

## **ROBERTO PASCA DI MAGLIANO**

### **Revive Europe focusing on the social**

The same type of populist discontent that fueled Brexit is on the rise throughout Europe, suggesting that policymakers have lost sight of the European project's central objective: to ensure the wellbeing of all Europeans by increasing both the integration and the cohesion.

People are the real wealth of a nation. The best way to improve human capital of a country or region is through social equity.

However, this outlook hasn't yet taken root in the EU's elite policymaking circles, where well-meaning economists and politicians believe they are doing the right thing by balancing budgets and reducing in spending in health, education, and infrastructure. These policymakers, with little empirical evidence, believe that fiscal prudence today will lead to a stronger economy tomorrow.

This is the thinking behind the current policy mix in Europe, where fiscal austerity is combined with structural reform, meaning less spending on the social safety net and less regulation to protect workers. Obviously, the costs of these policies are mostly borne by the poor and the middle class:

- i. Who benefits from growth: the many or the few? If an economy can be said to be growing when a small minority receives most of the gains while everyone else's lot stays the same or decreases, the concept of economic growth loses much of its meaning.
- ii. Because gross domestic product is the preferred gauge of any economy's value, many factors that contribute to human wellbeing are ignored, and spending on fundamental needs, such as health and education, comes to be seen as an expense rather than an investment. Otherwise, rather than funneling economic benefits to the rich, policymakers should assess whether investing in opportunities for the poor actually does more for economic growth.

The main factors that are shaking the EU founding values seems to be as follows:

- the surge in inequality that occurred anywhere in terms of new forms of poverty among the most vulnerable social classes;
- the uncontrolled growth of migratory flows that bears on transit countries (and not only) social and economic costs unbearable.

Concerns about the social consequences of these phenomena creates confusion in the minds of many Europeans and is poured on the inability of Europe to correct the distortions.

It is time for the EU to return to the macroeconomic expansive policies, which recognized the benefits of full employment in fostering social stability and sustainable growth. As the Nordic model shows, high employment is good for the economy because it ensures adequate tax revenues to finance high levels of social investment, which creates a virtuous cycle. Many European

countries are now in a vicious cycle instead, with austerity policies worsening the problem of youth unemployment and creating a generation that will be equipped to drive future growth. In the current slump, European countries should be investing in their human capital to spur their economies' potential growth.

European countries' fiscal policies give few importance to the purchasing power of the middle class as well do not emphasize creativity and innovation, which benefits from high-quality education and infrastructure.

The revival of the values of cohesion and integration among European nations is the real challenge facing the Union' choices, firmly refocusing the set of policies designed from top to concrete measures, simple, transparent that can better improve the welfare the lower classes. Wether the needs of citizens, and their expectations will be taken into account, UE will be benefit from an confidence' increase in the institutions.