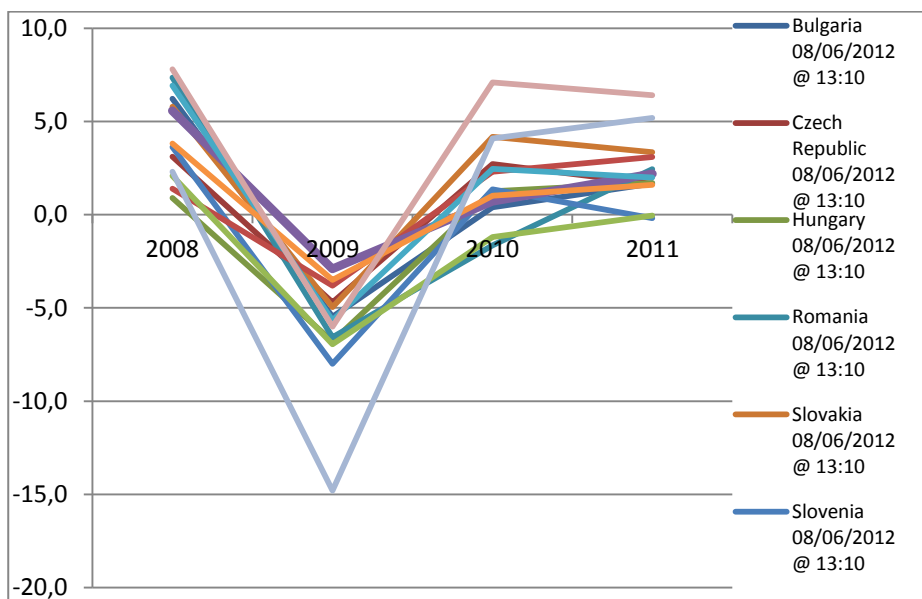


When economic growth is not enough

By Dessy Gavrilova

Dear Ladies and Gentlemen,

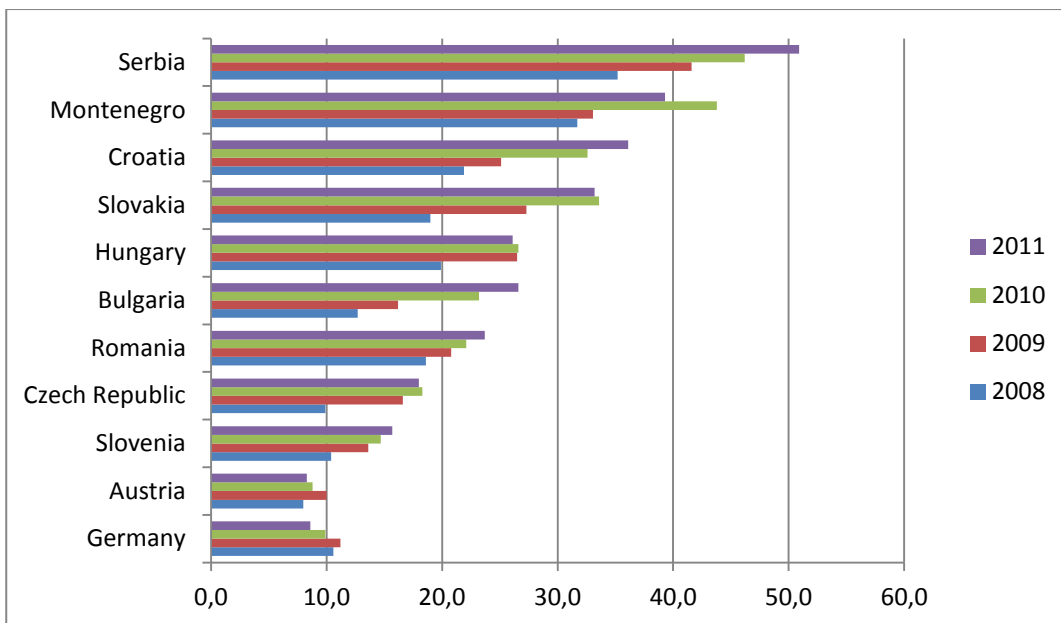
This meeting takes place in difficult times. Four years into the economic crisis, the countries in the Danube region are struggling to recover from the widespread consequences of the “deep dive” of their economies. The crisis has severely affected the wellbeing of people in the region – unemployment is on the rise, GDP growth which has been negative two years ago, is too slowly and unsurely climbing above the zero level; all this resulting in falling living standards and erosion of the welfare state throughout the region.



GDP Real Growth in the Danube Region (Source: WIIW Database incorporating national and Eurostat statistics)

The efforts of policy makers to help overcoming the crisis have given way to an obvious policy consensus, which has it that the three most important goals for the region in midst of this long and unpredictable economic crisis are: Growth, Growth, and Growth.

Today you will be discussing the economic and human development of the Danube region. What I find really troubling when we think of the future development of the region, is the level of unemployment, and particularly youth unemployment. Because when the more energetic part of society, those who are to build the future, are deprived from the possibility to work, the future of our countries and societies is in danger. Youth unemployment is not purely an economic factor: it is a phenomenon that bears the potential to break the texture of our societies. And as we can see, in this crisis youth unemployment has been on significant rise in (almost) the whole Danube region.



Youth unemployment rate (Source: National and Eurostat statistics based on LFS)

But no, as we see, not the entire region: this crisis is being lived differently in different parts of the region. Prosperity, employment included, is *unequally* distributed along the Danube River: the closer you are to its spring, the more prosperity you have; the further you go towards its inflow in the Black sea, the less of it you have. In Austria, youth unemployment was only slightly up as a result of the crisis, and is now back to pre-crisis levels, whereas in Serbia, it has been only growing since the outburst of the crisis, and is now reaching over 50%.

But what is also unequally distributed along the Danube, and what policy makers often omit to look at, is the feeling of happiness and of fulfilment, in short - people's satisfaction with their lives. Again, the closer you are to the Danube spring, the happier the people, the further down you go towards the Black sea, the less satisfied the people. Many of you would say: but this is obvious, this is why we need three things for the region: Growth, Growth, and Growth! Once the economy starts moving, more people will have jobs, and the people will become more optimistic, and happier! In fact, it is not so obvious. Here is an important point: as most studies on societies' happiness point out, it is not true that richer countries are by definition producing happier people. On the personal level indeed the following rule seems to apply: The richer a person, the happier. But countries become happier as they get richer only if they maintain certain levels of social equality, and if they are just.

So, the challenge how to stimulate economic development and employment in the Danube Region is big indeed. But even a greater challenge is how to turn around the expectations and perceptions of people, how to simulate people's positive attitudes towards their own lives, how to generate optimism. It is important to work not only for the economic development of the region, but also to increase the satisfaction of people with their lives, the feeling of happiness.

In order to start looking for a solution though, we have to look at why is it so: why are people unhappier today than, say 20 years ago? And to do that it is very important to realise 1) *what is changing in people's perspective of their well-being* and of their prospects for happiness in the future; 2) *how the crisis has affected their worldview*; and then to think of what governments and society could do to promote a feeling of well-being of the people in the region.

So, as economists and policy makers are developing strategies for economic development, and fuller employment in the poorer parts of the Danube region, it is time to start thinking about how to stimulate the feeling of life satisfaction in the region.

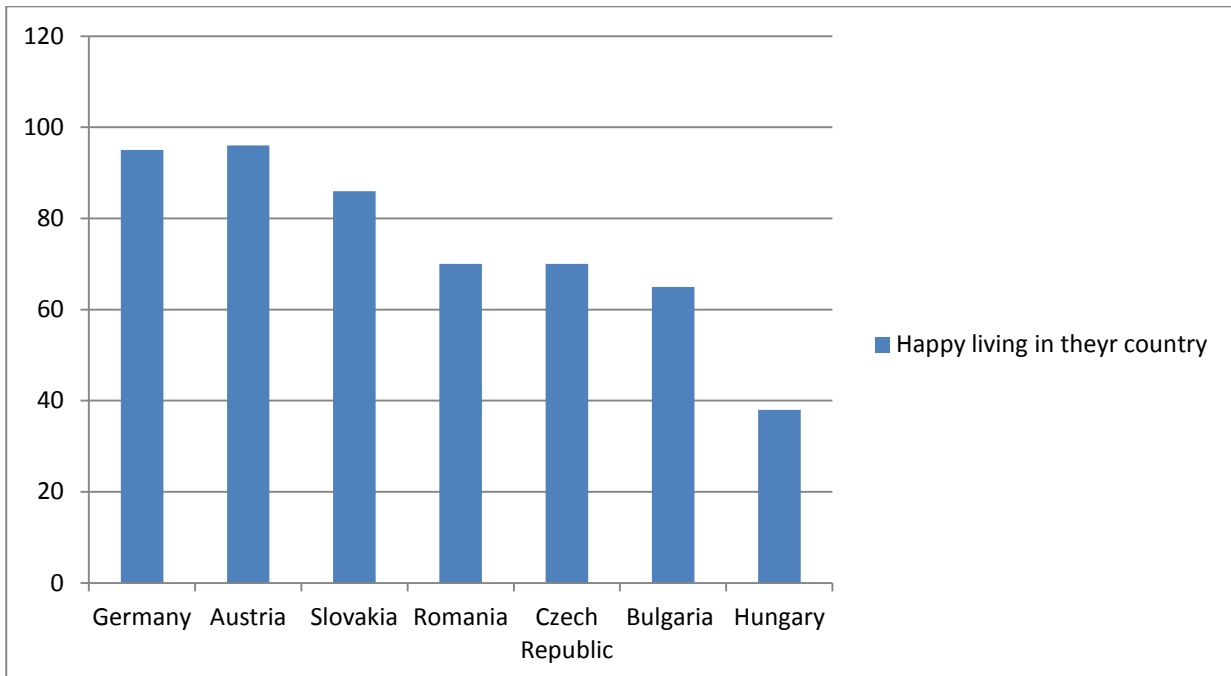
Traces and signs of the transformed worldview of today's citizens in Europe and the Danube region in particular are to be found all around. Imagine a 25 year old person 15 years ago: with high education, just graduated from University, hooked on Internet; able to find part-time jobs here and there... 15 years ago the lack of a stable job and security would have been seen by this young person as an advantage, as a sign of freedom, flexibility and independence.

Imagine a similar 25 years old guy today: just graduated from University, with as little job opportunities as the guy 15 years ago, only part-time employed, but to him this situation is assessed as positive, as providing for freedom and flexibility, it is assessed as hopeless. The future looks bleak to that young guy today, pessimism prevails, and certainly the conviction is firm that the future can only be worse than today.

You might say: but of course, when the economy is on the rise, people's expectations about their lives are on a rise too, and vice versa. But think twice: the economic decline alone cannot explain this prevailing pessimistic worldview. Remember the beginning of transitions in CEE Europe more than 20 years ago: we had economic crisis then, inflation, hyper-inflation in some cases, unemployment... Many features of today's economic troubles, but people were optimistic then. They were optimistic, because they had a project, a perspective, called "building democracy", joining the Western free world. It was not simply the hope of making our countries more prosperous: It was the hope for free and just societies which made people optimistic; which helped them to reconcile with the poor present condition, and energized them to "*build the future*". Today, it seems, *The Future* has died.

And this, in my view, is the greatest challenge for policymakers in our part of Europe should struggle to address today: how to generate a vision of a better future; how to generate hope and enthusiasm for a brighter future in our societies; How to preserve, or reinvent social trust; how to make sure that as economic growth is achieved,

societies remain just and social differences are minimized – because all these are preconditions for happiness in nations.

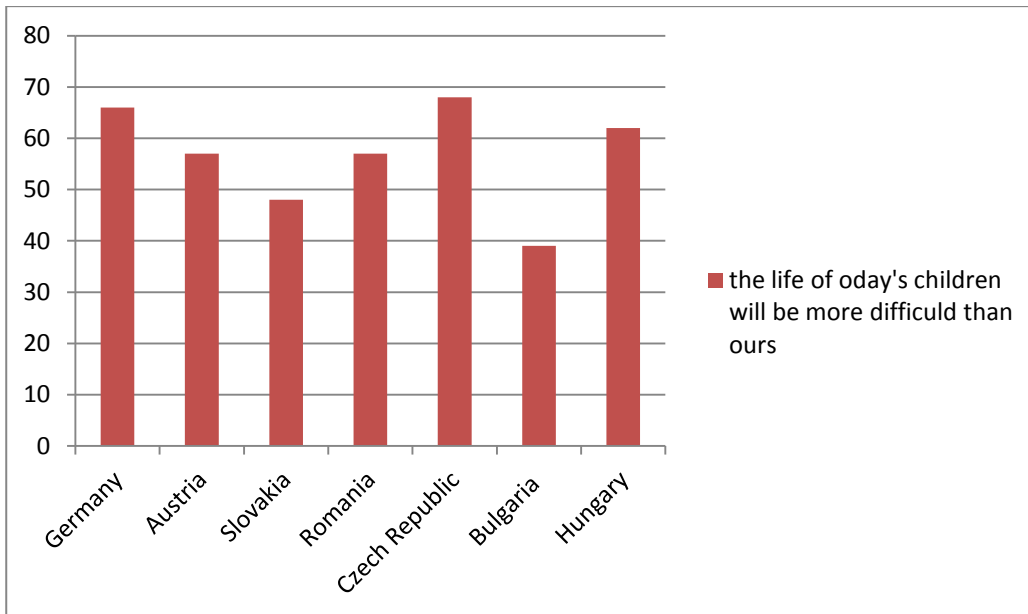


Eurobarometer: How happy are people to live in their countries

If we look at recent polling data, we will see everywhere symptoms of the phenomena I am so fascinated with: people in the region of our concern today, the Danube countries, are dissatisfied with lives where they live (again, people in the two countries closer to the Danube spring – Germany and Austria – are more satisfied, the ones down the river, more dissatisfied). Eurobarometer 379 published in April 2012 (I take the countries from the Danube region included in the survey) tells us more concretely that whereas in Germany and Austria 95 % and 96% respectively of people are happy living in their own country, in Slovakia these are 86%, in the Czech Republic and Romania 70%, in Bulgaria 65%; and in Hungary, the very troubling only 38%...

What is also significant finding of this survey is that young people are less happy than the old ones to live in their own country: a finding which could possibly be explained

with the pessimistic outlook on the future of today's young generation, which I have pointed out.



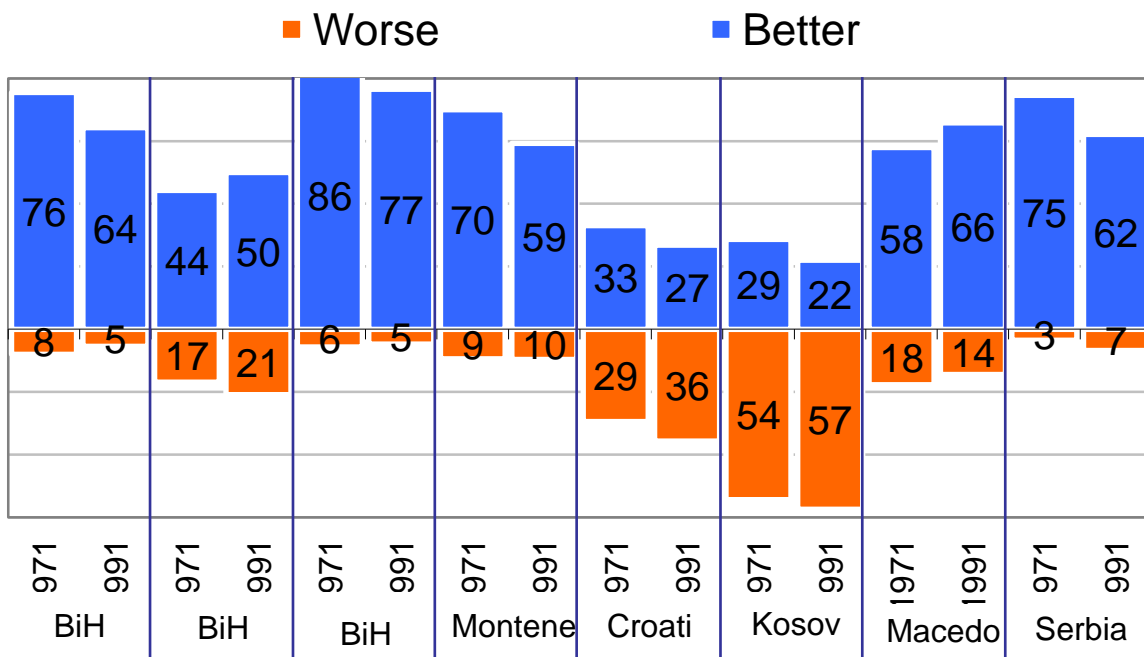
Eurobarometer: the life of today's children will be more difficult than ours

Another finding of the same Eurobarometer survey is that between 40 and 66 % of people in different countries in the Danube region expect that the life of today's children will be more difficult than that of the current grown-ups. (Here Bulgarians come out as the more optimistic ones, but me being a representative of this most optimistic nation, I feel I owe an explanation. Only 40% of Bulgarian think that the life of their children will be more difficult than theirs, because for them the life was hard enough throughout the last 20 years, so hard that we tend to think "it is impossible that life gets harder. So, the seeming optimism is in fact a reflection of the life we had in the transition period and today). In average for more than the half of the people in the region the future looks bleak, and lowering of living standards are expected for the coming generations.

The same is true for the West-Balkan countries (here I am quoting a study looking at perceptions on EU and the Balkans of those born in 1971 and in 1991, "A Tale of two

Generations”, European Fund for the Balkans). In the West Balkan countries the Yugo-nostalgia is on a rise, which clearly shows that people are not happy with their lives today. People overwhelmingly assess the life in Yugoslavia as better than the one today, and there is a strong conviction that the parents of today’s young people had an easier and better life that people have today. Further data from the study suggests that young people in the countries of former Yugoslavia want above all stability and security. I find this very significant: not economic growth, but stability and predictability! They envy their parents for having had that. They feel that they will not have stability in their lifetime. Social security and the benefits of the welfare state are the most important value for them. The growing inequality is seen as a crucial problem. And last, but not least, the more political and economic freedoms do not make people that live today in the countries former Yugoslavia more satisfied with their lives! So, it seems that for people in former Yugoslavia, economic growth is not enough, indeed.

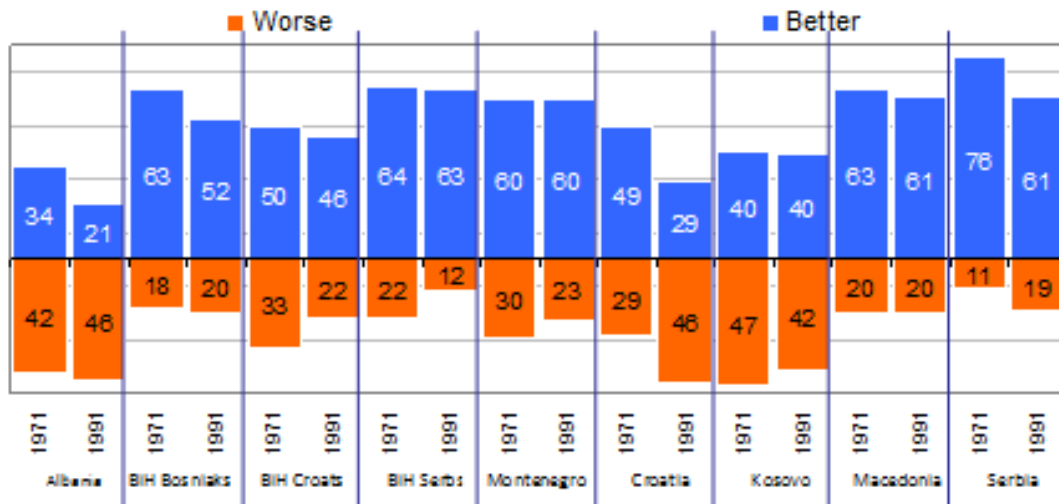
The good news is that the data of the survey (attitude to neighbours, explanations of who is to blame for the YU wars) shows that there is no conflict in sight!



Balkans: If Yugoslavia survived, would you live better now? (Data: European Fund for the Balkans)

In comparison with your life today, what was the life of your parents like in your opinion?

(Data: European Fund for the Balkans)



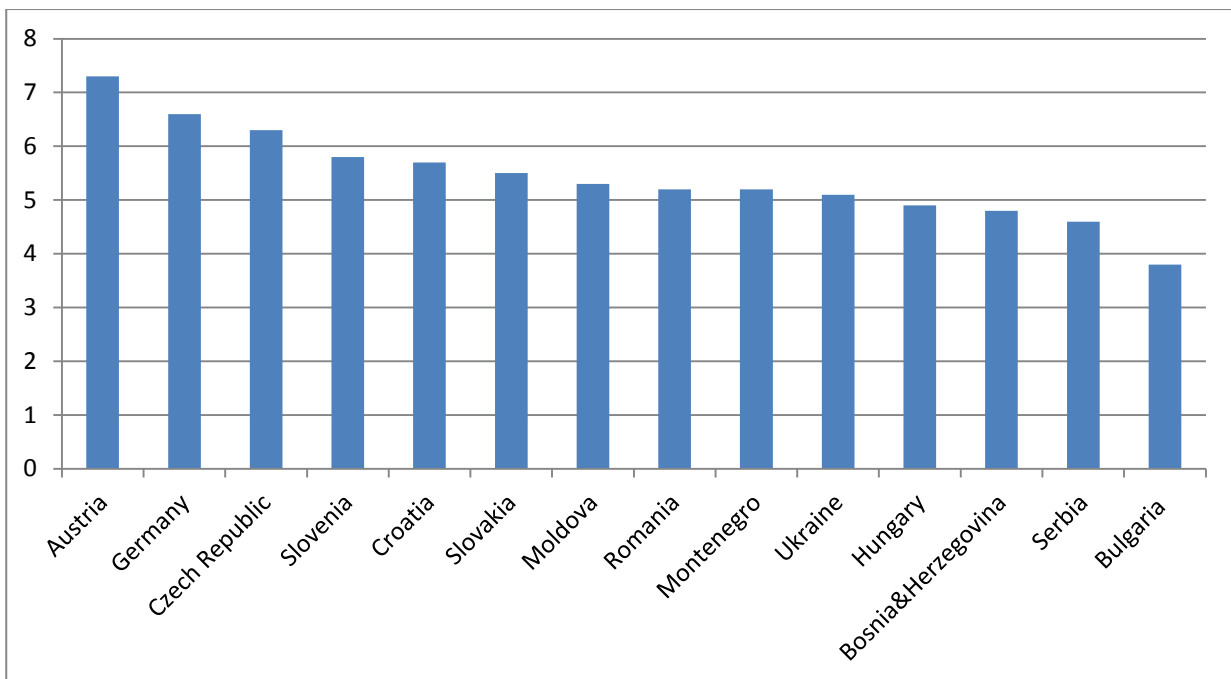
But the main news of this study is that there is a widespread crisis of optimism, a loss of direction, frustration with the unclear future! People are not happy with their lives, and do not expect to become happier in the future.

And as I believe that the bottom line of all policies should be the spreading of life satisfaction amongst people and societies, I think it is time to ring the alarm bell and start addressing the issue.

Economic decline is not the only fear of people, and if growth is stabilized on a higher level, life for them will not automatically become better. (Growth is a macroeconomic parameter, and people live in the micro-parameters of their lives and socio-human relations). People fear today the loss of important values, *like Solidarity*, in their societies, and this is apparent in the Eurobarometer survey already quoted. Solidarity is still perceived as an important value in Europe, people want to see solidarity in their countries in the future, but believe that it will be fading, and individualism will start to prevail. And people in the EU think that the key to securing a better future for the

union is to reach comparable living standards and comparable education standards!
(Eurobarometer)

So, it seems that people intuitively know what scientists have been saying and proving for years: the homogeneity of societies is a key to the increase of life satisfaction and happiness feelings in societies. (The very interesting book “The Spirit Level” showed, based on vast data, that growing social inequality produces a number of social problems and decreases the quality of life for everyone, including the richer people). We see that social cohesion, and the minimization of social differences, remains a key value in Europe. And this is a fact that policy maker should build on.



Life Satisfaction in the Danube region (Source: World Happiness Report)

An overview of the life satisfaction in the Danube region reveals an unequal distribution of happiness across the region (World Happiness Report). Again, closer to the spring we find the more happy countries, further away from it – the less happy ones. Here is worth to say that the least happy country in the region and this is my country, Bulgaria, with happiness levels of 3,8 is in one company with countries like Egypt, Ethiopia, and Rwanda, namely, at the bottom of all the surveyed countries...

Yes, Bulgaria might be wealthier than Egypt, Ethiopia or Rwanda, but this study shows once again that the subjective perception of life satisfaction amongst people is not always in a straight positive correlation with wealth. There are other factors that play a role here, and they have to do with how our societies function, with the perception of how just and free they are, with the quality of social relations and social trust. People feel good and optimistic about their societies, only when they see them as just, homogenous, and fair.

But if the key policy is how to strengthen the positive outlook of people on their lives, the question today really should be: How to create optimism in a regime of Austerity? This is another question that is particularly relevant today.

Too often today the austerity measures imposed to the South of Europe (e.g. Greece) are being compared to the ones that Eastern Europe had to go through in the process of EU integration. This comparison is misleading though, as there is one important difference, and it has to do with the qualities of people's perspective for the future. In the EU accession process in CEE, Bulgaria and Romania, austerity was bearable, because there was the "EU promise" on the horizon. For today's Greek people, the future can only be worse than the present, and there is no positive scenario, or brighter future on the horizon, which could make the difficulties of today more bearable

When we think about how to generate optimism and the feeling of happiness in our societies, it is natural to turn to the World Happiness Report, which lists the six factors that contribute to the feeling of life satisfaction in societies, as it can help us draw policy lessons:

1. The level of inequality within a society determines happiness levels
 - So, it is important that we do not allow inequalities in our societies to grow, and even strive to diminish them
2. People hate things that they think are unfair: creating just societies, and nurturing trust in society is key to promoting happiness

- So, it is of crucial importance that as we try to overcome the economic crisis, and revitalise the economies in the Danube region, we make sure that our societies stay (or become) homogenous, with as little inequality as possible, and just.
3. Education positively influences happiness (the more educated, the happier), but also being happier increases the ability to learn
 - So, investing in Education, improving of educational standards, inclusive education, after school activities and lifelong learning is crucial to promoting happiness
 4. Bonding and bridging social capital are equally important: not only within communities, but also between communities
 - So, we have to employ every policy tool at our disposal, in order to promote social cohesion, and overcome the isolation of different social groups
 5. Freedom is important for a feeling of happiness
 - So, we do not have to give up democratic standards and values, and trade them for economic success; we have to preserve freedom and democracy, while striving for economic development
 6. Health, and particularly mental health is another key factor for the levels of happiness in societies
 - So, we have to aim at living standards and living styles (including good healthcare), that promote physical and mental health...

But there is another resource that we rarely think of, and that should be explored. To paraphrase the Clinton line, "It's the culture, stupid!"

There are two studies that have recently drawn my attention to cultural participation as a powerful factor promoting life satisfaction, and social cohesion. The first is called "*Visiting the cinema, concerts, museums or art exhibitions as determinant of survival: a Swedish fourteen-year cohort follow-up*", by Konlaan et al, 2000) and amongst other things,

it points to the strong statistical association between life expectancy and cultural participation. The other is *The Italian culture and well-being study, IULM/Bracco*) that amongst other points to the equally strong association between cultural participation and psychological well-being.

The Bracco study ranks the factors affecting psychological well-being, but unlike other similar studies, they include culture as one of the factors. Here are the results 1) Health 2) **Cultural participation** 3) Income 4) Age 5) Education 6) Gender 7) Job 8) Geography (IULM/Bracco). The study finds a strong correlation between cultural participation and well-being. The more people attend music concerts and theatre productions, the happier they are with their life. It is enough to visit concerts once a month, and theatre once in two months, to achieve a significant improvement in the feeling of wellbeing, the study shows.

Today the impact of culture and particularly cultural industries on economic development and cities' regeneration is well known and analyzed; cultural and creative work field are recognized as a powerful incubator of new forms of entrepreneurship; a wealth of studies done in different cultures and contexts provide data that confirms this impact.

The impact of cultural participation on well-being however is often overlooked; it is a perspective that is relatively rarely used by policymakers too. I claim that it is a very relevant perspective today. Think for a minute:

Cultural participation has also an indirect effect on social cohesion: it works towards overcoming self- and others-stereotyping as well as social prejudices; it helps understanding "the other" and overcome xenophobia. As the quoted studies show, the wellbeing impact of cultural participation is especially strong among the severely ill and the elderly. Systematic cultural participation in these categories might bring about substantial improvement in their quality of life. In the ageing European societies, this factor is not to be underestimated. There is also a strong association between active

cultural participation and lifelong learning. In fact, active cultural participation as a specific form of lifelong learning, and as we put lifelong learning on the policy agenda, we shall not forget the role of culture.

So, Culture is not simply a large and important sector of the economy; it is a “social software”. Today, when the need to re-negotiate the societies we live in is more present than ever, we cannot avoid engaging with “soft policies”, with cultural policies. Because it is through the arts and culture that new social consensuses are being elaborated and new modes of togetherness are put forward. Culture is a powerful social cohesion builder. As William McNeill points out in his recent book “Keeping Together in Time: Dance and Drill in Human History”, the most powerful bonds builder in a society is the practicing of dancing together. But practicing of any cultural activity together is capable of building social bonds across social dividing lines, and we should explore this resource in an era of Internet alienation....

And if all this is true, there are certain POLICIES that logically could be proposed. Here is my modest proposal:

- Cultural participation that is supported by policy-makers must be *as inclusive as possible*. High culture has its value, but efforts should be made that quality cultural engagement reaches to the most isolated communities
- Cultural participation must be *as active as possible*. Active cultural participation stimulates the capability building of people in terms of attitudes towards the un-experienced: It allows people to start questioning their own beliefs and world views; helps them get acquainted with, and assigning value to, cultural diversity; allows them to learn to appreciate the transformational impact of new ideas.

These are all the qualities that we want an active citizen to have, as they build individual qualities that are so valuable in our societies. Active cultural participation also stimulates the capacity of individuals to innovate, and innovation is what is so needed if we want to kick-start our economies on an upward development slope.

Cultural participation has to do not mainly with entertainment (despite the popular belief), but with learning, capability building and skill development, and overall quality of life. Forms of cultural participation have the potential to create active citizens – ones that know how to deliberate, how to disagree, but also ones that have the ability to understand and accept the different. This is more important than ever today, with the rise of Internet and social media, that promote rather a social group ghettoisation, with the rise of xenophobia and parties that use the stigmatization of social groups as their ticket to political success.

On an EU policies level I see a need to root culture and creative production much more deeply and substantially into regional development strategies, and the Danube Strategy agenda in particular; invent stimulus packages that would set governments in motion, so that they start better utilize the potential that culture bears for positive social transformation. But we are talking here not elitist, and closed cultural policies, but socially sensitive, proactive, and inclusive ones. Because the time has come to renegotiate the society in which we want to live tomorrow. And the insights that artistic work, as well as the promotion of the culture of open deliberation that crosses social lines, can illuminate and point us to the way forward.