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WHAT WE MEAN WHEN WE TALK ABOUT SOLIDARITY

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The question of solidarity is often raised in discussions about the future of Europe. Without greater solidarity, Europe will be unable to face – united – the challenges of globalisation, from the economic crises to the management of migration flows.

Without greater solidarity, the survival of the single currency, the free movement of persons, the achievement of the internal market – are all at risk.

IN BRIEF

- ***In Southern Europe, solidarity is the duty to help those in need, a primary act of brotherhood, while in the north it should be subject to precise conditions***
- ***There exists a risk that solidarity turn into giving handouts, which maintains the receivers of the act of solidarity in a condition of inferiority, rather than emancipating them***
- ***The proposal to issue Eurobonds is not acceptable for the Nordics because it creates an incentive for each country to plunge deeper into debt at the expense of the others***

It is mostly the countries of Southern Europe – who are often denied the assistance they require to tackle specific problems, often of an economic nature – who complain about the insufficient levels of solidarity. But the countries of the North too sometimes lament the lack of solidarity, or responsibility, on the part of others.

This is not a case of misunderstanding. It is rather a case of the slightly different meaning that is sometimes attributed to the concept of solidarity – reflecting historical, cultural, and perhaps also religious differences.

For the countries of Southern Europe, in line with Catholic tradition, solidarity is interpreted as the duty to help those most in need, regardless of the circumstances which caused this need. We must assist the needy with immediate support, without asking questions about how they ended up in that situation and what the indirect implications of that action might be, and without worrying too much about the consequences that such an intervention might have on those we help or on others.

Solidarity is based on a primary act of brotherhood, as many examples in the Holy Scriptures show – from the parable of the Good Samaritan to that of the Prodigal Son. Those who have sinned and then repented must be not only forgiven but given full support.

The act of the father taking back his son who has lost his way, celebrating his return with unprecedented ceremony, is fully rational in a world that the economists would call “static” – that is, in which a given objective is pursued in a given and fixed period of time.

The hypothesis is that thanks to that gesture, the son will understand that he was mistaken and that will never repeat that same mistake. But what happens if this hypothesis does not come true? In an interactive context, the father’s act of solidarity can lead to different reactions on the part of the prodigal son as well as of the other son, who has always behaved well and does not understand his father’s behaviour.

This is the problem of the moral hazard. The cultures of northern Europe give this problem great importance: if the prodigal son expects that the father is willing to repeat his act of solidarity, he might be tempted to behave foolishly again, because he knows that whatever he does he will be forgiven. The same goes for his brother.

In other words, if solidarity is not subject to precise conditions, it risks encouraging behaviour opposite to that which is desired, even in those who previously behaved virtuously. According to this point of view, an act of

solidarity cannot be judged only in abstract; this must take into account also the potential effects it might have on others, in particular in terms of the incentives to act coherently.

There exists in fact a risk that solidarity turn into giving handouts, which maintains the receiver of the act of solidarity in a condition of inferiority, rather than emancipating them.

The debate is certainly not limited to Christian religions. According to Confucius, "Give a man a fish and he will eat for a day. Teach a man to fish and he will eat for a lifetime." But we can't take for granted that that everyone can learn to fish, and until they have done so they will still have a need to be given fish.

The search for the correct balance between providing adequate support to those in need and avoiding moral hazard represents the most complex point of the European political debate. This often blocks the Union in its decision-making and makes it virtually helpless in dealing with a crisis.

The countries of the Mediterranean criticise the position of the North and particularly that of Germany as they see these as being inspired by morals rather than economics ("for the Germans, Economics is still a branch of Moral Philosophy", Mario Monti has said).

For the countries of the North, on the other hand, it is **Germany who always and inevitably ends up bearing the costs of the demands** of the countries of the Mezzogiorno.

For example, the proposal to issue Eurobonds – i.e. government debt bonds common to all European countries – is not acceptable for the Nordics because it creates an incentive for each country to plunge deeper into debt at the expense of the others. It thus should not be accepted unless all parties involved agree to renounce budget sovereignty.

On the other hand, without a mutualisation of the risks, the monetary area will remain fragile – in particular vis-à-vis asymmetric shocks, as we have recently seen.

Experience shows that transfers to European countries in difficulty in exchange for their compliance with some well-defined conditions, have allowed them to counter the recessive spiral and avoid the worst. Eventually, the transfers are paid back, and this benefits everyone, creditors included.

The Greek case was an exception. Was this down to the prescription, which was wrong in the first place and almost risked killing the patient, or to the patient who failed to follow the prescription?

Will Greece ever be able to re-learn how to fish and live on what it produces, or is destined to remaining dependent upon foreign aid, like Southern Italy? For months, Europeans were divided on this matter.

Until the Greek government of Alexis Tsipras managed to turn everyone against it by refusing to accept any conditions attached to its request for new aid, only to then accept the exact opposite of what it had promised following the referendum.

The same debate applies to **European integration**. As long as Europe is made up of sovereign states, the sharing of the powers will be based on the observance of shared rules. But no rule can be designed in such a way as to resolve every problem in every possible case scenario.

Extreme cases require exceptions, escape routes, and the possibility of using some degree of discretion. Yet the way in which discretion is used can also affect future behaviour and the incentives to abide by the same rules in the future.

So according to one extreme vision that postulates moral hazard as the greatest risk, rules should always be followed full stop, even when these are not fully adequate, because they avoid the possibility of purely discretionary behaviour that could then lead to anarchy and to the destruction of the Union.

Others believe that some degree of discretion – in other words some flexibility – is preferable because this allows the political economy to adjust better to the specific situation.

With overly rigid rules the Union risks explosion. But this position does not take into account the natural tendency of politics to look for continuous exceptions and defer the more difficult measures, making decisions according to short-term electoral timeframes.

Rules or discretion: this is one of the oldest dilemmas of political economy. In Europe this dilemma is especially tense and complex because the dividing line is not only between schools of thought but also between geographical areas and countries that are still (and believe they are) sovereign.

Translated by Teresa O'Connell

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