



Episode 6

Is the EU a waste of money?



MONSTER
under THE BED



Podcast: Monster Under the Bed

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Published by the European Investment Bank.

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Transcript: Episode 6

Intro

Allar: Don't be scared. This is the podcast that always leaves the light on.

(Music)

Allar (over the music): This is Monster Under the Bed. The podcast that takes some of the fears and myths in our society and busts them wide open. I'm Allar Tankler.

End of intro

Vox pop

Male voice 1: Twenty years ago, we had a war, and twenty years after we will be a part of European family. We are very happy. We hope that our entrepreneurial and economic situation will be better.

Female voice 1: A better life, maybe not for my generation, but for younger generations.

Female voice 2: Professional wise, I think it's gonna be easier for young people to connect to the other cultures. I think it's gonna be very good for them.

Male voice 2: Many young people will find a job. Because we have very well educated young people.

Male voice 3: I'm very satisfied, we've been waiting for 10 years. We were always in Europe, but now that we're in greater Europe, we are more sure, there are more opportunities for business, for exchange of people.

Male voice 4: We are becoming a part of something bigger and it is always a joy. Other countries will respect us more.

Female voice 3: We are not strong enough to be an island so I think it will be good.

Male voice 1: We are very happy to be the 28th star of the EU.

Studio

Allar: OK, what did we just hear, Nikola? Who are these people?

Nikola: The people you heard are ordinary citizens recorded on the streets of Zagreb back in 2013, just days before Croatia was set to become a member of the European Union.

Allar: I know you're a proud Croat, but I'm a bit confused, I have to say. I thought that today we were supposed to talk about something often heard in the last few years – that the European Union costs too much.

Nikola: That's exactly what we will be doing, Allar! Instead of going over whether some countries pay in more money than they receive from the EU budget, I want us to look at this topic from a different perspective.

Allar: I do kind of zone out the moment somebody starts talking numbers, so that sounds good.

Nikola: Don't worry. I'll tell you just how little we pay into the budget as individuals, but also explain why the EU budget is not even the most important issue.

Allar: OK, I see your point, but how are we going to dismantle this myth and slay this monster then? This idea that the EU is something to scare people with.

Nikola: We're going to focus on what the EU does for its citizens, and let our audience decide whether the benefits outweigh its costs!

Allar: So today on Monster Under the Bed...

Nikola: Is the EU a waste of money?

Allar: Monster Under the Bed is a podcast from the European Investment Bank, the EU bank. We're exploring different fears and beliefs people have which are costing us as a society. In each episode of the podcast, we fight one imaginary monster under the bed and win the battle for a more rational way of doing things in the spheres of education, healthcare, climate, and many others.

Nikola: I'm Nikola, and I work with Allar at the European Investment Bank. So that you don't miss an episode, subscribe to Monster Under the Bed on iTunes, Acast, Stitcher, player.fm or wherever you get your podcasts.

Allar: And let us know if you can think of a monster we should expose on future episodes. Get in touch with me on Twitter [@AllarTankler](#) or you just tag [@eib](#).

Allar: In the last few years, the EU budget has become a major topic of public discourse – whether in the media, or in our neighbourhood cafes. Something that once felt so remote has pretty much gone mainstream. A lot of it has to do with Brexit, of course.

Nikola: True! People all over Europe are talking about the European Union like never before. And a lot of it has to do with how much the EU costs them AND their countries.

Allar: But I still get a feeling that not everybody really understands how the EU budget even works.

Nikola: I completely agree – I, myself, wasn't a 100% on how the budget is decided, collected or spent. That is why I decided to talk to **Mariusz Krukowski**, who works on EU budget issues and Brexit, among other things, in the Bruxelles office of the European Investment Bank.

Mariusz: First, we need to explain what the EU budget is. The simplest explanation is that it is a policy instrument. From this perspective, it doesn't differ that much from home budget and national budget. What is different is it how it decided collected and spent. Everything starts with the so-called Multiannual Financial Framework, which is the EU budget for 7 years. Every seven years there is a proposal from the Commission based on the political priorities in the EU for the next seven years, presented to member states through the EU parliament. Leaders, representatives of member states, members of the Parliament sit together, discuss, and decide priorities in the next seven years, and how they should be financed. What is important is not all EU priorities require financing, I would even say that the minority of priorities require financing. A lot is decided without any financing. For example, roaming. No EU budget resources are needed in order to decrease the fee for roaming. It's regulation and legislation, and majority of priorities can be decided and implemented without any financing.

Allar: So, if I get this correctly, the EU budget is not even the most important EU policy instrument?

Nikola: Don't get me wrong – it is important, but it is not the only way the European Union contributes to the life of its citizens. It is actually not even that big compared to some national budgets. For example, in 2017, Austria had a bigger budget than the whole EU. So did Belgium.

The Vice President of the European Investment Bank and former Finnish Prime Minister, **Alexander Stubb**, explains how big the budget actually is.

VP Stubb: First observation is that the EU budget is actually quite small in comparison to national budgets. The reason is very simple, the EU doesn't have redistributable value, it doesn't give you healthcare, pensions, education, and so on.

It's focused on other things. The rule of thumb is that the EU budget is about one percent of the EU GDP, while national budgets hover between 25 and 40%. So you see it's a colossal difference.

Nikola: The reason the budget is smaller is that unlike national budgets, which are mainly used to provide public services and fund social security systems, the EU budget is primarily used for investment.

VP Stubb: I think the basic thinking is that the discussion on EU money is based on grants, so how much does a given country get, and how much does a given country put out, are you a net contributor or receiver. If you're a farmer, or a student, or if you're doing research at a university, it's very important. If you're building roads, the EU is important, but for you and I it is a little bit less because it doesn't touch us every day directly.

It's much more interesting for you and I to see how much do we pay for municipality and country in tax, and what do we get in return. On the EU side, it's a little bit less tangible, it's about free travel, low cost for roaming, possibilities to study in another country, work in another country, about common money, which is much easier to use than having many different currencies around. And those kinds of thing, they sort of become normal so

you don't think about it until someone in a newspaper says: "Oh, no, the EU costs too much, look how much we're subsidising the farmers!" So, it's sort of a catch 22.

Nikola: And Allar, I think this is the key point of the discussion on EU budget. It's not about the money.

As mobile roaming and travelling across borders are not necessarily an everyday part of most of our lives, people tend to take them for granted. But, as Mariusz says, the EU is about so much more than roads and other projects it finances.

Mariusz: I agree that the easiest way to believe that good things are financed is to see it on the ground. And at least in the country I know best, Poland, I cannot find almost any city or a village without EU signs on the things that were financed thanks to the EU resources. Indeed, it is good to show people tangible results of EU spending, but on the other hand, I would repeat and it's very important. We cannot say to people and present to them only the things that are being financed through the EU budget, because the EU is much more than EU budget resources. It's about single market, common currency, external policy, data protection, Schengen, Erasmus. Those things, not all of them require financing. We need to be aware that EU is not only about EU budget.

Allar: Another thing we hear often in these discussions is not just about how much the EU costs a particular country, but how much it costs in relation to other countries.

Nikola: Ah, you mean the theory that EU funding only helps poorer EU countries?

Allar: It is a fact. Richer countries contribute more to the budget. In 2017, 9 countries – the so-called net contributors, contributed more than they got back from it, with Germany topping the list.

Nikola: That's right. However, what you also have to consider is that each country pays the same proportion of its national income to the EU budget, which means that the richer countries necessarily pay more and the poorer ones less.

The other thing is that most of the EU budget goes to two main areas – agriculture and the development of poorer areas of the EU.

Allar: So it is to be expected that the less developed countries will receive more from the budget. I see.

Nikola: There is another reason. I talked to University of Luxembourg's economic historian, **Elena Danescu** and the European Investment Bank's Vice President Stubb, about it.

Elena: In 2017, 9 of the richest countries paid more into the EU budget than they received in EU funding. However, in return for their larger contribution, they enjoy the many benefits that the EU provides, peace, stability, security, the freedom to life, work, and travel anywhere in the bloc.

Also, the money spent in one EU country can benefit other countries. For example, funding to protect EU external borders goes only to countries that border non-EU countries. It is the situation of Croatia, Hungary, Greece, Poland. This clearly benefits other countries too.

VP Stubb: The thinking inside the EU is a little bit like the welfare state. Everyone thinks that equality, solidarity, equal and fair distribution of income, is a good thing. That's why you pay tax, that's why you have progressive tax rates - so if you make a lot, you pay more tax, if you make less, you pay less tax. The same principle applies for the EU. In the wonderful jargon of the EU, it is called cohesion. So, the basic idea when the EU was founded was to try to give some subsidies to the poorer countries to achieve equality between regions. And of course, the thing has worked. Take an example, the Netherlands has always been a fairly rich country. It was a hell of a lot better off after World War II, compared to southern Italy. Now if you compare the two regions, areas, the distribution of income and wealth is much more equal than it ever was. Same with central and Eastern Europe... 1989 is just around the corner, and yet you look at the Central and Eastern European countries and the amount wealth they managed to accumulate, and that's not only because of grants, but because they're part of the European project.

Allar: For all those who are wondering what cohesion means. Economic and social cohesion is about 'reducing disparities between the various regions in the EU', which in a nutshell, is achieving equality among different regions of the EU.

Nikola: And it's not only equality the EU strives to achieve.

Mariusz: The most important is the three things, peace, stability, and prosperity. Often these things are taken for granted. Peace. After World War II,

it's one of the longest periods in Europe without a major conflict and everyone thinks it will be the case for next decades, centuries. But, see what's happening in eastern Ukraine, and you will see that we should not take It for granted. Stability. One of the main products of EU is export of stability. And prosperity. The EU was created to help the original six countries to cooperate together for the common benefit, and through all those years it showed, with single market and the European Union we can all benefit. Those three things are valid for anyone who is still outside, and would like to join the EU and benefit from its membership.

Allar: All of this sounds great – so why do some believe the EU is a waste of money?

Nikola: Allar, do you know that an average EU citizen pays €187 per year towards the EU budget— less than the price of an average cup of coffee per day? I know that's relative – for some that's a lot of money. BUT it doesn't sound like SO MUCH for all of these benefits.

My interviewees talked about two major reasons people believe the EU costs them too much, touching upon the topic of Brexit as well. First of all, disinformation.

Mariusz: It is absolutely crucial that EU is seen and presented in all the countries as something internal, not external. It shouldn't be treated as a baddie that is imposing anything on you from abroad. If you see anyone claiming that Bruxelles is responsible for something negative, the one should think what do they think by Bruxelles.

Allow me not to judge British citizens in why they believed what they saw on those big red buses. Being a part of EU budget negotiations in my previous job, I noticed this problem started much earlier. At least in 1984 with this famous phrase from Margaret Thatcher: "I want my money back". In general terms, if you present to your citizens only from the perspective of cash flow, then you cannot expect that the outcome, the vision of the EU, would be much different than of that presented on those buses. EU is not only about money, this is something I will repeat again and again.

VP Stubb: Because fake news and scrupulous lies by people trying to provide a message that is not true. We all know that Brexit, the referendum was won on a complete false premise. All the stuff about how much money we could put in the NHS, I mean, it's utter rubbish. But that's the world we live in. There's

plenty of information, and a war of information. The one who presents the case in a simple clear way, usually wins at the end of the day, and this is a sad state of affairs. But instead of lamenting about it, I think it's important to put forward a different type of a message. The only problem is that the EU is quite often good news and good news doesn't sell,

Nikola: Then there is the lack of education on the EU.

Mariusz: I would say that they are not really familiar with how the EU budget works, but the question is whether they need to know it in details. If you compare it to the situation, ask the same question about the national budgets, I would say not really, maybe a bit more, but no. So for me what is important not the knowledge about the technicalities of the budget, but whether they agree with the priorities, they agree to spend resources on the priorities, they trust the institutions and procedures, whether they believe there is transparency and accountability. Example, it is not needed that European students know how the Erasmus budget is decided, but what is important for them is that thanks to this programme they can study abroad.

Nikola: As you heard from Mariusz, it's not even needed to know all the details on how the EU or its budget work, but what it is important is to understand and agree with the priorities of the EU.

Allow me to speak from personal experience. My friends and I have a tradition of playing a New Year's Eve quiz. Last year, I was the one writing the quiz, and since I was a journalist, and now I work for the EU, I put in some questions on the EU and Brexit.

Let's just say, none of my friends excelled in this part of the quiz. Even though all of them are university educated, and they were all old enough to vote during the Croatian referendum on joining the EU.

But for this podcast I asked them how did their life change since Croatia became a part of the EU?

Girl's voice: Being part of the EU has made my life easier because I really like to travel and now I can travel and cross borders without my passport, just with my ID. Also, I don't have to think about visas or to pay visas, and because of that I can travel cheaper and faster.

Boy's voice: Some of my friends used this opportunity to go and study in other European countries. Some of them found jobs there and there are now equal

to the citizens of the countries where they went. Since there are no more roaming charges, they can always stay in contact with their friends and families wherever you go.

Girl's voice 2: A lot of things have been easier for us compared to the older generations. For example, it's so much easier to get a job abroad these days without being looked down upon just because you're from a small country because we're a part of the EU now.

Boy's voice: Being a part of a group of 28 countries helps providing safety and equality to all the citizens in the Union, which wasn't the case before we joined.

Girl's voice 2: Also, EU maintains peace in Europe, which some might take for granted, unlike people in Croatia, where war is not so distant history.

Nikola: See? They might not know much about the EU institutions, but they knew what was important. They knew that the EU changed their lives for the better.

It has certainly made my life better. I am very well aware I wouldn't even have the life I have today without the EU. I wouldn't have the friends I have, nor would I work here.

So maybe in this case, and I cannot believe that I'm going to say this as a former journalist, it's not enough to just follow the money.

Allar: Because the EU is about so much more than roads built and grants given. Well, I wish more people looked at this topic from this perspective. Especially, in the current political climate.

Nikola: It's not all bad. Elena Danescu had an interesting point of view on that.

Elena: It's the moment to change the paradigm of the EU communication and policy. Brexit is a crisis, but it's also a huge opportunity.

Nikola: It's true. Last year's EU public opinion survey showed a growing appreciation for EU membership. 68% of Europeans said they believed their country has benefitted from EU membership - the highest figure since 1983.

Listen, Allar – nobody's saying the EU is perfect, and that there is no room for improvements, but if we believe in its values, we should all work on making it

better. You called me a proud Croat at the beginning of the episode, but I'm a proud European as well. And there's no reason you can't be both.

Allar: Thank you, Nikola!

Join us again next week when we will slay yet another monster under the bed. In the meantime, subscribe and review this podcast. And get in touch with me on Twitter if you have a monster of your own. I'm [@allartankler](#). Thanks for listening and until next time!

(Outro music)



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