrument for the creation and observation of fair competition in a globalised world.
- e) The principle of solidarity and subsidiarity must generally apply to the Common Agricultural Policy.
The EU should set the framework and fix the rules binding upon all member states: quality standards, production regulations, labelling, rules of competition, ensuring the basic principles of the CAP: single market, commu-

nity preference and financial solidarity.

The EU must be Europe’s single strong common voice in dealing with the WTO, OECD, FAO, multinational treaties, etc.

The concrete implementation of the Common Agriculture Policy should follow the principle of subsidiarity where this is more appropriate.

The aim must be to replace the present absurdities of an exaggerated centralism up to the minutest detail on the one hand and lacking common rules and regulations of fair competition on the other hand by a uniform subsidiarity model.

- f) Agriculture and rural development have to be regarded as an integrated whole.

The economic development in agricultural and forestry enterprises, in the processing industries, in tourism, in the services sector as well as in trade and industry in the rural regions and their urban centres is closely linked. Positive developments in one area have the same positive effects on the income and employment opportunities in other areas and vice versa.

Summary:

A modern EU strategy must encompass agriculture, rural areas, food industry, consumer safety, environmental protection, energy policy, subsidiarity and solidarity. It must make the Union fit for enlargement and it must be laid down in the WTO.

EU STRATEGY FOR SUSTAINABILITY

In June 2001, the European Council in Gothenburg formulated a strategy for sustainable development and drew the following conclusions for policy making:

“The European Council agrees a strategy for sustainable development which completes the Union’s political commitment to economic and social renewal, adds a third environmental dimension to the Lisbon strategy, and establishes a new approach to policy making.

The Union’s sustainable development strategy is based on the principle that the economic, social and environmental effects of all policies should be examined in a coordinated way and taken into account in decision-making. “*Getting prices right*” so that they better reflect the true costs to society of different activities would provide a better incentive for consumers and producers in everyday decisions about which goods or services to make or buy.

Clear and stable objectives for sustainable development will present significant economic opportunities. This has the potential to unleash a new wave of technological innovation and investment, generating growth and employment. The European Council invites industry to take part in the development and wider use of new environmentally friendly technologies in sectors such as energy and transport. In this context, the European Council stresses the importance of decoupling economic growth from resource use.

Sustainable development requires global solutions:

The Union will seek to make sustainable development an objective in bilateral development cooperation and in all international organisations and specialised agencies. In particular, the EU should promote issues of global environmental governance and ensure that trade and environment policies are mutually supportive. The Union's sustainable development strategy forms part of the Union's preparations for the 2002 World Summit on Sustainable Development. The Union will seek to achieve a global deal on sustainable development at the Summit."

These few quotations from the Union's Sustainable Development Strategy show that the basic principles of eco-social market economy are already clearly visible in the Union's concrete policy making.

It is thus noticeable what was formulated at a Conference of the European Democratic Union already in 1991 and what was regarded as a challenge:

"It is our duty as the EDU to add a further dimension to social market economy: environmental aims and goals. They are to transform social market economy into an eco-social market economy. The time is ripe for industrial growth to change from the consumption of the environment to the protection of the environment. The parties joined in the EDU want to be the driving forces in translating these principles into an international strategy for an acceptable and environmentally compatible development.

The aim of eco-social market economy is to create desirable behavioural patterns for the environment, to start an acceptable development which at the same time is rewarded also financially, while a burden is put on those activities which harm or destroy the environment.

In view of the tasks facing today's generation, namely to succeed in changing from an unacceptable to an acceptable economic system, eco-social market economy offers the best solution known at present by which such change may be effected. Any other known paradigm would be slower, less effective or have a greater destructive effect on the economy and the environment as a whole.

In this sense, we face the greatest challenge in the socio-economic history of mankind: to ensure dignified survival in a limited world."

Europe's responsibility!

In particular at this stage of development of mankind, Europe has to cope with multiple special challenges:

- According to its cultural, social and political experience and traditions as well as the diversity of its peoples, cultures and religions a united Europe forms a kind of "open workshop" in which the future management for the 21st century may be practised as an example. Not an imitation of a one-sided and short-sighted "capitalism", but the integration of economy, social issues and environment, respecting the cultural diversity, is the solution for a peaceful and fruitful future in Europe.
- With such a constructive example, Europe can significantly contribute to the development of global models for the future. The principles of solidarity, sustainability and subsidiarity applied in Europe offer valuable approaches to global strategies.
- If Europe speaks in one single and credible voice in the global decision-making processes, it has good chances of finding allies and contributing European experience to a peaceful and viable development of mankind.

Europe is challenged!

Let's view the challenge as a chance!

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