

In assessing the usefulness of a theory in understanding recent events, we can take a lead from Vilfredo Pareto. While writing his monumental book on social theory he felt rushed by his late-in-life entry into sociology. Pareto skipped the scholarly habit of searching classical history for his illustrations and instead picked confirming illustrations from recent history or the news of the day. His contemporary Italian readers, many of whom were in the secular process of ignoring the classical Greek and Latin heritage, appreciated this. However, we non-Italians who, 100 years later, encounter these points in Pareto's texts easily feel lost; we did not read Pareto's Italian dailies. His newspaper stories, illustrating processes of his theory, are seldom part of our experience.

Let us apply our own theory in Pareto's manner.

As an example, let us restate our last mentioned Proposition 5:5 in the footnote\* below, and apply its message to two five-year periods of events in European economic and political history. For the moment we can look at clauses (c) and (d) about degradation.

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\* Proposition 5:5 *Evaluative Motives*. recalled again: In a normal shared symbolic environment the following applies: (a) Persons and collectivities of persons are inclined to act to preserve the customary evaluations they receive in this environment, be these high or low. (b) They are more inclined to maintain those customary evaluations that are longer continuous flows than shorter ones. (c) They are inclined to act so that they avoid direct or indirect degradation, i.e. receiving more unfavorable evaluations than these customary ones. (d) If degraded, persons and collectivities of persons are inclined to act to restore their customary evaluation by *anything available in their repertoire of actions*, and. (e) Their effort toward restoration to the customary level of a loss in evaluation may have an immediate or delayed success, but the longer the delay, the less effort the restoration receives.

The least gratifying events for people are to be degraded both directly and indirectly; we could record this as (-2) on a *constructed scale, easily imagined*. The next worse events — mark it as (-1) on the scale — are to be either being directly degraded or being left behind when others are being raised. The normal and gratifying is to keep one's standing among equals ( $\pm 0$ ) on our scale.

### Germany Degraded 1928 — 1933

A general experience in democracies is that political decisions are easy to achieve when they have at least one foot of support in the midfield of the electorate, regardless of whether the government in question is from the left or the right.<sup>17</sup> During the years between the two World Wars, the midfield of politics in the world's leading nations was not particularly strong. Critical thinking weakened, and a number of nations fell for the fascists: Italy, Germany, Austria, and Spain and some other countries.

Fascism did not incorporate much of an own ideology. It was anti-liberal as it placed collective and national interests over the interests of the individual. It was anti-democratic and expressed itself in demonstrations and actions rather than in Parliamentary compromises and the everyday, slow churning of the wheels of political machinery. It developed a para-military organization of cells and a life style of uniforms, violence, battle songs, and parades. It engaged in legal discrimination and the cleansing of ethnic minorities. Fascism used a new language celebrating the strong and despising the weak, a language of racism and ethnic prejudice. It offered the masses a new political style and aesthetic.

Hitler's rise in Germany illustrates the rise of fascism as a reaction to the general degradation of the German population.

In the 1920s in Germany, the public suffered from the cost of rebuilding war damages and from war reparations demanded by the victorious Allies. In the 1930s, the force of the Great Depression added to the impoverishment of the public. The Germans would score a solid (-2) on the above constructed scale of degradation.

In the five years from 1928 to 1933, German unemployment, one of the worst forms of degradation, rose from one to six million. The body politic of the post-war republic, "Weimar," with its "improvised democracy" disintegrated. In the same period, 1928 to 1933, the vote for Hitler's Nationalist So-

cialist Party with the promise of a “new order” rose from 2 million to nearly 17 million (Lepsius 1978, 51).

In the Great Depression, fascism, thus, became a possible consequence of economic degradation. Since then, forms of fascism have been an available choice alternative in the European repertoire of actions, all in line with Clause (d) in Proposition 5:5.

The German economic and political disintegration in the Weimar period turned into a forced an extraordinarily rapid new integration of Germany. However, under Hitler this process twirled Germany into an aggressive fascist dictatorship that started World War II and executed the Holocaust — a worst possible outcomes,

#### Europe Degraded 2009 — 2014

Let us take a leap some 80 years forward to a financial depression that was the worst crisis since the Great Depression of the 1930s. This period started in the United States as a housing downturn and a banking crisis, signaled by the folding of Lehman Brothers in 2008. The same year Europe experienced the collapses of The Royal Bank of Scotland and The Anglo Irish Bank. The former had a few years earlier been the world's biggest bank with assets of three trillion dollar, over 200,000 employees. It had advertisements in every major airport around the globe because it had offices in these countries. The British taxpayers bailed it out. A decade later, their government still suffers from the cost.

The Anglo Irish Bank, a rising star in international banking, caused much concern in its home country by its collapse. The Irish government tried to save it by an enormous infusion of capital, which lead to financial devastation of the government itself, requiring bailout from The International Monetary Fund.

These are just two big examples of the European banking crisis. Many other banks were involve, in fact you may say with Charles W Calomiris and Stephen H Haber (2014) that they were fragile by design. Fearing chaos among the voters, governments provided subsidies to some banks and took over others. The introduction of the new currency, the Euro, had a special role in the banking problems. Several countries, particularly in Southern and Eastern Europe, had mismanaged their finances by, for example, accumulat-

ing sizeable deficits through excessive borrowing at prevalent low Euro interest rate.

Most European governments introduced austerity measures. Economic activity declined drastically. Problems for citizens became aggravated as bank credits were in short supply, in some countries next to unavailable to both firms and households. Governments increased taxes. They stopped customary rises in welfare benefits and public pensions to meet inflation levels. Many countries made outright cuts in public pensions, unemployment benefits, and health benefits common in the European welfare states.

Unemployment in the 18 Euro-countries rose from 9.2 (%) in 2009 to 11.0 (%) in 2014. In countries with severe austerity, the increase in adult unemployment during the same period is drastic: in Greece from 7.8 (%) to 26.7 (%), in Italy from (6.9%) to 12.7 (%), in Spain from 17.4 (%) to 25.3 (%). The figures for youth unemployment are considerably higher and made the talk of “a lost generation” realistic. At the same time, the biggest country in the Euro area, Germany, showed the opposite trend; its unemployment rate declined from 7.6 (%) in 2009 to 5.1 (%) in 2014.

National governments adopted and enacted concrete austerity measures. However, three states of the Euro area — Greece, Portugal, Ireland — approached bankruptcy in 2010–2011. They could not manage it by domestic policies and turned to the International Monetary Fund (IMF). This Fund is a bank for states. As customers in this bank, and past contributors of membership fees to the bank, they had right to emergency loans.

The IMF worked with the European Commission (EC), and the European Central Bank (ECB), making up the “Troika,” a special arrangement for Europe in financial trouble. The IMF’s 24-member Executive Board, however, made all of the final decisions. The other members of the Troika are, in effect, consultants and comprise an authoritative chorus reinforcing the weight of the decisions.

In return for emergency loans saving them from bankruptcy, the Troika subjected Greece, Portugal, and Ireland with painful requirements. They had to raise taxes and put restrictions on government expenditure on salaries, pensions, and welfare services. At the same time, Greece and Portugal were expected to modernize their sclerotic bureaucracies, including their old-fashioned or inadequate ways of collecting taxes. The focus should be on running productive businesses. When the large economies of Italy, Spain

(and soon also Cyprus) joined the ailing clients of IMF, they experienced the same treatment of making cuts and submitting to what the Troika demanded.

The Troika did promote austerity as the main cure for economic ills. They worked on the premise that delayed gratifications would come from the trimmed economies; with increased productivity, they would soon lift off both old and new debts.

The Troika policies were high-handed. They deliberately pushed ordinary citizens, innocent of all the high state finances of their countries, down to levels -2 or -1 of degradation.

Only a few European countries stayed on reasonable levels of economic activity and prospects. Among them were Germany, Poland, Finland, and Sweden. By contrast, Estonia, Latvia, Ireland, Italy, and Spain were pushed on our constructed scale from  $\pm 0$  to -2, just like Greece, Portugal, Ireland, and Cyprus. Some others, among them France and Britain, were pushed from  $\pm 0$  to -1; they fell below Germany and others in their customary economic league, for example, the Netherlands and the Nordic countries.

In a five-year period, starting in 2009, Europe thus experienced a period of degradation for most populations. We infer from Proposition 5:5 that people who are dropped to levels -2 or -1 do indeed despair there and that they long back to, and work on, returning to  $\pm 0$ .

Estonia and Latvia reached a point of restoration after less than two years of steep austerity. They restored a positive public mood and a great deal of self-confidence. Their experience of delay of gratification was short. Most of the other European countries who had been forced into severe austerity did not see the dawn as the delays dragged on, and the promise of ever-later gratifications lost its motivational force, according to Proposition 5:5 clause (e).

In the case of Greece, knowledgeable people calculated in the fall of 2012 that a sustainably low level of debt could not be reached, to any degree, for the present generation of Greeks, given the high level of debt. Other EU-countries in Southern Europe (and Ireland) had the same kind of problems, but not quite as severe as Greece.

To induce a long term degradation for the majority of Greek and other Europeans adults — from  $\pm 0$  to -2 on our scale — may have been banking and

financial logic, but the result according to our Proposition 5:5 is a desperation in which people look for some available European repertoire of redeeming actions. What has been available?

The European Parliament held elections in 2009 and 2014. Their results indicate that the big effort to rescue the euro-economies resulted in significant blows to the European polities. What improved the economy of a nation worsened the polity of the nation.

Two critical questions:

Did the center hold in the European elections in the course of the economic crisis?

How much did neo-fascism gain in the European Parliament elections during the economic crisis?

Between 2009 and 2014 the parties of the electoral center, i.e. the conservative, liberal, and social democratic parties lost 84 seats in the European Parliament. This is a clear loss for the middle ground, but not large enough to lose the majority. In 2014, they obtained 62 percent of the seats, compared with 72 percent in 2009. Both the far left and the far right gained big in the 2014 elections. The European political center rattled, but it did hold.

The striking element is the high gain of anti-EU parties, particularly the French "Front National" and the British "United Kingdom Independence Party". Both became larger than any other party in their homelands. Thus, France, a founding member of the European Union, has chosen to be represented in the European Parliament by a large contingent of sceptics to that Union. The British public has long been ambivalent about being subject to "continental" jurisdictions and charges. The Ukip vote is a quantification of this attitude in the European Parliament. These two articulate powers of speech, together with many other equally disparate voices, may pressure and irritate the mainstream of the Parliament. Nevertheless, they do not overrule the dominance of its mainstream middle, at least not this time.

After the 2014 election, every third member of the European Parliament belongs to EU-sceptic or anti-establishment parties. They favor restrictions on the free mobility of EU-citizens across the internal borders of their own Union. The same groups oppose current immigrations from other continents. It is an open question as to how many in these groups are neo-fascists, willing to use any means to topple decent law-enforcement regarding anti-Semitism,

anti-Romani sentiments, and anti-Islam phobia. When their likes get power, the enforcement of laws of freedom of speech and media become enforced in a selective or arbitrary manner, if at all.

There is no doubt that neo-fascism in 2014 has growing number of voices in the European Parliament, as it has among certain European publics. The situation is far from the Europe of the 1920s and 1930s, but similar tendencies have become visible. To the similarities belong distrust in democratic institutions such as national Parliaments. The Euro barometer surveys indicate that only about a quarter of the adult Europeans have trust in their own government and their own Parliament. The trust in the European Union as a whole has fallen steeply from 57 percent in in 2007 to 32 percent in 2014.<sup>18</sup>

Policies of economic austerity are to blame for mass-degradation of several populations in Europe. The economists who advised politicians as well as the finance ministers, who followed their advice, deserve historical scrutiny. In 2010 – 11, no Mrs. Merkel (the de facto leader of Europe), no European Minister of Finance, no EU Commissioner in Brussels, and no executive of the International Monetary Fund seem to have acted from knowledge about the deteriorating of the center in democratic body politics. Nor did they admit to thoughts about the rise of fascism in dealing with countries facing defaults<sup>19</sup>. They improved the societal realm of the economy at the price of damaging the societal realm of the polity.

By 2012, several promoters of austerity had second thoughts, but not about the degradations. They suggested more attention to investments to secure better economic growth. Not a word from them about the degradation and its political consequences.

It is beneficial to all to be able to illuminate problems from other angles than the international and local economy. To put it differently, in any changing situation it is good to know the inherent limitations of economics as an applied and helpful science. By contrast, the Proposition 5:5 on “Evaluative Motives,” from a version of general social science seems good to know.

This is not the point to moralize over economic models and their practitioners imposing collective punishments that degrade innocent citizens. This is a call to use and broaden our social science, of which economics is a part, but applicable only in its own narrow realm.

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Notes to Chapter 5. Linguistic Forms and Usages

<sup>15</sup> We shall deal more with cycles of redemption in Ch 16 (Vol 3)  
Supporting Order: Victimization and Redemption, p 155ff

<sup>16</sup> Ch 3 (Vol 1) Language and Its Distortions: Dependent on Social Contexts, p 79

<sup>17</sup> Ch 4 (Vol 1) Vibrations in Symbolic Environments: Big and Lukewarm Centers  
vs Small and Convinced Extremes, p 159ff

<sup>18</sup> Special Eurobarometer 415, *Europeans in 2014*. QA7.3-7.4 “I would like to ask you a question about how much trust you have in certain institutions. For each of the following institutions, please tell me if you tend to trust it or tend not to trust it.”

QA7.3 The Nationality Parliament 27%

QA7.4 The European Union 32%

<sup>19</sup> Economic degradation on a national scale seems to produce a lack of public confidence in any regimes — be they democratic, authoritarian, or dictatorial .