KansalaisAreena ry

Citizen Forum
National Information and Innovation Centre for the volunteering and self-help support network in Finland
From a Vicious Circle to a Virtuous Circle

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Citizen Forum
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Introduction

• This presentation is deliberately quite simplified and provocative.
• Obstacles = the current vicious circle
• Recommendations = move to a virtuous circle
Economy is based on demand for continuous growth
Consequences
Ecology

- The ecological debt rate of the current development is fast growing into an intolerable point.
- **Global Footprint Network** has calculated since 2002 the day when the earth's ecological renewable resources have been spent each year.
- In 2012 the resources had been used by August 22.
- With the current development model we would need one and a half globes.

Source: Global Footprint Network 2012
Vicious circle

**Financial crises**
Banks are in crises as they have taken too big risks.
Tightened fiscal policy.

**Economy** is based on demand for continuous growth
Consequences
Financial crisis

• Banks which have taken too big risks are now in crisis. Banks and financial institutions have no investor responsibility.
  – Banks in crisis are supported, and basically by taxpayers’ money.
  – Bankers have got large bonuses even in cases like this.

• During economic crisis focus has been on cost savings, there are hardly no actions to stimulate the economy.
  – A number of economists and investors, and recently also politicians have criticized the tightening of fiscal policy.
**Vicious circle**

**Financial crises**
Banks are in crises as they have taken too big risks.
Tightened fiscal policy.

**Economy** is based on demand for continuous growth

**Companies** do tax evasion and cut costs by laying off employees to improve their profits.
Consequences
Business world

• Companies do many kinds of tax fiddles and rush to tax havens in order to avoid payment of corporate taxes.

• In poor economic climate companies improve their profits by cutting costs and lay off more and more employees.
  • Nevertheless the earnings and incentives of top management are enormous.

• Income disparities are growing and the rich are getting more rich and the poor are falling into poverty.
Vicious circle

**Financial crises**
Banks are in crises as they have taken too big risks. Tightened fiscal policy.

**Companies** do tax evasion and cut costs by laying off employees to improve their profits.

**Economy** is based on demand for continuous growth

**Unemployment** is increasing
Consequences
Citizens

• Unemployment has increased dramatically and is currently unbearable.
• In particular, the mass unemployment of the youth is unacceptable.
• Actually many working people can’t earn a decent living and the working poor class is growing.
• Poverty increases and there will be more and more excluded people.
Vicious circle
Elements reinforcing each other

Financial crises
Banks are in crises as they have taken too big risks. Tightened fiscal policy. Recession continues.

Economy is based on demand for continuous growth. Even greater need for growth.

Companies do tax evasion and cut costs by laying off employees to improve their profits. Incentives for companies to provide jobs.

Unemployment is increasing. Decreasing purchasing power. Declining private consumption.
In EU there are nearly 27 million unemployed people.

- Unemployment is at intolerable level and affects to a large number of people!
...and unemployment is growing

• Employees can be fired fairly easily. Companies with excellent profits lay off employees, too.

• Employees can not be blamed for the situation. They have been working hard and are dedicated to the companies they are working for, but still they have to suffer the unpleasant consequences.

• Moreover, increased unemployment reduces purchasing power, and consequently consumption decreases. And this escalates the current vicious circle.
Consequences of unemployment

- People lose their daily livelihood and there is a risk of falling into poverty.
- Being out of work doesn’t only mean that you lose your salary, it also limits your civil rights
  - As an unemployed person you need to be available for the labour market all the time in order to get your unemployment benefit. So you need to be reached all the time and this restrict daily life in many ways.
  - There are restrictions regarding voluntary work, studying, travelling and so on
- Hence unemployment can lead to social exclusion.
Unemployment of the young

• In Europe there are countries where unemployment of the young is nearly or over 60 %, and in many countries it is more than 20 %.
• When the young cannot get a job their life is disturbed in many ways.
• There are already a lot of discussions about "a lost generation".
• It may be fatal, if the youth lose faith in Europe and EU.
Gigantic unemployment obsessed with the young in Europe

Jättityöttömyys riivaa Euroopan unionin nuoria

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
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<tr>
<td>Greece</td>
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<tr>
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<td>Slovakia</td>
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<tr>
<td>Italy</td>
<td>7.6%</td>
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Source: Helsingin Sanomat, June 10, 2013
Unemployment of the elderly

• Elderly people are laid off more and more.
• They have great difficulties to get a new job, and yet they are humiliated to seek for work over and over again.
• There are a lot of discussiong about lengthening of working careers, but how it is possible as companies are laying off older workers.
• Being out of work the pensions will remain smaller, so there is also a risk of poor old age.
Any actions to reduce unemployment?

- Some actions have started to be made, e.g.
  - EU is starting to ease strict discipline of budgeting. The margin should be used for growth and economic reforms which create jobs.
  - Italy tries to reduce unemployment of the young under 30%, but still the number is too big.
  - In Finland there is a specific youth program which should ensure for a young person a job or a possibility to study.
  - The EU Summit in June discussed about unemployment of the young as one of the main topics
  - ...

- Good start, but not enough...
Recommendations

We need to make fundamental changes and move from a vicious circle to a virtuous circle.
Virtuous circle

Focus on people - citizens

Source: Himanen, Sininen kirja, 2012 (Adapted)
Focus on people

- Full employment as a target
- Dignified life
- Fairness – reducing of inequality
Virtuous circle

Focus on people - citizens

Sustainable welfare

Source: Himanen, Sininen kirja, 2012 (Adapted)
Sustainable welfare

• Learning from ”the Nordic welfare model”
  (aka ”Ethical market economy”, aka ”Responsible capitalism”)
  • All have equal opportunities
  • All have same level of protection
  • Inclusion of all members of society to benefit from the development of society
Virtuous circle

Focus on people - citizens

Sustainable welfare

Sustainable ecology

Source: Himanen, Sininen kirja, 2012 (Adapted)
Sustainable ecology

• The old growth model - building prosperity by consuming more natural resources - no longer works.
• New growth should help to solve environmental problems, not worsen them.
• Tax revenues should allocate from spoiling of the environment to new sustainable growth.
Virtuous circle

Focus on people - citizens

Sustainable economy

Sustainable welfare

Sustainable ecology

Source: Himanen, Sininen kirja, 2012 (Adapted)
Sustainable economy

• Economic recovery instead of cost reductions
• More stable economic system
• New sustainable growth
Virtuous circle
Elements reinforcing each other

Focus on people - citizens

Sustainable economy

Sustainable ecology

Sustainable welfare

Source: Himanen, Sininen kirja, 2012 (Adapted)
Main sources of inspiration

• Himanen Pekka, Sininen kirja, 2012 (in Finnish)
• Helne Tuula, Hirvilammi Tuuli ja Laatu Markku, Sosiaalipolitiikka rajallisella maapallolla, Kelan tutkimusosasto, Helsinki 2012 (in Finnish)
  https://helda.helsinki.fi/handle/10138/34643
• Alanen Antti (toim), Kriisikierteestä hyvään kehään, Kalevi Sorsa –säätiön julkaisuja 4/2012 (in Finnish)
  http://sorsafoundation.fi/2012/12/05/kriisikierteesta-hyvan-kehaan/

Note: Each publication includes a lot of sources, also in English and some other languages
Thank you!
Your reflections, please.

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