

The Pillars of Convergence to Economic Justice in EU Countries as a Support of Sustainable Business and Consumption

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Abstract

The current study is stressing the issue of economic justice within the EU-27 countries, using multidimensional perspective, starting from the premise that the purpose of the economic justice is general welfare of all individuals, no matter the age and the country. Respecting the unitary presentation of both theoretical and empirical analysis, pillars of the economic justice convergence have been identified and characterized. As a consequence, socio-economic macroeconomic measure has been analysed in order to characterise the current level of economic justice in the European countries. The present study can help guiding public policies towards achieving a state of equilibrium for economic and social equity, in accordance with the principles of sustainability. Descriptive statistical methods used to compare the European national economies and the transversal analysis of the data offered a photography of the current situation of the economic justice within the EU countries. If for some indicators, a part of the countries is placed on the first places of a possible hierarchy, the same countries were founded to be placed on the last places, from another indicators point of view. In order to have complete and comparable information, the data to be analysed were normalised using the min-max method. Aggregated indicators allowed the final hierarchy to establish which EU countries are the closed to the convergence towards the economic justice.

As a major conclusion, it is presented that the EU countries can offer to the EU citizens equal chances to welfare and equal access to resources, extremely important during the pandemics for both businesses and consumers. Reducing the inequalities and social injustice actions represents the new status of the economic order interaction with the social order in order to reach the final purpose, the achievement of a sustainable fair and better world.

Keywords: Economic justice, social justice, equal opportunities, European Union.

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Introduction

The problem of justice is an ancient problem of humanity, but the economic justice concept in correlation with social justice is a relatively new concept, which is developed in the context of the expansion of the free market and the increase of life quality. Also, this concept is closely related with human rights, the respect for human dignity, the equitable distribution of goods within the society and the increase of life quality (*Social Justice in an Open World*, 2006).

Economic justice represents a subjective concept based on ethics and logical thinking with a strong philosophical background. Its essence represents the welfare of all individuals, groups and nations within the current national and international context. The first condition needed to achieve the equilibrium state of economic justice is respecting the principle of equal chances.

Studying the well-being from a triple perspective: economic, ethic and philosophic, Sen proposes an equitable distribution of incomes, but not an equalitarian one. Profit must be obtained using moral actions, it must be the result of honest work (Sen, 2009). Some discussions about social and economic justice inevitably involve the demand that the government is able to distribute the goods obtained with other people's efforts. For this action, the state should not use "the force", but some rational measures and it participates to production and to voluntary exchanges (O'Neill, 2011).

The current research is describing the pillars to reach the state of economic justice, by describing the level of a set of social and macroeconomic indicators characterizing the concepts and the level reached by EU countries, taking into account the cohesion between the social and the economic domains in Europe. The definition of the economic justice starts from the values defining the concept and continues with the policies used to promote these values within the EU countries.

Economic Justice – from philosophy to action

The issue of economic justice has different approaches, from philosophical one to moral, economic and legal research approaches. The concept was initially defined by political and law sciences, but finds its place within the business sciences through the economic and business solutions used to reach this state of justice for all citizens. Economic justice concept started to be presented by the Antiquity philosophers. Plato presents the extreme richness and the extreme poverty as dangers for the society. Aristotle is developing Plato philosophy, being concerned with just prices and the way the antique market is formed.

The economic thinking was influenced by the religious thinking during the medieval period, considering the personal work as the unique source of welfare, whose benefits needing to be shared with your closest ones, promoting distributive justice upon the principles of sharing the revenues obtained from goods and services exchange actions (Popescu, 2004).

Within our time, the concept of economic justice is defined as going along with the concept of human development. Currently, the business theory, does not mention the purpose of reaching the economic justice, treating the finality of the business as a matter of profit gain and financial efficiency. Fortunately, there is a set of researchers with important contribution in the research of the economic justice as Amartya Sen, Kenneth Arrow, Serge-Christophe Kolm, A.B. Atkinson and John E. Romer, to name just a part of those who have been proven that not only material resources are essential to perfecting the human development, but also social, ethics, political and cultural aspect are highly influencing the society and human development. Amartya Sen, economist and philosopher, is judging on the same level the concepts of justice, liberty and equity, suggesting that the important issue to find appropriate solution to register important progress to reduce injustice, versus finding the precise definition of the social justice (Sen, 2006, 2009). John Rawls has showed an interest in researching the economic justice, supporting the idea that „justice does not allow for the advantages of the majority to be occurring with the sacrifice of a minority”, considering a tolerable injustice action only if it is necessary in order to avoid a bigger unjust situation (Rawls, 2011). There is a convergence between sustainable development and human development, driving to the idea that the objectives of the sustainable and human development are convergent with the pillars of the economic justice. Therefore, the achievement of the proposed goals in *The 2030 Agenda for Sustainable Development*, adopted by all United Nations Member States in 2015, aimed to contribute to the progress of economic justice, in order to ensure a new environment, appropriate for people so that they may recover their creative potential and also to build their existence according to their needs and interest, as per their free-will. All this is possible only within an economic frame respecting the human rights and the increase of the self-respect and of the respect toward your fellow citizens.

All previous objectives of economic justice represent arguments to choose to empirically the convergence pillars ensuring the achievement of the economic justice within the EU countries.

Methodology of research

Three pillars were taken into account in order to characterize the convergence toward economic justice within EU nowadays. Each pillar can be characterized by one or more indicators. The criteria used to choose the macroeconomic indicators to characterize the process of convergence toward the economic justice were: the capacity to identify and characterize the essence of economic justice, the easiness of interpretation, the statistical robustness, the potential to measure the performance in implementing economic justice, assuring comparability of the indicators and data accessibility.

The main research method is descriptive, with the finality of a hierarchy produced between the EU countries, according to the level of the indicators defining the economic justice. Those indicators were normalized using the min-max method, were aggregated and the communality among the EU countries was identified at the EU level.

Case Study Frame

Welfare was measured only from the economic point of view for a long period disregarding other aspects as the lack of institutional trust, the decline of the environment, giving up the traditional values, the increase of unemployment and the social, economic and geopolitical crisis. As a result, the EU economic justice level is characterized by analysing the economic and social policy, respecting the principles of business ethics and traditional moral.

The following pillars of the economic justice were taken into account: using more resources so that to overlap the degree of poverty in the population, ensuring revenues through equal access to those resources and achieving equity among generations

The first pillar is referring to indicators measuring the poverty among children as a main indicator to show the health and the macroeconomic wellness. UN agenda for the next 15 years comprises clear objectives to reduce the poverty of children as a major element for reducing the general poverty level and to promote social inclusion on a range of time till 2030. Boushley discovered that inadequate parents' revenues are affecting the wellness of children, determining the impossibility to prevent diseases, malnutrition, juvenile delinquency or the lack of school performance (Boushey, et al., 2001). Duncan founded that the children with risk for poverty have a double chance for school abandon or second examination for an academic year. Those high chances are even higher for children out of wedlock, abused and neglected children (Duncan, 2000). To characterize the resources needed to cross over the poverty level was the rate of relative poverty for children. Relative poverty appears when the dwelling revenues are smaller than 50% out of the national median revenue. The indicator is showing the percentage of children in such families, a situation restricting the access to material resources needed for a proper health and education.

The second pillar of economic justice is the free and equal access to resources through adequate revenues. Excessive inequality of the revenues distribution represents a restriction for the economic justice. *To characterize this issue, the S80/S20 ratio is used, the ratio between the superior and the inferior quintiles of the revenues inequality.* The ratio is showing how many times are the wealthy persons' revenues bigger than the revenues of the poor persons. Additionally, the wellness of adults and its distribution was taken into account. The initial hypothesis of research is that the unequal access to resources will increase while the initial resources are scarce (Hesmati, 2010; Williamson, 2002; Verhoogen, 2008). Cultural differences and investments in education are affecting and determining the inequality of revenues distribution more than biological differences (Becker, 1997). Becker explains that education is determining the decline of the revenues inequality, respecting the main principle of economic justice, the equal access to education.

The third pillar of economic justice is the achievement of equity among generations, measured with the indicator *public debt/child*, an indicator difficult to support by younger generations if it is at a high level. One American nation's parent, Thomas Jefferson, was promoting the idea that the current debts are to be paid by the same generation. Another parent founder, James Madison, is going further and considered that the public debts transfer to the next generations is just only to the extent when the benefits are also transferred (Wolf, 2008). The level of public debts/child is used to measure the level

of equity between generations. A high level of the current public debts will determine the consumption reduction not only for the current generation but also for the further coming generations. As a consequence, a child will be affected by poverty during the childhood and also at the age of maturity, when the previous debts are still to be paid.

Case Study Results. European hierarchy

Hierarchy of EU countries was produced in order to find out in which countries the current level of economic justice is higher.

Analysing the relative poverty rate for children in Figure no. 1 for 2019, the highest level of poverty is registered for the Romanian children with a level 24,5%, followed by the Bulgarian children, with a level of 22,3%, Spanish children for which the level is 18,8% and Italian children with a rate of 17,9%. The best situation is for the Northern EU countries, Finland and Denmark with the smallest rates, below 5%.

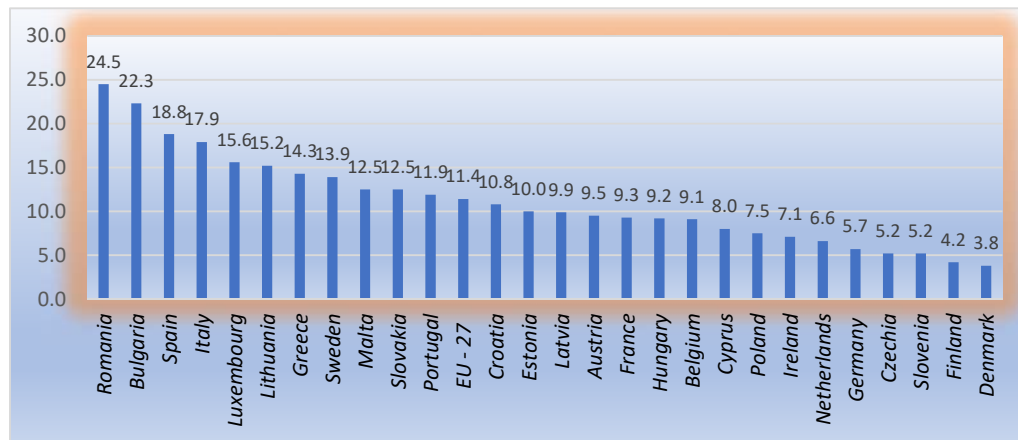


Figure no. 1. Children at risk of poverty (cut-off point: 50% of median equivalised income) % of population age less than 18 years, 2019

Source: Eurostat, ilc_li02

Table no. 1 shows the average of the relative poverty rates for children for the EU countries in 2019, being 11.13% with a range of 20.7% between the rate for Romania (the highest poverty rate for children) and the rate for Denmark. The highest level of inequality is founded firstly in Bulgaria, followed by Romania, Latvia and Lithuania on the fourth place. The average of revenues inequalities has the level of 4.7, meaning that on average, the income of the richest persons are 4.7 times bigger than the revenues of the poor persons. This ratio range is 4.7 between Bulgaria (the highest inequality) and The Czech Republic (the smallest inequality), as per Figure no. 2.

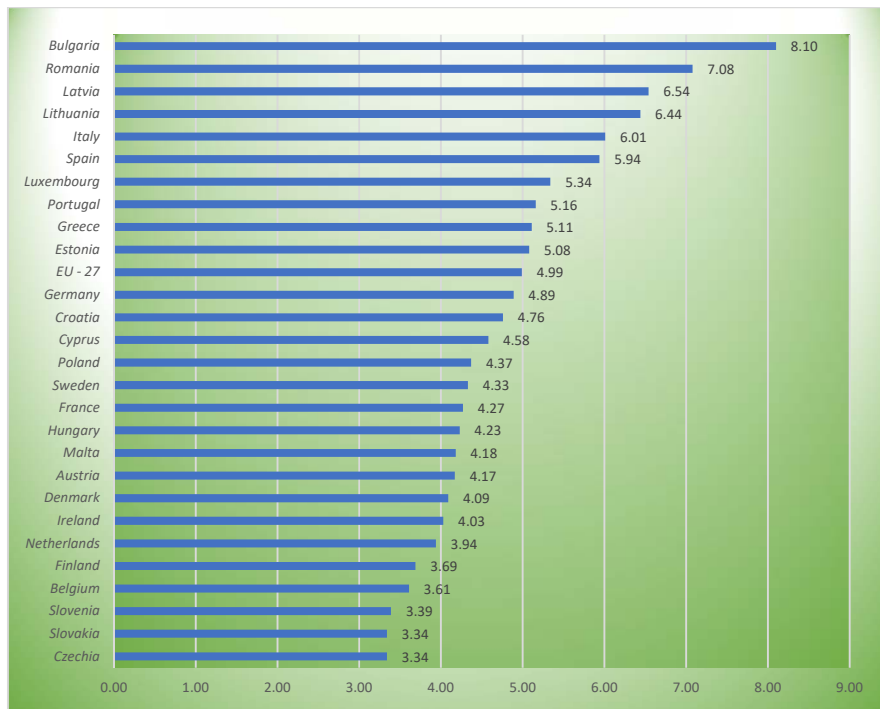


Figure no. 2. Income quintile share ratio S80/S20 for disposable income in EU Countries in 2019

Source: Eurostat Database, *ilc_d11*

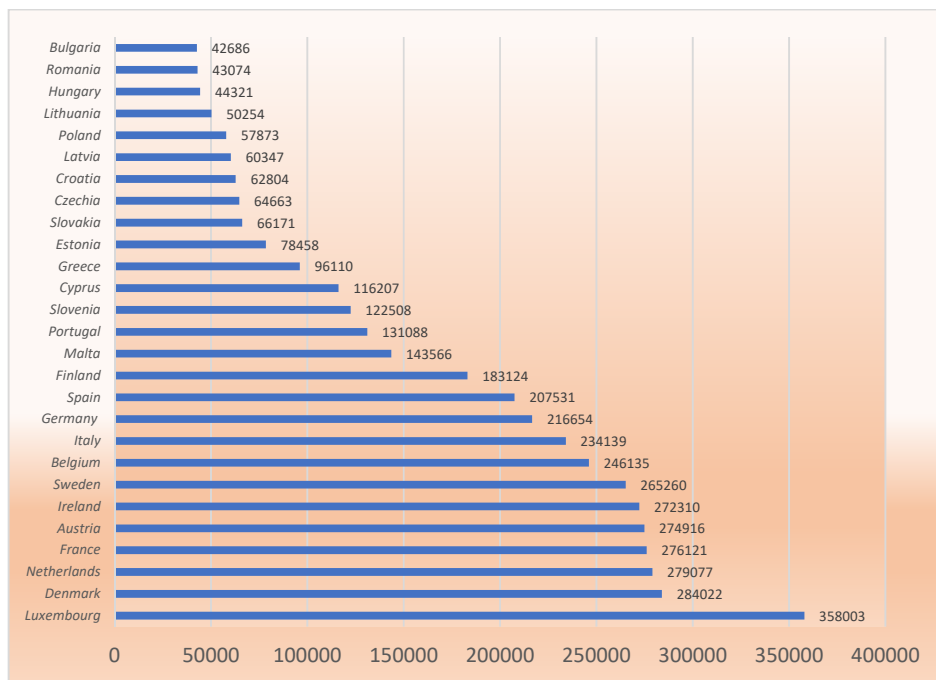


Figure no. 3. Wealth per adult in EU Countries in 2019 (USD)

Source: Global Wealth Databook 2019, edited by Credit Suisse Private Banking & Wealth Management, Research Institute, Switzerland

Average wealth per adult was used to measure the wealth, expressed in current USD/adult. In Figure no.3, we found that the highest level of wealth per adult is characterizing Luxembourg with a value of 358003 USD/adult, followed by Denmark with 284022 USD/adult, and Netherlands and France. The lowest values stand for Bulgaria, Romania and Hungary with values less than 50000 USD/adult. The average wealth value is 158423 USD for a typical EU-27 country, and the range of the measure is of 315317 USD.

Table no. 1 Descriptive statistics for the analysed series (EU Countries, 2019)

Results	Children of risk of poverty (%)	Income quintile share ratio S80/S20 for disposable income	Wealth per adult in EU Countries in 2019 (USD)	Government debt/child (age 0-14) (\$)
Mean	11.13	4.70	158423	141936
Standard Error	1.03	0.19	19011	18642
Median	9.90	4.37	131088	117165
Mode	12.50	3.34	-	-
Standard Deviation	5.35	1.01	98785	96868
Sample Variance	28.65	1.02	9758558798	9383417335
Kurtosis	0.37	-0.08	-1.35	-0.43
Skewness	0.86	0.74	0.34	0.61
Range	20.70	3.74	315317	358850
Minimum	3.80	3.34	42686	10788
Maximum	24.50	7.08	358003	369638

Source: Own calculation

Concerning the public debt per child, in Figure no. 4 we can stress that Italy has the highest level with an average debt of 369638USD/child, approximately 36 times bigger than the smallest registered level of 10788USD/child for Estonia. For this measure, Romania has a level of 29099 USD/child, registering a low level of this indicator. High values are also characterizing Belgium.

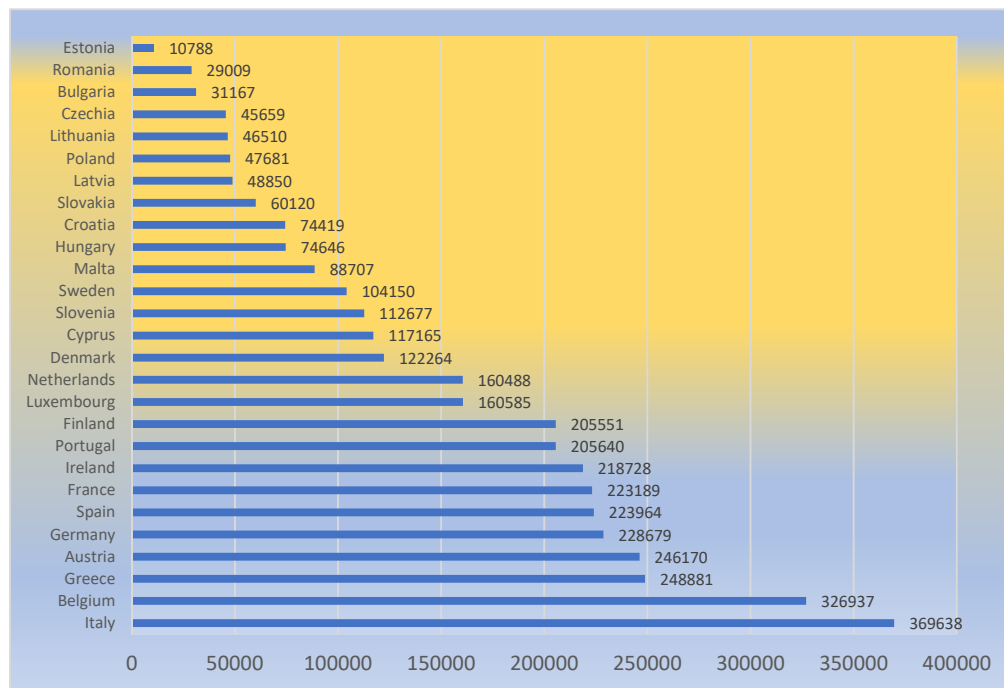


Figure no. 4. Government debt/child (age 0-14) (\$) in EU Countries in 2019

Source: For Government Debt <https://countryeconomy.com>, for Population Age 0-14 www.worldbank.org

The average debt/child calculated for EU- 27 countries has the value of 141936 USD/child, and the range of variation between Italy and Estonia’s levels is of 358850USD/child.

The comparative analysis is placing Romania on first places with low debt/child and last places with high values of the relative poverty rate for children as well as for the revenues inequality S80/S20.

Further, we used the min-max normalization technique for the previous indicators, with the intention to insure an overview of economic justice pillars at the EU level. The normalised indicators maintain the original hierarchy of values, while transforming all these scores into a common interval [0;1].

After normalizing the indicators and the additive aggregation we can have an overall image of the EU countries hierarchy concerning the convergence toward the economic justice. The results of min-max normalizing method show that Denmark and Netherland are characterized by values over 3 units, being placed on the first places. On the last 3 places we founded Italy, Romania and Bulgaria.

Table no. 2. Values of the aggregated normalized indicators for EU Countries in 2019

Countries		The Values		Countries		The Values	
1	Denmark	3.30	15	Cyprus	2.47		
2	Netherlands	3.07	16	Belgium	2.45		
3	Czechia	2.90	17	Estonia	2.45		
4	Slovenia	2.89	18	Hungary	2.38		
5	Ireland	2.84	19	Croatia	2.25		
6	Finland	2.81	20	Latvia	1.98		
7	Sweden	2.75	21	Portugal	1.96		
8	France	2.69	22	Lithuania	1.72		
9	Austria	2.63	23	Spain	1.66		
10	Luxembourg	2.59	24	Greece	1.63		
11	Poland	2.55	25	Italy	1.37		
12	Germany	2.53	26	Romania	1.16		
13	Slovakia	2.52	27	Bulgaria	1.05		
14	Malta	2.51					

Source: Own calculation, using the previous indicators analysed

Conclusions and discussions

In the opinion of the authors, investment in education is one of the most important factors for reducing relative poverty, for all and especially for children. Also, increasing the level of education can help to reduce income inequality and provide more wealth for entire world population. On the same note, GDP per capita growth, lower stress of government debt per child and an efficient investment in education are the primary conditions for convergence towards economic justice, for increasing life expectation, for an equity life for us and for our descendants.

The study can continue by extending the sample of countries, analysing the issue of economic justice into OECD countries. Also, a further research can investigate the econometrical aspects of the correlations between the economic justice, the human development and the economic freedom, in order to establish the way these stochastic correlation is influencing the opportunities for each citizen for a dignify and more productive life.

Day to day reality of EU countries shows that the member states are hardly trying to reach their European objectives to promote sustainable development and human development in the same time with obtaining the decline of the poverty and increase of welfare, reducing economic inequalities, and offering equal chances for the human development of all citizens. Some states are already following the path of convergence toward the economic justice and equal economic chances of the current and next generations. They should be an example to be followed by the states which are behind and are still far away from the economic justice. Public policies applied by governments should reduce the economic and social problems generated by inequity and inequality. The challenge is representing by concrete actions into an Europe with increasing interdependencies.

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