Seeking peace and prosperity in the European Union

Churches' perspective on European Economic Governance

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Introduction

The European Union started decades ago as a visionary project of peace and reconciliation. The economy played a central role in this strategy. Nevertheless, the primary driving force of the undertaking was an urgent call for mutual respect, trust and solidarity after decades of devastating wars. One of the founding fathers of the European project, Jean Monet, expressed this basic conviction powerfully: *We are uniting people*. In the course of time, the economy has become increasingly dominant. At a specific moment of its development, the European Union formulated as one of its aims to become *the most competitive economy in the world*. Today the EU is facing exactly the opposite challenge. What started as a project of peace and reconciliation is nowadays bringing increasing disillusionment.

The question is: Is the European vision still a reality? What is the core problem? Such disconcerted queries resonate in European societies, including churches as well as with individual Christians across the continent. The economic, financial and refugee crises are symptoms of this unease about the common future.

The attached document focuses on the impacts of economic and financial crises and especially on the institutional side of the problem. The Conference of European Churches, as well as a number of its Member Churches, have raised their voices on the issue on many previous occasions. Churches, in particular those in the most affected countries, have come up with many concrete ways, which have helped those in most dire need, providing food, basic services and offering advice and pastoral care.

With this document we want to contribute to the discussion of a structural problem at the level of EU governance. Our concerns are related primarily to two major problems we have to face on the economic agenda in Europe: deepening inequalities and an unsustainable raise of sovereign and private debts. These are accompanied by growing and increasingly unhealthy mutual dependencies between the financial industry and governments. The EU contributed to calming the immediate consequences of the financial crisis through several initiatives. The general assessment is that these will need to be continued. Individual EU countries are too weak to address this challenge alone. The Union, although prepared better now than a few years ago, thanks to measures undertaken, does not yet command fully effective European structures for managing economic and financial governance.

Churches approach the problem from their specific perspective. By putting the emphasis on the core values underpinning the European project, they emphasise the close and inseparable link between economy and ethics. To give voice to the voiceless is one of the principle tasks of the Churches in society. Upholding the Gospel message, the Churches shall identify with the poor, those on the margins and those who are cast out of the mainline that defines our economic policy. With this priority in mind, the Churches can engage in a real dialogue about EU economic governance and contribute to it with their essential message.

This submitted document is a discussion text. We invite all CEC Member Churches, National Councils of Churches and Partner Organisations to react to the text, through sharing with us their comments and reactions, as well as particular experiences from their respective countries. We are open to receiving these reactions in two different ways: through nominating a delegate/expert and participating at the CEC consultation, which we will take place from 4-5 July 2016 in Arnoldshein (Germany), and/or through submitting a written contribution to the discussion and reaction to this document, before 31 August 2016.

On the basis of these reactions the document will be updated and offered as the basis for a dialogue between churches and the EU. It will be the contribution of the Conference of European Churches to the discussion on the EU economic governance and the future of the European Union.

We look forward to receiving your contributions.

Fr. Heikki Huttunen
CEC General Secretary

1. Why churches raise their voice on European economic governance

1.1. Background and our concerns

The European Union is one of the major projects of hope and vision initiated on our continent in the last century. The vision of the Union incorporates in many ways a path towards a peaceful and sustainable future and overcoming divisions through dialogue and cooperation. This has been anchored in the European Treaties from the inception of the project. The Treaty on the European Union from 2009 stipulates: 'The Union's aim is to promote peace, its values and the well-being of its peoples. TEU (Article 3.1). The Union shall promote economic, social and territorial cohesion, and solidarity among Member States. It shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced. ......It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples… (Article 3.3). European vision as formulated in the TEU does not place economic prosperity and material well-being as ends in themselves. Its value is instrumental, having the function of a tool in order to achieve substantive aims which go beyond the sphere of the economy. Economic growth alone should thus never be the master of our lives. The economic order and economic functioning have to serve the fulfilment of human needs and ends - the flourishing of human beings enacting their callings in their lives.

There are three lines of arguments demonstrating that the European Union is more than 'just economics'. The first is the historical one: the yearning that there should be no more wars in Europe. The founding fathers of the 'European project' were driven by the longing to create a system which would enable us to solve possible conflicts in a peaceful way. An economic integration was identified as an important step on the way. More importantly the European project has been developed as a frame for people to come closer to one another, to get to know each other better, travel and visit other countries, learn their languages and become acquainted with their culture. This exposes the fact that there are common roots which link citizens of other European countries with their own culture. This has been the decisive step in developing shared understanding of the 'common good' of Europe which clearly reaches out beyond an economic perspective.

The second line is linked with the task of the European Union of helping European nations to fight poverty, exclusion and exploitation by building an area of welfare for all. In order to reach this goal economic development is needed. This, however, in a balanced way so that its benefits are distributed not only to the rich but to all people in participating countries. Economic development, therefore, has to be embedded in social development and vice versa. It is the quality of living that the European Union is determined to raise.

The third line is oriented towards the future and the aim of a transition towards a sustainable society within ecological planetary boundaries. Seen under this perspective, the economy in industrialized countries is not sustainable; their ecological footprint is much too high. This transition cannot be accomplished by any country alone; it needs strong collaboration at an international level. If ecological planetary boundaries are to be kept, the ”common good“ can be seen as the natural capital that humankind has at its disposal, and which can be used within ecological limits.

Economic governance can properly function only within this perspective. Sight must not be lost of the ”common good” being embedded in social relationships in the fight against poverty and striving towards welfare for all. The ecological limits and perspective of a sustainable future, without compromising life conditions for the next generations should also be taken into consideration. On the basis of this background the most critical and recent challenge the EU is facing - the influx of refugees - and the test of one of the most palpable achievements of the Union - free movement of persons within the Schengen zone - need to be considered as well. An appeal to humanity, solidarity with suffering and demonstration of the human face of the Union must not stand within opposition to economic prosperity. The EU must not lose touch with the fundamental values, as anchored in the first Articles of the Treaty.

Currently the European project is facing a difficult time. The refugees pose not the only challenge to the cohesion and long-term perspective of the European project. Although making progress in some of the outlined areas above, multifaceted crises in previous years demonstrated substantial structural weaknesses in the EU construction. Economic developments in Europe and in particular the economic governance of the Union have become subjects of serious concerns. Worsening of living standards in several of the EU Members States, increased poverty, and indebtedness, as well as growth of wealth inequality have become reality.

Recent developments in Europe have take place in an overall global context in which the economy is presented as the main driving factor of society. GDP growth has been attributed through politics, as well as through uncritical support from the media, the role of almost an unquestioned parameter deciding the future of many other policies, without taking proper account of the side effects of this stubborn insistence on human, social and environmental capital. Economic targets aiming at GDP growth and efforts for increasing competition have become part of the dominant mainstream narrative. Although the achievements of an increasingly globalised economy brought many positive results, they failed in delivering promised fruits to significant segments of society.

The considerations on economic governance in Europe as presented in this document are developed by the churches against the background of their theological convictions. They articulate the socio-ethical and particularly the economic consequences ensuing from the confession of the Christian faith. These considerations are not without a broader context. Churches are part of a pluralistic society and present their concerns which are open for discussion. Furthermore, Christianity fills an ecumenical space in which Christian faith is presented by different churches with different histories and sometimes with different socio-ethical consequences.

The basic values determining Christian attitudes to the world of justice, freedom, peace, solidarity, subsidiarity and sustainability are no different from the value frame outlined in the first Articles of the Treaty on European Union and are very much at the core of the EU governance model. [1] This is why the European project has received close attention from churches across the continent from its inception. Against this background churches in Europe appreciate provisions for open, regular and transparent dialogue with politicians, as anchored in the Treaty on the Functioning of the European Union.[2]

The Conference of European Churches is concerned about the recent economic and social developments in the EU but appreciates the public debate on the future European Economic Governance. The Conference of European Churches has articulated its concerns and reflections about the EU financial and economic crisis from the outset on different occasions. Many CEC Member

[1] Treaty on European Union, consolidated version, Article 2 and 3

[2] Article 17.3 of the Treaty on the Functioning of the European Union: 'Recognising their identity and their specific contribution, the Union shall maintain an open, transparent and regular dialogue with these churches and organisations.'

Churches have published comments and statements as well on the crisis or specific aspects such as the crisis in the financial sector and the social impacts of the economic crises.[3] The Conference of European Churches brings together a variety of theological based reflections about the relation of the economy and society, on the interrelation of economic, social and environmental policies and the common good. In the public debate on a future European Economic Governance this heritage and tradition can again prove its actuality and force of orientation.

1.2. Christian vision of a just society and fair governance. Theological perspective of a fair economy and just governance.

In the Christian understanding there cannot be a separation between spiritual and material life. Economy and theology cannot be separated according to biblical theology. The oscillation and deep links between knowledge of God and knowledge of human beings, active and living in different circumstances are the substance of the Trinitarian theology. The economy in this respect covers a much broader scope than narrow mindedness, although unfortunately a widely spread perspective dominated by the pursuit of material wealth. Taking care of the household[4], which is the original content of economy containing in its original meaning additional elements including:

- Experience of the participation of God and human beings expressed by Christian theological convictions of God's incarnation and his presence in daily life;
- A conviction that the economy is not only about managerial techniques, but equally about a vision of a just and mutually supportive community;
- Awareness of an overall responsibility and solidarity, as well as justice and respect for the other;
- Securing that everybody can contribute to the household and in this way fulfils his/her calling;
- Respect for diversity; callings are different and they constitute individuality. They are valued and respected. Each of them is contributing to the common aim.

The Church recognizes that human beings need material values in theirlives, because person is not only spiritual but also a physical being. The Lord's Prayer pays attention to the link between spiritual and material needs. Petition *"Give us this day our daily bread*," (Mt 6, 11) and its location in the middle of the prayer offers an insight supported by other texts of the New Testament: *"One does not live by bread alone"*(Lk 4, 4). This insight is related as well to the biblical attitude to property rights. The Scripture recognizes person's right to own something, to use property freely, protect it, to take care of it and to multiply it (Ex 20, 15-17). Property obtained honestly, comes from God and people can use it. But, what is questionable is the relation of a person to property, to God and to a neighbour (Mk 12, 1-9) and (Mt 25, 14-30).

The Christian concept of the economy has roots in a vision of God's generosity to the world (as outlined e.g. in Eph 1, 10). Fundamental to this conclusion is the very specific relation between human beings and God. Humans are not the real owners of the material world. People didn't bring

[3] An overview is available at: http://csc.ceceurope.org/issues/eu-financial-and-debt-crisis/

[4] This is related to the original meaning of the concept of *oikonomia* and related words, as they are used in Gospels. Here *oikonomein* occurs once, *oikonomos* four times and *oikonomia* three times. All these terms as used in Luke's gospel refer to stewardship. The biblical concept of *oikonomia* is used for the description of gradual unfolding of the hidden mystery of God in the plan for humankind's salvation.

anything to this world personally.[5] His task is primarily to be a responsible steward, who is accountable for his handling of received possession from God (Lk 16, 1-13). If a person is greedy and dependent on wealth, he/she loses his/her normal relationship with the Creator, neighbour and all of Creation. He rushes after property, as in fata morgana and chases elusive vision of happiness. Material values cannot make people happy. Christ expressed it very clearly: *"And he said to them, 'Take care! Be on your guard against all kinds of greed; for one's life does not consist in the abundance of possessions"*(Lk 12, 15). A person whose hope lies only in material values loses his/her relation with God and fails in his principal task. His reliabilities are fleeting, because *"hard it will be for those who have wealth to enter the kingdom of God!"* (Mk 10, 23). An excessive accumulation of assets cannot express the meaning of life.

Person as a collective being, should be responsive to the environment and the community where he lives. Fair dealing with property is a necessary component with an overall concept of social justice and fair governance. For that the Scripture offers a number of paradigmatic examples of the lives of righteous people, such as Abraham, Job, Nicodemus, the poor widow in the gospel of Mark (Mk 12, 42) and a number of others, and their specific actions in different circumstances. The key insight connecting all of them is an inseparable link between individual virtues and their social connotations. The good fortune of an individual has to be accompanied by sharing the benefits with the community. *"You shall love your neighbour as yourself"* (Mk 12, 31), always at the right time and right place, to cooperate with neighbours and to provide them with fraternal aid. This is especially true when that neighbour uses it is an appeal with the significance of not only for framing social and interpersonal relationship but at the same time for providing a driving line for any considerations related to economic governance.

The market in this approach, even if it is recognised as a potential good, is not good as an absolute value (Lk 16, 1-13). In order to guarantee fairness in market operations a frame provided by entities of non-market character such as States or supra-national bodies that protect the weak and defend social justice. The basic structures of the modern economic order, such as the existence of markets, competition and the use of capital as key incentive ("capitalism") are legitimate. The role in a general increase and spread of prosperity, fighting poverty through maintaining a sustainable redistribution of resources with the help of fair taxation of income and wealth is undisputable. Markets as such fulfil a number of other tasks necessary for the functioning of a healthy society, as e.g. being a place for exchange, communication and sharing. Markets, however, need to be criticised, if they lead to excessive inequality, causing more poverty, deprivation and exclusion. Inequality as such is natural in every society. To what extent inequality is tolerated depends on the respective traditions. However, its uncontrolled progress and excessive forms are devastating for society. Markets thus, if not regulated, can lead to disproportionate inequalities and economic as well as societal destruction. For a proper functionality market needs an institutional and anthropological frame. Substantial recognition in assessing a proper place for markets in society is also the fact that a price tag cannot be attached to everything. What is absolutely necessary for life cannot be at all, or cannot be exclusively, a commodity. Applicability of such an approach is based on recognition of the values of justice, solidarity, peace, redemption and grace, and their links to the economy.

[5] The Divine Liturgy of St. John Chrysostom underlines in this regard: 'Thine own of Thine own we offer unto Thee, on behalf of all, and for all.

There is, therefore, the need to recover the spiritual foundation underlying economic structures. The impact of Christian theology and ethics on economics has long been absent from general the consciousness. The important concepts of the economic impact arising out of theology (or worldview) include work, freedom, stewardship, calling, hopefulness, deferral of gratification, creativity and production (entrepreneurship), rationalization and voluntary association. All of these directly and indirectly impact economic outcomes and all are in turn vice versa influenced by theology (in the wider sense). The frequency that Jesus used economic concepts in his parables is also telling in this context and a sign that economics matters to theology just as theology to economics.

To the central insights of Christian understanding belong core values that cannot be seen in isolation and without their mutual interdependence. Interdependence expresses the basic tenet of Christian faith, our individual and communal accountability to God through this value. For the consideration of economic governance is of key importance in particular the mutual link between freedom and justice, as well as competition and solidarity. Freedom cannot be real without justice and justice cannot exist without freedom. [6] In a similar way in a fair society competition cannot serve exclusively the benefits of individuals but the whole community and needs to be complemented by solidarity.

Consequently, it is incumbent upon the state and civil society to control economic action. The key task is to guarantee compliance with socially acceptable rules and to provide the frame for broad and fair competition between economic actors. There is a consensus that in a social market economy the government together with social partners, other public authorities and civil society has the right to intervene to a significant extent in case of negative impacts of markets and in preventing social imbalances. The government must intervene and correct the most striking inequalities that threaten the existence of individuals and cohesion of the whole society. The government in upholding its rectification tasks has a crucial role to safeguard justice and economic and social sustainability of society. The central question that divides today's political camps is how extensive these rectification tasks should be: should they be limited to the absolute minimum or should the governments' responsibility be wider.

In order to take a step on this journey we should be encouraged to engage in more ambitious Biblical hermeneutics and on that basis encourage our own flock to be active as concerned citizens also with regard to economic governance. By way of example, the Biblical social ethic calls to administer justice (Deut 16, 18, 2 Sam 8, 15), to work towards peace and prosperity (Jer 29:7) and to contribute to the common good by helping the poor and needy when they are victims of oppression and injustice (Ps 72, 4; 82, 3; Ezek 22, 29; Am 4, 1; Zech 7, 10); in this, political and economic powers are not to be excessively concentrated (Deut 17, 14-17) and political authority should organize itself in a diffuse and subsidiary manner (Num 11, 16-30). Churches must represent common values ("the common good") and ethics within their own daily operation (i.e. finances, transparency, fellowship, etc.).

From a Christian anthropology the balance of material and spiritual needs is the key for a healthy society. The economy by itself cannot create solidarity out of itself: in fact economic development is essentially based on trust and thus on prior mutual bonds people share. These can be empowered through politics and a vibrant system of a non-governmental sector in which religions and

[6] In this respect the biblical concept of freedom may differ from the common secular understanding of the same term. "European churches living its faith in the context of globalisation", Conference of European Churches, Brussels, 2006.

faith-based organisations have a role to play. Mutual acceptance and dialogue are a significant element of the system. Solidarity and social coherence can only be secured by a democratic balance of different interests guaranteed by law and respect. Economic forces must not destroy communities, which people share, but help them to strive. We are looking for an embedded sustainable economic development, in which people are respected actors within the realm of markets and companies able to participate powerfully in shaping their future.

1.3. Differences in churches' approach to ethics of economy. Unity in diversity.

Christian thinking on the economy has a long tradition. It goes back to the first Christian communities and their vision of creating a just society in the world in which they were surrounded by injustice, poverty and deprivation. In the course of history different aspects of biblical teachings were accentuated and different theological interpretations came forward. This was in many cases influenced and strengthened by external factors, including social and political reality. Different ecclesial traditions may emphasise different aspects of Christian teaching. Nevertheless, it can be argued that there is a set of guiding values and principles characteristic of the Christian understanding of the economy. These will guide the approach of this document.

For a long time, a range of quite different social-political regimes as well as different economic styles have been observed in Europe, both in terms of public policy and in research. Although globalisation contributes to the fact that the economy in general follows classically capitalist rules, i.e. lives from capital being invested in order to yield a profit, the concrete form of organisation varies greatly among European countries. The differences in economic styles, e.g. between rather patriarchal and clientelistic economic concept as found in Greece and other Southern countries and the concepts in England or Scandinavia are enormous. These differences show in varied understandings of justice, tolerance of social inequality, the understanding of welfare, but also of rationalisation, performance, work ethics and general lifestyle. Recently, this was most clearly observed in the conflict between Greece and the Northern European countries.

An especially insightful aspect of this debate is the growing discussion of the idea that the different economic and social-political styles in Europe may also be traced back to denominational differences. In the Northern countries marked by the Reformation, especially strong forms of rationalisation of everyday life and work relations come to the fore, whereas forms of leisure, but also of spirituality, may have faded into the background. One could come to the conclusion that in these countries the pursuit of material wealth prevails and economisation dominates intrinsic values, such as family life. This goes hand-in-hand with the expansion of welfare states which are taking over functions that were traditionally carried out by families and churches. These welfare states are a result of socio-ethical considerations that put emphasis on efficient division of work, effective performance etc.

In considering the relationship of faith and theology to economics, the Protestant approach traditionally puts the accent on some specific features characteristic of the reformation theology, such as:

- **Positive turning to the world.** For Christians the world is the only place and time, where one has to prove that faith is a sincere one by enacting your personal callings by God. God wants you to develop your abilities and by using them to engage in mutual cooperation. The affirmation and full spiritual recognition of everyday work in professional and family life as a form of ministry in the world, therefore, is an important component of Christian lifestyle. This includes the appreciation of coping with everyday life and being involved in the things of life. Christians do not prove their calling by turning away from the world and everyday life and turning their backs on society, but in the conscious involvement in life and deliberate shaping of society. Often it has been this principle set against its opposite, of life in isolation and away from the world, emphasised in particular in some churches' traditions. Although the extent, as well as intensity, of both can be discussed, a positive attitude to the world has been one of the characteristics of the Christian understanding of the world and the life in it.

- **Appreciation of work.** The way to stick to your calling is to engage in working (in the broadest sense: not only in paid work, but also in family work, neighbourhood obligations or others). In one's daily work one cares for one's own needs but in doing so in exchange for goods even more than for the needs of others. Thus every work is, in principle, done in a communal spirit. You may even say, as a saying goes, that "work is love made visible". Of course this idea is often distorted and work seems to an alienated area of life. But Christian faith not only keeps an utopia of work as love in mind, it claims that work organized in this way is more productive than other forms, since it respects fundamental fairness and equality of all people in the eyes of God.
- **Fighting against poverty.** Poverty is not only the absence of fundamental means of living e.g. eating and drinking. Poverty essentially is defined by structurally not being able to manage your own life in the context and within the cooperation of others. Poverty is the inability to participate in the way of life that is prevalent in society in which the individual lives. Poverty means lacking the resources needed to participate in the normal way of life of the surrounding society. Poverty essentially is exclusion from the means to exert your calling - and thus has a deep spiritual meaning. To let people live in poverty while, in principle, having the means to help them out, is sin. Avenues out of poverty are at first the empowerment of family life, then the educational process should be geared especially towards poorer people and finally providing job opportunities for everybody .
- **Attitude to wealth and prosperity.** Wealth in biblical terms is a gift from God and at best only partly produced by human individuals. It is always generated in cooperation and with the help of others and by opportunities given in society. Therefore, wealth must be treated as something given to individual people and at the same time to be used for the benefit of all. Therefore, wealth must always be invested in order to provide better living conditions for more and more people (inclusion). A mere consumption of opportunities for oneself is problematic. Wealth has to be used in order to produce prosperity for all.
- **Cooperation and fairness.** Work is usually organised in unity with entrepreneurial action in the form of companies or businesses, which can be understood in theological terms as temporal alliances where people shape a way into the future with differentiated responsibility. These are based on mutual promises set forth in the contracts of the company. But on top of explicit contracts there are also implicit agreements like the rules of fairness, which characterise company culture and which are extremely important.
- **Celebration of diversity.** God's calling constitutes people as individuals. Although all are equal in the eyes of God, they are totally different in their life-styles, traditions, cultures and denominations. This all embracing diversity is of high value since it is given by God himself. And it is one important source of beauty and well-being in the world. Diversity has to be catered for keeping the flowers in a garden. This idea also applies in principle to different economic and social styles in different cultures, while they are participating in the pursuit of a common aim and common good, and respecting other core values guaranteeing human dignity and mutual respect.
- **Ecological responsibility of market stakeholders.** It is also clear that all social actors, particularly governments and businesses, have an increasing responsibility for the preservation of natural resources and creation in a broader sense. The current exploitation of resources simply cannot be continued forever. We need a decisive transformation towards a strong sustainability of all economic and other actions in society.

The link between economic action and social responsibility is for churches of key importance. It includes the provision of social services and in particular the prevention of poverty or, if poverty is already a given, welfare measures. This responsibility is organised differently across the Christian traditions. In predominantly Lutheran countries with a long tradition of state churches, comprehensive welfare states have evolved that have taken over a large responsibility for social protection. In contrast, Reformed traditions have often developed social security systems that are based in civil society and have stronger links to companies and businesses, providing the same function as state-centred welfares states.

There are some differences in Orthodox, Catholic and Protestant teachings which have consequences in motivation for economic action. The Orthodox work ethic is not based on unconditional subordination to discipline as is the Roman-Catholic ethic or in encouraging activity incentives as in Protestant ethics. For Orthodox economic ethics are limitations of private economic interest, cooperation and solidarity distribution of well-being, self-limitation and working asceticism. The questions of purity and motivation that lead a person to work are of key concern for Orthodoxy. Orthodox ethics focuses on person's own efforts leading to limiting consumption, forming moral capital and incentives for social justice. The value of family and economic relationships is highlighted as the centre of attention marked by family traditions of a patriarchal nature focusing on long-term relations, and less targeted at quick profit maximisation. The state plays a much bigger role in its classical function as comprehensive caretaker and protector of the people.

The central theme for Orthodox theology is the concept of God's particular relationship with the world through divine economy, which is focused on humankind's salvation through specific Christ action, His incarnation, earthly life, death and resurrection. In Eucharist (thanksgiving) bread and wine are offered as symbols of the fruits of human labour and all of material creation. The Eucharist is an expression *per se* of cooperation with God and people for sustenance and the transformation of the world. People became a co-workers with God. This link between daily bread and the Eucharistic bread illustrates the inseparable connection between the divine economy and the secular economy, the spiritual and material.

Particular attention in Orthodoxy is given to the historical experience of the church. The Christian Fathers were engaged in the world and offered a range of social advice and explanation, dealing with a whole variety of human actions. Social problems like poverty, injustice, violence and greed accompany humanity throughout history. Church Fathers such as John Chrysostom, Gregory of Nyssa, Basil the Great were dealing with this everyday social task and calling for ascetic ethic. Fathers of the church argued that absolute wealth is a gift from God. However, they also insisted that relative wealth, the appropriation of wealth in society creating a cleavage between wealthy and poor is to be denounced as injustice. Poverty and wealth are in patristic in a causal relationship; what the wealthy have is often the result of impoverishment of the poor. Wealth is given by God to be enjoyed by all.

Despite the concepts developed at different stages emphasizing Orthodox's insistence on metaphysics and seeming indifference to worldly matters, it has been accentuated by Orthodox researchers Orthodoxies' positive attitude towards the worldly affairs. In this way **a Christian perspective on the link between theology and the economy is supported by a unified theological bases built on the specific anthropology, and specific understanding of the mission of person in which there is no separation between spiritual and material life**.

2. Economic governance in the EU. Current state of play

Economic governance in the EU can be understood as the system of institutions and procedures established for coordination of economic policies to promote economic and social progress and well-being.[7] Economic governance in the EU has been reinforced and refined over time, evolving in the context of historical developments. The current difficulties the EU is facing need to be reviewed with an historical perspective and against aims, objectives and vision which have been integrated into the project from its beginning.

European integration was set in motion by people who lived out the basic principle of "unity in diversity" in courageous ways. The founding fathers of the Union shared the common desire that Europe should never be subjected to war again. With the "Schuman Plan" they created the "Coal and Steel Community" (ECSC), the predecessor of the European Community and the European Union. The ECSC was the first supranational mechanism of its kind, to be followed by many more. However, the ECSC can always serve as a helpful reminder of a political project that combined both political as well as economic rationality with visionary thinking. The idea behind the ECSC was simple yet brilliant: joint control of coal and steel industries of the Member States without customs would help secure peace in Europe through the mutual control of the markets for the very goods that are needed for warfare, that is, coal and steel. Moreover, used in a peaceful manner these goods would facilitate the reconstruction of Europe after WWII. The beauty of the ECSC lied in how it combined vision and pragmatism, or idealism and realism. The ECSC is no longer in existence.

Subsequent to the ECSC, European integration advanced at an uneven but steady pace, through the EC Treaty in Rome 1957, the Single European Act (1986) to the Treaty of Maastricht (1992) establishing the EMU. The Treaty of Rome set in motion the integration towards a customs union and common market allowing the free movement of goods, services, people and capital. The Rome Treaty, however, had no vision of monetary union, as at that time fixed exchange rates in the Bretton Woods system were still functioning. It was only in the late sixties that the global currency turmoil led to envisioning the EMU. The Treaty of Maastricht (1992) and establishment of the European Monetary System (EMS) were the most significant aspects of this development. The three stages of the process included firstly the completion of the internal market by 1994. Secondly, the progressive establishment of the European System of Central Banks and adoption of crucial institutional support framework for the common currency (Stability and Growth Pact) by 1999, and thirdly, as of 1999 the final fixing of exchange rates and adoption of the Euro in 1999.

There were two different approaches which accompanied the vision of a common currency.
On the one hand there was an argument to adopt a common currency only after a far-reaching political union, which would then be 'crowned' at the end with the introduction of the new currency. On the other hand, the introduction of a common currency at the early stage was seen to facilitate the creation of a political union. The introduction of the Euro pursued the second model, not least due to political pragmatism on the meagre perspectives of a true political union but as a precondition of the common currency. In this vein, the introduction of the Euro was undoubtedly a deeply political decision: after the fall of the Berlin wall and the end of the East-West conflict in Europe, the common currency should serve as an instrument of deepening the European integration.

[7] Article 3 of the Treaty on European Union (TEU); Articles 2-5, 119-144 and 282-284 of the Treaty on the Functioning of the European Union (TFEU); Protocols annexed to the TFEU: Protocol No 12 on the excessive deficit procedure, Protocol No 13 on the convergence criteria and Protocol No 14 on the Euro Group.

Consequently, the EU created a monetary union without a (federal) government, relying on various governance mechanisms instead. The rule-based Stability and Growth Pact (SGP) is the main governance structure addressing the asymmetry of a single monetary policy vs. decentralized fiscal policies. Extensive evidence from research indicated the kinds of problems monetary unions can run into in these kinds of situations, most prominently through free-riding on low interest rates. Relative differences in interest rates are dispersed across the entire monetary union and are thus borne by all members rather than the government causing the problem. Any destabilizing national fiscal policies risk affecting the smooth functioning of the monetary union via negative spillovers onto other Member States, thus calling for particular prudence in such a setting.

The EU fiscal rules address these risks while leaving the design of concrete policies at the national level. The Stability and Growth Pact (SGP) of 1998 set the limits to the nominal deficits and debt limits to budgets of individual Member States established by the Maastricht Treaty. In particular, the so-called preventive arm of the SGP provided guidance for the conduct of stability-oriented policies while the so-called corrective arm specified the tools to address and correct fiscal imbalances. Over time, the rules-based framework became more complex as elements to strengthen its enforceability were added, notably through the first SGP reform of 2005 which also aimed to strengthen the economic rationale of the rules. They widened the scope of economic surveillance to cover structural reforms and strengthened the enforcement mechanisms by providing for a range of sanctions with gradually increasing intrusiveness. The overall complexity of the governance system is a reflection of the specific institutional set-up of the EU governance structure.

Unsurprisingly, this complex governance has not been able to deliver and the past years have revealed the shortcomings of the existing governance mechanisms. The "Blueprint for a deep and genuine economic and monetary union" in December 2012 by the European Commission came to the conclusion that the Stability and Growth Pact "was insufficiently observed by the Member States and lacked robust mechanisms to ensure sustainable public finances."[8] The financial and economic crisis thus underlined the weakness of the existing model of the European Economic Governance and led to efforts of reforming and intensifying the governance mechanisms.

Since the outbreak of the crisis several decisions were taken at different levels to further strengthen European economic governance: strengthening the legislative procedures of surveillance of the objectives of the Stability and Growth Pact through the so called six-pack (2012) and two-pack (2013). The policy coordination is integrated in the European Semester, the annual cycle of economic policy guidance and surveillance. The European Semester presents a procedural innovation. The European Semester, starting out as a project to coordinate only budgetary and fiscal policy among Member States has since been expanded to become a tool of overall fiscal and economic policy coordination, also attempting to take into account the social dimension.[9] Moreover, on 1 January 2013 the Treaty on Stability, Coordination and Governance came into force, signed by 25 EU Member States (within all 19 Euro-Member States). The TSCG essentially sought to make certain provisions for the 6 and 2 packs more binding as this was not possible within the scope of EU law.

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[8] Communication of the European Commission, A blueprint for a deep and genuine economic and monetary union - Launching a European Debate, Brussels, 28.11.2012, COM(2012) 777 final, p2.
[9] For an overview about all steps made, see e.g.:
http://ec.europa.eu/economy_finance/economic_governance/index_en.htm (09.09.2015)

The European Semester encompasses objectives beyond budgetary coordination, e.g. the Europe 2020 strategy for smart, sustainable and inclusive growth. In 2010 the European Council decided upon the Europe 2020 strategy for smart, sustainable and inclusive growth. With this strategy the EU defined five main priority areas underpinned with concrete targets to be reached by 2020 (employment; education; research & development; climate change and energy sustainability; fighting poverty and social exclusion).[10]

The latest addition to the realm of economic governance has been the Banking Union. When the recent economic and financial crisis hit in 2008 on the financial side and in 2010 on the public debt side, the first major reforms initiated were in public finances and macroeconomic governance. This was to the detriment of serious attempts at common supervision and resolution of the financial institutions that had been at the centre of the crisis. It was only in 2013-4 when the Banking Union (gradually through the Single Supervisory Mechanism and Single Resolution Mechanism) was initiated, and the crucial missing pieces were gradually introduced in severing the financial-sovereign axis, through which the financial sector mistakes and losses had again and again become the taxpayers' liability. The Banking Union thus aims to establish credible firewalls between markets and public finances, thereby helping the financial sector to significantly contribute to the cost of (future) crises, shielding the taxpayer as much as possible.

The Banking Union today is an indispensable, evolving but incomplete part of the EMU. The third element of the Banking Union, a common European Deposit Insurance Scheme (EDIS) has proven to be considerably difficult. Moreover, a Capital Markets Union (CMU) has recently been initiated aspiring to deepen and integrate financial markets and sources of financing for companies. All in all, the Banking Union finds its place as an important building block of the EMU reform which is to be seen as a dynamic process rather than a final product.

By way of conclusion, the EMU today finds itself confronted with a complex toolbox of different kinds of governance mechanisms, some more effective than others. The complex environment is brought about by the absence of 'government' in the form perhaps of more clear and binding federal structures, and it makes governance a no less complicated matter. The representatives of the European institutions themselves admit that the steps taken were significant to fight the crisis but that an appropriate framework of European Economic Governance is not as yet completed as stated in the Five Presidents' report: "Europe's Economic and Monetary Union (EMU) today is like a house that was built over decades but only partially finished. When the storm hit, its walls and roof had to be stabilised quickly. It is now high time to reinforce its foundations and turn it into what the EMU was meant to be: a place of prosperity based on balanced economic growth and price stability, a competitive social market economy, aiming at full employment and social progress. To achieve this, we will need to take further steps to complete the EMU."[11]

[10] For more, see: http://ec.europa.eu/europe2020/index_en.htm (09.09.2015)
[11] Completing Europe's Economic and Monetary Union, Report by: Jean-Claude Juncker in close cooperation with Donald Tusk, Jeroen Dijsselbloem, Mario Draghi, and Martin Schulz, June 2015, p4

3. Challenges of European economic governance. Churches' perspective and lessons from the crises.

3.1. HUMAN BEINGS DO NOT LIVE BY ECONOMICS ALONE, COMPETITION VS. COOPERATION AND SOLIDARITY

3.2. IN SEARCH OF THE EUROPEAN COMMON GOOD

3.3. GETTING SERIOUS ABOUT SUBSIDIARITY AND PROPORTIONALITY

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3.5. ADDRESSING FUNDAMENTAL ERROR MESSAGES: DEBT AND MONETARY DOMINANCE

3.6. THE URGENCY OF REDUCING INEQUALITY, FIGHTING POVERTY AND PROMOTING A MEANINGFUL EMPLOYMENT

3.7. ECONOMIC GROWTH IS NOT A CURE FOR EVERYTHING

3.1. Message 1

HUMAN BEINGS DO NOT LIVE BY ECONOMICS ALONE, COMPETITION VS. COOPERATION AND SOLIDARITY

The economy has to serve – according to the above-mentioned values – to increase well-being for all, to contribute to a just and fair society, to promote freedom to act responsibly and seek peace through economic stability and to strengthen communities. This basic recognition has been increasingly questioned in recent years. The economy is becoming an aim in its own right. The consequences in economic terms are growing inequality, rising debt and the diminishing role of states and other democratically legitimised structures that are becoming too weak for a meaningful action in curbing the power of strong economic actors. The question what form and what frame effective economic governance needs to have in globalised economy is of growing importance. In order to reach the primary goal and service function of the economy there is the need for curbing and re-orienting financial flows which dominate financial markets.[12]

Economics, from its origins onwards, was seen as part of a moral philosophy. Only within the neoclassical paradigm of economic theory, the illusion was spread that economics could be regarded as some sort of natural science, if only a few basic assumptions would have been broadly accepted. But an economy based on ethics cannot start from the picture of a "homo oeconomicus" alone. It is not only the maximization of the individual utility that governs the economy.

There is a moral argument to play a legitimate role in the conflict between strictly economic objectives (e.g. competitiveness) and broader social objectives (e.g. cohesion and well-being). The current institutional set-up for economic policy decision-making at both national and European levels is framed by the dominance of economic objectives to the detriment of other public policy

12 In this process suggestions like e.g. Currency Transaction Tax, instruments against capital flight and tax evasion and for ethical investments need to be taken seriously into consideration.

targets for the attainment of a "good life" and the "common good". A reminder is the fact that a balanced view of the economy and of markets recognizes the origins of markets as a form of relational exchange between people, with material provision and solidarity as the central motives of this exchange. The relational paradigm arising i.a. from the Judeo-Christian heritage, that thus justifies the market as a means rather than an end, thereby stands in contrast to the perhaps more Hellenistic paradigm in which the role of institutions and individuals is emphasized. While institutions are important, they do not provide a sufficient moral basis for markets, since on their own, the institutional paradigm operates on the basis of abstractions and ideas, leading also to abstract(ed) morality. In a healthy vision of markets, the relational and institutional paradigms stand in dialectic tension, in which both are needed. Therefore, observing that in the current mainstream economic thinking the institutional paradigm has taken the upper hand, in order to humanize and 'relationalize' the market, more cooperation needs to be sought to balance out the sometimes excessive competition, and more community needs to balance excessive individualism. In the end, the market is a trust-driven social construction that functions best with the appropriate balance between right self-centred incentives and other-centred solidarity. In all of this it has to be acknowledged that in the end, economics and economic governance are inherently about moral choices, about 'good and evil' (Sedlacek 2011).

The EU needs to create sound institutions and foster social relationships at all levels that balance competition and solidarity. This can be done by keeping up and strengthening institutions that foster social consensus-oriented outcomes in social partnerships and economic processes, such as collective and local wage bargaining and through support of a dialogue between different stakeholders of the process. The value of consensus, cooperation and cohesion as complementary elements to competition need to be implemented in all policies but also explained to the peoples of Europe. At the same time, the challenges of competition need to be embraced. Faced with unprecedented competition in certain sectors (e.g. manufacturing), the impossibility of sustainably maintaining a protectionist 'fortress Europe' needs to be admitted. The subsequent call for structural reform and sectorial shifts with painful short-term consequences thus need to be acknowledged.

3.2. Message 2

IN SEARCH OF THE EUROPEAN COMMON GOOD

Historically, the quest for reconciliation was driving unity, while diversity was always present also in how European integration is perceived by the public. Europe started as a project of peace-building and reconciliation on the back of the experience of immense suffering caused by conflict between European nations, an experience that provided the rationale for the European project. Leaders such as Robert Schuman and Jacques Delors were at the core of formulating the crucial steps of European integration as well as setting the agenda for further deepening. While Europe brought peace to France, Germany and the first six founding members in the public perception is often associated with bringing democracy to countries such as Greece, Spain and Portugal. For much of Eastern and Northern Europe, Europe is a cost-benefit calculus rather than the incarnation of any higher ideal such as peace or democracy. Diversity begins with the very definition of concepts, but also extends to the contents and aims of policies.

Diversity is not a negative phenomenon. Europe without diversity is not what we want. It can be a helpful corrective in the face of dominant ideologies or excessive concentration of power. On the other hand it is necessary to keep unity aiming for the achievement of the common and shared good. There are legitimate differences over the shape that institutions should take and in this respect diversity plays its part in preventing autocracy and despotism. Already Immanuel Kant opined that while religion and language divide people, they also prevent a universal monarchy. From a Christian perspective, ideologies of any kind are in themselves dangerous as they can easily turn into exclusive worldviews. It needs to be stressed that every ideology carries with it an imminent danger of taking something out of creation's totality, raising it above that creation, and making the latter revolve around it and serve it. Moreover, diversity provides a base for healthy (economic) competition of ideas/ideologies too. Important parts of Europe's economic competitiveness (compared to e.g. Asia) in the past could be a result of its cultural and ethnic diversity and the strong competition between nations (Ferguson 2012).

It should be remembered that the EU is not an institution without costs, not "manna falling from heaven". It is a visionary project with benefits and risks, gains and losses, requiring sacrifice along the way. Cooperation is straightforward if the distribution of the gains from co-operation is at stake. At present, this is not always the case. A lack of willingness to invest in the European common good also represented and fostered by the Euro, entails the risk of destroying much of the results of co-operation achieved in the past. There is a need for moral leadership and for the framing of perspectives beyond narrow economism. A healthy and non-utopian long-term perspective for the EU which requires appropriate vision and the right balance of cost and benefit (sacrifice and fruit) needs to be supported by broad civil society, including faith-based organisations, religions and churches.

The recent crisis resolution measures have exacerbated the already missing element: a common perspective. Although this may be true of the more general nature characteristic for post-modern western societies in the context of recent crises having dramatic impact on the European continent, the ability of the EU to handle them and dwindling public support for European project has far reaching consequences. As stated in the document of the Evangelical Lutheran Church of Finland Towards the Common Good: 'In our day the instruments of economy are glossy but the goals are vague. Many matters seem to have been wrenched out of human control. One day a society is boiling in its overheated economy and the stock exchange promises a sharp rise. Another day a giant investment bank on the other side of the globe collapses and economic indicators are turned upside down. Worldwide changes are reflected almost immediately in the lives of individuals. Bewilderment and confusion gain ground. Many ask where one should anchor one's life, where to look for something to lean on.'[13]

Prosperity must not be an aim on its own. Prosperity needs to have a purpose. There is a long tradition of churches' engagement with interrelated social and economic issues. There is a significant body of contributions from churches in different denominational traditions to this discussion. Churches in general see the positive value of the market which contributes in many respects to increasing living standards of people in Europe and other parts of the globe. Churches, however at the

[13] Cf. Towards the Common Good, Statement on the Future of the Welfare Society by the Bishops of the Evangelical Lutheran Church of Finland, March 1999, available at: http://sakasti.evl.fi/sakasti.nsf/0/AC5B7C3890F48F5AC22577030038D858/$FILE/Towards%20the%20Common%20Good.htm

same time raise their concerns in reminding of the ‘paradox of prosperity,’ as an expression of describing decoupling of personal fulfilment from the level of amassed wealth. It also raises concerns on a number of negative side effects of unregulated, or non- appropriately regulated market competition. Prosperity needs to have ‘a purpose,’ which includes elements such as: effects on employment, poverty alleviation, environmental sustainability, life satisfaction. [14]

There continues to be a lack of advocacy for the European common good and a lack of a common narrative on the economics of the Euro area crisis. The former is very hard to define, while the latter seems to be just as hard to achieve. Crisis resolution policies have produced important achievements, but the basic shortcomings of the system have not been solved. The communication of the fact that policy failures of the common currency are a matter of common responsibility has unfortunately been absent from the debate. This might be one of reasons why the institutionalization of governance structures within the EU is at the current stage neither effective nor accepted by the citizens in the EU.

3.3. Message 3

GETTING SERIOUS ABOUT SUBSIDIARITY AND PROPORTIONALITY

The European Union is a unique mediating device between national and global rules. As a balance to the free market, the EU has defined minimum common standards in social and environmental policies as well as planted redistributive and cohesive elements in its budget to facilitate solidarity among its members. The organizational logic of the EU needs to be governed by the principle of subsidiarity. Subsidiarity was introduced into the EU governance system in Maastricht as a social political concept, and not a strictly speaking economic one. Nonetheless, its principles can be transferred to multilevel thinking on economic governance as well.

It has been suggested that effective European economic governance needs to be more integrated. Steps towards the political Union have been considered as necessary for such a step. On the other hand, the lack of a common public sphere and public identification with the EU is a serious constraint to further integration. Any working European 'public sphere' must be embedded in a shared political culture, which relies on common values and the memory of European history. While a lot has been achieved throughout the years, and certain European projects and processes work very well in promoting common values (Labour mobility, education policy (Bologna, Erasmus), the building of a European public in the sense of *demos* has not worked. In the absence of a European demos, Europe continues to be a space of plurality of identities. This lack strongly correlates with a deficit of discursive structures which make political community possible**.** Testimony to these failures are the early EU’s common media projects that all failed, such as the Europa television channel and the Television without Frontiers Directive. When it works, shared political culture can prevent a sort of "executive federalism” in times of crisis currently observed; a system of governance that intervenes in the core domains of the national parliaments and undermines the democratic exercise of political authority. How to achieve steps in this direction in the absence of a shared political culture (which is nowhere on the horizon) is one of the main current challenges.

[14] Prosperity with a Purpose, Exploring the Ethics of Affluence, Churches together in Britain and Ireland, 2005

While the current pressures in the EMU economic governance go largely towards more integration, there is also a present (and perhaps) future discussion on the re-nationalization of policies in the EU. This is a process so far driven by one Member State (UK), but a project that could well soon find allies. The Juncker-Commission, while far from adopting a renationalization agenda, has nonetheless adopted a more critical stance to EU level regulation than its predecessors. The pace and scope of EU legislation may thus be stabilizing and stagnating rather than intensifying. Whatever one thinks of this, this situation may also be a chance to rethink a balanced ethical perspective on economic governance in the EU.

Further deepening of the EMU is desirable from a number of perspectives. However, no dichotomy should be allowed between the vision of the EU as a one-way street towards federalism, vs. implosion and break-up, if a political union does not materialize. Rather, a healthy balance of visionary and pragmatic thinking is needed to make it work. Subsidiarity needs to be rekindled and re-established as an organizing principle. Each issue has to be looked at according to its own inherent logic, and as part of a larger picture and vision. In some issues this may mean that an existing institution will have to extend its scope outward from the national (or even European) dimension. Issues where this sort of dynamic may be preferable include e.g. financial supervision (Banking Union), or effective climate and environmental regimes, perhaps also immigration. In other areas, where it is established that the institutional control mechanisms cannot adequately follow the markets onto the European or international arena, this might mean limiting the scope of markets to narrower borders (regional, national).

We call for a return to balanced subsidiary thinking in a contextually sensitive manner. In this regard the idea of functioning multi-level governance structures is appealing. It consists of the sectors of European structures combined with national governments (parliaments), sub-regional and local administrations, and non-governmental organizations and their local sub-units. All these form a net together, which is based on interaction and shared responsibility. In order to live in this kind of a net, we have to know who we are. The ability to be linked to the net is becoming crucial for survival.[15] This can often mean arguing for cooperation, integration and solidarity, i.e. 'more Europe.' The need for this is especially prevalent in countries and circumstances where the EU is often unduly demonized for political failures. In these situations, churches should help citizens understand the benefits of 'more Europe' and integration, especially if national politics and populism are pulling the other way. However, in other circumstances there should be no taboo to call for 'less Europe' when such a call is warranted. Admittedly, it is a politically sensitive subject to identify the areas in which the EU may have gone too far so that one can get the stamp of a xenophobe and Eurosceptic too easily. However, it can sometimes just as well be easier to find alleged "quick fixes", justifications as to why 'more EU' is needed, and it requires more diligence to honestly answer questions implying the opposite.

[15] Cf. Towards the Common Good, Statement on the Future of the Welfare Society by the Bishops of the Evangelical Lutheran Church of Finland, March 1999, available at: http://sakasti.evl.fi/sakasti.nsf/0/AC5B7C3890F48F5AC22577030038D858/$FILE/Towards%20the%20Common%20Good.htm

The guiding question should be: how are humans flourishing and individual freedoms as well as solidarity and the common good best served at the EU level taking into account all limitations, and whether it is perhaps served better locally?

3.4. Message 4

BUILDING BLOCKS OF A LEGITIMATE AND EFFECTIVE MONETARY UNION

In the absence of a (federal) government at the EU level, the EMU remains a complicated multilevel governance structure. Almost by definition, as explained above, the complex environment makes governance a complicated matter. The only effective way to really simplify governance, however, is to move towards more (federal) government of the EMU, which at the current juncture does not seem to be the democratic choice of the people of Europe.

In the end, the EMU faces two concurrent challenges: how to reduce overall risk and uncertainty thus delivering shared stability and prosperity (effectiveness) while at the same time enjoying the acceptance of people (legitimation). As regards the latter, the key question is how can the EMU be brought and kept closer to the citizens? The legitimacy and democratic accountability that need to go hand-in-hand for the future of the EMU are especially challenging. Strengthening the European Parliament's powers of accountability may offer part of the solution. But is unlikely to be the complete solution on its own, especially in a situation where these rights operate to the detriment of national parliaments. National Parliaments still remain in charge of the large majority of public budgets in the EU Member States and also in certain ways enjoy the privilege of being 'closer to the citizen'. The principle of 'no taxation without representation' needs to be upheld in the EMU as far as possible. As regards the former, while risk should be accompanied by responsibility, solidarity and risk sharing in the EMU can be envisaged in areas where their implementation can safely be judged to lead to overall risk reduction in the system. The EMU should be designed in a manner that minimizes overall systemic risk and maximizes the ability to effectively intervene and remedy shocks to the system.

Crucial initiatives such as Banking Union prove that overall risk reduction is possible both through risk sharing and also appropriate risk prevention. The Banking Union is a welcome development, since correctly implemented it promises to simultaneously deliver on both risk reduction through appropriate risk sharing as well as remedying the "privatized gains, socialized losses" situation. This is why the Banking Union is to be welcomed. However, it needs to be noted that it is not a risk-free endeavour for European taxpayers, and therefore the accountability procedures in the setting-up and the implementation of the Banking Union need to be in place. The European Parliament's role in providing accountability here is a crucial one and can certainly be enhanced.

As described in other sections of this document, the EMU in its current form has come a long way and is today a highly integrated area. However, at the same time in its own way the EMU suffers from the very same deficiencies of effectiveness and legitimacy. As explained above, the lack of *government* in the EMU has been attempted to be remedied by *governance* first on the fiscal policy side, and more recently by means of common supervision and resolution mechanisms on the financial sector side (Banking Union). With the benefit of hindsight, why the Banking Union came so late is understandable (yet not necessarily acceptable) to some extent: after all the mutualisation of risks involved through potential bank resolutions and recapitalizations stakes are enormous, much larger than in any previous (failed) public attempt at risk-sharing (cf. Eurobonds debate).

In the absence of a (federal) government at the EU level, the EMU remains for the foreseeable future a multilevel mixture of voluntary cooperation and a federal executive type decision making structures. Different levels and intensities are present. These include voluntary coordination (Open Method Coordination, Lisbon Strategy), soft coordination (EU 2020), hard coordination (reformed Stability and Growth Pact, Macroeconomic Imbalance Procedure), as well as quasi-federal executive delegation (competition and trade policies for the Commission, monetary policy with the ECB). In this, soft coordination is to be broadly understood as a process where compliance is voluntary but also the result of policy peer-pressure (reputational sanctions). Forms of hard coordination usually also foresee some types of financial sanctions. As a combination of all of the above the EU is a rules-based community in which discretionary government is limited at the centre, usually only occurring in complex policy-coordination processes. Needless to say, the complex environment makes governance a complicated matter. The only way to simplify governance, however, is to move towards more federal structures and government, which in turn raises important questions of legitimacy, as mentioned above.

In the end, a long-term shared narrative needs to be found for EMU in order to move forward. As long as there is no federal government with an enhanced EU budget and a lack of agreement on the narrative as regards EMU prevails, considerable distrust persists and no deeper level risk sharing (e.g. broad-based permanent transfer mechanisms for public budgets, Eurobonds etc.) stands a realistic chance of adoption or implementation. In this, structures such as the Banking Union can provide crucial help in setting up institutions for overall risk reduction through appropriate risk sharing. Going forward, effectiveness and legitimacy need to go hand-in-hand and the EMU needs to be designed in a way that avoids taxpayers footing the bill for mistakes.

Without common governance the EMU cannot be complete. If the EMU is supposed to work effectively, it needs to be deepened. However, administrative decisions which will enable steps in this direction need to be underpinned by common trust and faith in the project, as well as a common story.

3.5. Message 5

ADDRESSING FUNDAMENTAL ERROR MESSAGES: DEBT AND MONETARY DOMINANCE

Money and credit are inherently relational constructions operating through (tacit or explicit) contracts between people. The expression "credit" (credibility → credo) reflects the moral and the legal background of the initial concept of lending money and entering into a relationship between creditor and borrower. Trust and personal responsibility are key ingredients in the morality of 'credit'. In contrast, as argued above, the current economic paradigm has shown a tendency away from relational thinking, towards abstract institutional thinking, leading also to an abstract morality. This has brought with it a strong increase in debt levels both public and private. This was possible only in connection with an increased social acceptance of debt and indebtedness and it could happen only because debt was increasingly used as a tool for financing consumer needs. On the other hand, increasing the amount of debt had systemic implications after the fall of the Bretton Woods system and the following financial liberalization, as monetary aggregates have surged in size in recent decades. This could happen only because the fractional (fiat) currency system money (debt) creation has largely been entrusted to private banks, whose regulatory environment has gradually been relaxed precisely to allow these developments to take place. Thus, the increasing money supply has translated directly into an increase of debt creation.

Despite recent regulatory efforts, that maybe did not go far enough an underlying systemic challenge remains in the relative size of the financial sector as a whole, compared to the size of the 'real' economy of the production of goods and services. The growth of money supply has reached a level where it can far too easily develop into a destabilizing force for the rest of the economy. Apart from the macro-level impact of monetary growth, there has been a financialization and commercialization of human interactions on the "micro" level, because more and more social interactions have been transferred into the market economy. Jesus and Paul condemned the *love of* money, rather than money itself. J.M. Keynes called the love of money 'a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological diseases which one hands over with a shudder to the specialists in mental disease'[16] and he was looking forward to a society overcoming the love of money as a guiding principle for economic decisions. Today, far from this, an increasing part of human existence has entered the monetary valuation paradigm, where all fundamental values are expressible in units of money (e.g. life, rest, love). We feel the need that churches raise their prophetic voice against the financialization of human reality and society.

In concrete terms, an increase in the overall debt level in most countries in the EU encompasses both public and private households, albeit to different degrees. The poor in all countries of the EU often find themselves in the most precarious situations of indebtedness. Regarding household debts systematic solutions should be elaborated, partly in the form of improved financial education of the population and partly in the form of further introducing appropriate regulation in the market. Regarding public debt it remains a serious challenge to establish an appropriate accountability of decision-makers, who affect the lives of many generations to come by enforce short-sighted decisions based on the desire to be re-elected.

Further curtailing of excessive accumulation of debt in the modern context could be done via a number of measures, perhaps most effectively through taxation. Overall, gross public (general government) debt in the Euro area (EMU) averages 92.1% of GDP, while private debt averages about 95.5% of GDP (Eurostat, 2014). There are considerable differences across countries as regards the intensity of the problem. One approach remains demanding a clearer contribution to shared prosperity from the financial sector. In the area of financial services, a Financial Transaction Tax (FTT), a Financial Activity Tax (FAT) or ending the absence of VAT in financial services can be mentioned as possibilities. As a major topic, curbing excessive private money creation in its different forms also belongs under this heading, the beginnings of which can be achieved through raising capital and liquidity requirements in banks Although the current EU monetary policy is going directly in the opposite direction. The growth of (private) money creation in the current fiat currency system and the resulting higher growth rate of the return on capital than that of wages are also factors perpetuating and worsening income inequalities in society.

[16] Keynes, John Maynard (1930): „Economic Possibilities for our Grandchildren“, in: Nation and Athenaeum, 11. and 18. October 1930, reprinted in: The Collected Writings of John Maynard Keynes, Ausg. Cambridge: University Press, Vol. 9, 321 – 334

The financial sector should stand at the service of the real economy only, and should operate only as a true market to bring together the demand and supply of credit. Unfortunately, the present system does not allow the market to operate this way, because the current policy aims at overproviding liquidity where it promises quick returns (within the financial sector itself). Entrepreneurship and innovation are crucial for economic prosperity; these are dependent on real investments (and their financing). For long-term stability and prosperity, the needs and interests of the financial economy need to be realigned with those of the real economy, yielding an efficient reallocation of financial resources using the banking system as an instrument. Politicians in the EU/EMU should be encouraged to find ways to move towards such a system.

3.6. Message 6

THE URGENCY OF REDUCING INEQUALITY, FIGHTING POVERTY AND PROMOTING A MEANINGFUL EMPLOYMENT

A central challenge for EU economic governance is to balance solidarity with responsibility. An EU-wide platform for solidarity (through risk-sharing, redistribution, common currency, banking union etc.) thus needs to be conditional on implementing crucial reforms (i.e. taxation, education etc.) in countries where a balanced sustainable economy is not in sight. On the one hand free-riding must be prevented - on the other hand effective help must be given to those really in need. In other words, in order to be viable demands for an EU-wide solidarity will have to go hand-in-hand either with some types of quasi-federal structures or sufficiently effective coordination mechanisms, as well as appropriate democratic legitimacy and accountability. Otherwise, sustainability in the whole area is endangered.

From a Christian point of view, the economy does not exist for the sake of itself. Its goal consists of providing people with everything necessary for life, and beyond that, with everything that serves their prosperity. It achieves this goal through the satisfaction of human needs. Additionally, following Christian understanding, Christian participation in the economy serves the purpose of establishing justice in society. It is always about shaping economies in a way to include everybody, since having a job and working for one's livelihood are part of a person's dignity - furthermore, it is the best way to protect oneself against poverty. Poverty is a relative concept: it is the inability to participate in the way of life that is prevalent in society in which the individual lives. Poverty means lacking the resources needed to participate in the normal way of life of the surrounding society. All human beings are born free and the ultimate task of the state institutions is to guarantee that this freedom will be preserved and fair opportunities are offered to everyone regardless of his/her origin.

"When looking into the history of economic development in the world we realize that the periods of rapid growth in GDP have been followed by an increase in income inequality. This can be explained by the high rate of return on initial investment capital and the rewards for early adopters of productivity enhancing technologies. The benefits of economic growth would have been more widely distributed if the societal institutions had been inclusive to encompass all layers of population rather than exclusively benefitting only the few elite members of societies. Initial inequality may increase incentives for economic progress which benefits all members of societies. **However, in the medium**

and long-term perspective a widely unequal distribution of income and wealth disadvantages the poor, which keeps them poor, cannot be accepted.

The link between poverty, inequality and economic development can be discussed on three different levels:

- Participation in the economy, i.e. having a job and being included in economic cooperation in contrast to a massive experience of exclusion through long-term unemployment. In this respect, public policy aimed at creating full employment certainly is a significant means to reduce poverty. Countries with a high level of employment usually have lower poverty rates and a lower level of inequality in general. Still, certain employment structures aimed at full employment, which also include jobs at a minimum wage level below the poverty line may also come into effect. These structures which cause the existence of a group of working poor may be preferred in comparison to mass unemployment, but they lead to significant problems themselves, since they do not support a permanent eradication of poverty. Most important is to provide opportunities for people to get out of these jobs and climb up the social ladder. Creating provisions for meaningful jobs must be the same imperative as aims at fighting mass unemployment.

- Another aspect is primary distribution in a society. This primary distribution is about the distribution of a company's revenue between the wages of the employed and the profits or distribution among the shareholders of the company. In many European countries there are established procedures between trade unions and employers' associations governing distribution at this level. Often they struggle for a fair distribution of existing resources with greater independence of government standards. In all of this, the existence of a prospering economy is the essential precondition. If it is missing, there is nothing to be redistributed. On the other hand, a relatively content workforce who feels it participates adequately to social wealth can be a good productive force for a competitive economy. The specific forms of negotiations between social partners in European countries are subject to national characteristics and different factors. Both, strong trade unions and strong employers' associations are necessary integral parts of this process in order to commit both sides collectively and to have the power to reach binding agreements.

- The third essential aspect is secondary distribution in a given society, in particular distribution through social and tax policies. Political decisions, such as the establishment of a progressive tax system or an unemployment insurance and good protection against a specific risk of poverty, can greatly impact social inequality and the risk of poverty in a society. In the Nordic welfare state paradigm, perhaps more than in any other, the relative character of poverty is recognized. The eradication of poverty is not merely about expenditures and compensation. It is mostly about investments in human capital and risk-promoting measures. The promotion of human capital accumulation among the less privileged is of paramount importance in pursuing the ideal of a fair society.

Apart from primary and secondary inequalities, trends in wealth inequality are alarming. In general, wealth is substantially more unequally distributed than income, and can too easily become a perpetuating factor of socio-economic inequality. Wealth to income ratios have risen from secular post-war lows of around 200 - 300% to about 600% in Europe (Piketty and Zucman, 2013).

Developments such as the ones explained above provide ample reasons why a thorough distributional analysis should accompany all economic policies and reforms. This is not least called for because the impact of various dimensions of socio-economic inequality on well-being and cohesion in societies is considerable. Nonetheless, socio-economic inequality does not capture all essential inequalities in a society and in order for social policies to be successful in these regards they need to be designed in a broad-based manner and form part of the overall social consensus.

The EU should not lose sight of the 2020 target to reduce the number of people living in risk of poverty by 20 million. Unfortunately, strategy EU2020 has not been in this regard too successful thus far. At the EU level no operational programme has been adopted in order to achieve this aim, leaving the target in the form of an empty recommendation. The current available figures demonstrate clearly that instead of decreasing the number of persons and households experiencing poverty the trend is exactly the opposite.[17]

3.7. Message 7

ECONOMIC GROWTH IS NOT A CURE FOR EVERYTHING

The current economic paradigm is not sustainable in the long-term perspective. The vision based explicitly on continuing economic growth and competition cannot be kept in the long run. Even in the shorter-term perspective the orientation on GDP growth is not helpful for achieving a sustainable future. Already in 2007 the EU started the initiative “beyond GDP”, aiming to collect and discuss alternative measures of welfare. In some of the Member States similar projects were initiated as well: “Stiglitz commission” in France and the Enquête-Commission on “Growth, Well-being and Quality of Life” in Germany. They concluded that GDP growth can no longer be the most important measure of welfare and well-being. The deficits of GDP include:

- GDP does not consider the exploitation of natural resources as a negative factor. Damaging the stocks of natural capital has no direct effect on GDP;
- negative external effects are considered as a contribution to growth and not as a cost to sustain the original state of the economic, social and natural system;
- within GDP, household and volunteer work are not considered as a necessity and not a welfare creating part of the economy – GDP is “blind” in respect to the informal part of the economy;
- GDP does not look at the distribution of income, thereby neglecting one of the most important aspects of welfare in society.

If the vision of a sustainable economy should replace the vision of mainly quantitative economic growth, then GDP could no longer be the main orientation for organizing and orienting economic governance. The care of stocks for human, social and natural capital is as important as the flow of goods and service that societies get from their use. Not only the growth rate of economic flows but the care of stocks has to become a guideline for economic governance. The core deficiency of the economic governance based on GDP growth is not limited to the problem of measurement and the selection of the right indicators alone. The debate on GDP and alternatives is the first component of the decisive question whether there should be economic growth at all – and, if so, in what ways should the EU align their policies.

[17] European Commission, Employment and Social Developments in Europe 2014, Dec. 2014, p34f.

In the current discussion on growth concepts, it is possible to distinguish five main different lines of arguments:

(1) The traditional concept of unquestioned quantitative economic growth and continuing "business as usual," in which an overall growth strategy is hoped to ultimately provide welfare for all. If growth is massive enough, negative external effects in the natural and social systems could be "repaired", and the income of the poor could be raised. There is considerable doubt whether the "business as usual" strategy will still work; in the past decades, growth rates declined steadily and considerably.

(2) A "green growth" strategy would emphasize that any growth policy should be oriented towards the "green" parts of the economy, thereby trying to decouple economic growth from resource and energy consumption. Until now, there is no empirical evidence that the decoupling of growth from energy and resource consumption necessary for "green growth" strategy is succeeding to the extent that would be necessary to keep the economy within the planetary ecological boundaries.

(3) The "stationary state" strategy is aiming to freeze GDP at a given level, arguing that the level of the economies in early developed countries may not have to be extended any more. If technological innovations proceed, it is inevitable that parts of the economy will grow, while others will shrink. It would be by mere accident that these two developments would level out.

(4) A "de-growth strategy" would start from the assumption that the overall level of economic activities in early developed countries would already be far too high and should go back. De-growth would however need an all-embracing reorientation of economies and societies: De-growth needs to be considered not necessarily as a disaster, but be facilitated and stimulated by design. This would comprise changes of lifestyles.

(5) An approach based on common but differentiated responsibility would include de-growth in the early industrialized countries, and growth in developing countries, this however within the limits of the ecological carrying capacity. This would need some sort of a broad international consensus. The current situation proves in many ways how far the European and global community are far from such a policy of global cohabitation.

The debate on what type of growth concept could be developed to orient the EU towards a sustainable economy should be included in shaping the concept of EU economic governance. Alternative visions for good economic governance should be formulated together with the development of models for the measurement of welfare "beyond GDP". Such a vision would focus on the transition to a sustainable economy within the planetary ecological boundaries. It would include the possibility that in the rich early industrialized countries consumers might find that a further growth of their economy would hardly increase their well-being and the quality of their life; so that their concept of a political economy could reconsider elements like voluntary simplicity and the structure of an "economy of enough". A transition towards society such as having an ambition to guarantee a good life for all now and for future generations, might need economic governance which is oriented not towards growth and efficiency, but in combining an effective economy with caring and solidarity.

Refocusing of this kind is not possible without a broad discussion. Part of the process needs to be an acknowledgment of economy as a concept and the term includes much more than managing efficiently and organising production. As well as incorporating the future shape of economy into the discussion different stakeholders have the capacity to enrich the discussion by different expertise covering areas such as social issues, employment, sustainable development and ethics, the discussion has to reach out beyond the level of the close circle of carefully selected experts.

Together with that the key problem of the relationship of the economy, political decision making needs to be addressed. Neither economy nor economic subjects are independent from politics. Economic actors influence politics. The intensity of the influence is very often proportional to the economic significance and financial capacity of relevant actors. Pressure of economic and financial power is thus becoming strong and often the decisive factor of policy making. Adjustment of the economic influence on political decision making and adjustment of the relationship between economic and political actors to democratic political structures are the core problems of economic governance. Corollary this relationship is the advancement of a society driven increasingly by dominant interests of economic actors. The well-being of society becomes secondary to profit making of individuals. Whether the economy needs to be the dominant factor deciding upon the future remains an open question related to any consideration about the possible structure of economic governance.

4. Conclusion

The CEC Member Churches stand ready to work for the European common good and to encourage steps in that direction. The objective of opting for both the "common" and the "good" needs to regain its importance. In addressing the current crises and challenges on the way to effective economic governance which the EU is facing, the community of churches in the CEC raises its voice in recalling in particular the original purpose and aim of the European project, which goes beyond achieving purely economic objectives. Increases in competitiveness and material well-being cannot be the main purpose of the European Union.

The current arrangement of economic governance within the EU is neither effective nor accepted by the citizens in the EU. Further deepening of the EMU is desirable. Such a deepening has to be, at the same time, accompanied by balanced subsidiary structures. Effective economic governance needs a concerted and balanced approach which all participating Member States share. In many cases, however, EU citizens link the mere idea of such a common effort with over-bureaucratization and a loss of national freedom. It is clear that any move in this direction cannot operate without the support of a comprehensive narrative which is responsive to citizens' concerns. A shared narrative which could inspire citizens and respond to hopes and expectation needs to be a substantial element of the project.

For the future success of managing effective economic governance a serious question has to be raised about the size of the financial sector and its relations to real economy producing goods and services. Financial speculations under the cover of the whole spectrum of artificial financial products may lead to short-term benefits, in terms of GDP increase. However, economic growth is not the cure of all problems of society. In many respects the one sided focus on GDP is only postponing to address the real problems that lie behind it.

Fair accountability accompanied by honesty and integrity of government is needed. Effective economic governance has to go hand-in-hand with fighting poverty, reducing excessive inequality and efforts for meaningful employment, a triangle which is not possible to separate from a vision of sound economic governance.

The building of a common European house started more than five decades ago as a visionary project based on sharing, cooperation, mutual respect and trust. The vision and hope for commonly shared freedom and justice, respect and solidarity need to be re-invigorated in looking for ways forward in responding to the current challenges in European economic governance. Recalling the common value-base has an essential role in facing uncertainty and the risk of fragmentation in the EU. This CEC documents contributes to a wider discussion on the future of Europe and invites the churches, as well as other stakeholders to intensify this discussion.