Karoly Lorant:

The bottlenecks of European integration

Submitted to the

24st Conference

on Alternative Economic Policy in Europe

27-29 September 2018

Helsinki

organised by the EuroMemo Group and jointly hosted with the University of Helsinki

Introduction

In my previous study[1] I summarized the preconditions of European integration and at the end I drew the conclusion that the union since the Maastricht Treaty had been developing in the wrong direction, in an undemocratic, centralised structure, an „empire" as Commission President Jose Manuel Barroso famously said in a press conference in 2007, more than ten years ago.[2]

In my current paper, I address the obstacles that hamper European integration, but first I briefly summarize the preconditions I outlined in my previous study.

In my view, the preconditions for integration can be classified into two major groups: the economic and the social preconditions. The economic prerequisites guarantees the economic viability of the European community, and the social prerequisites provides the cohesive force that ensures the population's attachment to the union and thereby the long-term survival of it.

Economic preconditions

At the beginning the European integration process the **Treaty of Rome** established only a customs union, but with the final goal of an "ever closer union". The Treaty of Rome was a great economic success and the leaders of the community thought the time had come to step forward in the integration by creating an economic and monetary union. Pierre Werner, the Prime Minister of Luxembourg was asked to set up an expert group to look into the various aspects of achieving this goal. The Werner Group findings were summarised in the so-called **Werner Plan** (1970)**.** The plan basically outlined a federal state with a system of central banks similar to the Federal Reserve in the United States, and a central budget designed to address the inequalities between individual Member States. However after the completion of the plan the case for a monetary union was put aside for years presumably due to the turmoil caused by the oil-price explosion, finally it was resumed once again in the mid-seventies.

Robert Marjolin, former Vice-president of the Commission in charge of economic and monetary affairs, was asked to lead a group of experts to study the possibility of establishing an economic and monetary union by 1980. The Marjolin Report was presented in 1975 and its suggestions were similar those of the Werner Plan but in some fields, it went further. The report emphasized that one of the problems which Europe must try to avoid is the creation of excessive tensions between countries with surpluses and those with deficits in their current balance of payments. It called for decreasing the income gaps between the richest and poorest regions which were one to five in that time in terms of per capita income or value added. Also, it suggested a community policy where large parts of the population have a feeling of belonging to a union. For this reason it stated that it was necessary to increase financial transfers from the central budget for purposes like unemployment allowances, equalisation of regional imbalances and for similar social policy aims. These goals needed substantial central resources and the report referred to the German and American federal budget which amounted some 16-18 per cent of the GDP. Finally the study group suggested a central community bank or system of central banks responsible for the management of a monetary policy.

Very soon in 1977, the Marjolin Report was followed by a thorough new study about the financial consequences of an economic and monetary union. The Scottish economist, Sir **Donald MacDougall** was asked to form a group for this task. The group made a calculation for the redistribution to decrease the income differences between regions and defined an indicator, the "redistribution power" to

[1] Karoly Lorant: Prerequisites for integration Submitted to the 21st Conference on Alternative Economic Policy in Europe 24-26 September 2015 Roskilde http://www2.euromemorandum.eu/uploads/lorant_prerequisities_for_integration_euromemo.pdf

[2] See: https://www.youtube.com/watch?v=c2Ralocq9uE

measure it. Redistributive power of interregional transfers would be 100% if the effect of such transfers was to totally equalize regional or state per capita average incomes. With this definition the redistributive power of the examined unified and federal states was around 40%. By contrast, the European Community's finances achieve only a very small redistribution, its power was around 1% - as the report estimated. This situation hasn't changed since then, the redistribution power within the union's member countries remains the same, despite the fact that the planned monetary union has already been implemented. In recent years only € 34 billion is redistributed between the rich and poor regions of the European Union (yearly) while the overall income gap (GNI/capita) is around 2,2 for these two groups and reaches 7-10 between individual countries like Bulgaria and Denmark, for instance.

To reach the 40% redistribution power in the Union, which characterizes the unified and federal states, it is necessary to transfer some 860 billion euro from the rich to the poor countries (yearly). This is almost thirty times bigger than the nowadays transfer of € 34 billion (the net transfer is not equal with the budget itself, because rich countries also get back money). With the potential 40% redistribution rate the GNI/capita of the rich countries would fall by 9%, while the poor countries' income would increase by 30%. The income gap of 2,2 would decrease to 1,6 and the improvements would be especially strong in the case of the poorest countries. The € 860 billion amounts some 8,5% of rich countries' GDP (data refers to 2017). This would be the price of a European Federation (see Appendix).

Redistribution played a very important role among the considerations of the **MacDougal Report**. The study emphasized that redistribution for decreasing inequalities between member states can be explicit political objective of the Community, and may help to avoid an excessive level of internal migration from the poorer areas to the richer ones. Thus, said the report such redistributions can even stimulate economic growth.

However, the leaders of the Union did not take into account the recommendations of the studies mentioned above and the common currency was introduced without establishing the necessary preconditions for its permanent survival. Here perhaps it is worth noting that the euro basically was a political project, as Jacques Mazier and his colleagues wrote:

> „The euro resulted from a political compromise between France and Germany which paid little attention to economic realities. France wanted to avoid simply being integrated into an expanded mark zone. Germany agreed to the elimination of the mark in return for the acceptance of its reunification but imposed its own rules."[3]

Every expert in international finance said that the introduction of the euro would not help but hinder European integration. For example Milton Friedman said the following when he was asked by the Wall Street Journal:

> „My considered opinion has long been that the loss outweighs the gain. The potential members of the EMU do not have sufficiently flexible wages and prices, or sufficiently mobile workers, or a sufficiently effective fiscal compensatory mechanism, to serve as a satisfactory substitute for flexible exchange rates. The likely result is that the euro will exacerbate political tensions by converting divergent shocks that could have been readily accommodated by exchange rate changes into divisive political issues. Political unity can pave the way for monetary unity. Monetary unity imposed under unfavorable conditions will prove a barrier to the achievement of political unity."[4]

---

[3] Jacques Mazier, Pascal Petit and Dominique Plihon: From monetary union to differentiated integration (University Paris 13) submitted to the 23rd Annual Conference on Alternative Economic Policy in Europe.

[4] Milton Friedman: Whither the EMU? Wall Street Journal 20th of June 1997.

The economic performance of the European Union since the introduction of the euro has proved, that the critics were right.

Social precondition

States (single or federal) need to have forces of cohesion to keep society together otherwise they can easily disintegrate if central power weakens for some reason. In federal or uniform states such cohesive forces might include common language, common history, shared values and an ensuing common identity. Unfortunately, such forces of cohesion can hardly be found between the union's member states. Let's have a look at some of these forces.

Common language

All the federal or unified states have at least one official, common language, but the EU hasn't. The restaurant of the European Parliament sounds like the ancient Babylon albeit almost everybody speaks some English. According to polls English is the most widely known language in the member states. As an average, around 40% of the EU citizens (outside the UK) can read and/or speak English. This knowledge is highest in the Baltic countries, around 90 percent, and the lowest in the former socialist countries, at around 20%. Unfortunately this knowledge is not sufficient to establish a common communication space which would be a precondition for EU-wide political debates, thus for the democratic operation of the community. Even the practice of the union does not help to improve the knowledge of language. For instance, there is Euronews in English, but understanding it needs a high level of knowledge, which a great part of the European citizens don't have. Aits translation to local languages doesn't help learning either. There is a need for programs to help people who have an intermediate level knowledge of English.

Common history

The common history and the ensuing historical memory plays a decisive role in the cohesion of unified or federal states. Historical memories may often differ from historical facts - frequently they are myths or legends – however, whether facts or myths, they give the glue to keep a society together. Unfortunately, in European history there are few - if any - historical events which could cause the same positive feeling for all European citizens. Hence, from this aspect, it will be challenging to strengthen the feeling of what it means to be European. Possibly, narratives of the cultural, scientific and technical achievements could act as a glue between Europeans if these get suitable weight in the media. However, official European propaganda very often emphasizes the negative historical memory. On this topic see Jörn Rüsen writings[5] and a Commission paper[6]

Common values

Values also play an important role in the cohesion of a unified or federal state. Eurobarometer studies clarify that people think of "European values" as they are enumerated in the treaties.[7] In one of the latest polls when asked to select among values deemed as European, the respondents gave priority to human rights, democracy and peace. It was followed by the rule of law and solidarity with others. However, these are universal values and do not necessarily serve as a force of cohesion for a united

[5] Jörn Rüsen "Cultural Currency". The Nature of Historical Consciousness in Europe http://www.joern-ruesen.de/5.152_cultural-currency.pdf

[6] European Historical Memory: Policies, Challenges and Perspectives http://www.europarl.europa.eu/RegData/etudes/STUD/2015/540364/IPOL_STU%282015%29540364_EN.pdf

[7] The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail. (The Treaty On European Union (TEU) 2.§)

Europe. Moreover, these values are often used for political purposes by criticizing countries and exercising pressure, which is certainly not conducive to European cohesion, for example, if citizens see that judgments are politically biased or – while emphasizing human rights – countries are involved in wars based on uncertain intelligence. Real European values can only be values the majority of the leadership and the citizens do not only proclaim, but also stand for it in their actions in a politically neutral way.

Common identity

A study addressing the European and national identity[8] has demonstrated that people can hold multiple identities. The ties which bind them to their country (language, culture, ancestry, history) are different of those which connect them to the European Union (free movement, peace among member state, the economic power of the union etc.). However, the feeling of belonging to a nation is much stronger than the feeling of belonging to the EU. According to a study carried out in 2012 the primacy of national identity is unchallenged in all countries of the EU. At best, a sense of Europeanness is secondary and there are few traces of a robust European identity.[9]

It is interesting, that in spite of all the known problems of the euro, great majority of the Europeans - even the Greeks - want to keep it. That is - in line with the notion of its planners, the euro – despite its poor performance – has really become a component of European identity.

Financial solidarity

Perhaps financial solidarity also can be classified as a social prerequisite of integration. Financial solidarity is understood as the percent of income with which the European citizens are ready to finance the common budget. Alas, the European integration has so far been solely the project of the business and political elite, European citizens have never been asked what Europe they want. There is one exception, in 2002, a narrow public opinion poll was made in Hungary,[10] asking the people what kind of Europe they want. One of the 15 questions they were asked was about the price of European solidarity: "How much of your income would you devote to less developed southern European countries (such as Romania, Bulgaria, Macedonia, Kosovo)?"

One-third of the respondent said that they do not want to finance others, but the remaining two-thirds were ready to make sacrifices for common purposes, amounting to 1-2 percent of their income. Note that this sum correlates to the size of the present day European budget.

It would be useful to ask the opinion of other countries' citizens. But assuming that the result would be the same, a 15-20% federal budget would be unrealistic in the eyes of citizens.

Political precondition (democratic accountability)

European treaties have always placed great emphasis on the democratic functioning of the Union. The Treaty on European Union (TEU) also stresses that the Union must operate on a democratic basis ("The functioning of the Union shall be founded on representative democracy" TEU, Article 10.1). The democratic functioning of a unified or a federal state

[8] Antonia M. Ruiz Jiménez, Jaroslaw Józef Górniak, Ankica Kosic, Paszkal Kiss, Maren Kandulla: European and National Identities in EU's Old and New Member States: Ethnic, Civic, Instrumental and Symbolic Components. European Integration online Papers (EIoP) Vol. 8 (2004) N° 11; http://eiop.or.at/eiop/texte/2004-011a.htm

[9] National and/or European Identity? Issues of Self-definition and Their Effect on the Future of Integration. Political Capital Policy Research and Consulting Institute, Budapest – Friedrich Ebert Stiftung. Summary 2013 April. http://library.fes.de/pdf-files/bueros/budapest/10840.pdf

[10] See: https://www.epoc.uni-bremen.de/publications/pup2002/files2002/lorant.pdf

requires citizens to control the governments including the possibility to dismiss them. This can be done at national level, but not at European level. The European Union's government is not chosen by the "people", but by the governments of individual countries, and consequently they are not accountable to the electorate. Even the members of the most democratic European institution, the European Parliament, are chosen from party list, according to national quotas. This way it is by no means certain that they represent the people's will once they have been elected. The democratic functioning of the Union is also hampered by the lack of a common language because there is no unified political space for debate in which European citizens could get acquainted with the programs of individual politicians and thus, to choose between them. Consequently, few think that "Brussels" represents their interests, a sentiment mirrored in the election participation rate which has been decreasing since the first European Parliament elections in 1979.

Foreign policy precondition

Federal or unified states must have (and actually have) a unified foreign and military policy. Accordingly, the preamble of the Lisbon treaty states that "the contracting partners resolved to implement a common foreign and security policy including the progressive framing of a common defence policy". Countless other European documents call for Europe to speak with one voice in its foreign and military policy. However, for historical and geopolitical reasons the individual states have very different interests and sensitivities, regarding the world outside the union, while in foreign policy matters they have to make decisions unanimously. Clearly under these conditions a unified foreign policy can't be carried out, and, on the other hand, member states will be reluctant to give up their own interests and security concerns.

While the necessity of a unified foreign and defence policy is on the table almost every day, the foreign policy interests of the individual countries has been never studied for trying to find common interests at least partly among the member states.

The lack of common foreign policy, however, is once again an obstacle to further integration.

The Commission's scenarios

The defects of the European construction were known from the outset, and they were addressed already in the European Convention well before the financial crisis hit in 2008. It is sufficient to recall the debates of two decades ago to make it clear that the problems that emerged were entirely predictable. As far as the economic policy of the Union is concerned, we do not have to go further than the meeting of the Euromemorandum group in 1996. Miren Etxezarreta, for instance, wrote the following in her paper:

> "In my view, EMU and the Maastricht Treaty correspond to a specific design of economic policy that benefits some powerful interests of economic life and that implies a significant loss of welfare for the majority of the populations involved. Also, this design impedes the development and establishment of an alternative design for the European Community leading to the active participation and welfare of the European populations."[11]

Hubert Vedrine, French Foreign Minister assessed the work of the European Convention, which led to the drafting of the rejected constitution, as follows:

[11] Miren Etxezarreta (Barcelona): The EMU and the Treaty of Maastricht: a critical view from the south. Study submitted for the Second Workshop of the Alternative Economic Policy in Europe (Euromemorandum Group) held in Brussels, 27-29 Sept, 1996.

> "At every stage of this craze, from 1996 until 2005, a more reasonable choice could have been made, a calmer rhythm could have been adopted, that would not have deepened the gap between the elites and the population, that would have better consolidated the real Europe and spared us the present crisis. But in saying this, I understimate the religious fervour that has seized the European project. For all those who believed in the various ideologies of the second half of the 20th century, but survived their ruin, the rush into European integration became a substitute ideology…. They planned urgently to end the nation state. Everything outside this objective was heresy and had to be fought. This was in the spirit of Jean Monnet, the rejection of self and of history, of all common sense"[12]

Many similar opinions can be mentioned to demonstrate that the flaws of the European political and economic construction were well known, but these were not taken into account by the European political and business elite who forced the integration.

In response to the endless series of problems the European Commission published a White Paper in 2017 on the Future of Europe. This White Paper lists five possible alternatives for Europe (Carrying on; Nothing but the single market; Letting those who want more do more; Doing less more efficiently; Doing much more together). However, these alternatives are not very new. Similar solutions had been already outlined ten years earlier, and the Commission did not add anything new to it, especially as regards the evaluation of prerequisites. Thus, the alternatives are very theoretical.

For instance, the 5. "Doing much more together" Scenario, which envisages a federal Europe, says that economic, financial and fiscal union is achieved by 2025 according to the Five Presidents report of 2015. However, there is nothing in the mentioned report about how this union can be reached, it only gives a time table on the different stages of integration. As we have seen international experience shows that a political union, which is a federal state, needs a common budget of 15-20% of the GDP, as demonstrated in the Marjolin and MacDougal reports. However, the 2017 White Paper only says that a "significantly modernised and increased budget is necessary based on own resources".

As regards foreign policy, Scenario 5 says the EU will speak with one voice on all foreign policy issues by 2025, but no attention is paid to the different position of the individual countries. For instance, as regards the connection with Russia, which is one of the most important foreign policy issues, for the EU, the Poles have a very different attitude than, let's say, Germans or Italians.

The scenario does not deal with the problems that result from the euro and the Maastricht criteria, which include the following:

- The current account disequilibrium
- The accumulated debts of the South
- The unavoidable differences in the inner inflation (Balassa-Samuelson effect)
- The Eurozone's reaction to external shocks
- The Growing income gap in and between the member states

There is no industrial policy to help less developed countries and, they are left without the means necessary for them to catch up. The four freedoms for countries of very different level of economic development create very different situation. For developed, financially strong countries (core countries) the four freedoms give a unique possibility to extend their business

[12] Hubert Vedrine, French Foreign Minister 1999-2005, Irish Times, 8 August 2005

activity. For economically weak countries (the “periphery”) it means that they are unable to defend their industries and their markets. The prohibition of state aid for domestic enterprises prevents them to develop competitive economic sectors.

When the developed countries of our day were still in a developing phase they protected their markets and industries. Think of the Navigation Act, which defended the British industries for 200 years, or the tariff applied to Germany or the United States. The Copenhagen Criteria, which defined whether a country is eligible to join the European Union required that „the candidate country has … the capacity to cope with competitive pressure and market forces within the Union.” Everybody new that the former socialist countries did not meet this criterion yet they were accepted. This proves that European integration basically is a political and not an economic project.

What to do?

If the solution is only a technical issue, there would be no problem, for example, it would be clear that neither the euro zone nor the neoliberal policy is functioning and need to be abandoned. In reality, however, European integration is essentially not a technical but a political issue. The euro was introduced because the French were afraid of German reunification and not because anyone would have believed that the common currency would be operational. Others saw it as a compelling means of integration and therefore supported its introduction, although they were all aware of its shortcomings. Maastricht is compensation for Germany for the elimination of DM. Neoliberal policy and the four freedoms, serve the interests of multinational companies and not of European citizens.

However, to solve the complex situation, let us simplify the problem. Let's suppose the task is only to create a viable European cooperation from a technical point of view, along with the known limitations.

What are the basic prerequisites or constraints?

1) Let us start by saying that the citizens of European countries are basically supportive of European cooperation and do not want to wage war.

2) The first constraining factor is that co-operation must be such that it does not require more central budgets than 2-3 per cent of GDP, an amount that European citizens are willing to sacrifice. This should be levied in the form of centralized taxation (own resources), as a "membership fee".

3) European citizens primarily have a national identity, and European identity comes second at best, if it is not preceded by religious identity.

4) Due to historical reasons and geopolitical situation, the foreign policy orientation of member states might be significantly different.

5) There are significant differences in development and income level among countries

6) At the outset the macroeconomic situation and competitiveness of the individual countries differ significantly, the external debt of some regions is high.

From this it follows that only a system that is based on nation-state cooperation is viable, where individual countries can develop a closer relationship if they want, or, can cooperate in projects of mutual interest. This to a certain extent corresponds to the third scenario of the White Paper (those who want more do more), but the basic situation is free trade (similar to the White Paper scenario 2). In earlier expert debates, this system was called Europe á la Carte, Olympic circles, or flexible jurisdictions or variable geometry (see footnote 12).

This system of cooperation would have one political and one economic governing body.

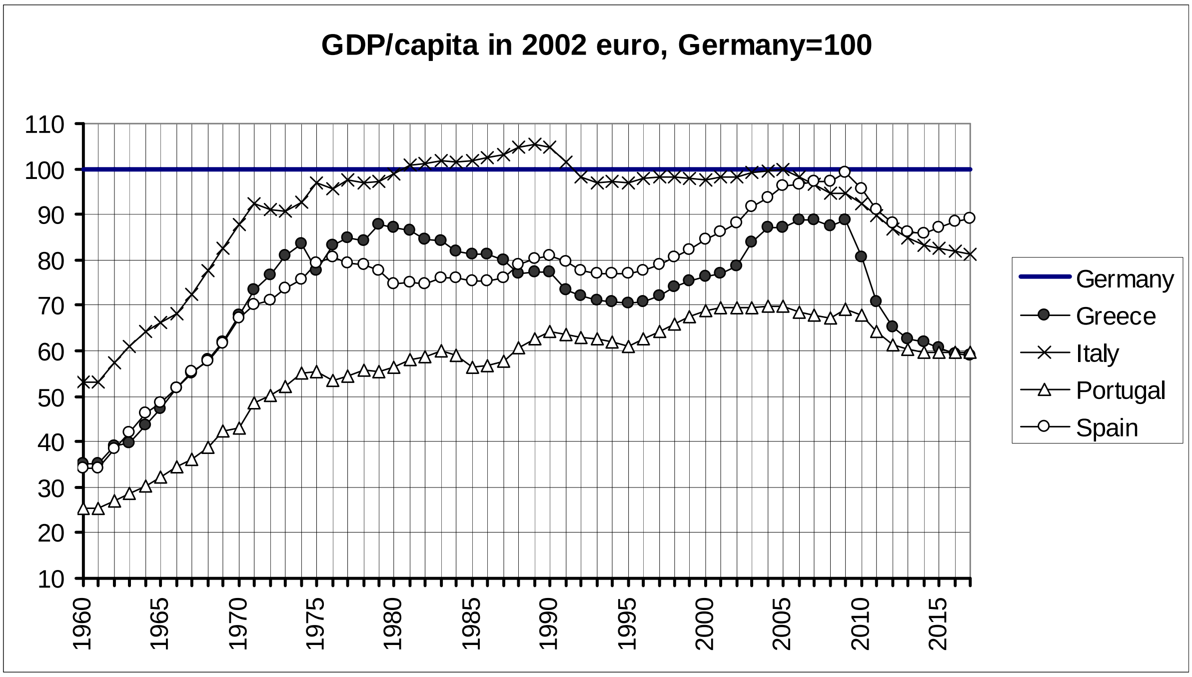
In the political governing body member states would discuss the issues of unified, overall cooperation and form groups of countries that cooperate in one field or another. There would be no vote, no binding decisions, each country would decide whether to take part or not.

The Economic Advisory Council should, on the one hand, be responsible for the coordination of projects in which various subsets of member countries participate. On the other hand, the Economic Advisory Council would have the task to develop indicative plans for the whole system of cooperation, similarly to the French planning system.[13]

The economic cooperation of the member states would be based on voluntary participation in projects, like AIRBUS, or it could take the shape of coordinated development of infrastructure networks. There would be no centrally-stipulated economic policy. Functioning like a Keynesian clearing union, its task would be to enforce a balanced current account within the alliance, so that countries could not be indebted to others. Investment banks and commercial banks would be strictly separated, like they were under the Glass-Steagall Act.

The Economic Advisory Board would develop convergence programs for each of the less developed countries or regions by supporting these countries with specific tools such as technology transfer, secured market share, preferential loans etc. It should be pointed out here that in the current system the catching-up of the underdeveloped regions is impossible because they can neither protect their markets nor support their companies and do not have adequate capital resources. A good example for this phenomenon is the catching up history of the south-European countries, which had achieved good results until they became members of the European Community, see the graph below.

[13] See for instance: https://www.french-property.com/guides/france/building/planning/



Source: World Bank database

In this cooperation, the free flow of capital would be replaced by a controlled movement of capital to prevent speculative movements and indebtedness in its wake.

Free labour migration would be replaced by controlled labour migration, in such a way that countries using skilled labour from the underdeveloped countries would pay the cost of training for the sending country.

As for foreign policy it is obviously impossible to speak constantly in one voice. Instead, it would be possible to establish a system in which the three economically and militarily most powerful states (Germany, France, Italy) – consulting with others – formed a shared position and than the other countries joined if they wanted so, but it was not an obligation. The same applies to military issues.

In this system common language, common history, common values and common identity are not particularly important. However, if the system works, the common successes will help to bring together the European citizens and will strengthen the feeling of togetherness.

It can be said that the proposed form of cooperation would be a significant step backwards compared to the integration already achieved, but at least it would not divide Europe into debtor and creditor countries, workers from low-wage countries would not cause wage dumping in developed countries and the skilled working force would not emigrate en masse from the less developed countries. This system would at least be functional. The association of the Hanza cities was just a loose co-operation, yet it served well the interests of the participants during its five hundred years.

However, for this kind cooperation to be established, the first thing is to do tabula rasa. For a new start, the most important thing is to free the south-European countries of the debt accumulated due to the introduction of the euro and the financial speculation. The Economic Advisory Group operating next to the German government has already made a proposal for this end in 2011. According to the proposal, the participating countries would place their sovereign debt in excess of 60% into a common fund and then the fund would be responsible for repaying debts. The proposal was rejected by the German government. A second task to be solved at the beginning is establishing a Keynes-type clearing facility to prevent indebtedness in the future.

The proposed system can of course be supplemented or transformed, but its essence is, that the system be based on conditions that exist or can be implemented.

The political reality

Since the European Union is basically a political project, the above or a similar rational approach has little probability, at least in the coming years. What is to be expected is the correction of the existing Treaty, which does not solve the known problems of the Union, just as the financial “aid” to the Greeks did not improve the country's situation.

One of the biggest problems is the eurozone, because the stability of the common currency entails the Maastricht criteria that lead to depression. What Emmanuel Macron suggests may create stability in the eurozone, but it does not resolve the deflationary nature of the system and does not eliminate the accumulated debt. At present it is uncertain if Emmanuel Macron’s proposal will be accepted. It is most likely that a formal agreement will be reached without suitable financial funding.

A substantial reduction of the accumulated debts, balanced current account and decreasing income inequalities are the most important and most fundamental goals to be achieved. Their likelihood however, is minimal.

The first scenario of the White Paper is the most likely to be realised: carrying on, only in a slightly overhauled form.

This is a recipe for slow development and growing social tensions for the predictable future.

APPENDIX

CALCULATION OF REDISTRIBUTION POWER ACCORDING TO THE MACDOUGALL REPORT

(Data refer to 2017 data of GDP and population, calculated on current prices)

Redistribution power is 100%

		A	B	C	D	E	F
		Population, million	GDP before redistribution billion euro	GDP/cap before redistribution, euro	GDP/cap after redistribution, euro	GDP/PPS after redistribution, billion euro	Change in GDP/cap, %
1	All countries	**446**	**13 000**	**29 168**	**29 168**	**13 000**	
2	Poor countries	171,8	2848,0	16 579	29 173	5 011	176
3	Rich countries	273,9	10152,5	37 062	29 164	7 989	79
4	Rich/poor index	159	356	224	100	159	
5	Redistribution factor				**0,7869**		
6	Redistribution power in %				**100,0**		
7	Redistribution in € billion				**-2 163**		

Redistribution according to the nowadays practice

		A	B	C	D	E	F
		Population, million	GDP before redistribution billion euro	GDP/cap before redistribution, euro	GDP/cap after redistribution, euro	GDP/PPS after redistribution, billion euro	Change in GDP/cap, %
1	All countries	**446**	**13 000**	**29 168**	**29 168**	**13 000**	
2	Poor countries	171,8	2848,0	16 579	16 774	2 881	101
3	Rich countries	273,9	10152,5	37 062	36 940	10 119	100
4	Rich/poor index	159	356	224	220	351	
5	Redistribution factor				**0,9967**		
6	Redistribution power in %				**1,5**		
7	Redistribution in € billion				**-34**		

Redistribution according to the MacDougall report recommendation of 40%

		A	B	C	D	E	F
		Population, million	GDP before redistribution billion euro	GDP/cap before redistribution, euro	GDP/cap after redistribution, euro	GDP/PPS after redistribution, billion euro	Change in GDP/cap, %
1	All countries	**446**	**13 000**	**29 168**	**29 168**	**13 000**	
2	Poor countries	171,8	2848,0	16 579	21 608	3 712	130
3	Rich countries	273,9	10152,5	37 062	33 908	9 288	91
4	Rich/poor index	159	356	224	157	250	
5	Redistribution factor				**0,9149**		
6	Redistribution power in %				**40,0**		
7	Redistribution in € billion				**-864**		

Calculation:

Independet variables: A2, A3, B2, B3, C1, D5
Control parameter: D5 (calculation method: trial and error)
Target parameter D6 (redistribution power)

Calculated variables in order of calculation:

1 D3=D5*C3
2 E3=D3*A3/1000
3 E2=B1-E3
4 E1=B1=E2+E3 (only for control, the overall GDP (B1) remain the original)
5 D6=((C3-C2)-(D3-D2))/(C3-C2)*100

Change D5 until the expected redistribution power is given, the presumption is that the overall GDP (B1) does not change

Other changeable variables:

D7=E3-B3 (redistributed amount in € billion)

A1=A2+A3		C4=C3/C2*100
A4=A3/A2*100		D1=E1/A1*1000
B1=B2+B3		D4=D3/D2*100
B4=B3/B2*100		E4=E3/E2*100
C2=B2/A2*100		F2=D2/23*100
C3=B3/A3*100		F3=D3/C3*100

GDP/cap in 2016 on current prices (and exchange rates)

Poor countries	**GDP/cap**	**Rich countries**	**GDP/cap**
Bulgaria	7 100	Italy	28 400
Romania	9 600	France	34 200
Croatia	11 800	Belgium	38 500
Poland	12 100	Germany	39 600
Hungary	12 600	Finland	40 600
Latvia	13 900	Austria	42 000
Lithuania	14 800	Netherlands	43 000
Slovakia	15 600	Sweden	47 400
Greece	16 600	Denmark	50 100
Estonia	18 000	Ireland	61 200
Czech Republic	18 100	Luxembourg	92 800
Portugal	18 700		
Slovenia	20 800		
Cyprus	22 400		
Malta	23 900		
Spain	25 000		