3. What price values?

Daniel Tarschys

I. The ambivalence of value and the obscurity of price

The title suggested for this chapter, 'What price values?', brings to mind the words of Oscar Wilde, who defined a cynic as 'a man who knows the price of everything and the value of nothing'. A writer in *The Financial Times* recently applied this profound insight to economists rather than to cynics,[1] but that might rather exaggerate the knowledge of prices among economists—who at least seem to quarrel on the topic.

The concept of value or values is in fact a tricky one. It is one of those *faux amis*, or false friends, that mean different things in different languages, in this case the languages of different professions. When a banker hears the word values he does not necessarily think about the same thing as, say, a bishop. Material values exist but so do values in a different sphere—the moral values of ethics and political philosophy.

This is essentially the old philosophical dichotomy of matter and mind. The best guide to that distinction is Bertrand Russell, who answered the question 'what is matter?' by the words 'never mind' and the question 'what is mind?' by 'no matter'.

The issue may be addressed first from the banker's perspective. Bankers are surrounded by values that are difficult to assess—many kinds of assets that are in enterprises or real estate and used as collateral security for credits that the banker hopes to see again some day. Banking is supposed to be easy to evaluate, because there are only two possible outcomes: either the money comes back, or it does not. Even in this context, however, appearances can be deceiving, and many values are not what they appear to be. Bankers could give long lectures on gold that glitters, gold that does not glitter and glitter that is not gold. Such distinctions are apparently important for success in that particular profession.

Today, assets of uncertain value are not a monopoly of the private sector. Soon after the Enron scandal of 2001–2002, one of the world's leading experts on budgeting, Professor Allen Schick, drew comparisons between the accounting standards of Enron and those of various governments. They showed that there was not a single technique in the bookkeeping practices of this corporation that had not been skilfully mastered by public bookkeepers as well.[2]

[1] Kay, J., *Financial Times,* 28 Aug. 2003, available at URL <http://www.johnkay.com/in_action/297>.

[2] See Schick, A., 'Fiscal risks and fiscal rules', 21 May 2002, available at URL <http://www1.worldbank.org/publicsector/pe/peamcourse/Schick.pdf>.

SIPRI also knows something about this problem, because it has long been concerned with a type of public assets that are particularly difficult to assess—those traded in arms transfers. An annual figure for the global turnover is given in SIPRI's Yearbook,[3] but it is not an easy figure to arrive at. SIPRI experts know all too well the problems connected with the effects of offset arrangements, deceptive prices and other ways of camouflaging expenditure on cannon just as well as the cannon themselves.

The values changing hands in these transactions do at least have a price, but once they have ended up in a military arsenal somewhere it is very doubtful whether they have a price at all. Counting arms flows is difficult enough, but counting stocks is even more forbidding. What price can be put on a hangarful of jet fighters? What is an army battalion worth these days? What about the cost and value of research and development? What is the value of a half-finished project that may become a success, or a fiasco?

There are several obvious ways of imputing values to military assets, by the cost invested in them or by some intelligent estimate of expected returns, but it is not easy to arrive at meaningful figures. It is becoming no easier with the current tendency, in public finance circles, to move from accounting in cash terms to 'accrual' accounting, which attempts—beyond immediate outlays—to capture the long-term costs and benefits of all possible types of object.

Accrual accounting is not yet practised so much in budgeting, but about a dozen member states of the Organisation for Economic Co-operation and Development (OECD) have started to use it in their financial reporting.[4] This method raises many questions that never required an answer before. What is the Eiffel Tower worth in more precise terms, or the National Archives, or the Houses of Parliament? Who should be charged for using them? Nor does accrual accounting become much easier when it is extended to the military field. Some general-purpose assets can be capitalized and depreciated, but that is tricky with tanks and missiles. What about surplus assets and decommissioned facilities that still cost money to guard although their use value is down to zero, or perhaps even negative? There is still abundant work to be done by future economists in trying to dispel the mysteries surrounding military values and prices—and plenty of work for SIPRI.

II. Values in public policy and in the European institutions

Turning from more material interpretations to the lodestars and lofty ideals known as our common values, it is encouraging to note how this topic is coming increasingly to the forefront and that increasing attention is being paid to moral and political principles in many different settings.

[3] Stockholm International Peace Research Institute, *SIPRI Yearbook: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, annual), chapters on international arms transfers.

[4] Blöndal, J. R., 'Accrual accounting and budgeting: key issues and recent developments', *OECD Journal on Budgeting*, vol. 3, no. 1 (2003), pp. 43–60.

In academic circles, there is now much more discussion about the ethical implications of various studies and experiments than there was a few years ago. Many such issues are raised by recent advances in the medical sciences and through their implementation in health care. As an example, the Swedish Government's National Council on Medical Ethics deals with a number of the very tough choices facing policy makers, practitioners and patients.[5] Many similar bodies are wrestling with the same dilemmas, throughout Europe and throughout European national health care systems.

A mounting interest in values can also be seen in the national politics of many countries. In 1998 the Norwegian Government appointed a special Commission on Human Values to contribute to a broad mobilization of Norwegian society for human values.[6] Dutch politics in recent years has not only revolved around the politics of Pim Fortuyn and populism[7] but also around values. The same tendency is to be found in many other countries.

What is perhaps especially interesting for observers in Europe is the increasing attention being paid to the concept of 'common European values'. This may be noted in several settings: in the Council of Europe, in the Organization for Security and Co-operation in Europe (OSCE) and recently in the European Union (EU). The place of values in these three organizations is worth addressing here in greater detail.

The Council of Europe

The Council of Europe is certainly the oldest body dedicated to defending and preaching European values. Its mission included the latter from the very start. The Council of Europe was established in 1949 to help heal the wounds of World War II and re-establish peaceful relations between the nations of the continent. At the top of its initial agenda was the task of restoring and deepening the respect for human rights which had so recently been trampled under foot by the war machines and the totalitarian regimes.

This led first of all to the adoption of the 1950 European Convention for the Protection of Human Rights and Fundamental Freedoms[8] and to the construction of the control machinery today embodied in the European Court of Human Rights, seated in Strasbourg.[9] Important additional protocols were later adopted, such as the Protocol on the Death Penalty, and supplementary conventions such as the 1987 Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment, and the 1997 Convention for

[5] See the Internet site of the Swedish National Council on Medical Ethics at URL <http://www.smer.gov.se>.

[6] See the Internet site of the Commission on Human Values at URL <http://www.verdikommisjonen.no/english.htm>.

[7] Fortuyn was the leader of the populist Lijst Pim Fortuyn party, espousing the right-wing radical agenda in the Netherlands. He was assassinated on 6 May 2002, after a strong performance by his party in the run-up to the national elections. See, e.g., BBC News Online, 'Obituary: Pim Fortuyn', URL <http://news.bbc.co.uk/2/hi/europe/1971462.stm>.

[8] The convention is reproduced at URL <http://www.echr.coe.int/Convention/webConvenENG.pdf>.

[9] On the court see URL <http://www.echr.coe.int>.

the Protection of Human Rights and Dignity of the Human Being with regard to the Application of Biology and Medicine (the Bioethics Convention).[10]

The Council of Europe has created many instruments to safeguard human rights and the rule of law, such as the European Commission against Racism and Intolerance (ECRI), which advises governments on their strategies against xenophobia, and the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment, which performs on-the-spot inspections in prisons, police stations, psychiatric wards and other places of forcible detention. A third body worth mentioning is the Venice Commission, which supports the constitutional development of countries in transition to democracy.[11]

Pluralist democracy was also a key value promoted from the very outset. The Council of Europe took a clear position against all forms of dictatorship, which earned it extreme resentment from totalitarian and authoritarian regimes but made it attractive to the resistance and dissident movements emerging in Portugal and Spain as well as in countries behind the Iron Curtain. When these countries made their transition to democratic governance there were immediate contacts with the Council of Europe, and in 1989 a special guest status in the Parliamentary Assembly of the Council of Europe was invented to accelerate the prospective reunification of the continent.[12]

A gradual enlargement of the Council of Europe followed in the 1990s, as membership was granted to countries that had taken their first steps towards pluralist democracy and started building or rebuilding their legal systems and judiciary institutions. A long and heated discussion ensued, however, on the question of which countries should qualify, focusing on the concept of European values. It was not easy to agree on how these ideals could best be served: by accepting applicant states which expressed a belief in these ideas and a strong determination to adapt their systems accordingly, or by taking a tougher line which acknowledged their commitment but pointed out that they still had a long way to go and told them to come back when they had really accomplished something. Two alternative strategies for enlargement were at stake: cautious trust, or tough conditionality and uncompromising demands.

The answer came to be somewhere in between. No country was admitted just in return for glib promises, nor was the barrier set so high that they could not get over it. Many countries complained about double standards, and certainly double standards existed. In effect, a variety of thresholds were constructed so as to allow for serious efforts to be rewarded and for progress to be duly recognized. Some negotiations for entry lasted one year, others as long as four years, and during this period an intense dialogue was maintained on European standards in different fields as well as a concrete advice and consul-

[10] See URL <http://conventions.coe.int/Treaty/en/Treaties/Html/126.htm>; and URL <http://conventions.coe.int/treaty/en/treaties/html/164.htm>, respectively.

[11] On the ECRI see URL <http://www.coe.int/t/E/human_rights/ecri>; on the European Committee URL <http://www.cpt.coe.int/en>; and on the Venice Commission URL <http://www.venice.coe.int>.

[12] On the Parliamentary Assembly see URL <http://www.radaeuropy.sk/english/documents_coe/parliamentary_assem/assembly.html>.

tations to promote desirable reforms. A Swiss representative in the Council of Europe Parliamentary Assembly coined the description of this strategy as a two-handed formula ('der Herrgott hat uns zwei Hände gegeben'[13]): one to bang on the table or to wave as a clenched fist in protest against unacceptable violations, and the other to welcome and reach out to help.

Within the old member states, there were those who were apprehensive that the soul of the Council of Europe would be lost through this rapid enlargement process. However, a solid majority came to be convinced that European values could be efficiently promoted through a combination of intense cooperation and continued vigilance. On this basis, inclusion could be considered better than exclusion.

Second thoughts may be justified regarding some details of the schedule of accessions, but it would not be right to conclude that European values suffered in this process—quite the opposite. If the history of the Council of Europe is examined and its five completed decades compared, it would be hard to claim that any of them devoted so much attention to the core values of human rights, democracy and the rule of law as did the period after 1989.

The rule of law is a broad notion, but one of its central components is the building of reliable judiciary institutions and adequate responses to insecurity—which is in the broader sense the topic of this volume. One of the key tasks undertaken in the process of enlargement of the Council of Europe has been to support the efforts of the new member states to upgrade their capacity in this field and to strengthen their defences against crime in various forms. Some 20 conventions and over 100 recommendations of the Council of Europe are related to this objective, including extradition rules and measures against corruption and money laundering.

In the course of these developments the very concept of European values revealed itself as something of a conundrum. What values?, people asked. Had not some of the worst crimes in world history been committed by Europeans? What about the gulags, the Holocaust and the colonial massacres? The answer is of course that the notion of values is normative, not descriptive. The issue is not the actual behaviour of Europeans in the past, but rather the principles and standards that enlightened Europeans have agreed upon to constitute their guidelines for the future. Even today there are serious violations of these principles, with European governments among the sinners. The various supervision mechanisms within the Council of Europe exist to deal with such problems, sometimes supplemented by targeted forms of assistance to governments that are trying to tackle them on the home front.

A second question often raised in the past decade referred to the geographical component in the concept. Are there really 'European' values as distinct from US values or Asian values? The answer needs to be divided into two parts. One the one hand, the normative core of mankind's common values corresponds to a set of universal principles laid down in the 1948 United Nations

[13] Literally, 'The Lord God has given us two hands'.

Universal Declaration of Human Rights and UN Covenants.[14] Human rights are essentially universal, even though Europeans have added some accents of their own. On the other hand, an empirical attempt could be made to try to learn what people in different continents really believe in. This would in fact find some differences. According to the European Values Survey, 86 per cent of Europeans say that they prefer a democratic political system. The corresponding figure for Africa, Asia and South America is much lower, mostly under 50 per cent.[15] What can also be found in Europe is strong support for the welfare state (almost 70 per cent) and relatively strong support for the market economy (56 per cent in the current EU member states and 61 per cent in Eastern Europe). A certain shift can also be seen 'from traditional values (law and order, material security, rigid social norms) to post-material values (self expression, quality of life, tolerance and openness'.[16]

So far as the Council of Europe is concerned, the point to note is that values could be kept centre-stage in its work because most of the economic problems were being handled somewhere else. Many of the instruments invented by the Council exist to defend and promote core European values, and that is why the commitment to such values was always an important condition for membership.

The Organization for Security and Co-operation in Europe

The OSCE has hardly any value-related accession criteria since this body embraces all the states in the wider Europe, plus Canada and the United States. Nevertheless, there is a proud history of value promotion in this organization as well. In the Helsinki Final Act of 1975,[17] the recognition of human rights was given a prominent place. Even if the regimes of the Soviet bloc had no intention at the time of honouring these solemn commitments, but accepted them mainly for other purposes—not least the recognition of established borders—they were soon reminded of them by dissident movements in their own societies. Helsinki Watch (now part of Human Rights Watch), the Helsinki Human Rights Committee and Charta 77 were all built on the idea of confronting tyrants with their own pledges.[18] It was a daring enterprise but eventually quite fruitful, in that the pledges survived the tyrants.

[14] See URL <http://www.un.org/Overview/rights.html>.

[15] European Commission, 'Evolution of values and deep-seated attitudes in Europe', Background paper for the Athens meeting, 18 Apr. 2003, Round Table on A Sustainable Project for Europe, URL <http://europa.eu.int/comm/dgs/policy_advisers/experts_groups/gsk_docs/background_paper_athens_en.pdf>.

[16] European Commission (note 15), p. 2.

[17] See URL <http://www.osce.org/docs/english/1990-1999/summits/helfa75e.htm>.

[18] On Helsinki Watch see URL <http://www.hrw.org>; on Charta 77 URL <http://www.bariery.cz/en/nadace>; and on the Helsinki Human Rights Committee URL <http://www.geocities.com/CapitolHill/Senate/1447/RIGHTS9.HTM>.

The European Communities and the European Union

The third and largest of these European bodies was for a long time the least value-oriented of them all. For much of their early decades, the European Communities (EC) concentrated almost exclusively on trade, customs, investments, competition and monetary matters, with very little time for such issues as human rights or the expansion of democracy. These matters did, however, arise in the external relations of the EC, as objectives for development cooperation or as conditions for trade concessions, but for a long time they played no significant role in the EC's internal affairs. They appeared in the 'Copenhagen criteria' for the enlargement of the EU to include Central European applicants[19] and in the 'third pillar' of justice and home affairs cooperation added through the 1992 Maastricht Treaty,[20] but it is really only in the past few years that any real breakthrough has been made towards a strong value orientation in the EU.

The situation in 2003 is quite different. An obvious example is the EU Charter of Fundamental Rights, which will most likely become the second part of the new constitution.[21] At the first European Convention, where this Charter was worked out, many interventions called for a shift in emphasis in the Union from purely economic concerns towards moral standards and political principles. 'Die Union ist nicht nur Wirtschaft und Währung, sondern auch Werte'[22]—that was how this idea was expressed in German, with better alliteration than any other language could offer. This conviction was widely embraced by the participants in the first convention.

Now that the second (constitutional) European Convention has concluded its work, it is evident that this reorientation is supported broadly. There seems to be a growing consensus that mutual economic benefits are not enough to keep the Union together, and that it also needs some sort of spiritual dimension. Spiritual does not have to mean religious—that is another discussion—but it should convey at least an attachment to moral and political principles, to a set of common ideals embodied in the European socio-economic model: perhaps best summed up as freedom combined with social justice.

This may prove to be only the beginning of a new departure for the EU. This body—a difficult one to describe because it is already more than an international organization but still less than a state (an 'unidentified political object', in the words of Jacques Delors)—is on the verge of the fourth stage of

[19] The accession criteria for new EU members were adopted by the Copenhagen European Council in 1993; they are available at URL <http://europa.eu.int/comm/enlargement/intro/criteria.htm>.

[20] The text of the Treaty on European Union (Maastricht Treaty) is available at URL <http://europa.eu.int/abc/obj/treaties/en/entoc01.htm>.

[21] The text of the Charter of Fundamental Rights of the European Union is available in *Official Journal of the European Communities,* C 364/19 (18 Dec. 2000), also available at URL <http://www.europarl.eu.int/charter/pdf/text_en.pdf>. The European Convention, created to discuss the future of the EU in 2002–2003, recommended the incorporation of the Charter in the draft Treaty establishing a Constitution for Europe which it produced in July 2003; see URL <http://european-convention.eu.int/docs/Treaty/cv00850.en03.pdf>.

[22] 'The Union is not just about economy and currency, but also about values.'

its historic development. The Common Market, the Internal Market and the Monetary Union have more or less been completed, but the next project—the Citizens' Europe—is still only on the drawing board. For those who want European integration to continue, it is precisely in the sphere of values that there is much more work to be done.

Something called 'cohesion policy' does exist in Europe, but that has so far been a specific undertaking mainly emphasizing the economic development of more backward areas. That is all very well, but if Europeans are serious about cohesion there are many other things to do in such important fields as culture, education, mass communication and the preservation of our heritage. Should the EU embark now on a serious policy for European cohesion, it would need not just to borrow part of the agenda of the Council of Europe but to implement it on a much wider scale—which would require a major reshuffle of its resources.[23]

III. Envoi

This brings the argument back to its starting point. What price values? What kind of sacrifices should Europeans (and others) be prepared to make in order to promote common ideals and to strengthen the rule of law, the respect for human rights and the consolidation of democracy, in Europe and around the globe? These objectives should surely be placed high on the policy agenda, whether from the standpoint of economic considerations, security considerations or simply the desire to live in a better world. Mind and matter point in the same direction: whether from materialistic motives or idealistic conviction, we arrive ultimately at the same end station. Prices need to be known and correctly calculated, otherwise economies would grind to a halt. Principles and convictions need to be taken just as seriously. If the world wants to keep its communities, countries and continents together, there is no alternative to basing them on a set of common values.

[23] See Tarschys, D., *Reinventing Cohesion: The Future of European Structural Policy*, Report no. 17 (Swedish Institute for European Policy Studies: Stockholm, 2003), available at URL <http://www.sieps.su.se/_pdf/Publikationer/200317.pdf>.