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Property, the Welfare State and Distributional Justice – Part II

- New (b)orders in the aftermath of the crisis –> Growing inequality? Financing the welfare state
- Bailing out the financial sector / Sovereign default –> On the way to Euro Bonds in a transfer union
- Consumer Stock Ownership Plans (CSOPs) & General Stock Ownership Plans (GSOPs) - a business game: Implementation of CSOPs in the energy sector (Germany, Poland & North African transition countries)

Compact course / Blockseminar:

MES modules: ZB Wirtschaft, ZB Politik, ZB Recht, WPM 1, WPM 6

IBA modules: S-Modul, E-Modul

Dates / Termine:
Introduction Fri. 12 April 11-13h, Room HG 104;
1st part Fri./Sat. 26 & 27 April, 10-13h & 14-17h, Room LH 120 ;
2nd part Fri./Sat. 3 & 4 May, 10-13h & 14-17h, Room HG 104.
3rd part (Presentation of results) Fri. 17 May 10-13h & 14-17h , Room HG 104.

This course is a continuation of the seminars in English language from previous semesters; an introductory session at the beginning of the semester will give an overview to the topic.

The seminar has three parts; the first one analyses the effects of the financial crisis with regard to inequality and the distribution of property ownership. -> The focus is on the question, if, and to what extent the observed effects are economically dysfunctional and thus endanger the European Union as such. The second part looks upon the answers and concrete reactions of policy makers to the crisis and their effects on the sustainability of the welfare state an on sovereign indebtedness. -> Issues of distributive justice and equalization of resources and burdens are investigated. The third part explores alternative economic models. -> It focuses on the question to what extend an economic policy based on the broadening of productive property could serve as a counter model to the current mainstream.

New (b)orders in the aftermath of the crisis

The seminar starts with an examination of the new (b)orders within "Social Europe" with regards to the functions of property and to distributive justice. The relevance to the discussion on the welfare state, particularly in the context of current economic and financial crises and on the process of marking, overstepping, dissolution and redrawing of (property) boundaries ensues from the changes in the relationship delineating (1) owners and non-owners, (2) private and public/state ownership, as well as (3) capital and labour. Across Europe, responses to the economic and financial crisis have changed these relationships (e.g., socialization losses and privatising profits during the bank bailout, additional privatisation and cuts to social services in the context of austerity programs).

In Germany, before the 2007 meltdown, the richest 20% of the population owned 80% of all capital assets while 50% owned either no assets at all or were in debt. Furthermore, income inequality has continued to grow throughout the crisis. At the same time the German philosopher Peter Sloterdijk complained "a good half of the population of every modern nation is made up of people with little or no income, who are exempt from taxes and live, to a large extent, off the other half of the population, which pays taxes." Thus, in his view, the unproductive increasingly live at the expense of the productive. He does not ask why half of the population is economically dependant on charity from the other half or where the phenomenon of "working-poor" has its roots.

Financial and sovereign debt crisis – on the way to Euro Bonds in a transfer union?

The current "Euro crisis" is characterised by information asymmetry and uncertainty, leading to a classic "agency problem" in the relation between the banks' managers, shareholders and financiers on the one side and governments and the regulatory authorities on the other. To stave off a meltdown of the banking system, drastic government intervention – above all in the financial sector – led to unprecedented financial transfers to the private sector. From a point of view of property law, these transfers constitute a conversion of property from public into private ownership. In this context, the question arises who bears the cost of these bailouts and who profited from them as well as what the possible, if any, repercussion for the welfare state are.

In the private sector, financial distress is typically the situation when insolvency proceedings apply to prevent abuse and further damage. We will discuss to what extend the experience of private sector insolvency proceedings and specifically the (lack of) application of well established rules and principles during the financial crisis offer advice for dealing with the current sovereign default crisis. In most cases, the real causes behind this policy are not economic, but a dangerous mix of information asymmetry, weak regulation and the pressure of lobby groups. Against this background the solution of Euro Bonds and its implication for the welfare state are examined.

Consumer Stock Ownership Plans (CSOPs) & General Stock Ownership Plans (GSOPs) - a business game

The vast majority of citizens in industrial societies do not own any kind of productive property. Thus, they are impeded from wider participation in civil society and from access to economic opportunity, as well as from the attainment of economic security and leisure. The "society of owners" is simultaneously a "society of non-owners". Interestingly, the catastrophe of 2008 has occasioned very little demand for radical financial, fiscal or ownership reforms. One of the core questions is, how to open up economic opportunity to the majority of citizens enabling them to become owners of productive assets. In the economies of the North African transition countries this is ever more true, as most of the capital assets were concentrated in the hands of the former autocratic rulers, now ousted. The question of how to dispose of these assets – today in trusteeship or under government administration – is one of the most challenging of the transformation process.

Against this background, the implementation of CSOPs in the Energy sector with a focus on renewable energies is simulated in a business game (Germany, Poland & North African transition countries). A Consumer Stock Ownership Plan (CSOP) is for consumers of public utilities what an Employee Stock Ownership Plan (ESOP) is for corporate employees. Both are forms of a leveraged buyout, which enables employees/consumers to acquire productive capital. The CSOP was designed to make consumers the co-owners of utility-producing companies. As the CSOP was designed for regulated markets with guaranteed prices, regulated market access and long-term relationships between producer and consumer, the energy market is predestined. A CSOP trust can be built for a renewable energy plant, e.g. a biogas reactor, a solar panel plant, a windmill or a geothermic drill.

Literature – register for dropbox:

Jens Lowitzsch „Bankenkrise, Staateninsolvenz und systemische Risiken. Zur Neuordnung des Finanzsektors" MES Perspektiven 1/2011 S. 31 ff. (English version available)

Jens Lowitzsch „Property, the welfare state and distributive justice – New (b)orders in the EU in the course of the „Euro Crisis" Project proposal;

Jens Lowitzsch „The property question in the North African transition countries" Outline of conceptual frame for future co-operation;

Registration until 10 April 2013 under kelso-professorship@europa-uni.de.

Performance test and credits:

ECTS: 6/9. Regular attendance; term paper; oral presentation; first draft of the term paper by 3 May 2013, finalized term paper by the end of the semester.