Twelve Brussels Myths… And Why They Are Wrong

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1. A more business friendly environment is needed . In reality, thanks to the manifold activities of the Barroso Commission and the "better regulation" agenda, the balance between stakeholders has shifted substantially in recent years in favour of the business side. The Barroso Commission even proposed a new company form for Europe called the SUP which contains no provisions at all for workers: neither information, consultation nor participation. Can you imagine anything more business friendly?

Next example: BusinessEurope asked for a social policy "moratorium" and the Barroso Commission promptly buried its social programme. Since then no more social policy agenda. And a third example: Under the banner of "structural reforms" the Commission pushed for labour market reforms, more flexibility undermining employment protection and collective bargaining and – in the (Troika) "programme" countries – promoted wage cuts. At the same time, any progress on the financial transaction tax (FTT) was blocked. Nevertheless, for BusinessEurope, the environment is never business friendly enough. What can "more business friendly" mean? What is the benchmark? The end of any stakeholder participation, the end of any form of democracy at work? Isn't it a myth to pretend that business is held back in Europe?

2. High standards are burdensome. Member States often go beyond what is strictly required by EU legislation when they implement it at national level ("gold-plating"). It is a mantra of the "better regulation" agenda to fight "gold-plating", even if it helps the legislation's objectives in the local context or aims to deliver greater benefits. The Commission asks member states, as a rule, not to go beyond what is 'necessary' when implementing EU legislation. The Commission attempts to transform 'minimum standards' into 'maximum standards,' pushing bluntly for "total harmonisation" without saying it.

Condemning Member States for improving on minimum provisions when implementing directives because they are "gold-plating" undermines the progress principle in the area of social policy legislation and workers' health and safety. The Commission's request will hinder social progress and infringe the Treaty, in particular the subsidiarity principle. Many EU laws comprise minimum standards that governments adopt as a base marker, below which nobody should fall. To achieve social progress in Europe, Member States must be able to apply higher standards where possible. This is a legitimate goal for any Member State seeking prosperity and progress for its people. "Gold-plating" is a political slogan to stop social progress. Europe should be united in diversity and one Member State should not be able to prevent others from moving forward. If a Member State decides to prolong e.g. parental leave, why not? The myth of a sorely-needed fight against "gold-plating" obliges Member States to adopt a "one size fits all" approach. They should simply ignore this blunt interference in their own competences.

3. Austerity is necessary to make the European economy fit to meet attacks from financial markets . There is a unanimous view amongst orthodox German ordo-liberal economists, generally supported by DG ECFIN, that only through austerity will the countries of the European periphery consolidate their budgets and become "good Europeans". This view is taken up at government level, in the German Grand Coalition, but supported as well by some Nordic and Baltic countries – all afraid that Europe would become too expensive, in particular through the Europeanization of government debt ("Eurobonds"). Many governments are convinced that agreeing a transfer mechanism for the crisis countries would be extremely costly at the ballot box. In the periphery, more and more citizens see austerity as medicine worsening the patient's health. Some researchers even talk of "European hunger games", with a humanitarian plight on one side, and the well-protected Euro-tower on the other. The dystopia refers to a powerful wealthy centre with 12 poor districts under absolute control. Analogue to this centre called Capitol there is a competitiveness game in which Eurozone economies are fighting for their survival. The game maker is the modern ivory tower ECB, the audience consists of financial markets and credit rating agencies, the rules are carved out in the Competitiveness Pact. The myth is based on counter-factual assumptions and a strong orthodox belief in a special kind of order.

4. European economic governance combined with "structural reforms" lead to economic success. The specific form of European economic governance established through the Fiscal Treaty, Six Pack, Two Pack etc. facilitates a good performance of those Member States investing a lot in innovation and research but hinders other Member States wanting to counter underinvestment. The dominant narrative holds that the German "structural reforms", the so-called Hartz reforms, turned things around, bringing a competitive edge. The happily repeated legend that Germany is economically healthy due to its "Hartz reforms" and the possibility of creating an "Ich-AG", has the side effect of blanking out the well-tested German system of industrial relations with its functioning social dialogue and collective agreements and a strong codetermination culture within companies.

The secret of German competitiveness, however, lies less in "Hartz reforms" than in the high level of innovation, the focus on quality products and services, on a well-qualified and motivated workforce and strong unions, all embedded in the above-mentioned multi-layer system of participation. German companies generally do not compete on wage costs, but on product design, quality, high-tech content, reliability etc. Germany's economy may perform better than others, but the main reason lies in a specific export-oriented industrial system, long-termism, strong employment protection, high unemployment benefits, protected jobs in manufacturing supported by temporary short-time working schemes, a currency based on an asymmetric relationship between the core and the periphery, and yet more factors. The myth generalising the specific situation of a few countries in the centre of Europe ignores the collateral damage for the "outsiders" on the European periphery.

5. Internal devaluation has to replace currency devaluation. Especially in Southern Europe, policy makers have been obliged to slash government spending, cut wages and social security and downsize labour protection. Gaining cost competitiveness within the Eurozone seems to mean cutting labour costs and squeezing workers harder than anybody else. By blaming the European crisis on wages and labour costs, orthodox economists are protecting financial markets by letting them off the hook and absolving them from any responsibility. Cutting wages shifts the huge losses of the banking sector onto the workers. The myth is based on a unilateral cause-effect-relationship whereas, in reality, many more and much more important factors than wages play the decisive role here.

6. Small firms are innovative and create jobs. "Small is beautiful" is not only the name of a hotel in Berlin's Warschauer Straße, it's the slogan and mantra of the Commission's better regulation agenda. However, not all SMEs are stunningly innovative. The smaller the company, the larger the distance from science and research. SMEs can contribute to growth and create jobs, but it does not make sense to generalise and to adopt a one (small) size fits all approach. As Mariana Mazzucato puts it quite clearly: Productivity should be the focus, and, surprisingly, small firms are indeed often less productive than large ones. She points to India with its huge sector of SMEs and its misallocations. The myth is based on doubtful assumptions and has the effect of encouraging small companies to offload their costs onto society.

7. Micro-enterprises and SMEs should be excluded from regulations. The exclusion of such firms from EU regulation would have the effect that only a small minority of companies are covered by EU legislation. However, SMEs represent the bulk of all companies in the EU. This discriminatory approach prevents companies from competing on equal terms. There is a Brussels tendency to focus on the costs for SMEs in particular. It is true that legislative proposals should take proper account of the enormous economic and social importance of SMEs but the emphasis on exemption for such a significant part of the EU economy is inappropriate. Already nowadays in many SMEs there is a lack of worker involvement: only 1.3% of the total number of undertakings covered by the framework for information and consultation have I&C bodies (information & consultation bodies such as works councils) but 98.7% are exempted. This myth has the effect that many employees in many countries are not properly covered by a whole range of workers' rights.

8. To make Europe more competitive less bureaucracy and lower taxation is needed and this can be achieved by the better regulation agenda based on the "one in, one out" rule. A rule of this kind would mean that a new piece of legislation, regardless of its importance (for instance regulation of financial markets, FTT….), could only be introduced if another were removed. Such a rule would limit the extent of regulation in an arbitrary way, by capping the number of measures that could be adopted. This rule is a product of pure mythology – there is not the slightest proof that it would provide for better regulation, but it has become part of the Brussels mantra. Of course, it is important to improve the quality or efficiency of legislation and to consider how rules and regulations can best be designed to meet their objectives. But quantifying regulation in this way reveals a purely ideological approach where less equals better.

9. Expert groups know better. When in doubt, establish an expert group. Then lobby groups will beat a path to place their experts inside the groups and (advisory) committees. Comitology has become a common tool of the Brussels toolbox. However, in the end nobody is responsible for the result of this black box, neither the Commission nor the European Parliament. Indeed, democratic procedures can be slow and the outcome is not a given but in a democracy the often necessary work of experts should be scrutinised and supervised and should not replace implementation duties of the executive branch of government.

10. Public consultation can bridge the gap between the citizens and European institutions. Such consultations are becoming a normal tool to take a snapshot of public opinion. However, in the Brussels hemisphere, public consultations attach excessive weight to lobbyists, consultancies and business associations. These groups were even entitled to co-author a Commission programme, a wish-list of SMEs: The public consultation on the TOP 10 most burdensome legislative acts for SMEs is an example of piggybacking on public consultation by lobbyists, lawyers and business associations. The Commission picked up the results of this biased consultation and put it into their own agenda, with the result that all sorts of regulations (from data protection via agency work and posting to working time limitation and taxation) are associated with the pejorative term "burden", thus paving the way for making the life of SMEs easier by excluding them from legislation. Is there any benefit for citizens? Is there any reason for public authorities to listen to lobbyists and to cooperate closely with them?

11. Europe is a knowledge society and the digital single market opens the way to growth and creates jobs. Most human societies were based on the accumulation of knowledge, from the Inca Empire to the Aztecs, the Chinese or Arab Empires. An excessive devotion to the "digital single market" misses the challenge of the future of work, the digital transformation towards industry 4.0 and smart services. "Digital skills" are quite useless if not firmly embedded in analogue reading and writing skills. The Commission regrets that cross-border online services represent only 4% of the market, compared to 57% for US. It might be relevant that Europe has 24 official languages and even more unofficial ones. Why should a Greek or Portuguese consumer order a product from the far end of the continent with increased transport time, CO2 emissions, etc.? Should the ecological footprint of delivery no longer count? Can doubling the share of e-commerce be an end in itself? The key question is whether to shape and regulate this digitization or to leave the framework entirely to the markets. The question is: will digitization create more quality jobs or more precarious jobs (crowdworkers), will it increase or decrease environmental costs, or will it improve or worsen working conditions, data protection, etc. The opposition of digital = modern skills vs. analogue = past skills reduces complexity and fails to address the digital revolution in its truly vast dimension.

12. Unhampered competition and free markets are the main source of innovation and competitive advantage. In reality, governments play a huge role as the ultimate risk-taker and financier through funding huge research efforts. Mariana Mazzucato has shown that most of the "inventions" made by Apple are based on state-funded military and civilian research. The relationship between state and market is not simply that one side stands for evil and the other side for good: reality is much plainer. It means: more complex and huge investments in research and productivity are necessary to keep the European economy in good shape and to finance the future of the European social model. The mantra of free markets as the main driver of innovation and research is part of a battle between the regulators of financial markets and free market advocates.

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