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European University Institute

New York University School of Law

present

PROGRESSIVE GOVERNANCE FOR THE XXI CENTURY

IL RIFORMISMO NEL XXI SECOLO

PANEL:
Tony Blair
Fernando H. Cardoso
William Jefferson Clinton
Massimo D'Alema
Lionel Jospin
Gerhard Schroeder

Speakers:
Norman Dorsen
Yves Mény
Javier Solana
Juan Somavia

In cooperation with CESPI-IAI-ISPI

Firenze, 21 novembre 1999

Palazzo Vecchio
Domenica, 21 Novembre

9:45	Arrivo dei Capi di Stato e di Governo a Palazzo Vecchio Foto di famiglia davanti l'ingresso di Palazzo Vecchio
10:00	Salone dei Duecento *(Incontro dei Capi di Stato e di Governo)*
10:30	Salone dei Cinquecento *Ingresso invitati*
11:00	Ingresso dei Capi di Stato e di Governo *Indirizzo di saluto:* Leonardo Domenici, *Sindaco di Firenze* *Introduzione ai lavori:* Patrick Masterson *Presidente dell'Istituto Universitario Europeo* L. Jay Oliva *Presidente della New York University*
11:15-13:15	**La Nuova Economia: Uguaglianza e Opportunità** Discussione tra i Capi di Stato e di Governo Presiede *Massimo D'Alema*
13:30	Sala dell'Udienza e Sala dei Gigli Colazione di lavoro (su invito) Intervento di *Juan Somavia* Intervento di *Javier Solana* *Cortile dell'Anagrafe* Colazione-buffet per gli invitati alla conferenza
15:00-17:00	Salone dei Cinquecento **Le Democrazie nel XXI Secolo: Valori, Diritti e Responsabilità"** Presiede *Massimo D'Alema* Interventi introduttivi di: *Yves Mény,* Istituto Universitario Europeo *Norman Dorsen,* New York University, School of Law Domande e risposte con il pubblico
17:00-17:30	Considerazioni conclusive di *Massimo D'Alema* e dichiarazioni finali dei Capi di Stato e di Governo

Palazzo Vecchio
Sunday, November 21st

9:45 a.m.	The Heads of State and Government arrive at Palazzo Vecchio Family photo in front of the entry of Palazzo Vecchio
10:00 a.m.	Salone dei Duecento *(Working breakfast for Heads of State and Government)*
10:30 a.m.	Salone dei Cinquecento *Admittance of invited guests*
11:00 a.m.	*Welcome remarks:* Leonardo Domenici, *Major of Florence* *Introductory remarks* Patrick Masterson *President of the European University Institute* L. Jay Oliva *President of the New York University*
11:15-1:15 p.m.	**The New Economy: Equality and Opportunity** Discussion between Heads of State and Government Chairman: *Massimo D'Alema*
1:30 p.m.	Sala dell'Udienza and Sala dei Gigli Working lunch (by invitation only) Remarks by *Juan Somavia* Remarks by *Javier Solana* *Cortile dell'Anagrafe* Lunch-buffet for the participants to the conference
3:00-5:00 p.m.	Salone dei Cinquecento **The Democracies in the XXI Century: Values, Rights and Responsibilities** *Chairman:* Massimo D'Alema *Introductory remarks* *Yves Mény,* European University Institute *Norman Dorsen,* New York University, School of Law Questions from the floor and answers from the Heads of State and Government
5:00-5:30 p.m.	Final remarks by *Massimo D'Alema* and closing statements by the Heads of State and Government

EUROPEAN UNIVERSITY INSTITUTE

NYU LAW
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Papers prepared in occasion of the Conference

PROGRESSIVE GOVERNANCE FOR THE XXI CENTURY

IL RIFORMISMO NEL XXI SECOLO

Florence, 21st November 1999

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European University Institute

New York University

EUROPEAN UNIVERSITY INSTITUTE

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by *Philip Alston*

Paper prepared in occasion of the Conference
"Progressive Governance for the 21st Century"
Florence, Sunday, 21st November 1999

Panel

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The "Not-a-cat" Syndrome: Re-thinking Human Rights Law to Meet the Needs of the Twenty-first Century

Philip Alston*

A. Introduction

When one of my daughters was eighteen months old she deftly transcended her linguistic limitations by describing a rabbit as a "not-a-cat". In the human rights arena an almost identical technique is pervasive. Civil society actors are described as *non*-governmental organizations. Terrorist groups or others threatening the state's monopoly of power are delicately referred to as *non*-state actors. So too are transnational corporations and multinational banks, despite their somewhat more benign influence. International institutions, including those which wield immense influence while disavowing all pretensions to exercise authority per se, such as the International Monetary Fund and the World Bank, are classified as *non*-state entities.

Apart from its ability to obfuscate almost any debate, this insistence upon defining all actors in terms of what they are not, combines both impeccable purism in terms of traditional international legal analysis with an unparalleled capacity to marginalise a significant part of the international human rights regime from the most vital challenges confronting global governance at the dawn of the twenty-first century. In essence, these negative, euphemistic terms stem not from language inadequacies but instead have been intentionally adopted in order to reinforce the assumption that the state is not only the central actor, but also the indispensable and pivotal one around which all other entities revolve. Accordingly, for the purposes of international legal discourse – the language of human rights – those other entities can only be identified in terms of their relationship to the state. Just like my daughter's rabbit, anything that is not a state, whether it be me, IBM, the IMF, Shell, Sendero Luminoso or Amnesty International, is conceptualised as a "not-a-state".

It is thus neither accidental, nor perhaps surprising, that the United Nations has an editorial rule which requires that the word 'State' should always be capitalised (i.e. that upper case format be used).[1] Apart from recalling the insistence of religious publications that god must always be acknowledged as God, this usage merely encapsulates the assumptions of 1945. But the problem is that it also sets those assumptions in stone at a time when that particular stone is competing with quite a few others as the embodiment of power and even authority. It is revealing that no matter how subversive of the legitimacy of a given state it might be, every human rights document produced under the auspices of the United Nations requires its author(s) to genuflect in this way before the altar of 'State' sovereignty every time the word is mentioned. None of this is to suggest that the state is not important, let alone to endorse the more extreme versions of the 'state is dead' thesis. It is simply to underline the fact that the world is a much more poly-centric place than it was in 1945

* Professor of International Law, European University Institute; Editor, European Journal of International Law; former Chairperson, UN Committee on Economic, Social and Cultural Rights (1991-98). This is an unfinished paper which is part of a larger study.

[1] Interestingly, the only UN document in which it is not capitalised is the UN Charter itself. That document pays linguistic homage to 'Members' rather than states *per se*.

and that she who sees the world essentially through the prism of the 'State' will be seeing a rather distorted image as we enter the twenty-first century.

The thrust of this paper is that such a uni-dimensional or monochromatic way of viewing the world is not only misleading, but makes it much more difficult to adapt the human rights regime in order to take adequate account of the fundamental changes that have occurred in recent years. The challenge that it lays down is one of re-imagining, as the social scientists would put it, the nature of the human rights regime and the relationships among the different actors within it. Lawyers, not being noted for their creativity, might prefer to see the task in terms of re-interpreting existing concepts and procedures rather than re-imagining. Hopefully, the outcome will be similar however we label the process.

B. Putting the issues into perspective

The international human rights regime, as we know it, is only 50 years old. Most non-specialists would be surprised to learn that sustained and (even partially) effective international efforts to achieve implementation are barely more than 20 years old. While enormous progress has been achieved in that time, the dramatic changes that have taken place over the past decade now pose fundamental challenges to some of the basic assumptions upon which the system has been constructed. As a result, the most pressing tasks in preparing for the twenty-first century are to explore the significance for human rights of the far-reaching developments that have occurred, especially since the watershed year of 1989 and to examine how the international regime might be re-structured to enable it to respond effectively to the resulting challenges.

Given the potential breadth of this focus, it is perhaps most instructive to begin by indicating what this paper is not about. In the first place, it does not focus on globalisation as such. That topic – as broad, ubiquitous, chameleon-like, and both seductively and irritatingly vague as it is – is the indispensable backdrop against which the present analysis proceeds. Nonetheless, because the issue is addressed by several other papers being submitted to the international dialogue, no attempt at a systematic analysis is made here. Second, the paper is not concerned with the impact of globalisation and the phenomena associated with it on the enjoyment or realisation of human rights. That impact is considerable, complex and multi-faceted, but it is by no means either an unqualified good or evil.

Third, nor does the paper deal with the new challenges to the content of human rights standards which are being generated by developments in the era of the internet, cloning, genetic manipulation, or constant 24 hour financial flows and market operations. Those issues range from hate speech and pornography on the internet, through the human genome and a seemingly endless array of other questions arising in the realm of human bio-ethics, to the future of the right to privacy (a very unpromising future if we are to believe *The Economist*!). These and many other issues pose fundamental questions for the development of human rights law and they are intimately linked to the challenges of governance in the twenty-first century, but they are well beyond the intended scope of the present paper.

Finally, the focus is not on the issues of ethical or cultural relativism, the clash of

civilisations, or the threat from fundamentalism in any of its forms. These catchwords all denote (albeit very inadequately) issues of great import which will assume even greater relevance in the human rights arena in the first part of the next century. This is, of course, not to suggest that the critique of human rights as a quintessentially, uniquely, and irrevocably Western notion is ultimately compelling. Nor does the paper address the related post-modernist critique, sometimes linked to the processes of globalization, that notions of rights cannot be separated from the societies in which they are put forward and that any universalist project for promoting human rights is doomed to fail. As one critic has put it, "the international regime which attempts on a global scale to promote decontextualised human rights is engaging in a near-impossible task." All these issues pose major challenges for the place of a human rights regime within the context of progressive governance for the twenty-first century but are beyond the scope of the present analysis.

So, the reader might reasonably ask, what remains? The focus is essentially on the continuing viability, in the face of globalization and its effects, of a human rights regime which is premised indispensably upon the notion of establishing, and if necessary even imposing, accountability on those entities whose actions impinge significantly upon the enjoyment of human rights. Accountability, as the leitmotif of the whole regime is greatly weakened if key actors are effectively exempted from its purview. As Kofi Annan stated in his Annual Report presented in September 1999: "...the combination of underdevelopment, globalization and rapid change poses particular challenges to the international human rights regime. ... [T]he pursuit of development, the engagement with globalization, and the management of change must all yield to human rights imperatives rather than the reverse.[2]

The starting point of this analysis is to reflect upon the extent to which the institutional and other assumptions of the human rights regime are predicated on thinking which is now increasingly anachronistic. In essence, the system as it was designed in 1945 and, to a large extent, as it has evolved since is fundamentally state-centric. States alone are the subjects of international law;[3] human rights treaties are negotiated among States and with only limited involvement by other actors; the majority of human rights treaties are adopted on the basis of a consensus among states, thus giving any government at least a potential veto power and certainly the ability to delay the drafting process; human rights obligations attach directly only to States and not to other entities; the international implementation machinery is a creature of States and is dependent upon them legally, politically and financially; national level implementation is a function for States to perform; when international bodies monitor compliance, they focus only on governmental compliance; and when sanctions are applied they are imposed upon states and enforced by (or, more commonly, undermined with the acquiescence of) states. Indeed, it has often been said that the international human rights system makes an important contribution to the

[2] *Report of the Secretary-General on the work of the Organization*, UN doc. A/54/1 (1999), para. 275.

[3] While international lawyers have long debated the circumstances under which other actors might also be characterized as subjects, the bottom line is that while various actors have been accorded some form of international legal personality for specified purposes, this hardly justifies the conclusion that international law treats them as subjects, and thus on a par with states. See generally P. Malanczuk, *Akehurst's Modern Introduction to International Law* (7th ed, 1997), chapter 6.

legitimacy of states, both by enabling them to claim the moral high ground and by giving them the opportunity to take on obligations which, in effect, legitimise a more activist or interventionist role for the government within society. Taken to its extreme this critique portrays the human rights enterprise as providing a powerful potential weapon in the suppression of societal freedom rather than being the empowering or liberating force which it is generally assumed to be.

In contrast, the world that the twenty-first century is about to inherit is one in which the overall role of the state within society is diminishing and is being supplemented and in part replaced by a diverse range of other actors. While some are active at the local level and others at the global level, what they have in common is their by-passing of the centralized apparatus of the state. The latter is no longer the essential intermediary. In this view of current developments, the principle of human rights accountability on one hand and globalization on the other might be seen as different trains heading at considerable speed in opposite directions. Globalization (at least as an ideal type) is premised upon flexibility, adaptability, poly-centricity, informality, and speedy, tailored and innovative responses to rapidly changing circumstances. In less positive terms it conjures up adjectives such as opportunistic, ad hoc, uncontrollable, unprincipled, and undemocratic (in the sense that many of its targets have no choice but to conform to its imperatives).[4] The human rights regime (especially the non-ideal type portrayed by its critics) is very different. In positive terms, it might be characterised as being solid, principled, not easily manipulated, committed to procedural integrity, and careful not to reach beyond its authorised grasp. In more pejorative terms it might be considered to be stolid, excessively gradualist, cautious, rigid, resistant to innovation, and legalistic. In essence then, globalization has a variety of characteristics which are largely alien to the regime of human rights accountability and the latter is not at all well constructed in order to enable it to adapt, let alone to transform itself, in response to new challenges.

These are, of course, stereotypical images of each and it is not difficult to point to counter examples. Thus the processes of globalization have been at least diverted if not halted by determined action on the part of civil society, such as the enforced abandonment of efforts to adopt the Multilateral Agreement on Investment within the framework of the OECD, the pressures brought upon the WTO to take greater account of environmental considerations,[5] and the concerted campaign against "the worst forms child labour" within the context of the ILO[6]. Similarly, the human rights regime has shown itself on occasion to be innovative and able to adapt. The abrupt change of attitude towards international criminal courts, the eventual (albeit belated)

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[4] Thomas Friedman is perhaps the best known exponent of this view. In his view, efforts by Western European nations to defend the welfare state as they know it are doomed. "The inevitable adjustment will be enormously painful, but they will be forced to do it in order to maintain anything like their current standards of living." *The Lexus and the Olive Tree* (1999). For a strong European rejection of such 'inevitablism', see Ignacio Ramonet, "A New Totalitarianism", in "Dueling Globalisms: A Debate Between Thomas L. Friedman and Ignacio Ramonet", *Foreign Policy*, Fall 1999, 110, 116.

[5] The most recent testimony to the strength of these pressures is the publication by the WTO of a major report: Håkan Nordström and Scott Vaughan, *Trade and Environment*, WTO Special Studies 4, October 1999.

[6] ILO Convention No. 182, Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, adopted on 17 June 1999.

arrival of human rights on the agenda of the Security Council, and the heated debates over the appropriate relationship between human rights violations and military intervention, being examples. More generally, the linkage between territorial jurisdiction and human rights accountability has been greatly expanded to the point where, in certain areas such as torture, hijacking and hostage-taking, a state can be responsible for human rights violations committed anywhere by its agents. But, in general, the stereotypes convey a reasonably accurate image of the competing strengths and weaknesses of the two counterpoints.

Governments are no longer the sole participants in international negotiations over human rights treaties, as was illustrated dramatically (and for some observers, problematically) by the ubiquitous presence of NGO representatives in governmental delegations during the drafting of the Statute of the International Criminal Court, or the role played a decade earlier by the NGO coalition in the drafting of the Convention on the Rights of the Child of 1989. The extension of responsibility from the faceless state to individuals accused of crimes against humanity or other international crimes which, as recently as about 1980, were considered to be a dubious concept left over from an overly enthusiastic bout of post-World War II moralising about war crimes. Indeed, far from ignoring these many examples of adaptability, they are precisely what provides the basis for assuming that continuing adaptability of the international regime is achievable.

C. Does the need to re-think depend on either the death of sovereignty or the demise of the state?

Abstract debates over the future of the state and of sovereignty might not yield any clearcut prescriptions to guide the development of international law and too often seem to amount to little more than clever but futile exercises in shadow boxing. Nonetheless, they are important, primarily because they compel us to analyse more systematically the ways in which changes in the global system are affecting the locus of power and authority in society. Even accepting that reports of the death of the state are greatly exaggerated, the consequences of the relevant developments are highly significant for the human rights regime. They thus demand that those working in the field should seek to come to grips with the need for new approaches. The prevailing reluctance to do so is partly a result of a sense that the tried and true recipe should not be tampered with, so that an organisation like Amnesty International, for all its incomparable achievements, comes to exert a conservatising influence which favours the status quo and suspects proposed innovations as attempts to undermine the principles which it has fought long and hard to secure. It is partly because the whole regime is perceived to be so firmly rooted within a state-centric framework that it seems potentially suicidal to be playing with those very foundations since if they come crashing down we will be left with nothing.

The challenge is to combine a reaffirmation of the essentially state-centric architecture of the Charter system with a more concerted insistence upon the need for that regime to be systematically adapted, rather than to content ourselves with occasional ad hoc measures. Many of the new developments with which we are concerned here call into question the continuing validity of the rationales traditionally proffered in defence of the Westphalian system and demand structural changes.

What shape should such an adaptation take? This paper seeks to provide a preliminary set of suggestions based on an analysis of some of the principal phenomena associated with globalization, including privatisation and the shrinking State; deregulation; decentralisation; fiscal pressures to conform; the diminishing capacity of the public sector; and the rise of private actors in various spheres. Each of these phenomena has major implications for human rights which do not appear to sit very easily with the assumptions upon which the regime was originally developed.

D. Defining the terms of the debate: relating human rights to governance

Before 1945, actions could be characterised as abominable, barbaric, or uncivilised, but there were extraordinarily few grounds on the basis of which such behaviour could be qualified as violating accepted international standards. It is the great achievement of the past half century that we now have a wide-ranging, relatively detailed and virtually universally accepted set of norms and thus a terminology on the basis of which states can legitimately be held accountable. It is somewhat ironic, but not especially difficult to explain, that, just at the moment when the normative framework has gained such acceptance and begins to assert its potential to limit the options open to states, Western governments and the international organizations in which they plan an especially prominent role, have come to place an increasing reliance upon a different concept – governance.

It is thus not surprising, or nearly as platitudinous as it would otherwise seem, that Kofi Annan includes the following comment in his latest annual report:

> In practice, good governance involves promoting the rule of law, tolerance of minority and opposition groups, transparent political processes, an independent judiciary, an impartial police force, a military that is strictly subject to civilian control, a free press and vibrant civil society institutions as well as meaningful elections. Above all, good governance means respect for human rights. [7]

The terms governance and good governance have come dramatically into vogue in the 1990s. Like any such terms, or more accurately slogans, they have some questionable and some positive contributions to offer to our understanding of the issues it touches. Of the former, the only one that warrants a brief mention here is a function more of the way in which the term is used or misused than of its intrinsic value. It is that governance can be defined in very diverse ways and given almost any content that is considered to be important at the time in the eye of the beholder. In other words it is open-ended and its relationship to human rights concerns is often very uncertain.

But it is the principal strength of the concept that is relevant here. Definitionally, whatever the term might mean, it cannot be synonymous with 'government' or even 'good government'. If it did it would simply be tautologous to insist that governments must practice governance, or good governments good governance. Its intended scope is thus greater than the traditionally defined sphere of government. It addresses a wider range of activities and seeks to encompass as well those actors

[7] Report of the Secretary-General on the work of the Organization, UN doc. A/54/1 (1999), para. 53.

whose behaviour plays an important role in determining the well-being of states, communities and individuals. This sense of the term is well captured in the *Human Development Report 1999*:

> Governance ... means the framework of rules, institutions and established practices that set limits and give incentives for behavior of individuals, organizations, and firms.

In a similar vein, Richard Falk has put forward the concept of 'humane governance', a formulation which seeks to capitalise on the strengths of the term governance while qualifying it with a significantly less open-ended or value-free term than 'good'. Viewed in this way, a commitment to promote good governance clearly requires a vision which extends beyond both (1) formal rules and (2) an exclusive focus on governments, or the state, as such. It might thus be argued (although I am not aware that it has been) that the concept of human rights is badly placed to serve these purposes and thus needs to be replaced by or subsumed under the broader umbrella of good governance.

Such an argument would rely upon a characterization of human rights as a legalistic concept that depends upon the formulation and application of clear rules defining rights and obligations. The imagery of rights as trumps, borrowed inappropriately from Ronald Dworkin's work, is sometimes used to convey this sense of formalism, rigidity and relative simplicity. But it is a one-dimensional usage which does not capture the richness of the concept of rights as reflected in international human rights law. That body of law prescribes a normative order whose most formal embodiment is indeed constitutional or legislative and whose most formal instrument is the courts. But the accountability which is the essence of human rights extends far beyond this limited domain to embrace, as the single most widely ratified human rights treaty – the Convention on the Rights of the Child which has been ratified by every state in the world except Somalia and the United States – puts it, the obligation to take "all appropriate legislative, administrative and other measures for the implementation of the rights recognized ...". Any suggestion that it is the narrow legalism of human rights that makes governance a preferable term is thus unjustified.

Another possible argument is that the catalogue of human rights is insufficient to address all of the issues that are covered by the term governance. In some respects this is justified. Corruption, for example, is not specifically addressed in the human rights texts, although the right to take part in government, the right to equality before the law, and the general principle that human rights should be protected by the rule of law, provide a basis upon which to proceed. But in any event this is not the real problem, since organisations like the IMF have governance policies but not human rights policies. The principle should be that governance requirements are best invoked in conjunction with reliance upon human rights norms rather than separately.

A final argument in favour of preferring governance to human rights is that the latter concept is applicable only to governments and can thus not reach the many other actors to whom governance concerns are routinely addressed. This is in fact a potential Achilles Heel for the human rights regime. It is taken up in the pages that follow.

In conclusion, governance should be put into a human rights perspective and not vice-versa. The same applies to the Rule of Law and even to democracy as such. Governance is a process, a way of behaving. It is, in theory, value-free, although we have invested it with a number of assumptions for the purposes of the international Community. The foundational nature of human rights however makes it the appropriate basis upon which definitions of governance should be evolved rather than the other way around.

F. Whither accountability in the wake of visions of progressive governance

Progressive governance can reasonably be understood to refer to approaches which seek to adapt or reform governance systems to enable them to better respond to the changing needs of a world caught between the various competing pressures that characterise the situation at the start of the twenty-first century. In addition to globalization, those pressures include the fragmentation or "localization" associated with a resurgence of nationalism, religious revivalism, and growing assertions of ethnic, cultural and other forms of identity. In complex ways, forms of democratization have sometimes, but by no means consistently, been both a cause and a result of globalisation.

There are, in addition, three trends which have particular significance in terms of our concern with the maintenance of principles of human rights accountability. They are privatization, deregulation, and decentralization. A great deal has already been written about the pressures pushing governments towards the first two of these. Objectives sought include the promotion of greater enterprise efficiency, the development of a more service-oriented mentality, the elimination of loss-making assets which drain the capacity of the state to fulfil its core functions, the achievement of the degree of flexibility – in the markets for labour, capital and production – which is conducive to efficiency, and the provision of the incentive needed to unleash the spirit of enterprise which can energise a free market. It is not necessary to contest the validity of any one of these objectives in order to observe that many of the measures taken in the name of these objectives have the capacity to reduce very significantly the element of accountability which is central to the human rights regime.

Another, not necessarily related, development is the trend towards decentralization, defined as "the process of devolving political, fiscal, and administrative powers to subnational units of government". In order to distinguish it from "deconcentration" in the form of giving greater autonomy to the regional representatives of the central government, the definition assumes that the subnational units in question will be locally elected. At the political level, this strategy is occurring in many places including for example in Great Britain in relation to Scotland and Wales as well as the City of London. The approach adopted to welfare reform in both the United States and Canada, involving the decentralization of responsibility and funds from the federal to the state and provincial level is increasingly being replicated, albeit across a broader range of issues, in many developing countries. In India, for example, the recently adopted UN Development Assistance Framework which lays down the priority goals which international agencies will help to promote through their varied activities, identifies two major priorities. One is the promotion of gender equality and the reduction of sex-based discrimination and the other is decentralization. While both are admirable goals, they can also, depending on the circumstances and the

approach taken, be seen to be incompatible.

In Latin America decentralization has taken place on a major scale over the past 15 years or so. A recent survey notes that, "since 1983, all but one of the largest countries in the region have seen a transfer of power, resources, and responsibilities to subnational units of government." Because this process requires political reconfigurations involving a shift from appointed to elected governors and mayors, or the devolution of responsibilities from central to local government, or the introduction of democratic elections in situations where they did not previously apply, the implications for respect for civil and political rights are obvious and one would expect a strongly positive impact. These changes have also involved the devolution of major functional responsibilities in sectors such as health, education, sanitation, water supply, and road construction, which in turn have a major potential impact on the enjoyment of economic, social and cultural human rights.

A major World Bank study published in 1999 suggests that decentralization will continue to be a major growth area in the years ahead and thus one that must be taken fully into account in ensuring the effectiveness of the regime designed to ensure human rights accountability:

> The pressures for decentralization are beyond the control of governments. The emergence of modern economies and an urban, literate middle class has created nearly insurmountable pressures for a broader distribution of political power. ... Rather than attempting to resist them, governments need to accommodate them in a way that maintains political stability while improving public sector performance.

Whether the new urban, literate middle class is likely to press for an equitable distribution of political power, as opposed to one in which its own narrow interests are better represented, is a question not pursued in the study. It does, however, acknowledge that various problems can be associated with the overall process and lists three in particular. The first is a deterioration in the quality of services offered. The second is the possibility of widening regional disparities in the level of provision of public services, which can be especially problematic in areas such as primary health and primary education. The third set of possible problems arises in relation to macroeconomic policies: "recurring central government deficits, an overexpanded public sector, or the inability to use fiscal policy to adjust to economic shocks". The report rightly identifies accountability as one of the key ingredients in ensuring that decentralization projects are successful. Unsurprisingly, however, the concern is minimal in respect to the first two possible defects of the process and most of the report is devoted to exploring ways in which macroeconomic accountability can be ensured.

Even within the European Community the principle of subsidiarity (requiring, inter alia, that the Community "shall not go beyond what is necessary to achieve the objectives of the Treaty") which was enshrined in the basic treaty in 1991 at Maastricht has given a significant impetus to decentralization of decision-making in certain areas. Central to the argument here, however, it has generally been accompanied by only a limited procedural autonomy being accorded to the Member State which is responsible for policy implementation. In other words, a significant

element of accountability to ensure compliance with Community objectives is ensured through the use of various techniques.

For present purposes the point is not that decentralization is necessarily undesirable in any way. Rather it is that it raises new challenges as to how human rights accountability can best be ensured in the context of a new set of policies and procedures. The problem is potentially acute in circumstances in which the central government, which is the signatory to human rights treaties and the normal interlocutor with the international community in such matters, has less practical control over what is happening and a diminished ability to provide details of current developments. It is even less well placed to ensure that course corrections that might be proposed by international supervisory bodies are given the consideration demanded by the legal framework of applicable international human rights treaties.

In short, new means need to be devised for ensuring that the consequences of privatisation, deregulation and decentralisation are not such as to reduce the accountability of governmental or other actors in human rights terms.

F. Can the concept of human rights cope adequately with the growing power of private actors?

The impact of private actors on the enjoyment of human rights is growing rapidly in a global economy. Privatization, deregulation, and the diminishing regulatory capacities of national governments have all contributed to enhancing the importance of corporations and other private entities in terms of human rights. Although the debate about corporate social responsibility or progressive corporate governance is an old one, it has happily come a long way since the days when Milton Friedman proclaimed that business has "one and only one social responsibility ... - to use its resources and engage in activities designed to increase its profits ...". But he added a vital qualification. Maximization of profits and of shareholder value are the golden rules for business, "so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud." Standards have changed and so too has our understanding of the relationship between corporate good conduct and broader conceptions of governance. Corporations can hardly be expected to operate as paragons of virtue, even within the narrow confines of Friedman's strictures, when they are operating in a context which is closed, corrupt and oppressive (as, for example, in Nigeria, at least until very recently). But consumers and other are increasingly demanding that they should avoid responsibility for, or complicity in, human rights violations.

Ironically, when considering how to approach the issue in an international context, national level efforts to promote or ensure corporate social responsibility may be a poor guide in various respects and might even be seriously misleading in a number of important ways. Much of the literature talks of social responsibility, corporate good citizenship, social audits, etc., but generally does not talk in terms of human rights. The result is a diverse range of standards, varying significantly in scope and focus. They sometimes address issues as wide-ranging as the firm's contribution to employment creation, the amount of revenue it earns per worker, the percentage of its pre-tax profits that is devoted to philanthropic activities, the active disclosure of information to promote transparency, the commissioning of independent corporate

audits of performance in relation to social and other non-economic goals, active engagement in or commitment to movements for social change whether in the environmental, arms control or human rights areas are all admirable dimensions of social accountability. On the other hand, in the domestic debates many human rights issues are not addressed at all, since it is assumed they are adequately taken care of by domestic regulations by which the corporation is bound.

The point is that many of the national level debates over corporate responsibility take us significantly beyond what is productively thought of as a human rights agenda. The latter agenda is actually closer to Friedman's model of basic compliance with relevant laws than to these very broad-ranging and potentially open-ended debates over ethics and social responsibility. The principal difference between what might be termed a human rights compliance model and Friedman's model is that the former supplements clearly and directly applicable national legal regulations with international human rights standards which the business has the responsibility, and perhaps also the obligation (but that is to pre-judge a complex issue), to avoid violating. It should also eschew complicity with other actors and particularly governments in relation to such violations. There is much to be said, therefore, for focusing on a more limited range of issues in relation to which human rights standards are clearly relevant, and accountable public authorities rather than corporate officials decide what the standards will be.

Globalisation is itself highly conducive to the growing power of transnational corporations (TNCs). In some respects, the essence of the phenomenon is to make business across borders easier in a great many ways, as well as more profitable. Improved mobility, economies of scale and a greater ability to communicate and manage across long distances, have all contributed to an enhancement of the role of TNCs. Many of the principal legal and political initiatives associated with globalisation have been designed specifically to improve the capacity for TNCs to do business. Partly as a result, foreign direct investment flows are at record levels. In 1997 they were nearly double what they had been in 1990 and seven times 1980 levels. They are expected to continue growing. Indeed TNCs have been the principal conduit for globalisation. This fact alone would be sufficient to warrant a sustained focus on the relationship between the role of TNCs and efforts to ensure the promotion and protection of human rights.

In addition, several other phenomena closely associated with globalisation have further increased the importance of TNCs. Privatisation, for example, in the case of certain industries is significantly more likely to create opportunities for TNCs than for local corporations which lack the scale or expertise to bid successfully. The same is often true even for activities such as prison management, some aspects of law enforcement and even aspects of military security. Deregulation reinforces the same trend. At the same time, pressure on the state to reduce its own expenditures will often lead it to downgrade its efforts to enforce those regulatory arrangements that are left in place. Labour inspection is a simple example in this regard. This combination of factors has led many commentators and groups in civil society to focus on the responsibilities of corporations. In addition, a range of widely publicised instances in which major corporations have been implicated in situations involving either significant violations of human rights or of environmental standards have generated consumer and other pressures upon corporations to demonstrate their responsibility.

Shell Oil, Nike, Levi Strauss and many other firms have responded to strong criticism by adopting codes of behaviours designed to insulate themselves from such criticism and to build an image of good corporate citizenship.

Governments have been supportive of such efforts while at the same time remaining unwilling to take regulatory measures of their own. There has been strong resentment over certain exercises of extra-territorial jurisdiction, including especially some purportedly aimed at upholding human rights. Most notable have been the actions by the US Congress in the Helms-Burton and D'Amato Acts, which seek to punish foreign corporations investing in Cuba, Iran and other countries considered to be *non grata*. The result is that the same governments which successfully insisted upon corporate codes of conduct in relation to South Africa at the time of *apartheid* are not prepared to act in relation to TNCs in general.

There are various reasons for the reticence to use human rights standards, but the most important by far is simply the fact that TNCs, as private or non-State actors, are not bound by human rights standards as such. Human rights obligations are assumed by governments pursuant to international law (either through treaty ratification or by virtue of the application of principles of customary international law) and are thus not formally or directly opposable to TNCs.

Human Rights Watch, while expressing concern about the lack of human rights accountability of TNCs and the strong reluctance of governments to take an interest in corporate responsibility issues, has nevertheless been encouraged by the trend towards the adoption of voluntary codes of conduct in the footwear, apparel and other sectors. "While governments are unwilling to insist that corporations not profit from repression, a vibrant and burgeoning NGO movement is leading this campaign." However, existing arrangements for monitoring compliance with human rights standards are ill-equipped to respond to these developments. In response to growing corporate awareness and increasing consumer pressure, there has been a significant expansion in the number of voluntary codes of conduct and the like that have been adopted within different business sectors.

These developments have been warmly welcomed by diverse commentators. Some would argue that the fragmentation of authority within the global system has rendered anachronistic the old ideal of centralized multilateral regulation of TNCs. Others extol the advantages of self-regulation as the only authentic way of ensuring that progressive approaches are entrenched within the corporate mentality. And still others would argue, based particularly on the work of Nicholas Luhman and Gunther Teubner, that there is an emerging global law that is not located in any one place but instead relies on multiple, often overlapping, norm generators and compliance processes. The lex mercatoria is the classic example of such a set of informal processes. In this view, any attempt at centralization will be ineffectual at best and counter-productive at worst. A further gloss is added by the suggestion by Yves Dezalay and Bryant Garth that the privatization of international commercial justice (primarily through arbitration arrangements designed to obviate the need to rely upon state legal systems) in recent years was driven in large part by the Cold War, welfare state interventionism and "third worldism". On this basis, it can be argued that the more concerted are formal efforts to regulate TNCs, the greater is the likelihood that the target group will devise alternative strategies to circumvent the regulatory

attempts. All of these arguments are complex and deserve more careful analysis than they can be given here.

It must suffice for present purposes to argue that while the proliferation of voluntary codes and other initiatives is to be welcomed, such mechanisms are not sufficient in themselves to satisfy the requirement of systematic accountability which are central to the international human rights regime. Such initiatives are very often not based on international human rights standards, their monitoring is uneven, they are mostly overseen by the corporations themselves, and they remain entirely, or at best largely, optional. The same criticism applies to the 'global compact of shared values and principles' proposed at Davos, in January 1999 by UN Secretary General Kofi Annan. While this initiative should certainly be developed, it must also begin to explore the possible shape of mechanisms to review the conformity of these various codes etc. with human rights standards and to monitor and report on the private sector monitors.

Ultimately, however, as Human Rights Watch acknowledges, such matters cannot be based on voluntary undertakings. The standards thus set are excessively flexible, and their conformity with international human rights norms is by no means assured. The element of accountability is lacking, insofar as firms 'police' their own behaviour and the international mechanisms, as well as the representatives of civil society, are often excluded.

Some governmental efforts exist but they are neither comprehensive nor consistent. The European Union (EU) is an example in this regard. In 1977 the Council of the European Union adopted a Code of Conduct for businesses operating in South Africa and in May 1998 it adopted an EU Code of Conduct on Arms Exports. While there are significant differences in the scope and approach of these codes, it is difficult to accept as the last word a recent statement by the European Commission to the effect that existing Community law makes it impossible to develop a code of conduct to oblige EU-based companies operating in third countries to observe human rights norms. The Commission should evaluate existing voluntary codes of conduct and prepare a study on the ways in which an official EU code of conduct for corporations could be formulated, promoted and monitored.

In addition, there is a need to develop more innovative approaches by which existing international arrangements designed to achieve human rights accountability can be adapted to significantly enhance their capacity to monitor violations attributable to corporations but for which state accountability is altogether lacking or inadequate.

International financial institutions and the global financial market place: is there room for a human rights stall?

The issue of the lack of a coherent, detailed or adequate human rights policy on the part of the International Monetary Fund in particular and the World Bank (albeit to a slightly lesser extent) is an old, complex and controversial one. It has, however, had new life breathed into it by a series of recent crises ranging from the Asian financial crisis through the question of East Timor and the response to the military coup in Pakistan. Human rights were long argued to be *ultra vires* the appropriate mandates of these institutions. Even if that proposition was sustainable in the 1970s and 1980s, it is no longer viable as we enter the twenty-first century. There has been

considerable movement over the past two years and this can easily be traced through the speeches of James Wolfensohn of the World Bank and Michel Camdessus of the IMF, and those of leading economists such as Treasury Secretary Summers and Joseph Stiglitz of the Bank.

This is far too large a question to be dealt with in any detail here. The principal point to be made is that a regime of human rights accountability which is worthy of the name can no longer settle for the old orthodoxy according to which neither the Fund nor the Bank are bound by human rights standards.

The inadequacy of the existing situation may be illustrated by comparing the formal policy position of the Fund with the approaches that it has been taking in recent months in response to particular crises as they have emerged. In essence the Fund's position is still that human rights matters are not within its purview except to the extent that they arise in relation to what it defined, only fairly recently (July 1997), as its governance policy. Rather than seeking to define that elusive concept, the Fund's policy elaboration efforts to date have focused largely on efforts to limit the extent to which its own involvement might be invoked in governance-related matters within the confines of its mandate. Thus, the official position is that:

> The IMF is primarily concerned with macroeconomic stability, external viability, and orderly economic growth in member countries. Therefore, the IMF's involvement in governance issues should be limited to economic aspects of governance ... [including through]:
>
> > improving the management of public resources through reforms covering public sector institutions (e.g. the treasury, central bank, public enterprises, civil service, and the official statistics function), including administrative procedures (e.g. expenditure control, budget management, and revenue collection); and
> >
> > supporting the development and maintenance of a transparent and stable economic and regulatory environment conducive to efficient private sector activities (e.g. price systems, exchange and trade regimes, and banking systems and their related regulations).

The principal criterion determining IMF involvement in a given governance issue is 'whether poor governance would have significant current or potential impact on macroeconomic performance in the short and medium term and on the ability of the government credibly to pursue policies aimed at external viability and sustainable growth'.

In contrast to such reticence and circumspection, consider the following news items:

> "World Bank Demands Indonesia Restore Order in East Timor" The World Bank yesterday demanded that Indonesia restore order in East Timor and permit its transition to an independent nation, saying it was "deeply concerned" by the violent situation there, Agence France-Presse reports. ... [The} Bank said in the statement. "We join with the IMF and our other partners in supporting a rapid response to the deteriorating security situation,

in order that initiatives for economic recovery and poverty reduction may proceed in both Indonesia and East Timor." (8 September 1999)

A Comment by William Murray, an IMF Spokesman, September 16, 1999: "The situation in Indonesia is kept under review. For the time being, the IMF has decided not to send any missions to Indonesia. The discussions of the program review which would lead to the disbursement of the next installment of the IMF's financing package, and which were originally scheduled for mid-September, will take place once the right conditions exist."

IMF Managing Director Michel Camdessus said yesterday Pakistan could lose its IMF aid if democracy was not restored after the military coup .... Donor countries often suspended their bilateral aid when a coup occurs during the course of an aid program, Reuters says Camdessus noted .... "Democracy is in retreat, and when democracy retreats, countries are in danger. " (13 October)

AFP reports that ... [in] response to questions about the possibility that international aid might be used to finance war by Russian forces in Chechnya and Dagestan, Camdessus replied "If I see that the budget is over-shooting because of an uncontrolled increase of military spending, we shall interrupt our support".

In view of the disconnect between the formal statement of Fund policy and the realities of current practice, it is essential that an effort be made to articulate a more thorough and sophisticated vision of the relationship between the international financial institutions and countries experiencing major human rights problems.

There is a potentially interesting parallel in relation to humanitarian law and international peacekeeping forces. For many years, formalization of the relationship was resisted in line with traditional state-centric conceptions of international law. But in August 1999 the UN Secretary-General promulgated an official Bulletin which formally affirmed that "the fundamental principles and rules of international humanitarian law ... are applicable to United Nations forces ...". The challenge is to devise an appropriate formulation in relation to the international financial institutions and human rights, while avoiding rigidity and politicization.

There are some encouraging precedents. The avalanche of criticism which has descended on the Fund in the past year or two has not only led to a dramatic reversal in it approach to information availability – from being almost entirely closed to one which provides a significant degree of transparency – but has also encouraged it to be more systematic and itself accountable in relation to its policy-making and policy-application procedures. Both the Fund and the Bank should be directed to produce detailed studies examining the means by which they could give full effect to human rights standards in their activities.

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The "Not-a-cat" Syndrome: Re-thinking Human Rights Law to Meet the Needs of the Twenty-first Century

Philip Alston*

Abstract

The leitmotif *of the international human rights regime is accountability. But while the regime purports to be universal and comprehensive, it deals only at arms length with various actors which it classifies solely by reference to the fact that they are not states and are thus not within its direct purview. Transnational corporations, liberation movements, the World Bank and the IMF, and major groupings within civil society, are all non-somethings:* non-*governmental organizations,* non-*state actors, or* non-*state entities. None is as full a partner in the human rights enterprise as they should be. Theories of state sovereignty are often invoked to defend this situation but there is no necessary incompatibility between the maintenance of the state-based system and the introduction of various arrangements and procedures by which these groups can participate in appropriate ways in, and be held more directly accountable by, the human rights regime.*

While globalization as such is not the focus of the paper, various developments which are associated with it pose major challenges to the continuing viability of the accountability demanded by the human rights regime. Developments such as privatisation, deregulation and decentralisation all have the capacity to reduce accountability unless new means are devised for ensuring that the central government, as the traditional interlocutor with the human rights community, does not remain the only interlocutor. The growing centrality of transnational corporations within the global economy makes it imperative to develop more innovative approaches by which existing international arrangements designed to achieve human rights accountability can be adapted to enhance significantly their capacity to monitor violations attributable to corporations but for which state accountability is altogether lacking or inadequate.

Similarly, especially in view of recent developments in which the International Monetary Fund and the World Bank figured prominently – such as the coup in Pakistan, the acquisition of nuclear weapons in India and Pakistan, the Chechnya crisis and the crises in Indonesia relating to East Timor and Bank Bali – a regime of human rights accountability which is worthy of the name can no longer settle for the old orthodoxy according to which neither the IMF nor the World Bank are bound by human rights standards. Both the Fund and the Bank should be directed to produce detailed studies examining the means by which they could give full effect to human rights standards in their activities. This paper also argues that the notion of governance should be put into a human rights perspective and not vice-versa. At present, it is often used in a way which excludes any human rights dimensions.

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Building a Sustainable Welfare State
Reconciling Social Justice and Growth in the Advanced Economies

by *Maurizio Ferrera and Martin Rhodes*

Paper prepared in occasion of the Conference
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Panel

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William Jefferson Clinton
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Lionel Jospin
Gerhard Schröder

Speakers

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Yves Mény
Javier Solana
Juan Somavia

Building a Sustainable Welfare State

Reconciling Social Justice and Growth in the Advanced Economies

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Escaping the equality-efficiency trade off

The conciliation of economic growth - with its demanding 'efficiency' imperatives - and social justice – with its equally demanding call for 'equality' – has been one of the most significant achievements of the 'long' 20th Century, now coming to a close. On both sides of the Atlantic, the welfare state (and, more specifically, social insurance) is the main institutional manifestation of this success story. Yet, today it is the object of heated controversy in all of the advanced economies. The 'conciliatory' capacity of the welfare state has been put in serious question, especially in the light of the so-called 'globalisation' process. More and more frequently, efficiency and equality, growth and redistribution, competitiveness and solidarity are referred to as polar opposites that can only thrive at each other's expenses. There is therefore a risk that the new millennium will open under the shadow of a resurrected 'big trade-off', offering only two possible coherent value-combinations and thus virtually only one viable institutional scenario, if functional priorities ('the pie first') are to be respected.

Plausible as it may sound, this trade off logic is certainly not inescapable. But how can we find a way out of it? The task is one of identifying new value combinations and institutional arrangements that are both *mixed* (in respect of their normative aspirations) and *virtuous*, i.e. capable of producing simultaneous advances on all the affected fronts. And the search for these combinations and arrangements must start from an accurate diagnosis of the problems and challenges that are currently afflicting the Western welfare state and are disturbing its delicate relationship with the spheres of economic production and exchange. What exactly

lies at the basis of the current welfare predicament? Consequently, what reforms are needed in order to (re)create virtuous circles between social protection and its changed socio-economic context? And finally how can the reform agenda be realised, so that 'old vices' are turned into 'new virtues'?

Globalization versus 'internal' challenges

Let us start with the thorny issue of 'globalisation', frequently assumed to be the basic root of the predicament. As shown by recent research, there may good reasons for believing that the overall impact of globalisation has been exaggerated, as have its potentially adverse consequences for employment and social standards (see e.g. Garrett 1998). It is important to acknowledge that national economies have neither been wholly absorbed into a new global order nor their governments totally incapacitated. Non-tradables remain important in most European economies and national comparative advantage and specialization remain critical for international competition. Good arguments for the compatibility of large welfare states with internationalization are regularly rehearsed. Welfare states emerged in line with the growing openness of economies and facilitated the consequent process of socio-economic adjustment. Government consumption appears to play an insulating role in economies subject to external shocks.

Unemployment problems and the need for the modernisation of social protection systems should, on the whole, be attributed mainly to other developments (such as the 'post-industrialization' of advanced economies) to which globalisation (e.g. greater trade competition across a growing range of sectors) may make some contribution but cannot on its own explain. We discuss a number of hypotheses concerning the interaction of internationalization with European labour market problems below. Serious attention should be paid, however, to the arguments that financial market globalisation limits government policy-making autonomy, and that market integration and tax competition constrain the capacity of states to engage in redistributive tax policies. While the 'propensity to deficit-spend' has not been constrained by increasing trade and capital mobility (in the EU it has been checked by the construction of economic and monetary unions), financial market integration or capital mobility have potentially a detrimental effect on the policy-making

autonomy of Left-Labour governments. They certainly demand that policies prioritise credibility with the capital markets foremost amongst their other objectives. But whatever the extent of the 'globalization effect', which remains debatable, the potential incompatibility between national welfare states and increasingly integrated European markets may be more important than the subjection of the welfare state to punitive global markets. At a time when EMU has forced a reduction in deficits and debts, and rendered competitive devaluation impossible for its member countries, even a 'globalization sceptic' has to accept the constraining nature of these European developments. All European welfare states must become 'competitive' to the extent that simultaneously meeting their fiscal, solidarity and employment creation objectives requires a creative new mix of policies. That said, various types of institutional setting and forms of social, social security and labour market policy may be equally compatible with competitiveness. There is no need for (nor is there much evidence of) convergence on a 'neo-liberal' value combination and institutional model, despite the conviction in certain political circles that such convergence is required.

It should also be stressed that welfare states have generated many of their own problems and these would have created severe adjustment difficulties in the late 20th Century, even in the absence of greater exposure to flows of capital and goods. By helping improve living standards and life spans, welfare states have created new needs that social services were not originally designed to meet. Rising health care costs and pensions provisions have contributed massively to welfare budgets and fiscal strains. Other problems – e.g., the decline in demand for low or unskilled manufacturing workers - stem from the increasingly post-industrial nature of advanced societies. Post-industrial change has created a 'service sector trilemma' in which the goals of employment growth, wage equality and budgetary constraint come increasingly into conflict (Iversen and Wren 1998). Creating private service sector employment entails lower wage and non-wage costs, while generating such employment in the public sector is constrained by budgetary limits. Given the constraints on running high public deficits in the long run, once again there appears to be an inescapable trade off – we either accept high unemployment or countenance greater inequality.

The roots of the current welfare predicament are thus primarily internal - as, of necessity, must be the solutions. The social and economic transformations occurring within affluent democracies are generating mounting pressures on institutional arrangements which not only were designed under very different 'environmental' circumstances, but which have also

become increasingly rigid overtime. This syndrome is aptly captured by the metaphor of *growth to limits* (first used by Flora, 1986/87). In the last couple of decades most of the ambitious social programs introduced during the *trentes glorieuses* (especially as regards pensions and health care) have come to full maturation: they work 'in high gear' and apply to the vast majority of the population. As observed by Pierson (1999a) these extended government commitments produce persistent budgetary pressures and a marked loss of policy flexibility, making even marginal change inherently difficult. The crux of the problem can be construed, as Pierson puts it, in terms of 'irresistible forces' (e.g., post-industrial pressures) meeting 'immovable objects' (strong public support and veto points). Thus, the relative growth of the service sector implies lower productivity growth and entails either greater public spending or increased wage inequality if new jobs are to be created. The maturation of governmental commitments and population ageing demand reforms to health care provision and old age pensions (in 1992 these accounted for 80 per cent of all social protection outlays in the European Union) if costs are not to escalate and employment creation stymied by higher direct taxation and/or payroll taxes. Yet such policies are constrained by the popularity of generous welfare programmes and the commitment of a range of political and vested interests and beneficiaries to defending them. The path forward must of necessity combine creative new policy mixes with new social bargains, woven together with a high degree of political imagination.

Building a sustainable welfare state: the agenda for reform

If our diagnosis is correct, then the current, persisting problems of the welfare state must be interpreted essentially in terms of an 'institutional maladjustment' between a set of old policy solutions, which are gradually loosing both their effectiveness and their flexibility, and a set of new societal problems mainly stemming from internal transformations, but under increased exogenous constraints. The predicament is affecting the various welfare states to varying degrees and tends to be more serious where the principle of social insurance is more firmly entrenched, i.e. in the so-called 'Bismarckian' systems. Here the allocative implications (old risks vs. new needs) and distributive consequences (protected vs. unprotected social groups) of maladjustment have combined to create a widening chasm between a clientele of strongly covered 'insiders' (individuals and households) and growing

numbers of under-protected 'outsiders'. In many systems (particularly in Southern Europe) there is evidence of an over-accumulation of benefits on the side of 'guaranteed' workers, with quasi-tenured jobs paralleled by an inadequate (if not total) lack of protection for those employed in the peripheral sectors of the labour market. In particular there seems to be a growing gap between the so-called DINK families (double income, no kids; insider jobs) and the SIMK ones (single income, many kids; outsider job). Though less visible than in the US, an American-style underclass has already formed in some regions of Europe, falling almost completely outside of the reach of social insurance.

Of course, the challenges to the status quo and the capacities for adjustment differ widely across countries. Whichever the institutional configuration, the scope for policy innovation seems however to lie between the twin constraints of (1) preserving social justice objectives and (2) solving those fiscal and policy failure problems that undermine economic imperatives – at both the macro and the micro level. At the risk of some simplification, we would like to indicate and discuss some possible broad guidelines for reform in the crucial fields of labour market policy, social insurance and health care.

(1) The Labour Market: from unemployment insurance to employability

Continental European countries have performed poorly in terms of job creation in recent years. Fluctuations in the European economic cycle have left larger numbers unemployed whenever there has been an upturn in the cycle ('hysteresis'). This suggests that employment creation lags behind growth and that the fruits of new growth are not evenly shared between insiders and outsiders (see Ormerod 1998) - a situation much more acute in some countries than others, created by over-protective regulations for those in full-time, standard employment (see Siebert 1997). In this respect, unemployment shows how different national systems have to face the sometimes adverse consequences of existing social contracts and swallow the bitter pill of reform. Thus, in the Scandinavian countries, the distributional costs of generous social contracts were met by those in employment who have paid high taxes for an over-developed public sector to soak up the potentially unemployed. In continental Europe, governments, employers and labour unions have more or less agreed that the price of adjustment should be shouldered by the unemployed, comprised largely of younger, female and older workers. In southern Europe, an acute 'inside-outsider' problem has developed as a

result of the fragmentation and disparities in the income support system for those without work, with large differences in the level of protection given to core and marginal workers.

There has been intense disagreement about the causes of growing unemployment in Europe and the decline in the incomes of the low-skilled and unskilled, but not about the fact that it is occurring. One way or another, there appears to be a relationship between international competition (which for the European countries is primarily with their immediate neighbours in most sectors), technological change and the declining demand for certain types of workers. Freeman and Soete (1987; 1994) argue that the advanced economies are experiencing a shift from an older Fordist techno-economic paradigm - based *on energy-intensive* production systems and services - to a new 'techno-economic paradigm' based on *information-intensive* production systems and services. The consequence is far-reaching managerial, organizational and distributive changes, including unemployment among particular categories of workers. Europe is falling behind other regions, however, given an inability to sustain comparative advantage - and therefore widespread employment creation - in the information and communications technology industries. Snower (1997) identifies four critical developments as responsible for greater dispersion of incomes – and a shift in labour demand - between versatile and well-educated workers on the one hand and non-versatile workers and poorly educated workers on the other:

- the reorganisation of firms into flatter hierarchies with a large number of specialised teams reporting directly to central management;
- radical changes in the organisation of both manufacturing and services linked to the introduction of flexible machine tools and programmable equipment, allowing a decentralisation of production and the adoption of 'lean' and 'just-in-time' methods;
- dramatic changes in the nature of products and in seller-customer relations;
- and the breakdown of traditional occupational distinctions and of what is meant by 'skilled' versus 'unskilled' workers at a time when employees are given multiple responsibilities, often spanning production, development, finance, accounting, administration, training and customer relations.

By making jobs less secure, these developments are creating greater reliance on unemployment insurance, public support for education and training and a wide variety of welfare state services. The risk is that this generates what Snower calls 'the quicksand effect'

- the phenomenon whereby welfare structures designed for a different era become weighed down and generate negative effects, destroying incentives and making redistributive policies inefficient, while the productivity of welfare services declines and their cost increases.

But the policy conclusions are not all pessimistic. In the labour market, Europe can adapt to the challenges of the information and communications technology revolution, and this revolution can be employment-enhancing in the long-term, if it invests in a new form of flexibility for the workforce (in which occupational patterns and skills profiles are more important than inequality-increasing wage flexibility) and engages in extensive institutional innovation, including a greater attention to the spread of information and communications skills through the education and training systems, as well as substantial investment in telecommunications infrastructure (such as 'information highways). There also needs to be a co-ordination of supply-side policies across all European countries, focusing on the rapid diffusion of the new techno-economic paradigm throughout the wider socio-economic system.

The implications for the welfare state are wide-ranging, and we address some these broader issues – in pensions, social security and health care - below. To avoid the 'quicksand effect' of traditional welfare policies, a number of options need to be considered. These include incentives to choose between the public or private provision of welfare services; the introduction of elements of voluntary or compulsory savings and insurance into the current tax-and-transfer system and government subsidies for low income groups to help meet equity objectives and the 'activation' of traditional benefits. At the same time there needs to be an expansion of a non-traditional personal, social and environmental services sector to counteract the loss of jobs occurring due to the fact that many traditional services are now exposed to international competition. The creation of a new 'sheltered sector' could be encouraged by tax changes that bring activities that are now frequently in the black economy (e.g. cleaning and repair work) back into the regular economy, while new jobs could be encouraged in education, caring personal services and repair and maintenance. The welfare state's financing and the benefit structure of should allow for an expansion of employment at the lower end of the earnings scale – thereby tackling one angle of the 'service sector trilemma' - without creating a class of 'working poor'. High levels of and payroll-taxes and social security contributions can be an impediment to the expansion of low-paid/low-skill private-sector service jobs. Social security systems which are financed out of payroll taxes

tend to increase labour costs for low-paid employment above the corresponding productivity levels, if wages are sticky downwards. A substantial reduction of social contributions for low-paid workers, as undertaken for instance in the Netherlands and in the United Kingdom, could be part of the strategy to resolve this dilemma.

Certain combinations of incremental reform in labour market rules and social security systems, plus certain policies encouraging a redistribution of work (some forms of work sharing, for example) can help mobilize those sections of the unemployed work force left behind by a return to higher levels of growth. Flexible employment patterns, buttressed by reform of the tax and social security systems, will play an important role in this respect. Otherwise activation policies, designed to help welfare recipients to enter the labour market, while also strengthening obligations to accept suitable work and/or take part in training courses, will fail to tackle the unemployment problem. To facilitate such change, there may have to be some selective deregulation of the labour market to enhance flexible (i.e., part-time or temporary) service-sector employment, and this will form an important part of many continental countries' labour market strategies.

But as Hall (1998) argues, there is no reason that such adaptation will necessarily push Europe's organized, co-operative economies down the slippery slope to Anglo-Saxon style deregulation and inequality. As Nickell (1997) has demonstrated, a number of protective measures that are generally assumed to impede employment creation may in reality have little effect. These include employment protection measures and general labour market standards, generous unemployment benefits (as long as they are accompanies by strict benefit durations and measures to help the jobless back into work) and high levels of unionization and union coverage (as long as they are offset by high levels of co-ordination in wage bargaining). Rather than hampering economic performance because of alleged price distortion, many forms of protective labour market enhance productivity and are beneficial for economic development. Thus, minimum wages pressure firms into finding ways to raise productivity, whether through technological innovation or through training. As long as they are designed so as not to create or accentuate an insider/outsider dualism in the labour market, employment security regulations will improve the worker's commitment to the enterprise, creating trust and enhancing forms of work flexibility.

Moreover, there is no need to shift away from concertation to the unilateral imposition of policy to secure the necessary changes. Indeed, periods of high unemployment and painful restructuring in the trough of the cycle seem to have bolstered the search for consensual solutions in which flexibility is matched by innovations in social security. Of particular importance is the way in which optimal forms of labour market regulation require collaborative industrial relations as well as corporatist bargains to cement them. Selective deregulation, leading to an expansion of part-time employment, has been achieved in the Netherlands, for example, within the context of a broad social pact sustaining co-ordinated wage bargaining, while also, minimizing the impact on real income disparities (Visser and Hemerijk 1997). As we discuss in greater detail below, when discussing how best to bring about reform, the best way of tackling the employment problem institutionally is via negotiation, not the unilateral imposition of looser regulation à la Thatcher.

Employment and the labour market thus provide a good example of reform in a sensitive policy area where new techniques and new modes of negotiation have already been and will continue to be critical for policy innovation and policy success. There is now a whole menu of policy measures to choose from: modifying the funding of welfare by shifting the burden of costs, for example, away from pay-roll taxes to general taxation; by removing tax wedges and eliminating poverty traps; by introducing wage subsidies in various forms to employers and 'in-work' benefits (again in all forms including tax credits) as one way of easing the move from benefits and into employment; and, more specifically, via the 'activation of so-called 'passive' benefits. Examples of radical proposals made in this area are conditional negative income taxes (i.e. negative income tax conditional on, for example, evidence of serious job search by an unemployed person); and benefit transfer programmes (e.g. providing individuals with vouchers that could be offered by the unemployed to firms that would hire them, and reducing correspondingly the amount of public money spent on traditional forms of unemployment benefit) (see e.g. Snower 1997). Denmark and the Netherlands have perhaps gone furthest in experimentation in these areas, and in both cases reforms have been introduced within a general context of policy concertation. Both cases hold lessons for other countries, both in terms of the mix of policies and the consensual process through which such policies are designed and delivered.

(2) Redesigning social insurance

As is well known, the institutional core of the welfare state in many European countries is constituted by the principle of social insurance. This comprises a rights-based guarantee of public support in cash and/or in kind against a pre-defined catalogue of standard risks, including old age, invalidity, the death of a supporting spouse, sickness and unemployment (Flora and Alber, 1981). This rights-based guarantee rests in its turn on the compulsory inclusion of large sectors of the population (in some cases the whole population) in public schemes. These are mainly financed from contributions levied on the gainfully employed (with the partial exception of health care and family allowances in some countries). To a large extent, the crisis of the welfare state (especially in Europe) is the crisis of social insurance (especially pension insurance). Are there 'virtuous' ways to redesign this core institution? And, even more fundamentally, should the institution as such be preserved?

A full answer to this latter question would obviously require an extended discussion of the advantages of public/compulsory over private/voluntary insurance in terms of risk pooling, adverse selection, moral hazard, interdependent risks, interpersonal redistribution etc. From the point of view of *positive theory*, the justification of public involvement and compulsory membership lies basically in the technical inability of markets to overcome the information problems inherently connected with insuring 'social' risks (Barr 1992). From the point of view of *normative theory*, the justification lies in the greater capacity of public social insurance to satisfy the fundamental principles of distributive justice (at least in their Rawlsian version), by safeguarding the position of the worst off in society (Daniels, 1995; Van Parijs, 1996). 'Public and compulsory social insurance' is however only a general regulatory principle, which allows in practice a wide range of institutional solutions. Thus, the Italian pension insurance, overwhelmingly centred on state-run, pay-go schemes, with very generous formulae, and the UK pension system, centred on modest 'national insurance' pensions, supplemented by occupational or even personally funded benefits, illustrate the full range of forms which the principle of compulsory insurance can take in practice.

Defending the desirability of this principle - even in its minimal definition – is no trivial matter. The idea of 'dismantling' large-scale compulsory insurance is crops up frequently in political debates around the OECD, opening up the risky scenario of universal systems degenerating into purely voluntaristic and/or localised (and therefore fragmented) systems of

social solidarity. But finding 'virtuous' ways of redesigning this core institution – i.e., what kind of compulsory social insurance can be sustained? - raises two sets of issues. The first concerns the basket of risks to be included within the scope of insurance; while the second concerns benefit and funding formulae. We discuss each of these in turn.

What risks?

As far as the basket of risks is concerned, the standard catalogue drawn up almost a century ago and which has survived largely due to institutional inertia now fits poorly with the prevailing socio-economic context. A revision of this catalogue is thus urgent, as regards both the range and the definition of covered risks. Is it still appropriate, for example, to keep in the basket the general risk of 'surviving'? Survivor's benefits represented almost 3% of GDP in the EU on average in the mid-1990s. To the extent that this risk still generates real needs, are there not more effective ways of responding to them? Such needs could more effectively be dealt with via an adequate supply of services (health care, education, training and housing) and/or of targeted transfers (e.g. scholarships or work grants, or benefits for single parents), and more generally through a policy of incentives for the formation of two earner households. Why not leave to the private insurance market the tasks of satisfying the greater demand for security desired by some people in this field? Similar questions could be raised regarding other risks as well. Is it still appropriate to maintain in operation large-scale public schemes for work injury and disability (as distinct from basic invalidity insurance)? Why not transfer the responsibility for compensation directly to the employers (as recently experimented with in the Netherlands, for example)?

But the biggest challenge in the area of risk-redefinition is old age. At the beginning of the 20th century, surviving beyond the age of 65 was indeed a risk for the bulk of the population. In Germany, France, Italy or England an average male at the age of 20 could only expect to reach the age of 62; if he lived beyond his 40th birthday, he could still only hope to reach the age of 68. Thus remaining alive beyond the official age of retirement was indeed a 'risk' in the strict sense of the concept and the risk definition (old age equals life beyond 65) 'matched' the existing state of affairs. Once formalized into pension rules, however, this notion of old age became a social norm *per se*, a taken-for-granted principle for the organization of the life cycle, regardless of socio-demographic change. Given longer life-spans, this norm became the subject of contextual redefinition, offering a fertile ground for

the social construction of 'retirement' as a distinct phase in people's existence and as a novel collective practice (Kohli 1986).

The notion of old age is thus in need of redefinition. To some extent, this process is already under way. In recent years many countries have indeed raised the legal age of retirement – especially for women and civil servants, who could traditionally retire earlier. In a few cases, the principle of flexible retirement has also been formally introduced, establishing a range of possible ages for exiting from work (e.g. in Belgium, Italy and Sweden). But so far this shift in policy has not proved very effective in actually re-orienting the choices of both workers and employers regarding labour market exit. As recently shown by the European Commission and the OECD, little improvement has taken place in the activity rates of older workers, and early retirement is still being used as a mistaken solution to the unemployment problem. The retirement issue must be integrated with the employment question and the introduction of the 'employability' policies discussed above. It is an objective that must be forcibly put on the reform agenda in all mature welfare states. There are already signs of a reversal of labour shedding strategies using early-retirement, prolonged unemployment, sickness, and disability as easy exit-options. As labour shedding substantially increased the financial burden imposed on the systems of social security, policy actors, most notably in the Netherlands have come to recognize that a robust welfare state requires a high level of employment rather than a low level of open unemployment

'Dependency', i.e. the loss of physical self-sufficiency, typically connected with the chronic-degenerative pathologies of (very) old age, is a separate issue. There is in fact a range of options available to deal with this most important and growing risk (Oesterle 1999). The issue is debated in many countries, and Germany updated in 1995 this aspect of its social insurance system (*Plegeversicherung*). But innovation is slow to come about in other countries. Besides long term care, the updating of social insurance should definitely also address the issues of gender equality and gender equity, neutralizing the indirect penalties suffered by women and all 'carers' in general under traditional insurance regulations. The promotion of more equality and equity across genders is a very important and broad objective which cuts across all sectors of social policy. Social insurance schemes are in urgent need of being 'mainstreamed' in this respect in all countries (Orloff 1999).

What benefits?

The issue of benefit and funding formulae raises two main questions: a qualitative question (how to compute benefits and how to finance them) and a quantitative question (how much protection?). As for the first question, the emerging trends in most social insurance systems (especially in the EU) are for a rationalization of the inter-personal redistribution implicitly incorporated in benefit and financing formulas and a strengthening of the 'contributory principle'. The elimination of transfers that can be identified as *inequitable* (because they are not proportional to contributions), *outdated* (because they are out of step with the structure and distribution of needs) or *perverse* (because they generate significant work disincentives) appears desirable both for normative and practical reasons. Such a policy also has the advantage of being potentially self-legitimating in political terms, providing an effective solution to the blame-avoidance problems facing 'modernizing' elites (Levy 1999; Pierson 1999b).

In general terms, a closer link between contributions and benefits can be regarded with favour as well - but only up to a point. If nested within the wider logic of compulsory universal coverage, the contributory principle serves two important purposes. The first one is that it safeguards against possible the possible degeneration of social insurance via the 'inequitable' and 'outdated' transfers mentioned above. Those who think that this is only a minor risk should look at Italian developments in recent decades for evidence to the contrary (France is a parallel case). The second purpose served by the contributory principle is that it strengthens the overall legitimacy of the welfare state, giving to each contributor the feeling that they have a real stake in the system (Rothstein 1999). Even if people are aware that contributory social insurance does not follow strict proportionality rules, they are willing to support a system that 'roughly' balances out burdens and rewards, in compliance with deep seated norms of 'strong reciprocity' (Bowels and Gintis 1998).

But the contributory principle also has its drawbacks. An objection which is often raised, is that in an increasingly flexible and heterogeneous labour market a close link between contributions and benefits will prevent many workers from accumulating adequate benefits - and especially adequate pensions - because of frequent spells out of work. A second drawback has to do with employment incentives. To the extent that contributions tend to be levied essentially on work earnings, they tend to create problems of employment-creation – as already discussed above - especially at the lower end of the earnings spectrum. It is true

that these two drawbacks can be partly neutralized by selective reforms of institutional regulations. Incorporating 'equitable' and 'updated' norms in the crediting of contributions for involuntary or socially valued interruptions of work (e.g. training or caring periods) or relieving employers from paying social insurance contributions for low wage workers are both feasible and desirable. But there are limits to such strategy of a political and financial nature, not to mention institutional inertia. The optimal strategy could be one of combining the 'contributory' with the 'fiscal' logic and establishing two layers of benefits. A first layer of pay-go universal benefits could be tax financed, ensuring an interpersonal redistribution based on criteria of 'equity of opportunity' (Rosanvallon 1995); and a second layer of benefits could be linked to income-related contributions. As argued by Scharpf (2000), such a strategy would also maximize the immunity of the welfare state against the challenges of international tax competition.

The actual role that can be played by funding as opposed to pay-go – a thorny issue, hotly debated in many countries and internationally - is highly contingent on the institutional legacy of a particular country. In principle, a combination of the two mechanisms seems a desirable objective: they are in fact subject to different risks and returns (Buti, Franco and Penn 1997). Pay-go systems are good at protecting against inflation and investment risks and in allowing vertical redistribution, but they are also vulnerable to population ageing and rising unemployment. Funding generates fewer distortions in the labour market and may contribute to developing financial markets, in situations in which real interest rates are higher that the rate of growth of employment and real wages. Funded systems can also provide workers with higher returns on contributions. On the other hand, they are vulnerable to inflation and investment risks and are also costly to administer. Regardless of their respective merits and disadvantages, the real problem is that for a given country at a given point in time the options between these two systems are heavily constrained by past choices (Pierson 1999b). Only a few countries have been able to overcome the 'double payment' problem involved in the transition from mature pay-go systems to funded or mixed ones. However crucial for the overall architecture of the welfare state, pension financing is one area in which desirable policy objectives must inexorably yield to the very limited possibilities offered by the institutional status quo.

But what of the 'how much' question? At the abstract level of this paper, there is little that can be said on this question. Two general considerations can however be advanced. The first

is that in an age of permanent austerity all 'how much' questions will have to be answered with an 'unpleasant arithmetic'. Thus, 'pluses' (a new benefit, service, or investment) must be balanced against 'minuses' within a highly constrained budgetary context and the opportunity costs of the status quo must be constantly made explicit and carefully assessed (Salvati 1999). A few fortunate countries may be able to escape this logic and savour the pleasantness of surplus politics once again. But most will not - especially in Europe. If this is true (and this is the second general consideration) then the one sector of social protection whence financial resources can be redeployed is pension insurance - especially the generous pension insurance of Continental Europe. In high-income societies where the elderly tend *on average* to wield considerable economic resources (both mobile and immobile) there is no compelling justification for concentrating public protection on this social group. In the wake of the social and economic transformations illustrated above, income insecurity is increasingly spreading across the earlier phases of the life cycle. This is especially true for women, as a consequence of their continued vertical and horizontal segregation in the labour market. The vulnerability to poverty has visibly shifted from the elderly to other social groups (the young, lone parents, workless households, ethnic minorities etc.) and within some of these groups, there are also worrying symptoms of social dislocation (crime, teenage pregnancies, homelessness, substance abuse, educational exclusion etc.). In this new context, a re-calibration of social insurance from 'old age protection' to 'societal integration' seems in order. As is well known, pensions schemes are very 'sticky' institutions: they create long chains of psychological expectations and material interests and thus tend to 'lock' their members into the status quo. But even sticky institutions are not impervious to change. Most European countries have already taken many important steps in the field of pensions in the 1990s. Efforts on this front must definitely continue: pension reform remains the key for solving the allocative and distributive dilemmas of the welfare state, especially in Continental Europe.

(3) Universal, but not unlimited health care

Considering demographic projections, the efficiency and cost problems inherent in the production of medical services and the 'unpleasant arithmetic' of permanent austerity, the reform agenda for public health systems of advanced welfare states is replete with dilemmas. As in the case of pensions, policy change is politically very difficult in this area, due not only

owing to the potential opposition of professionals, but also because the principle of public universal coverage remains extremely popular in OECD countries. Are there virtuous ways for reconciling universalism and sustainability in public health care? This is a complex question that needs to be addressed dispassionately.

Both at the macro and at the micro level, the allocative and distributive priorities of the health care sector have historically been the result of an implicit bargain between the medical profession and the big purchasers, typically large insurance companies, health funds and governments. In all countries, the total amount of resources destined to health care – as opposed to other sectors relevant to people's health status, such as environmental protection or job safety measures – has been defined essentially via 'automatic' criteria (such as past expenditures) or, more recently, based on macroeconomic compatibilities. These methods appear to be less and less effective. A rich empirical literature has shown that:

- the are remarkable variations in the utilisation rate of the various medical treatments and technologies, not only across countries, but also across areas of a single country and even across providers of a single area;
- the correlation between these variations and variations in the main indicators of health status is not strong;
- and health status correlates positively with other indicators, such as the quality of the environment, nutrition and life-style, the safety of transport etc. (Abel Smith et al. 1995)

The literature also shows a large degree of the variation in utilisation rates basically stems from clinical uncertainty: from the absence, that is, of reliable and univocal information on the actual effect of various forms of medical intervention. An open debate is therefore in order on the appropriateness of existing care methods and on public strategies of health promotion. Is it possible to identify practices that are really effective? And how can we define the overall amount of public resources that must be mobilised to finance such practices? This latter question has allocative implications that are both inter-sectoral (e.g. how much should go to health care and how much to the environment?) and intra-sectoral (how much to this or that cure or pathology?). It also has clear distributive implications: i.e., how much should go to whom?

The situation of budgetary 'emergency' during the last decade has not allowed the opening of a serious and coherent debate on the dilemmas of inter-sectoral allocation: the prime

imperative has been that of cost-containment, wherever and whenever possible. On this front there will be much to discuss in the future. But the most urgent debate concerns the intra-sectoral allocations and distributions: and this is the most interesting aspect for a project of 'sustainable universalism' in health care.

Selecting users or selecting treatments?

The classical doctrine of social security assumed that all full members of a society should have an unconditional right to receive all the forms of care made available by medial progress, with no formalized or fixed restrictions. Since the early 1980s, the first part of this assumption (all citizens unconditionally) has undergone a gradual redefinition. In many countries, the dimension of access (which has remained universal and unconditional – at least in countries with national health systems) has been increasingly separated from the dimension of financial participation: user charges have been introduced in many countries, but differentiated according to need. This 'neo-univeralism' has not, however, significantly altered the second part of the assumption (all forms of care, with no restrictions). It is true that all countries have always had to cope with rationing, especially as regards costly technologies. But the most widespread method of rationing has been *de facto* that of waiting lists, mainly based on the 'first come, first served' principle. It is also true that some countries have started to introduce restrictions to certain *forms* of care (usually at the margins of the system: plastic surgery, spa treatments and the like). But rationing has so far remained primarily implicit and marginal. The assumption of 'full comprehensiveness' (the third dimension of classical universalism) has not been squarely addressed. Yet, some limitation of the principle of universalism seems desirable in this respect as well. Considerations of cost-effectiveness are also important, not only to safeguard economic sustainability, but also to encourage a more responsible use of medicine and a reallocation of resources towards the promotion of health from the traditional fight against disease.

But how should universalism be limited in this respect? Is it possible to identify a package of 'essential' and effective forms of care to be maintained under public insurance (even if provided through 'internal markets' or contractual relationships between purchasers and providers)? The main obstacle is of a methodological nature, i.e., what are the relevant criteria for making a selection? The choice has profound implications in terms of both social justice and public finances. Is it appropriate, for instance, to adopt some sort of demographic criterion (limits to the treatment of incurable pathologies among the very old), following the

suggestions of the so-called 'ageist' approach (Callahan 1987)? Or should resources be concentrated on the cure of all 'avoidable deaths', i.e. those caused by pathologies that, based on existing clinical knowledge, should not lead to death if a patient is appropriately treated (Holland 1991)? Or should we be more selective and invest only in treatments that promise a reasonable number of 'quality adjusted life years' (QALYs) (Williams 1994)?

However intractable they may sound, these questions have already ceased to be the object of purely academic debates, and are now at the core of the policy making debate. No country has been able so far to adopt formal and explicit rationing criteria in their health systems. But the use of positive and negative lists (e.g. in the supply of pharmaceuticals), of medical protocols, of indicative guidelines, etc. is becoming more and more widespread (Lenaghan 1997). It is obvious that all attempts at introducing greater discipline on this front are bound to meet enormous resistance of an ethical, political and organisational nature. But the issue must be looked at in a dynamic perspective. If it is true that picking among treatments and technologies which are *currently* utilised is extremely difficult – organisationally and politically speaking – stricter rules can be established for *future* treatments and technologies. This is where the most difficult rationing dilemmas will occur, because of the huge costs of new medical technology, especially in its early phases, 'natural scarcities' (e.g. organ transplants) or the interval between the experimentation with new treatments and their wider availability. In other words, the definition of priorities *now* would be useful even if only with regard to *future* choices, based on cost-effectiveness considerations and forms of procedural equity.

Besides the establishment of some explicit criterion for limiting the content of public entitlements, two other strategies seem promising for making health care universalism more sustainable. One is the introduction of specific incentives at the micro level for practising evidence-based medicine. This is slippery ground, as it interferes with professional 'freedom': but there are compelling normative arguments and possible institutional solutions for making steps along this road (Daniels 1985). The other strategy is that of encouraging patients themselves to become more responsible, allowing them a greater margin of choice on the quantity and type of care that they would like to receive – if appropriately informed. This is the direction followed by the US with the Patient Self-determination Act of 1991 and which some European countries are following as well.

There can be little doubt that the opening of a public debate on the criteria and choices that affect life and death will generate acute moral tensions and political controversies. For the wider public, such a debate may even seem inadmissible. But in a world of scarce resources and characterised by the ultimate unavoidability of death, the health care systems are obliged to confront the issue of allocative and distributive rationing. Ultimately, what will differ among them will the mix between the explicit or implicit, rational or non-rational, deliberate or casual nature of the criteria they employ.

A new public/private mix

One consequence of permanent austerity is that expanding health care and social services through the public budget will remain limited. Restricting universalism through user charges and priority setting will serve to filter demand based on equity and effectiveness considerations. But it will still leave a sizeable (and certainly growing) share of unmet demand. In many countries private expenditure for health care and social services has been rapidly increasing in recent years. Especially in the field of social personal services the 'third sector' is also becoming increasingly active. But the potential for a further expansion of both the private and the third sector for services has not been fully exploited, despite its positive occupational implications for economies struggling with high unemployment. To some extent (especially in continental Europe) this is linked to the 'inactivity trap' caused by high wage floors, which constrains the development of a labour intensive social services sector (Scharpf 1997). But there are other obstacles as well. The development of non-public forms of provision has traditionally been regarded with suspicion as possible sources of social differentiation and the erosion of welfare state legitimacy. But is this suspicion still well grounded? Can virtuous mixes between the public and non-public spheres be designed to help solve the 'resource' problem without also diminishing both the quality and coverage of care and the legitimacy of public provision?

In contemporary affluent societies, care services are highly valued goods, and the demand for them is not only constantly growing, but is also becoming more diversified, especially among higher income and educated consumers, who are interested in quality, freedom of choice and more personalized provision (Alestalo and Kuhnle 2000). It is unrealistic to expect the state to keep in control of such developments. The emergence of an increasingly specialised private market for health and social services is thus unavoidable. The crucial question is

whether there are ways to cater for a significant part of this new demand within the public arena? The advantages for the welfare state of doing so are that public institutions would remain the central locus of care provision and consumption, with no (or little) additional costs and no loss of social cohesion or legitimacy. The success of this strategy depends on two main conditions: the ability of public care services to satisfy 'new' consumer demand (a question primarily of innovation; and the willingness of these consumers to pay fees for services on top of their ordinary taxes and contributions.

In Western Europe, the first condition is essentially a matter of regulation, organisation and management. Here public health institutions have traditionally been and still largely are *the* centres of medical excellence. In this respect, the European situation is very different from the US, where the long historical delay in the introduction of public health insurance created an early opportunity for the expansion of private markets, creating a twin-track system of socially differentiated provision. The European middle classes trust public hospitals and think rather highly of their clinical quality. It should not be impossible for these institutions to adjust and upgrade their supply of services with a view to attracting fee-paying consumers. The second condition could be met by linking fees to new opportunities. It is certainly true that users of public services dislike and even resent the imposition of charges for what used to be provided free of charge. But their willingness to pay could increase if they are convinced that they have access to a wider array of (new) services and have more options regarding the timing, location and overall context of care. Paying for such high-grade care could be institutionally organised and encouraged, through collective forms of voluntary health insurance for example. This would be greatly facilitated if it were possible to differentiate between 'essential' and 'non-essential' treatments, along the lines discussed above. The latter could in fact form the object of a second 'pillar' in health insurance.

From the agenda to policy: how to bring about the reforms?

The third general question raised at the beginning of this paper concerns the more practical problems of how to bring about the reforms. It is important to stress that timely and effective reforms do not simply follow from the pressures of functional problems. They depend most crucially on the ability of relevant policy actors (i.e. national executives, sub-national

agencies, and supranational bodies) to correctly diagnose the problem, elaborate viable and coherent policy solutions, adopt them through authoritative and legitimate decisions, and then implement these decisions in accordance with local conditions. Successful reforms depend also – more generally – on the ability of social policy systems to learn from experience, to develop new insights and make good use of relevant information stemming from other policy areas and from foreign experience. Even in the presence of intense functional pressures, welfare states may be unable to respond (or to respond adequately) owing to major institutional deficits with respect to policy diagnosis, communication between policy experts and politicians, political conflict and implementation failures.

At the same time, as the experiences of the 1990s have shown, there are powerful vested interests devoted to defending transfer-heavy welfare states and their traditional redistributive outcomes. Thus, reforms to health care systems, pensions and labour markets all require a careful process of adjustment if social cohesion as a governing principle is not to be sacrificed and if core constituencies and their representatives (welfare professions, social partners, citizens) are not to become hostile opponents of change. On the other hand, some social and political 'forcing' of the status quo is in order for reforms to become effective: changes that are purely marginal and incremental will not be enough to neutralise the old vicious circles. As shown by recent experiences, potential blockages in the process of reform are being avoided in some countries by the creation of new coalitions behind the reform agenda, most notably through new types of concertation and negotiation. But of course, the long-term success of such reform primarily depends on the efficacy of the changes introduced

A successful policy adjustment strategy across the range of issue areas dealt with above requires an identification of the salient policy problems, a sequential strategy of policy reform (in other words a planned an incremental approach rather than a policy 'big bang') and a preservation of social consensus. In some countries (the 'Westminster models' of democracy such as the UK and New Zealand) radical reform strategies of a neo-liberal kind have been implemented in the absence of strong constitutional constraints or coalition partners and have ruthlessly bypassed the involvement of social partners. But these two polities are really the exceptions to the rule amongst the advanced economies. Most continental European economies are 'negotiating systems' with coalition governments, federal arrangements or strong regional actors, and active social partnerships whose

involvement in the policy process is a cornerstone of social stability and continued prosperity. Policy reform in such negotiating systems is more likely to be constrained by 'veto power', and as a consequence more likely to follow an incremental pattern of policy change.

An incremental and concerted reform process is not only necessary but can also be more productive than radical and unilateral breaks with the welfare status quo. In the complex and 'organized' economies of continental Europe, the policy areas mentioned above are closely linked and reform in one area will quickly have impacts in others. Often policy-making competencies are shared between state officials and the social partners, which again constrains the political degrees of freedom for the government. Much more so than in the liberal Anglo-Saxon economies, with their predominantly tax-financed welfare systems, it is therefore essential to focus the attention of policy makers and social partners on particular problem constellations (e.g., illustrating the connections between pension reform, social charges and employability) in order to introduce an effective reform sequence. If institutional trust and co-operation are not to be the first casualties of the adjustment process, a social dialogue must be preserved or reinforced. Commonly accepted information, successive rounds of negotiation and the provision of widely acknowledged and coherent sources of expertise all assist in a process of policy 'puzzling' and learning in the search for acceptable and workable solutions.

The implementation of agreed policies also requires the political power to avoid policy blockages and deliver side payments to potential losers. Implementation and legitimising reforms so as to avoid blockage will also require that broader social coalitions are accommodated and aligned with the reform process. Thus, not only does the interlocking nature of European social security and employment systems require simultaneous action on multiple fronts, but broadening and deepening the bargain also compensates for the absence of conventional organizational prerequisites in those countries where the social partners are neither strong nor cohesive. The best way to generalise the process of exchange is to synchronise industrial and structural with social and employment policy and/or extend concertation levels upwards or downwards by making associational strength itself a part of the bargain. This requires a complex and slow process of coalition building, but one that is essential if countries are to succeed in putting the requisite institutions for a co-ordinated adjustment strategy in place.

national levels. Though specifically focussed on employment issues, the process has crucial implications for other social policies as well. This is so not only because boosting employment performance is, *per se*, a way of securing the viability of established welfare programmes, but also because of the close link between most recipes for employment promotion and the 'modernization' of social protection systems, as discussed above. Not surprisingly, many of the employment guidelines drawn up so far in the new institutional framework call for an adjustment of various institutional features of existing welfare arrangements.

Conclusion

In sum, the process of welfare state 'recasting' involves a number of dimensions of change in response to a largely domestically generated set of pressures. Globalisation is compatible with several different institutional and normative projects, including those projects that aim at reconciling the imperatives of economic growth with the quest for more cohesion, and solidarity. Recasting implies resetting old instruments, introducing new instruments and changing in some crucial respects the very objectives of the welfare state. Given the rapidly changing nature of advanced economies, in terms of demographics (ageing), patterns of employment and social risks, as well as the apparent permanence of 'austerity', recasting is also likely to be an ongoing process. If Western societies wish to reset themselves on a course of *just growth*, they will have not only to re-adapt their welfare institutions to the new context, but must increase their *adaptability* as such, enhancing their social and policy learning capabilities and inaugurating novel institutional combinations between security and flexibility.

Neither outright welfare state retrenchment nor labour market deregulation is necessary for an economy to remain competitive in the 'global era', although realizing particular social policy objectives in an era of 'permanent austerity', and boosting employment creation in the new knowledge-based society, will certainly mean redesigning welfare systems. Nor, it should be added, is there any *a priori* justification for an all out assault on the public sector as such, even if, as we argue above, there is clear scope for a new equilibrium between the private and public sectors in welfare provision. Efficient public services are an important institutional condition for competitiveness, especially in innovative, high-skilled, and high-value added forms of production and in promoting the transition to an information-based

In Europe, the supranational authorities clearly have an important role to play in this respect. National adjustment strategies and bargains can be reinforced and encouraged in their efforts tackle existing inequities in welfare cover and introduce new forms of flexible work and social security and tax reform. One specific area where an EU role is required is in helping ensure that both labour and capital remained linked in national social bargains, for example, given the low exit-costs for these organizations in those countries without a corporatist tradition. This could be achieved by scheduling productivity-linked wage increases and employment creation in line with plans for a return to non-inflationary expansion and growth at both national and European levels. The conclusion of a European employment pact stressing the importance of education and training, as well as setting out the conditions for a co-ordinated strategy of European reflation, would make an important contribution. The Commission could also play a role in diffusing notions of 'best-practice' policy sequencing and linkages. Also of central importance will be the development of new 'soft' instruments for European intervention in the member state economies and labour markets. These are essential if the policy blockage encountered by more traditional European instruments (e.g. social and employment policy directives) is to be avoided. In fact, almost by stealth, during the 1990s the dynamics of European integration have been playing an increasingly important role in shaping social policy developments within the member states.

The European Union, acting as a 'semi-sovereign' policy system, seems slowly but surely to be carving out a distinct 'policy space' regarding social policy – a space which may gradually work to rebalance 'from below' (and 'softly') the structural asymmetry between negative and positive integration. This trend is clearly visible in the areas of gender policy and, since 1997, employment policy. In the area of social protection proper, the relevance and involvement of the EU is less marked and the logic of asymmetry is still predominating: but also on this front the situation is perhaps less desolating and certainly less static than appears. In the field of employment, the turning point has coincided with the launching of the 'Luxembourg process' in 1997 and the new employment chapter introduced in the Amsterdam Treaty. This chapter provides for the co-ordination of national employment policies using a 'management by objectives' approach, whereby EU institutions draw up guidelines and monitors their implementation through an institutionalised procedure. This neither 'binds' the member states in a hard, legal sense, nor foresees possible sanctions as in the case of budgetary policy. Despite its 'softness' this process of co-ordination is acquiring increasing salience for the shaping of public policy at the supra-national, national and sub-

services and production systems. To achieve this goal, social and welfare policies should be part of an institutional ensemble that fosters long-term relations of *trust*: close links between the state and the social partners; the construction of social and electoral coalitions around programmes of welfare reform; a system of social and labour market regulation that stimulate a longer-term product development strategy, ensure a better educated and more co-operative workforce and make managers more technically competent and willing to invest in generic and company-specific skills.

Finally, although sequential and incremental reforms move at a slower pace than radical change, they are also less likely to endanger the overall stability of the economic and political system. 'Big bang' reforms tend to generate massive uncertainty in the period of transition, and can easily undermine economic performance, at least in the short run, reducing the propensity to take economic risks, and generating social conflict. An erosion of social cohesion, furthermore, is likely to undermine the degree of trust in the economic and political system, which fosters an unstable environment for long-term economic investment, consumer behaviour and policy development

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Executive summary

Building a Sustainable Welfare State

Reconciling Social Justice and Growth in the Advanced Economies

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1. The conciliation of economic growth and social justice has been one of the most significant achievements of 20th Century welfare states. Yet, today it is the object of heated controversy. The 'conciliatory' capacity of the welfare state has been put in serious question, especially in the light of 'globalisation'. Efficiency and equality, growth and redistribution, competitiveness and solidarity are referred to as polar opposites that can only thrive at each other's expenses. The new millennium will open under the shadow of a 'big trade-off' between social justice and growth.

2. But this trade off logic is not inescapable. But how can we find a way out of it? The task is one of identifying new value combinations and institutional arrangements that are both *mixed* (in respect of their normative aims) and *virtuous* (able to produce advances on all fronts). The search for these combinations and arrangements must start from an accurate diagnosis of the challenges afflicting Western welfare states. What lies at the basis of the current predicament? What features of social protection are most in need of reform? How can the reform agenda be realised so that 'old vices' are turned into 'new virtues'?

3. The impact of 'globalisation' has clearly been exaggerated. Unemployment and the need for the reform of social protection systems should be attributed mainly to other developments, particularly 'post-industrialization'. Financial market globalisation may limit government autonomy; market integration constrains redistributive tax policies. But various types of institutional setting and policy orientations are compatible with competitiveness. There is no need for (nor is there evidence of) convergence on 'neo-liberal' values and institutions, despite convictions to the contrary in certain political circles.

4. There are at least three worlds of welfare capitalism – the liberal, social democratic and conservative. Each faces a different (if related) set of core problems, linked to demographic change; the rising cost of health care; low economic growth and high unemployment (at least in Europe); and the changing nature of the labour market, household patterns and family/gender relations. There is also a similar reform agenda, focused on curbing excessive protection for certain risks and social groups; inventing new forms of protection for uncovered needs; finding novel modes of collaboration between public, private and voluntary provision; and redesigning benefit formulae to make them financially sustainable and more employment friendly. In the core sections of this paper we propose a series of solutions in the labour market, pensions and health care

which seek to preserve social justice while solving fiscal problems and accommodating economic imperatives.

5. But how to bring about the reforms? As the 1990s have shown, there are powerful interests devoted to defending transfer-heavy welfare states and their traditional redistributive outcomes. Reforms to health care systems, pensions and labour markets all require a careful process of adjustment to preserve social cohesion as a governing principle and secure the support of core constituencies and their representatives (welfare professions, the labour movement, citizens). Blockages in the process of reform are being avoided in some countries by the creation of new reform coalitions, most notably through new types of concertation and negotiation. But of course, the long-term success of such reform depends on the efficacy of the changes introduced

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Five (Hypo)theses on Democracy and its Future

by *Yves Mény*

Paper prepared in occasion of the Conference
"Progressive Governance for the 21st Century"
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Panel

Tony Blair
Fernando H. Cardoso
William Jefferson Clinton
Massimo D'Alema
Lionel Jospin
Gerhard Schröder

Speakers

Norman Dorsen
Yves Mény
Javier Solana
Juan Somavia

Five (Hypo)theses on Democracy and its Future

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Introduction

Pondering the future of democracy at the end of the twentieth century and the dawn of the third millennium calls for reflection on past experience and evolution, on the utopias that paved the way, starting in the 18th century, for the creation of democratic societies.

Some centuries before our era, on a small territory with a limited population, a special form of government arose, that of the people of Athens. It is likely that similar or close forms had existed in other civilizations and other territories just as small. Ethnologists and anthropologists have not failed to discover and analyse numbers of egalitarian micro-societies practising forms of pre- or proto-democracy. But Athens is unique, from three viewpoints: its democratic history goes hand in hand with the apogee of a brilliant, sophisticated civilization; and moreover, its practice was thought through, reflected on, debated by the most outstanding minds in the Polis. And finally its posterity is incomparable, since from the fall of Athenian democracy until the American and French revolutions, Athenian democracy was to constitute the sole referent for democratic thought. Until the age of the Enlightment and its political accomplishment, the democratic model was incarnated in the society of Pericles.

The American revolution and then the French revolution constitute the second phase of democratic development. As the word revolution indicates, democracy was seen as a turn, a

radical change. In Lincoln's celebrated formula, "government of the people by the people for the people" was established.

Already by the end of the 18th century, and throughout the 19th, the potentiality of these democratic revolutions was considerable: South America rid itself of its colonizers, and all the European monarchies were shaken by the new ideas with the exception of Great Britain, whose democratisation results from a slow, but constant process of political transformation. The spread of the democratic principle on a planet-wide scale is not, then, a new phenomenon. For at least two centuries now, the germ of globalization has been present. But the conditions for its expansion are quite different: first, because the democratic movement was conceived of first and foremost as liberation from internal or external tyrants and as a rather romantic enterprise of devolving power to a mythic people; second, because almost everywhere the democratic enterprise proved a failure because of manipulation of the people by leaders who appropriated power and set up new dictators "in the name of the people", or because old ruling castes took over the situation again; third, because the bringing in of democracy was regarded as incompatible with conservation of elements of the Ancien Régime. Symptomatic in this connection were the two revolutions in America and in France, which conceptually and practically could not conceive of the coexistence of democracy and monarchy. The introduction of one called for elimination of the other.

Independently of these ideological struggles over the political régime, the 19th century was marked fundamentally by the social question. Increasingly, the search for democracy was identified with the need to integrate the wretched masses of workers. In one way or another, from 1848 to 1914, the problem shifted. For the masses, democracy was a possibility of acting

to build a better future; for the elites in place - including those in the few societies regarded as democratic - the problem was that of controlling the "dangerous classes".

The 1914 - 18 war was the detonator for this new phase: the Russian Revolution of 1917 reflected these new aspirations, while the Western democracies sought to disseminate their model in the new states built on the ruins of the Russian, Austro-Hungarian and German empires. The failure became manifest in several ways: first, because the European powers invoking democracy at home dominated much of the world through colonialism; second, because the United States were more concerned with their economic interests than with democratic development in their Latin-American backyard; third, because there came a monstrous coupling of the notions of popular sovereignty and of socialism, with a radical perversion of their meaning and their usages, leading to the Fascist and Nazi regimes.

On the eve of the Second World War democracies could be counted on one's fingers: the United States, Britain, France, Belgium, the Netherlands, the Scandinavian countries. And one could hardly fail to see that these democracies were extremely imperfect: race segregation still reigned in the United States, women did not vote in France, social rights were almost non-existent and fundamental rights often flouted.

The last stage in the process began in 1945 and was completed with the fall of the Berlin Wall just ten years ago in October 1989. This period was marked by the forced democratization of the old German and Japanese dictatorships, by the strengthening and rooting of the European democracies, by the exhaustion of the myth of people's democracy, and by the multiplication of new States emerging from colonialism, all of them potential customers for political regimes

competing on the ideological and institutional market:

It is during these fifty years of the second half of the 20th century that the conditions were laid down that have for ten years prevailed, and constitute the new ideological and political landscape of the nascent 21st century: the indisputable supremacy of the market; the ideological monopoly of the Western democratic model; the growing globalization of material, financial, human and intellectual exchanges.

The landscape is radically new, and the advance of change is exponential:

1790: Two or three so-called "democratic" systems, on which there could be much to question;

1920: A dozen incomplete, imperfect, often fragile democracies;

1950: A score of countries could claim to be democracies, on condition that the quality of that democracy were not looked at too closely;

1999: The label democracy has become so dominant that only a few countries reject the forms and the rites of the Western model. Everything happens as if there were no longer any alternatives. As Ian Shapiro put it "for all of its problems, failures and ambiguities, democracy has won the day in the sense that it has no serious political competition in the modern world" (Shapiro 1966,3).

From this rapid evocation of the evolution of the Western democratic "model", a few initial conclusions emerge that may be useful for analysing its potential development in the century to come:

- The model is becoming universalized. In any case, it has an unconcealed, sometimes

indeed arrogant, pretension to universality.

. Its triumphal march goes hand in hand with the still faster and more radical expansion of the mechanisms of the market economy.

. The two phenomena are converging in a global movement of criss-cross, systematic exchanges, both international and transnational. The democratic phenomenon born in the national framework, and still rooted in it, is today developing in a radically new context, for which it is little or badly prepared.

. The democratic phenomenon is marked by its evolution, its deepening and particularly its perfectibility. The British, French and American democracies of today have little to do with what they were 50 or 100 years ago. The word remains, the reality it denotes has changed.

. Like any political and social project, the democratic model is a mixture of reality and dreams, rules and utopias. Despite the many efforts at "disenchantment" which, from Schumpeter to Sartori, have helped to give a more realist vision of what democracy is, for much of public opinion it remains a largely mythic object, more in line with what the collective imagination believes about it than with its day-to-day functioning.

The modern world we have known since the Fifties is still in place but its nature and content is changing. While entering into a new era, we do not know yet its future shape. Herman Van Gunsteren (1998, 36) refers to it as the march towards The Unknown Society that he contrasts with the previous period along the following dichotomy:

Modern Societies	**The Unknown Society**
National unitary culture	Creolization within global culture
Politics of emancipation	"Lifestyle" politics
Equality	Differentiation, difference
Organization, hierarchy	Reorganization, networks
Rationality	Rationalities "we are all natives now"
Fixed identity	Fleeting and multiple identities
Guaranteed representation	Problematic, ad hoc representation
The end of ideologies	Variety of lifestyles and convictions
Pragmatism in politics	Fundamentalism in politics

The old reality is still in place and the new one is not fully born. The challenge for old as well as for new democracies will be to adjust the changing conditions of its ideological and material environment.

The ambiguity of democracy

As many authors who favour a realistic approach to the question have stated, "democracy is the pompous name for something that does not exist". The formula is provocative, and might sound as the expression of anti-democratic feelings. In reality, over and above paradox, the realistic approach aims at demythologizing the dominant vision by showing that democracy, which means literally government by the people, the *demos*, does not exist as such. No democracy is

truly or simply a "people's" democracy. Power is certainly exercised by the people's representatives, but it is this elite chosen and recruited according to variable procedures that holds the reality of power. This role is held to be exercised under the control of the people, but we know how relatively ineffective, imprecise and limited that control is. In any case, even where that control is effective, the people can govern only by proxy. This situation sharply contrasts with the simplified, sometimes caricatural view of democracy that not only dominates public opinion as a prisoner of traditional schemas, but is also propagated by the media and by professional politicians.

Just as Lenin defined communism as "Soviet power plus the electrification", the Western world has too often asserted (and later accepted) that democracy was "parties + elections", as if the example of numberless dictatorships giving the illusion of superficial forms of democracy were not enough to warn us against these abusive simplifications.

In fact, democratic systems have since the outset - including the ancestral Athenian version - always been made up of a complex mixture. An indisputably popular element is what justifies and legitimates the system; connective, complementary or concurrent elements counterbalance the popular input. This second component was present from the origin of the American Constitution, since the founding fathers, while affirming the power of the people, were also fearful of the disastrous consequences that unbridled popular power might have.

Not having managed from the outset to achieve this "checks-and-balances" effect, the French experience proved much more chaotic and difficult. In fact the whole 19th century and the first half of the 20th were marked by endeavours to conciliate and combine two currents of thought,

two currents of opinion, that were radically incompatible in principle: on the one hand the pure democratic tendency to give all power to the people at the risk of ending up with authoritarian or dictatorial deviations "in the name of the people"; on the other, the liberal current (today more usually termed constitutionalism) that mistrusts all absolute power (whether monarchical or popular) and seeks to multiply the checks and balances and use power to put brakes on power. As US Supreme Court Judge, Justice Brandeis wrote: "The objective is not to promote efficiency but to impede the arbitrary use of power".

This second element developed considerably in recent decades, particularly following the difficulties and sometimes collapse of democracies between the two World Wars: it was with popular support and in legal form that Mussolini and Hitler came to power. Elsewhere, initial coups d'états were accompanied by the recourse to and manipulation of voting, as for instance in Franco's Spain or in the populist regimes of South America. Instead the German and Italian Constitutions are models of the complex mixture where suffrage and popular expression are counterbalanced by manifold mechanisms and institutions: Supreme Court, Central Bank, decentralization and fragmentation of power, etc.

The equation "democracy = people's power" must be replaced by a more sophisticated view. What we traditionally and readily call "democracy" is a system that closely blends democratic and non-democratic elements in combinations that vary in time and space, subject continually to an examination of their legitimacy before the elites in particular and the people in general.

This realist observation is crucial when we come to ask what democracy might become in the 21st Century, in the age of globalization. Recognizing that what we call democracy is in part

people's power, but not only that, means that we have to ask about various dimensions of this mixture:

- What heterogeneous (i.e. non-popular) elements can be incorporated into popular power?

- What more or less optimal balance can be found between the *demos* and the factors that "block" and restrain it?

- What new instruments and institutions can be brought in to adapt "democratic" systems to the new national and international context they have to fit into?

I propose to consider these complex challenges we are, and will increasingly be, faced with by putting forward five (hypo)theses, as a basis for our thoughts.

Thesis 1 - The absence of any alternative to the Western political model has eliminated external threats, but enhanced internal challenges. Democratic consolidation concerns not just the new democracies, but <u>all</u> democracies.

When the Western model was confronted daily with the existence of counter-models in both political and economic or social terms, that situation had a twofold impact: it acted as a salutary stimulus in a competition that was not just material but also ideological; and it also enabled certain failures to be forgiven or forgotten in the name of the hierarchy of problems. Better a

democracy, even imperfect, than an authoritarian or despotic régime. As Churchill said, "democracy is the worst of all political systems, except for all the others".

The end of any serious competition or outside danger risks arousing indifference, apathy or anomie among the citizens. In Europe there is often talk of an American syndrome in this connection, stressing that Europe, on the model of the United States, is increasingly suffering from electoral absenteeism, absence of political participation and failure to understand the issues. But this hasty equation is undoubtedly false. While the United States have always been able to reconcile a low appetite for electoral participation with a profound attachment to the constitution and the political system, most other countries, in Europe and still more in the rest of the world, have a more unstable and fragile relation with the values of the democratic system.

The main challenge lying in wait for democracy in the coming century is not an alternative still to emerge and be conceived of, but the indifference of those regarded as being its *raison d'être*, namely the citizens. Another expression, unfortunately experienced between the wars, of *dissatisfaction* with the democratic system can be rejection of the moderate forms of the democratic system as we know them in favour of radical popular forms: populism in its most modest expression, extremisms of right or left. Democracy might thus remain the universal reference scheme while being seriously threatened here or there during localized crises. The solidity of the whole democratic edifice would then depend on a twofold capacity: that of the international community to isolate and bring back to reason the straying country; that of the country or countries in question to take appropriate reform measures (cf. the recent examples of Greece, Argentina or Brazil, South Africa, etc). The risk will be the greater if collective issues have been taken out of politics to be dealt with in other arenas. To sum up, democratic

consolidation is not a challenge that only new democracies have to face. Old democracies have also to adjust, to reform in order to better satisfy their citizens' aspirations. In that sense Democracy is "an every day referendum" as Renan used to say about nation-building.

> Thesis 2 - Western-type democracy and the market are historically linked (even if not totally inseparable), and each claim universality. But the democracies do not have suitable instruments for coping with a major economic and social crisis.

A crisis, though not foreseeable as to date and form, is nonetheless likely, failing a radical change in capitalism and economics that would allow us to contemplate a world from which crises would be banished. Since nothing at the moment justifies any such beatific optimism, it is best to take into account the blackest hypothesis. *A priori*, it might be claimed that democracies are in some respects better able to tackle a major economic crisis failing any credible alternative, or political or economic theory capable of replacing the existing creeds. The experience of the 1930s and the post-war Keynesian policies is also rich in lessons.

But against this optimistic interpretation one might emphasize that Western Welfare State systems have exhausted their capacities and their resources. Having grown to limits, they are scarcely able to give any more. Let us crudely confess: in the face of an economic depression that will be all the more devastating since the planet today is in a situation of total interdependency, there is not yet any economic or financial "safety plan", still less political remedy, except hoping in the clairvoyance of the elites and the wisdom or good sense of the citizens.

It may certainly be stressed that economic science and the ability to steer the economy have made enormous progress. However, it would be naive and testify to historical ignorance to think that in this area too we have come to the "end of history". Those long-term utopias; often lasting no longer than the polemics over them in the media, are of hardly any use in guiding us.

From past experiences one lesson can, alas, be drawn: crises catch unprepared not just political practitioners, but also theorists and experts. It is often crises that give rise not just to new economic and social conditions, but also to new paradigms, new intellectual and practical instruments. What was yesterday unthinkable and unthought of suddenly becomes possible and feasible. These democracies' weakness however is also their strength. Democratic regimes are built up to deal with uncertainty as they are concerned more about procedures and rules of the game that pre-designed policy outcomes.

> Thesis 3 - The major phenomenon of contemporary pluralist democracy is its enormous geographical expansion over the last twenty years. The trend is for the democratic system to evolve towards universality, but its forms must allow a diversity of models and enable cultural particularisms to be accommodated to.

The Western model of government has become almost the sole referent, on the same basis as technology, clothing, entertainment, etc. This evolution, inspired, desired and pushed for by the Western world, has often been assessed in simplistic terms. The press and politicians have often conferred patents of democracy on the basis of the existence of a formal and institutional minimum, generally the existence of a constitution, the recognition of parties and the holding of elections. On the basis of these few indicators, following the fall of dictatorships hasty

conclusions have been drawn to the expansion of democracy. Much might be said as to these hasty, interested legitimations, which lead to reducing the democratic system to its elementary forms more than its substance.

But the universalization of democracy, over and above its more or less artificial nature, raises one still more formidable problem: integrating not strictly democratic elements, according to local cultures, traditions and practices. Let me explain: one does not refuse to call Britain or the Netherlands or Spain democracies, although institutionally they are monarchies; nor is the title denied to the United States, though a number of states employ the death penalty, etc. In other words, though each democratic State has features that elsewhere might be regarded as incompatible with one pillar or the other of democracy (the popular or the constitutionalist one), one does not refuse on that ground to call them democratic.

The question for the 21st century and for the new States in course of democratization is then the following: how can the democratic principles invented by the West - but never applied in their total purity and integrity - be reconciled with elements of local culture or tradition? Up to what point can this mixture be regarded as democratic, and where is the boundary to be drawn between the "democratically imperfect" and the unacceptably non-democratic? An intransigent response by the West - as is all too often the case - ignores both the specific features of nations evolving towards democracy and the residues that persist in their own systems, in both the expression of popular aspirations and the recognition and effective protection of fundamental rights. The construction of democracy is a long path, a fight on all fronts, a continuous adjustment to new aspirations.

When Tocqueville a hundred and fifty years ago wrote "De la démocratie en Amérique", he did not for a moment doubt the democratic nature of the United States. Yet neither the President nor the Senate were elected by the people, protection of rights was imperfect, slavery was a current practice in the South, etc. The history of our countries teaches us that the process of democratic construction has been long, eventful and non-linear. Even if the recent period shows a remarkable acceleration in the processes (cf. the extremely fast democratic transformation of such countries as Spain or Portugal), our own past ought to teach us tolerance, patience, open-mindedness and imagination. We have to accept that many rules and institutions may vary from one country to another; that the meaning and scope of fundamental rights are themselves - despite their proclaimed universality - liable to variation, as illustrated, for instance, by the divergent interpretations of respect for life.

Thesis 4 - Internationalization constitutes a major challenge for democratic systems, the birth and development of which went hand in hand with that of the Nation State. The democracy of the future will have to be able to reconcile the contradictions between its rootedness in the Nation State and the transfer of powers to universal but sectoralized authorities.

Let us say first of all that this dilemma takes various forms: first, globalization, i.e. the growing, rapid tendency to universalize problems and ways of dealing with them, in trade, the environment, transport, etc. Second, regionalization, which implies a more or less advanced integration of economies, of rules or of institutions - with the most advanced example being the European Union, whose success is arousing emulation in other parts of the world. Finally, transnationalism, resulting not just from ancient phenomena like religion, but also from

emigration, the multiplication of NGOs and transnational pressure groups, or the birth of an international public opinion capable of challenging the choices or approaches of a given country (cf. The Amazon Forest in Brazil, apartheid in South Africa, etc.).

The most serious challenge, in connection with which thinking is least developed, lies in the growth of a twofold phenomenon: globalization as such (which though not new is becoming a major question because of its extent), and technical segmentation, the sectoral specialization of the agencies of governance, on the other. This second dimension is not just a concomitant of or dependent on globalization, since it is also strongly developed within the Western Nation States (agencies or independent administrative authorities). But it is interesting to note that it is also emerging - and this is new - in the context of a globalization that is no longer only unilateral (conquest of the world by the colonialist countries) but multilateral, organized and institutionalized.

This twofold phenomenon leads to a considerable reduction of available policy options. The range of potential choices is reduced by external constraints but also by internal preferences for so-called non-political or apolitical organisations. It might be that the autonomous capacity of Nation-States to act according to their own choices was an illusion or even worse, a rationale to pursue their objectives through all means, including war. But this faith was in line with the mythical basis of State power, i.e. absolute sovereignty within its borders. National actors could pretend they were in control of decisions, free to choose among many solutions whose implications were subject to intense political debate. Today's situation is the complete opposite, as if politics, ideology, policy choices had to be submitted to external forces escaping the control of each nation but also of the international community itself. Past reification of actors

(The State) has been substituted by a new form (The Market). This loss of influence is instead benefiting new authorities not subject to the democratic principle (namely election or control by politicians), constituted on the basis of such principles as competence, expertise and independence, and functioning on the basis of legal or technical norms that escape political manipulation or intervention.

Whereas democratic politics are characterized by public debate, the globalization of issues (around more or less artificial poles like the Left/Right cleavage), trade-offs and transactions, the handling of problems by independent authorities or sectorial authorities are based on technical competence and the correct interpretation and application of norms from the "environment".

In itself this phenomenon is neither new nor revolutionary: except at the time of Galileo when the Pope decided on scientific questions, or in Stalin's USSR when science was a servant of ideology, it has long been accepted that scientific criteria cannot depend on an ideological or a popular vote (though a recent exception to this common-sense rule has appeared in the United States, where some schools prefer biblical teachings to scientific theories of evolution). The Hague International Court was another illustration of the attempt to deal with conflicts through law rather than through war.

But the new scope taken on by international or supranational authorities, the increasingly binding nature of their decisions, the pressure of international (or rather transnational) public opinion, the mobilization of ad hoc pressure groups from Greenpeace to Amnesty International or Transparency International, constitute an unprecedented challenge deployed in a twofold

direction: not only does it, as we have already said, impoverish the space of democratic politics, but it contributes to shifting the solution of problems towards an - international, supranational - space not governed by the traditional norms of democratic systems.

The solutions to this challenge are not simple, since while there exists a national Demos, a community of concerned citizens, there is no such thing for the moment at international level. The European Union is well aware of the problem - without having resolved it: it is increasingly having to face the famous "democratic deficit". To tackle this challenge, which will be the major one in the century to come, I feel we must again distinguish between the two pillars that uphold the democratic system: the popular and the constitutionalist one.

These solutions are easier to find in the second pillar, by applying at international level rules and practices already tried and tested at national level. They are called fairness, due process of law, rule of law, checks-and-balances, protection of rights, etc. Nothing of the constitutional pillar of Western democracy is inapplicable at international level, with some effort of imagination and good will.

Much more problematic, by contrast, is the construction at supranational level of a *demos*, a community of peoples and a means of expression for these peoples that are the object of international regulations, decisions and arbitration. The "League of Society Nations" has yet to be built, over and above the forums and institutions regarded as presently representing it. Even if the ideal or the utopia of the future may be the construction of an international society (thanks to the Internet?), the times are still far off when the international community can play the same role, *mutatis mutandis*, as the national community does in democratic systems.

Yet channels of thought may well be open. Let us first say that the democratic systems would perhaps be better termed pluralist. Their objective is to govern according to a method, the majority principle, while guaranteeing that this majority is neither oppressive nor totalitarian, does not hold all the power, and offers guarantees for minorities. Moreover, their organization is territorially grounded (local/national).

If we accept that recourse to direct universal suffrage is for the moment impossible (except, with the limits and with the problems that we know, at the European Union level) in order to identify the views and opinions of the international society, we must then work at an intermediate level, that of representatives of States. For the moment we shall confine ourselves to mentioning some broad lines of thought on this point, enormously delicate and difficult as it is. Given the absence of pure democracy since the "international people" does not exist as such, the aim should be to strengthen pluralism and favour de-sectoralization. Strengthening pluralism means evolving from an elitist conception, a practice of a club of the "happy few", to a more universalist taking of the interests involved into account. Contemporary international society is something like 1789 France, when individuals and groups were not entitled to the same rights, by which I mean a world where a few countries are in a dominant position. A multitude of followers has to accept the rules of the game laid down or imposed by the leading countries.

This sort of imbalance, which is in a sense in the nature of things and cannot be corrected except by procedural, institutional, political, etc. artefacts, cannot easily be changed. Though not democratic, international society would already be on the road of progress if its pluralism were protected and guaranteed in the way it is safeguarded within national societies. This presupposes

recognition of rights, the development of rules and procedures, and the acceptance of derogations and protective exceptions.

Building a potentially democratic international system also presupposes, as with national politics, that the various problems to be tackled are not separated into watertight compartments. Democratic politics can only come into play if it has a capacity for transactions and trade-offs. This does not as yet exist at international level, except in one limited, ambiguous and often hypocritical area of the coupling of trade and human rights. The problem is that this link is for the moment more the outcome of the American policy that began with Jimmy Carter than of a collective effort, debated and adopted by the democratic societies acting together.

The example of the European Union is instructive and promising in this connection. Starting as an undertaking confined to the economy, the European Community was nonetheless endowed with embryonic political instruments that could potentially become the instruments of democratic politics. The strength of the Community, and later the Union, lay in that mixture of institutions, in the progressive development of the two pillars, the popular and the constitutional one, in the transactional capacity of policy, in the growing territorialization of the sectoral and functional problems. It is undoubtedly utopian to think that the European model can be extrapolated to the whole universe. But more than "recipes", it is the spirit and the guiding principles that ought to be an inspiration for an undertaking whose scope could well take up a whole millennium. Kant's aspiration for perpetual peace has not stopped being denied over the last two centuries by the most cruel and devastating wars. But the progress accomplished in the last fifty years, though neither decisive nor irreversible, makes the slow but progressive construction of a global but pluralist, heterogeneous but pacific, society less illusory and

utopian.

Thesis 5 - Globalization calls in question a number of concepts, perceptions and interests shaped by the historical merger between the Nation State and the democratic area. A new definition of democratic values (liberty, equality, solidarity) is inevitable.

- The coherence laboriously established between economic space, political space and social space is increasingly threatened. How can the political frontiers inherited from history remain the same when human, commercial and financial flows no longer take account of them? The phenomenon is already explosive in North America and Western Europe, but is incomplete because the cultural, linguistic and political structures are more resistant to change, if only because of their territorialization. There is, then, a growing gap between certain types of flows that in themselves can become, and are becoming, an issue for democratic politics. Until today, a political system was typified by bringing together and combining a number of properties which are today *dissociated.* Political societies have changed in their nature. From closed they become open; from sought or attained homogeneity they move to heterogeneity, whether accepted or not. There are only two alternatives: either this fragmented, composite character finds modes of consensus management (multiculturalism, national minorities, liberal pluralism, etc.), or else there is a great risk of the old national societies imploding in favour of more homogeneous societies, either at territorial level or at the level of specific groups and communities. If the link between groups and territories is first and foremost political, any weakening of that link is bound to bring centrifugal developments.

In this connection, at least in Europe, the needful reform of the Welfare State constitutes a challenge that is not just economic or financial. I shall not here go into the question of the weight of welfare in national economies, which does not seem to me to be a problem as such. What raises a question is the mode of financing, administering and distributing a policy that cannot any longer be called in question in principle, only in the details. A single example may serve to illustrate the point: the European governments, rightly concerned at the growth of health costs and their funding, are right to wish to reform the system. But they are wrong to forget that, for instance in the United States, expenditure per head is higher while several million people are uncovered or nearly so. The purely financial or accounting arguments obscure the debate and prevent it from advancing.

The problem in Europe is that, much more than elsewhere, welfare was the instrument for integrating the masses into industrial societies. Granting universal suffrage was often the first step towards building a democratic society. But the realization that the ballot paper was not enough lent more attraction to the prospect of social revolution. The European democratic systems are thus at the convergence of political and social rights. Calling the latter in question again would harm the system's very legitimacy - which does not, though, mean that all the corporatisms and social egoisms are entitled to indefinite perpetuation.

The debate on welfare is, then, welcome even if often poorly framed. It compels the raising of fundamental questions: what is its role, what is its legitimacy? What should be the place of local, national, international or generational solidarity? What is the desirable division of labour between public and private? What redistributive policy is possible, or legitimate, and in favour

of whom?

Though this debate has been going on for some thirty years in the United States and more recently in Europe, the question is far from being solved. Even if the confusion and the technical nature of the problem often obscure the debate, the question of welfare in democratic systems calls into question almost all the old certainties: the division of labour between men and women, the distribution of profit between labour and capital, the sharing of income between direct and indirect advantages, the trade-off between younger people's work and retirees' income, etc. Yet these discussions are rarely centred round these problems, tending to set the focus on the cost of welfare and the need to make grave cuts. The issue is thus reduced to a fight between pressure groups instead of engaging in thinking about welfare as a component of democratic societies.

Other questions even less often asked are about the remoter but logical implications of the principle of solidarity that underlies welfare (if it is not to be reduced to a mere act of charity). First of all, if the principle of solidarity is itself called in question, then the role of democratic institutions as an arbitration body collapses: charity becomes a matter of goodwill, of kindness and of individual or collective initiative. The solidarity that entails authoritarian levies presupposes - at least in principle - a debate on the advisability and size of the transfers to be made, on the identity of the beneficiaries, etc. Solidarity implies a social locus: the family, the village, the political community as a whole. From this viewpoint it seems scarcely logical to allow the foreigner to benefit from community solidarity while refusing him access to the political community, say by granting citizenship and the right to vote.

Similarly, on the hypothesis of a democratic international community, it would be logical to

strengthen the bond of solidarity within that community. For the moment, this solidarity is all too often stuttering or non-existent. There is some hypocrisy in calling, in the name of fundamental rights, for banning child labour or boycotting products produced by it, if we are incapable of furnishing effective aid, international solidarity to help with the problem of those children's nutritional survival. In this area more than others, international solidarity seems utopian, or reduces to a few symbolic gestures. We can see all the difficulty of this in Europe, where no one wants to set up Europe-wide welfare for fear of giving birth to a costly bureaucratic monstrosity. This does not, however, prevent transfer policies (notably territorial ones) from enabling poor countries or regions to be helped thanks to contributions from richer ones.

Conclusion

Max Weber used to speak of the "European rationality of world domination". Today we should substitute "Western" to "European", but this semantic adjustment does not change fundamentally the nature of the problem. The Western World has been extraordinarily successful in imposing its paradigms, both in the economic and political spheres. There is no alternative to the market and to democracy. This overwhelming triumph, however, is displacing the debate and the challenges: the choices are not anymore between these paradigms and opposite values or systems, but rather about the meaning and the content of these ideals and realities. A new horizon for discussion and choice is emerging because there is no general agreement about their meaning.

Market and democracy are flexible concepts, whose basic rules and principles have been accommodated over time and space according to the hierarchy of values, the national history,

the relationship between the public and the private spheres. The globalisation process, which is taking place, differentiates more and more the market from the democratic space and is paving the way for new questions and challenges: how much diversity can markets and democracy accommodate in order to become, or remain, universal tools and values? How to make sure that the expansion and deepening of market instruments are accompanied by a similar evolution of democratic rules and institutions? How much democratic inefficiency markets should accept in order to remain legitimate? What kind of relation (equality, hierarchy, subordination) should take place between the political and the economic? The triumph of politics or the domination of the market?

These are questions for which there is no easy answer. But there is at least one point where agreement could be reached: at the end, the solutions will depend upon the superiority of the dominant paradigm. No doubt that market and democracy are the victorious couple, but we have not yet decided which one of these twin concepts could take the advantage. Let me conclude by referring to one of the most influential minds of this century, whose views have been debated time after time - Keynes. In his "General theory of employment, interest and money" he wrote that "the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas" (1964, 383). These days, these Keynesian views have been challenged and often rejected on economics. There is nothing wrong with that. It is more problematic to have forgotten the other part of the message: ideas count indeed.

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Abstract

Five (Hypo)theses on Democracy and its Future

Yves Mény

This paper addresses some of the challenges that democratic systems might face in the century to come. The starting point is based on a realistic approach of what democracy is or is not. Democracy is never, as the etymology seems to indicate, the basic expression of people's power. Democracy is always a complex mix of popular will and of constitutionalism, i.e. a more or less sophisticated system of checks and balances. When analysing the challenges of the future it is crucial to keep in mind that democracy has been built up on these two pillars. The paper lists five main problems: the first one is consolidation, which is not the sole concern of new democracies but also of old ones as well; the second is uncertainty, i.e. the democracies' capacity to deal with major economic or social crises; the third one is the tension between universality and the need for accommodating diversity; the fourth one has to do with the contradiction between global governance and the rooting of democracy within national settings; finally the fifth one deals with the need to give a new meaning to traditional values such as liberty, equality, solidarity. To use the words of Weber, we are observing at work the Western "rationality of world domination". However, the twin victory of market and democracy will be a lasting one only if globalisation is respectful enough of a few basic principles: pluralism, diversity, multilateralism.

EUROPEAN UNIVERSITY INSTITUTE

Democratic Global Governance in the 21st Century

by *Thomas Risse*

Paper prepared in occasion of the Conference
"Progressive Governance for the 21st Century"
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Panel

Tony Blair
Fernando H. Cardoso
William Jefferson Clinton
Massimo D'Alema
Lionel Jospin
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Speakers

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Democratic Global Governance in the 21st Century

by

Thomas Risse

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Florence

Introduction

The world has changed profoundly. International politics is no longer the realm of states bumping into each other in a "balance of power" game. Terms such as "national interests" have lost their meaning. Wars are no longer fought for territorial gains, but to protect basic human rights and to save citizens from their rulers. The OECD world has become the realm of the "democratic peace" where the use of force is effectively excluded to settle disputes. The citizens of the OECD world benefit from an increasingly integrated world economy.

At the same time, two thirds of the world population are excluded from the welfare gains of so-called "globalization." The gap between the rich and the poor increases, both on a global scale and within countries. While more people than ever enjoy basic human rights and democratic governance, billions are still subject to severe repression. The global environment continuously deteriorates. There is an increasing "democratic" or "accountability" deficit in global governance. The world powers including the U.S., the EU, and the major European countries do not provide much moral, intellectual, or political leadership to tackle the world's problems.

This paper cannot address all global problems. Instead, it deals with three specific questions:

1. What is "global governance" and how does it differ from other attempts to deal with international problems?
2. What does "governing the world economy" mean and what are the tasks ahead?

3. What are the major changes in maintaining international security and peace and which lessons can we draw from the 1990s?

"Global Governance" – What's New?

The traditional (realist) view of the world holds that

1. international relations are populated mainly by states and national governments are the most important and dominant actors on the global scene;
2. material – economic and military – capabilities are the most important ingredients of power and influence in international politics;
3. powerful states bump into each other constantly and the dynamics of world politics can be largely explained in "balance of power" terms;
4. the world is characterized by anarchy. It is a "dog eat dog" world in which states have to struggle for survival.[1]

There are two logical conclusions regarding the question of peace, security and welfare in such a world. First, world peace is an illusion. States and their governments have to watch out for themselves. Second, alternatively, reasonable world leaders should strive to establish a world government with a legitimate monopoly over the use of force.

Both conclusions have been proven wrong. While we do not enjoy world peace, there are indeed entire regions of the world where the use of force to settle conflicts is excluded. This is the OECD world of the "democratic peace" populated by liberal democracies and market economies and characterized by high degrees of economic, political, and cultural interdependence. The European Union (EU) constitutes what Immanuel Kant had in mind when he talked about a "pacific federation" more than two hundred years ago.[2] Moreover, except for the People's Republic of China, the leading world economic and military powers belong to the zone of the democratic peace or at least are struggling to reach it (Russia).

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[1] The most succinct statements of this view of the world are Hans J. Morgenthau, *Politics Among Nations*, vol. Brief edition, 1993 (New York: McGraw Hill, 1948), and Kenneth Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley, 1979).

[2] See Immanuel Kant, "Perpetual Peace. A Philosophical Sketch," in *Kant. Political Writings*, ed. Hans Reiss (Cambridge: Cambridge University Press, 1795/1991). On the "democratic peace" see Bruce Russett, *Grasping the Democratic Peace* (Princeton, NJ: Princeton University Press, 1993).

But there is also no world government. The United Nations are nowhere near constituting such a supreme authority in world affairs. Most people would not want a world government in terms of democracy and accountability. But we do not live in an anarchic dog-eat-dog world, either. Rather, international organizations and institutions have proliferated during the past fifty years covering and regulating almost every aspect of world politics. From international standard-setting to telecommunications to world trade in general to human rights to nonproliferation to the preservation of wildlife – it is very hard to find an issue-area in international affairs which is currently not covered by international or at least regional agreements. On the whole, compliance with these agreements is rather high – and surprisingly so given the absence of any world law enforcement mechanism or world police. This is what scholars have called "governance without government."[3]

But the proliferation of international institutions is only one important feature characterizing global governance in the absence of a world government. Global governance also means that non-state actors are increasingly involved in regulating international affairs. Of course, multinational corporations (MNCs) have to be mentioned here. They do not only pose problems for the world markets and for economic governance, but they are also quite active participants. The Transatlantic Business Dialogue (TABD) is one prominent example of a private-public partnership regulating transatlantic economic relations.

Moreover, there is a growing transnational civil society populated by an increasing number of international non-governmental organizations (INGOs), among others. INGOs not only lobby national governments and international organizations on almost every aspect of international life. They are also actively involved in governing world politics in a variety of ways. First, global civil society often sets the *international agenda* to which governments and international organizations have to react. Global warming was brought to the attention of the international community by a variety of INGOs (WHICH?) in cooperation with networks of scientific experts. A transnational global campaign in Asia, North America, and Europe re-defined landmines from a national security question to a humanitarian issue forcing states to enter international negotiations to ban their production and deployment. A tiny INGO – Transparency International – managed to put the issue of corruption on the global agenda during the 1990s. Humanitarian INGOs such as "Médecins sans frontières" which just received the Nobel Peace Price were the main promoters of an international norm requiring the international community to interfere when massive human rights violations occur.

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[3] Ernst-Otto Czempiel and James Rosenau, eds., *Governance Without Government: Order and Change in World Politics* (Cambridge: Cambridge University Press, 1992). See also Michael Zürn, *Regieren jenseits des Nationalstaates. Globalisierung und Denationalisierung als Chance* (Frankfurt/Main: Suhrkamp, 1998).

Second, transnational civil society is actively engaged in international *treaty-making*. The treaty banning landmines was negotiated involving a partnership among INGOs and some liberal states including Canada and Skandinavian governments. Amnesty International and Human Rights Watch actively contributed to negotiating and drafting almost every single human rights treaty in recent years – on the global arena as well as on regional levels. INGO involvement in this area goes back to the 1948 Universal Declaration of Human Rights.[4] The 1984 Convention against Torture came about through intensive lobbying by Amnesty which also contributed to drafting the treaty. The successful conclusion of the 1995 Review Conference of the Nuclear Non-Proliferation Treaty which resulted in its unlimited extension would not have been possible without the networking efforts of INGO members participating in various national delegations. If the international non-proliferation regime is now endangered, this results from the irresponsible behavior of the U.S. Senate majority rejecting the Comprehensive Test Ban Treaty.

Third, transnational civil society is involved in international *law enforcement*, i.e., insuring compliance with international treaties. States often lack the monitoring capacities to and/or are constrained by sovereignty concerns to gather information about treaty compliance in third countries. The human rights area serves once again as a significant example. INGOs such as Amnesty International or Human Rights Watch provide crucial information about human rights violations to national governments as well as international organizations such as the UN Human Rights Commission. In this area, INGOs have acquired an authoritative claim to knowledge of what constitutes a norm violation which states have to take into account. They also serve as crucial links between local NGOs in many Third World states and the international community.[5]

Does this mean that states have become obsolete in world affairs and that transnational civil society has seized the roles traditionally occupied by national governments? Of course not. The emerging picture of global governance is not one that pitches *the* state system against *the* global civil society. Rather, we can observe emerging partnerships among public, private, and civil society actors whereby states and national governments form an intrinsic part. In this sense, "governance by networks" increasingly characterizes world politics. These networks involve national governments,

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[4] William Korey, *NGOs and the Universal Declaration of Human Rights. "A Curious Grapevine"* (New York: St. Martin's Press, 1998).

[5] For details see Thomas Risse et al., eds., *The Power of Human Rights: International Norms and Domestic Change* (Cambridge: Cambridge University Press, 1999).

international organizations, as well as INGOs and private firms. They increasingly replace the image of international relations as populated exclusively by states.

A further corollary of the observation that new actors populate international affairs concerns a dramatic change in what constitutes power in international relations. Of course, nobody denies that economic and military capabilities still matter. But to do what? The days are definitely over when economic and military power allowed states to interfere in other countries or even to intervene militarily in order to reach some strategic goals, to gain territory, or to increase one's sphere of influence. The rules of the international game have changed. Today, the largest military forces in the world – NATO and the U.S. armed forces – increasingly serve as Amnesty International's rapid deployment force, as a German writer put it with regard to the war in Kosovo. He exaggerated only slightly. The point is that we can observe an emerging world order in which some basic norms define what constitutes appropriate behavior. If you want to be a member of the international community in good standing these days, you better observe basic human rights, treat your citizens decently, do not engage in the proliferation of weapons of mass destruction, and do not dump your waste into your neighbor's backyards. Of course, these rules of the game are frequently violated. But at least, we treat genocide and others severe violations of human rights as such – violations of basic norms – and not as unfortunate, but otherwise "normal" behavior of states.

If the use of power capacities has been circumscribed in international society, the nature and sources of power have changed, too. Almost ten years ago, Joseph Nye wrote a book in which he introduced the notion of "soft power."[6] Today, scientific and other knowledge as well as moral authority have become significant sources of power. CNN's slogan "You are what you know" captures this, but forgot to add that the providers of knowledge and information control the levers of such power. Why is the U.S. still so powerful in global affairs, even though the days of its economic hegemony are over? I submit that its nuclear power is more or less meaningless these days (even though it can still create quite some chaos power), but that its resources to generate knowledge, information, and cultural standards are crucial and far more significant.

And what about the power of transnational civil society in international rule-making and insuring compliance with those norms? Amnesty International, the World Wildlife Fund, or Transparency International are not powerful, because they command significant material resources. Rather, their influence and their ability to bring otherwise powerful governments down (from the former Com-

[6] Joseph Jr. Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990).

munist countries to South Africa under apartheid and – most recently – Indonesia under Suharto) stems from their capacity to serve as the world's conscience. Their moral authority (and power) result precisely from their ability to convince the international community and international public opinion that they do not pursue the interests of any particular selfish actor, but the common good of the world. Transnational civil society has been active in the creation of international norms – and their influence in world affairs increased signficantly in the process.[7]

In sum and in contrast to the traditional view of the world, the following features characterize global governance:

1. Networks among national governments, international organizations, private actors, and transnational non-governmental organizations increasingly regulate world affairs.
2. Information, knowledge as well as moral authority have become significant sources of power and influence in world politics.
3. While "balance of power" politics is still relevant in some corners of the world, the dynamics of the "democratic peace" regulate the interactions among the most powerful states in the current international system.
4. While there is no world government, "governance without government" has become all-pervasive in most issue-areas of world politics.

But how democratic is global governance? How can we prevent that it evolves into the rule of the democratic and wealthy over the poor? The problem is that governing by networks of private and public actors is not necessarily more democratic and accountable to the world's citizens than traditional forms of governance by inter-state relations. Amnesty International and Greenpeace might be moral authorities in world affairs, but their officials are not democratically elected. As a result, "governance without government" can easily lead to a similar accountability deficit as in the case of the European Union which – incidentally – is also largely governed by private-public networks. While the emerging legitimacy problems of global governance cannot be tackled in the abstract, three principles might be able to mitigate it:[8]

1. Governing by network requires inclusion rather than exclusion in order to be democratically accountable. The less exclusionary and the more transparent the networks are and the more they

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[7] See Margret Keck and Kathryn Sikkink, *Activists Beyond Borders. Transnational Advocacy Networks in International Politics* (Ithaca NY: Cornell University Press, 1998); John Boli and George M. Thomas, eds., *Constructing World Culture. International Nongovernmental Organizations Since 1875* (Stanford: Stanford University Press, 1999).

[8] See also Klaus Dieter Wolf, "The New Raison d'Etat as a Problem for Democracy in World Society," *European Journal of International Affairs* 5, no. 3 (1999): 333-363.

include representatives of (transnational) civil society, the more they enable democratic global governance.

2. Publicity is a prime requirement of democratic governance, both domestically and in the global arena. One significant purpose of the various UN world conferences is to provide arenas for global policy deliberation. We need to be more innovative in providing public spaces for such deliberative processes in world affairs.
3. While the first two principles deal with the "input" or participatory dimension of democratic governance, the third concerns the problem-solving or "output" dimension. Efficiency in terms of problem-solving constitutes a major source of democratic legitimacy, again in domestic as well as in international affairs.

So far, this paper has been fairly abstract in its treatment of international affairs. I will now apply my general remarks to two significant issue-areas in world politics, the international economy, on the one hand, and international peace and security, on the other.

Governing the Global Economy

Everybody talks about globalization these days, some treat it as a curse, other see tremendous opportunities. But most people take globalization as a given to which we have to react in one way or another: "The impersonal forces of world markets are now more powerful than the states to whom ultimately political authority over society and economy is supposed to belong. Where states were once the masters of markets, now it is the markets which, on many crucial issues, are the masters over the governments of states."[9]

"Globalization" is often seen as an anonymous force (such as the "global financial markets"), an almost god-given structural power to which states – even the most powerful –have to adjust. Many argue that economic globalization has largely reduced the autonomy of the nation-state to conduct its own economic, finance, and social policies. National governments, according to this argument, have lost their ability to actively shape economic decisions and can only compete among themselves as to who can offer the better conditions for global investors. The neoliberal globalization discourse greets this alleged development as further proof of the necessity to get the state out of the

[9] Susan Strange, *The Retreat of the State. The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1996), 4.

economic governance which is supposed to be left to the markets. Others reject globalization as leading to a "race to the bottom" and the end of the welfare state. They demand a return to Keynesian economic policies including protectionism. Interestingly enough, however, both sides in this debate take the existence of economic globalization as an unquestionable given.

But economic globalization in the strict sense of the word is largely an (albeit powerful) myth, if we mean by that a *globally integrated economy*. Such an integrated world economy does not exist. While there have been massive increases in world trade during the past three decades, this growth becomes less impressive when measured against the parallel increase in world economic output.[10] Economic activities have increased in general and the growth in global trade is part of this trend. In 1995, world trade represented only 14,7% of global economic activities. In other words, 85% of all economic activities did not entail cross-border movements, but remained within the confines of the nation-states. The same holds true for investments. Compared with the increase in investments in the various domestic markets, the growth in foreign direct investments (FDI) – while still significant – looks less extraordinary. In the U.S., Germany, and Japan, only 5% of the employed work for foreign companies. As to the world financial markets, the quintessential indicator of globalization, one should strictly distinguish between – largely internationalized – currency and bond markets, on the one hand, and the stock markets, on the other. Across the OECD, foreigners only own 10% of the capital stock.

Moreover, "globalization" largely means "OECDization." The less developed countries (LDCs) are excluded. If we use combined figures of trade, investments, and capital flows, we see immediately that economic cross-border flows are a highly regionalized phenomenon. First, international trade mostly takes place within and not across the world's regions. 70% of the cross-border trade flows from West European countries go to other West European countries. The respective numbers for Asia are 46% and for North America 35%. Thus, Europe with the EU's single market is now by far the most integrated economic area in the world. The EU is also the world's largest trader maintaining a stable share of 20% of total world exports (excluding intra-EU trade; the figures for the U.S. are 16% and for Japan 11%). The U.S. and the EU each share 20% of the world's imports.

For Europe then, "globalization" largely means *Europeanization* as far as economic integration is concerned. The second most integrated economic region in the world is the transatlantic area (again,

[10] For the following see Neil Fligstein, "Is Globalization the Cause of the Crises of Welfare States?," Working Paper (Florence: European University Institute, 1998); Marianne Beisheim et al., *Im Zeitalter der Globalisierung? Thesen und*

using combined figures of trade, investment, and capital flows). U.S.-EU trade in goods and services reached $ 450 bln last year. The 1997 growth in US exports to the EU exceeded the total of US exports to China which is probably among the fastest growing markets in world. About 1.5 million U.S. jobs depend on American exports to Europe. In terms of investments, U.S. investments in Europe equal roughly the total of the rest of the world investments combined (ca. $ 350 bln in 1996), while the U.S. itself attracts ca. 40% of all EU external investments. One in twelve U.S. factory workers works for a European company (ca. 6 million jobs). Combined EU investments in Texas alone exceed Japanese investments in the entire U.S. The 1999 expected rise of almost 25% in foreign direct investment (ca. $ 800 bln) will be almost entirely due to mergers and acquisitions in the transatlantic area. On top of it and in sharp contrast to the U.S.-Asian economic relations, the transatlantic relationship is now fairly balanced as far as trade and investments are concerned.

In sum, economic internationalization concerns, first, Europeanization and, second, the transatlantic economic area. All other economic regions of the world are less integrated, specific bilateral relations not withstanding (such as U.S.-Canada or U.S.-Japan). However, if one listens to the debates about "globalization," one can easily get the impression that neither the U.S. nor Europe are in the driver's seats, but some anonymous market forces. Most Europeans in particular seem to assume that they are the victims of globalization rather than active contributors. The data, however, are clear: The economic activities of private actors – mostly firms – in the EU and North America are the driving forces behind much of economic internationalization and of growing economic interdependence.

One could agree with everything so far and still maintain that national governments have lost control and sovereignty over economic and financial policies and that market forces are largely shaping the national economies, be it in the U.S. or in Europe. My first objection concerns the fact that it was politics rather than markets which liberalized the economies of advanced industrial democracies during the past decades. Trade liberalization was achieved through the various negotiating rounds of the General Agreement on Tariffs and Trade (GATT) leading up to the World Trade Organization (WTO) and its new dispute settlement system. The GATT and the WTO, however, are international inter-state organizations. The same holds true for efforts at regional economic integration. The 1986 Single European Act (SEA) which led to the establishment of the EU single market and subsequently gave an enormous push to economic integration in Europe, was negotiated and decided by governments. So was the Economic and Monetary Union (EMU) establishing the single

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Daten zur gesellschaftlichen und politischen Denationalisierung (Baden-Baden: Nomos, 1998). See also David Held et al., *Global Transformations. Politics, Economics, and Culture* (Stanford: Stanford University Press, 1999).

currency of the Euro. The U.S., Canadian, and Mexican governments negotiated the North American Free Trade Area (NAFTA). In many cases, public-private networks achieved this liberalization of markets. But national governments have remained active participants rather than abdicating their role to the market forces.

Last not least, national governments have been in charge of major liberalization and privatization efforts in recent decades. Most significant was the liberalization of capital markets with the U.S. government as the first mover and Japan, the United Kingdom, and subsequently continental European countries following suit. The telecommunications sector serves as another example. Again, the U.S. had the advantage of the first mover with the breakup of the AT&T monopoly. Great Britain followed suit and then the European Union liberalized the European markets. In each of these cases, firms were pushing in the direction of liberalization and privatization. But these private actors needed the state in order to regulate the new environment. The image of a "state retreat from the markets" is at least misleading if not plain wrong.

But while national governments have been largely in the driver's seats of liberalizing the global and national economices, market forces, once set loose, cannot be called back. Even if one accepts that national governments deliberately decided to give up control over their economic policies, one could still maintain that they have now become the victim of their own prior decisions. If this were the case, governments would have less and less choices in conducting their economic policies. As a result, we would expect growing convergence in macro-economic policies and institutional arrangements governing the national economies. Accordingly, the Social Democratic model of corporatist governance as well as "Rhinelandish capitalism" which combine market economies with a strong welfare state would be the losers of economic internationalization.

The empirical data do not support the convergence hypothesis. First, the neoliberal discourse has not (yet) been translated into neoliberal policies across the board, not even in the U.S. Only the United Kingdom and New Zealand appear to have followed on this pathway. Aggregate data on total government spending since 1985 do not show significant changes, let alone a retreat of the state from the national economy.[11] Moreover, the variation among indidivual countries is enormous. Government spending grew six times as much in Spain as in the United Kingdom since 1985 and twice as much in France as in Germany or the U.S. The divergence in the developments of national budget deficits is equally immense. Even capital tax rates did not decline uniformly across the

[11] For the following see data in Geoffrey Garrett, "Global Markets and National Politics: Collision Course or Virtuous Cycle?," *International Organization* 52, no. 4 (1998): 787-824.

OECD world. They decreased by 2.7 points in the U.S., but grew by more than 10 points in Japan during the post-1985 period. In sum, there is no convergence of fiscal policies across the OECD world. In some cases, the divergence among countries has actually accelerated which is the opposite of what the convergence hypothesis would expect. Moreover and according to Geoffrey Garrett's analysis, center-left governments have responded to increasing integration of financial markets with higher levels of public spending, while countries with weaker left parties and trade unions cut back. And the former states have not experienced substantial capital flights in response to a growing public economy, as the "race to the bottom" argument would suspect. Garrett concludes that "the coupling of openness with domestic compensation remains a robust and desirable solution to the problem of reaping the efficiency benefits of capitalism while mitigating its costs in terms of social dislocations and inequality."[12]

The following conclusions summarize these and other data:

1. Economic globalization or internationalization are not god-given forces against which states have no choices. Rather, major industrialized countries, particularly Europe and the United States, are prime movers and shakers of the global economy.
2. Economic internationalization has not led to growing convergence among the industrialized democracies, let alone to a "race to the bottom." Historically embedded political and economic institutions have not simply been washed away by the forces of globalization. Rather, economic internationalization leads to quite diverging pressures on the action capacities and autonomy of the nation-states.
3. If the adaptational pressures resulting from economic internationalization diverge widely according to the institutional make-up of the various countries and their political, social and economic systems, then there is no "best practice" valid across the board to deal with these pressures. Rather, different countries face different problems in order to cope with economic internationalization. While the liberal economies of the U.S. and Great Britain have successfully introduced flexibility in their labor markets and welfare systems thereby reducing unemployment, these countries face increasing gaps between the rich and the poor with poverty levels unheard of in continental Europe. The more corporatist continental European systems have successfully maintained rather modest degrees of social inequality. They have been less capable of reforming their welfare systems and labor policies to cope with the pressures of the global markets. But the

[12] Garrett, "Global Markets and National Politics", 184. See also Garrett, *Partisan Politics in the Global Economy* (Cambridge: Cambridge University Press, 1998); Suzanne Berger and Ronald Dore, eds., *National Diversity and Global Capitalism* (Ithaca, NY: Cornell University Press, 1996); Herbert Kitschelt et al., eds., *Continuity and Change in Contemporary Capitalism* (Cambridge: Cambridge University Press, 1999).

reform capacities in continental Europe with similar social, political, and economic systems differ vastly, if one compares the Netherlands, for example, with Germany.

What does this mean for global economic governance? First, increasing economic internationalization and interdependence also lead to growing conflicts. It is simply wrong to assume that internationalized markets will take care of themselves and that harmony will prevail. There are always winners and losers in the global economy, and they will make their voices heard. In fact, given the interpenetration of U.S. and European markets these days, it is actually quite surprising that the level of conflicts remains rather low, despite Burton-Helms Acts and banana wars. The increasing trade and other economic conflicts lead to a growing need for global economic governance. The neoliberal mantra that the state has to be kept out of the economy is not only wrong in the domestic context, it is certainly nonsense for the global economy. To the extent that there is globalization, it increases the need for global governance in order to make sure that the unavoidable conflicts over trade and investments do not get out of control. This is what international institutions such as the World Trade Organization (WTO) are made for and this is why they need to be strengthened.

Second, Europe and the United States are not only in the driver's seats of economic internationalization; together, they also face major responsibilities for maintaining an open world economy which allows for combining the efficiency benefits of global capitalism with social justice and the welfare state. Given the sheer economic weight of Europe, the U.S., and the transatlantic area, the EU and the U.S. face responsibilities to see to it that the world economic order is managed smoothly. I am not in favor of a transatlantic hegemony replacing American hegemony. The days of such hegemony are definitely over apart from the fact that such attempts will only provoke balancing behavior by the less powerful and lead to a relapse in a (realist) "dog-eat-dog" world. Rather, I am concerned about a moral obligation to maintain world economic order and a system of democratic governance in the world economy. It is unclear whether the European elites are aware of their responsibility as active players rather than respondents to globalization and internationalization.

But are Europe and the U.S. up to the task? The first problem concerns policy-making: Who speaks in the name of Europe when it comes to external trade policies? To quote Henry Kissinger from the early 1970s, which number do you call when you want to speak to Europe? EU External Trade Commissioner Pascal Lamy as the person in charge? The Council of Ministers or the Art. 133 Committee of the Council? Individual governments? All of the above? The EU can only face the challenges ahead and its responsibilities for the global economic order if the formal and informal decision-making powers are clarified. Politically, the EU is frequently split between pro-free trade

governments such as Germany, the United Kingdom, or Sweden, on the one hand, and more skeptical states such as France or Spain, on the other. This often results in an extremely slow and cumbersome EU policy-making process and rather messy compromises and package deals. Moreover, the EU's harmonization of national standards and the creation of the single market is often undertaken without much consideration for the external trade implications resulting inevitably in conflicts with its main trade partners.

But the U.S. does not look much better, either, even though it is one federal state rather fifteen countries. One can turn the Kissinger question around and ask: What number do we have to call when we want to speak to the person in charge of U.S. trade policy? Things have considerably worsened in recent years. Does the White House control U.S. foreign economic policy? The U.S. Trade Representative? The U.S. Department of Commerce? U.S. Congress? Which Committees of U.S. Congress? Thus, even if the EU gets its act together, it still faces a cacophony of voices on the other side of the Atlantic, particularly in the absence of fast-track authority. The days are over when U.S. President Clinton exerted leadership and was able to push NAFTA down the throat of U.S. Congress or get the GATT Uruguay Round agreements ratified.

While the problem of "who decides?" can be dealt with, at least in principle, the second problem is unavoidable. External trade issues have become far more politicized in recent years than it used to be. While we had fierce lobbying by sector-specific interest groups during the Uruguay Round of the world trade negotiations, these issues rarely made it to the front pages of newspapers or the nightly TV news. This has definitely changed. The banana conflict, the question of genetically modified farm products, the Helms-Burton and D'Amato Acts etc.: these issues have become household names. One reason for this concerns the fact that trade issues have increased in political salience with the end of the Cold War. Now that we do not have to worry about nuclear war anymore, economic issues have definitely increased in significance. But it is also the effect of an increasingly globalized economy where trade issues start hitting home. This politicization of trade questions is not likely to go away as a result of which the Millenium Round of trade negotiations will be carried out under much more public scrutiny than the Uruguay Round. In other words, policy-makers increasingly face what social scientists call a "two level game."[13] National governments always negotiate at two tables, one international, one domestic, and have to balance the demands and opportunities among these two tables. The more trade questions are politicized and the more they are controversial, the less leeway policy-makers have at the international negotiating table.

[13] See Robert Putnam, "Diplomacy and Domestic Politics. The Logic of Two-Level Games," *International Organization* 42, no. 2 (1988): 427-460.

And the less leeway they have in international negotiations, the more difficult it becomes to reach negotiated compromises. In the case of the EU, it is actually a three level game, since the EU itself forms an intermediate negotiating level between the nation-states and global trade negotiations.

The third problem concerns a conflicting trend in global economic governance. On the one hand, we experience the domestic politicization of trade issues just mentioned. On the other hand, the WTO's dispute settlement system implies the growing judicialization of trade questions on the supranational level. Lawyers rather than policy-makers are increasingly in charge of international trade questions. This helps to solve many questions in a more civilized manner and, thus, increases the efficiency of economic governance (the WTO track record is actually quite good in this regard). While many people on either side of the Atlantic are probably not aware of it, the Uruguay Round has actually created a rather powerful supranational institution with the capacity of reigning into the domestic economies of many countries. But this judicialization of international trade disputes does raise questions of legitimacy and accountability, particularly since civil society, consumer advocacy groups, environmental groups etc. become increasingly involved in these questions. Take the case of the failed OECD negotiatons on the Multilateral Agreement on Investments. The Millenium Round of the trade negotiations will almost certainly witness an increasing level of such activities. In sum, we see a growing de-politicization and judicialization of trade conflicts on the supranational level and – at the same time – an increasing domestic politicization of these questions on both sides of the Atlantic. Both trends might actually be related and reinforce each other. There is no ready-made solution to this problem, but we need to think about it in more detail. We are now used to talk about the "democratic deficit" in the European Union. We need to talk about a "democratic deficit" – better: accountability deficit - in global economic governance, too.

In sum, there is an increasing need of global governance in the economic area and for regulating the global economy. But the domestic politicization of economic questions has definitely made international economic negotiations more complex and more complicated. At the same time, the judicialization of trade questions in institutions such as the WTO dispute settlement mechanism has taken many economic questions out of the hands of policy-makers.

Does this mean that we are doomed in our efforts to governing the global economy in a democratic way? I see two potential solutions for increasing both the efficiency and the legitimacy of global economic governance. The first concerns political leadership and vision. When browsing through the various papers preparing the WTO Millenium Round, one notices immediately a focus on the nitty-gritty and technical details. While this is unavoidable, it is rather disappointing that neither the

EU nor the U.S. engage in a serious effort of publicly debating in which direction we want the global economy to develop in the 21st century. What does global economic governance mean in the 21st century? Is continuing on the path of liberalization the only answer to the world's problems? How do we balance the need to preserve an open world economy with legitimate concerns by citizens about consumer rights, health, social values, and the environment? What does "sustainable development" mean in this context? What about the periphery of the global economy in terms of the ever increasing welfare gap between the industrialized world, on the one hand, and the less developed countries, on the other, but also in terms of the accelerating gap between the rich and the poor in the OECD world itself? The continental European answer to the neoliberal recipe has always been to insist on the preservation of the welfare state. The French, Dutch, and Swedish answers to the neoliberal project have actually been quite innovative in this regard, while Germany seems unable to come to grips with its domestic problems. What does this mean for global economic governance?

The post-War economic order was based on a grand compromise of what John G. Ruggie called "embedded liberalism," i.e., the recognition of a balance between an open world economy and regulations to mitigate the social costs of liberalizations on a global scale and at home.[14] We need to discuss a new grand compromise for the world economic order of the 21st century. Political leadership and long-term vision are desparately needed on either side of the Atlantic. If the U.S. is unable to provide it these days, the EU must take the lead.

The second solution concerns the application of "governance by networks" to global economic governance. If it is true that states remain powerful actors in the global economy, but can no longer dominate world politics, we need to think about new forms of private-public partnerships in the global economy. In the transatlantic context, for example, the Transatlantic Business Dialogue (TABD) involving European and American government agencies, the EU, and representatives from private firms, has proven to be a highly successful instrument in dealing with U.S.-European economic problems. Similar networks of consumer groups and civil society representatives concerned about the international environment have been instituted, but are not yet fully operational and effective. International standard setting is also increasingly done through institutionalized networks of state agencies and private actors. We need to think about such public-private partnerships on a global scale and in the framework of the WTO. Such new forms of global economic governance might not only increase the efficiency of international organizations such as the WTO and smooth

[14] John G. Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order," in *International Regimes*, ed. Stephen S. Krasner (Ithaca NY: Cornell University Press, 1983), 195-231.

the unavoidable international economic conflicts. They might also tackle the growing "accountability deficit" in global economic governance. However, public-private partnerships can only increase democratic governance if they work on a non-exclusionary basis, i.e., if civil society, consumers, and labor are systematically included. If inclusionary democratic corporatism has served us well in governing the domestic economies of many – particularly continental European states -, why not start thinking in these terms when it comes to global economic governance?

Global Governance and International Peace

While the changes in the international economy have been rather gradual and, as argued above, not as dramatic as the current globalization debate assumes, the international landscape has been transformed fundamentally during the past ten years when it comes to questions of war and peace. The traditional view of a "balance of power" world simply does not provide many guidelines when it comes to preserving international security in the post-Cold War era. The "grand transformation" concerns, first of all, the sources of international conflict. In the conventional view of the world, two scenarios used to govern our approaches to war and peace which we might call "World War I" and "World War II." The World War II scenario covers a situation where a deliberate aggressor threatens world peace and where wars occur because of premeditated attacks to grab territory, people, or economic resources. The recipe to deal with such situations calls for deterrence with the aim at making such aggressions too costly for the attacker. In the post-Cold War world, there are very few rogue states around – probably not more than three or four – where we would suspect the rulers of planning such aggressions. Moreover, none of these states has the resources and capabilities of a great power. As a result, the remaining great powers should be able to contain such threats to regional peace and security rather easily.

The World War I scenario concerns the situation of a "security dilemma" whereby states maintain mostly defensive intentions, but – for a variety of reasons – cannot trust each other's declaration of peacefulness. As a result, they prepare for war, just to be on the safe side. The World War I scenario can easily lead to arms races, crisis mobilization, and even preventive wars for fear of being overrun if one does not attack first. The recipe to deal with World War I scenarios calls for institutions of crisis management and for arms control. The problem here is to obtain valid information about each other's peaceful intentions. World War I scenarios are rather unlikely in the post-Cold War world and they are confined to specific regions of the globe such as the Middle East, East Asia etc.

Moreover, as argued above, most of the world's current great powers belong to the zone of the democratic peace where the security dilemma does no longer pose a problem.

This is not to say that arms control is irrelevant in the post-Cold War era. But its main task today is to prevent the proliferation of weapons of mass destruction and, thus, to guard against the emergence of World War I scenarios in various regions of the world in the first place. This is what the comprehensive test ban treaty ultimately is all about and this is why it is an enormous setback for international security that the Republican majority has abdicated the role of the U.S. Senate as a responsible actor in American foreign policy for the time being. The Comprehensive Test Ban Treaty (CTBT) was part of a deal that allowed non-nuclear weapons states to sign up to the unlimited extension of the Nuclear Non-Proliferation Treaty: If we forego the nuclear option for the future, you nuclear weapons states have to demonstrate that you are serious about arms control and disarmament. The world's main nuclear power has now cancelled this deal, because some U.S. senators played their petty domestic games. The nuclear non-proliferation regime is endangered. And the world will be a much more dangerous place. The parochialism of the U.S. foreign policy debate is grotesque and frivolous in this context. As if the technical safety of the U.S. nuclear arsenal was more important than international peace and security, and, thus, the long-term safety of the U.S. as a nation. It is now up to the European NATO partners to see to it that U.S. foreign policy does not turn into chaos power.

However, if World War I and II scenarios are rather unlikely as sources of international conflict in the post-Cold War era, what are currently the main threats to international peace and security? The images of Rwanda, Kosovo, East Timor, and Chechnya come to mind. In each of these cases, the sources of violence, (attempted) genocides, and etnic cleansing concern conflicts among elite groups over domestic power. Each of these countries are undergoing profound transformations of their domestic political and economic orders. Some are "failed states" where domestic order, let alone the rule of law, has broken down. Others are in transition to democracy and market economy. Still others are in early stages of internal struggles over human rights and political liberalization. Civil and sometimes inter-state wars arise in these cases, because competing elite groups use scapegoating mechanisms to gain or to maintain their political power. In many cases, these groups invoke and manipulate ethnic identities in order to establish strong boundaries between the "sacred" in-group and the hated out-group which one can then legitimately expel or even exterminate.

If threats to international peace and security in the post-Cold War era mainly result from domestic conflicts, disorder, and problems of transition to democracy and capitalism, what does this mean for

the prospects of global governance in this area? The first conclusion is paradoxical, but straightforward: Thou shalt democratize! In the long run, there is no contradiction between liberal democracy and peace. That stable democracies do not fight each other, is one of the few things we know for sure in international relations. In the short run, however, this insight does not help, since the currently most significant sources of international conflict stem from domestic instabilities and violence of countries in transition processes including democratizing states. Some of this instabilities are probably not avoidable, but there is no necessity that internal political conflicts must result in civil and international wars. As a result, the promotion of human rights and democracy by the international community must see to it that the non-violent resolution of (internal) conflicts is also developed. So far, democracy promoters pay too little attention to the connection between democratization and increasing levels of conflict and even violence.

The second conclusion concerns conflict and crisis prevention. It is pathetic how few resources are available to the High Commissioner for National Minorities of the Organization for Security and Coopeation in Europe (OSCE) and how ill-equipped the United Nations are in this regard. It is actually astonishing how much these offices have been able to accomplish in recent years in various corners of Southeastern Europe and the successor states of the Soviet Union. Had the international community listened to the voices of civil society in Kosovo and to the INGO community five years ago, the war could have probably been avoided. If Western states, particularly NATO and the U.S., want to avoid that they have to commit their armed forces to more and more humanitarian crises in the years to come, they have to provide the existing international institutions for peace-building and crisis prevention with the necessary means to accomplish their tasks. There is no need to create new governance mechanisms. It is sufficient to fully equip the existing ones so that they can carry out their tasks. In this case, morality and efficiency coincide. It is cheaper to prevent domestic political conflicts from turning violent and from creating international trouble than to conduct military humanitarian interventions later.

But states and international organizations cannot accomplish these tasks alone. Democracy promotion, peace-building, and conflict prevention constitute yet another area where partnerships among public and non-state actors effectively deal with global governance problems. National sovereignty prevents national governments and inter-state organizations from interfering too strongly in the internal matters of other states – and rightly so. Thus, the international community has to increasingly rely on private actors such as INGOs, churches, trade unions, and political foundations to help stabilizing democratization processes and to strengthening civil society in transition democracies. These linkages between local civil society organizations in many countries and the transnational

INGO community are crucial for socialization processes by which international norms such as human rights become internalized in domestic practices.[15] They are equally significant for international peace-building and the non-violent resolution of internal conflicts. Many Western states have understood this in the meantime and increasingly channel resources through churches, political foundations, and the INGO community to civil society in many Third World countries. Know-how and money spent in this context can do more to prevent civil wars, humanitarian crises, and international conflicts than the billions of dollars spent currently on peacekeeping and peace enforcement. The Stability Pact for the Balkans is certainly a necessary step in the right direction. But, in a certain sense, it comes about ten years too late. Such a joint effort by the international community undertaken a decade ago could have probably contributed a lot to preventing the wars in ex-Yugoslavia, let alone the genocides, ethnic cleansing, and refugee crises.

While the international community should start paying systematic attention to the *prevention* of international conflict resulting from domestic instabilities and crises in various parts of the world, such conflicts and the ensuing humanitarian catastrophes can probably not be avoided altogether in the future. What are the lessons to be learned from our recent experiences with humanitarian interventions – from Somalia through Haiti, Kosovo, and now East Timor? First, both the INGO community and the UN Security Council have established an international norm according to which the international community has the right and the obligation to interfere in the domestic affairs of a state when its rulers commit serious crimes against humanity including genocide and ethnic cleansing.

Second, however, this norm of humanitarian intervention has led to what one could call a "paradoxical approach to humanitarian crises" by Western liberal democracies. On the one hand, humanitarianism, i.e., fundamentally liberal values, have become the sole legitimizing principles for military interventions in foreign countries. Since the Western community no longer faces a serious military threat to its territorial integrity, one could go even further and argue that NATO and the U.S. will be engaged in armed conflict in the foreseeable future mostly for humanitarian reasons. Humanitarianism as the sole remaining legitimizing reasons for armed intervention concerns both Western public opinion and the international community. For both audiences, the Kosovo war not withstanding, a United Nations mandate constitutes the most important source of such legitimacy.

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[15] For empirical findings across regions of the world see Thomas Risse et al., eds., *The Power of Human Rights: International Norms and Domestic Change* (Cambridge: Cambridge University Press, 1999).

On the other hand, however, recent humanitarian interventions have established the principle that wars should be fought without casualties for the (liberal democratic) intervenor. Here, the "CNN effect" works in two opposite directions. First, the pictures of massacres and refugees create public and international pressures for humanitarian intervention. Second, the international media reaction leads policy-makers and the military to believe that they cannot affort a single military casualty without losing public support. This is the lesson learned from Somalia and carried out in Kosovo. As a result of this paradoxical situation, the Kosovo intervention was unable to accomplish its humanitarian mission, i.e., to prevent ethnic cleansing. To do so would have required a different type of military intervention (maybe, including a ground invasion) which would have been far riskier for the NATO forces. For this reason, this option was rejected by the alliance. I concede that the Kosovo intervention succeeded in enabling the return of the refugees and in cutting the Yugoslav army down to sizes (even though the latter is still unclear). But the liberal paradox of post-Cold War warfare remains: Wars can be only fought for humanitarian reasons, but the same principles of a democracy prevent its effective conduct. One corollary of this situation is that it is more life-threatening today to work for *Médecins sans frontières* or for a humanitarian UN organization than for the NATO armed forces in KFOR or other peacekeeping operations.

So what can be done to provide democratic governance in such humanitarian crises? The political (and ethical) dilemma outlined above can probably not be avoided completely. There is something to be said in favor of constraints on warfare in liberal democracies. But the dilemma can at least be mitigated in various ways:

1. *Si vis pacem para pacem*! If you want peace, prepare for peace! In other words, the dilemma of liberal humanitarian interventions points once again to the necessity to engage in serious efforts at peace-building and crisis prevention in domestically unstable political systems.
2. We need some stock-taking of recent military interventions. In particular, a public debate is required in the international community and, particularly, in the transatlantic area on the conditions under which such humanitarian interventions should be carried out and on the costs which our societies should be prepared to pay. The international community can no longer afford to stumble from one humanitarian crisis to the next without deliberating about criteria for intervention. Such a public debate is also a requirement of democratic governance in this area.
3. The UN Security Council serves as the only proxy available for the consent of the world community to such humanitarian interventions. It provides a source of (democratic) legitimacy which no other institutions can deliver. Thus, the lack of a UN mandate in the Kosovo case should remain the exception. Moreover, the legitimacy of a UN mandate also tends to increase the military efficiency if an intervention cannot be avoided. If this means to go the extra mile

with Russia under current circumstances, so be it! A serious effort at engaging Russia would also legitimize the Western community to be tougher with the Russian authorities if they commit humanitarian crimes, as is currently the case in Chechnya.

4. The Kosovo case also confirms the necessity to develop a systematic diplomatic track in parallel to the military intervention itself. The adhocery of diplomatic efforts during the Kosovo war, particularly by the U.S., is to be avoided in the future. In this case, it was thanks to German and Finnish diplomacy (and sheer luck) that a ground invasion was avoided which would have unraveled the NATO coalition.
5. If military interventions are unlikely to prevent the humanitarian crises, they should be avoided. At least, there should be a serious effort to prepare humanitarian relief efforts in parallel to military preparations. This requires, once again, a joint attempt by state authorities including the military and humanitarian organizations including the INGO community. It puts strains on the goals and self-understandings of either side, but this is probably unavoidable. The same holds true for the post-war situation. The UN and the international community has now created de facto protectorates in Bosnia-Hercegovina, Kosovo, in East Timor, and elsewhere. It will have to provide in these places security and stability as well as basic governance capacities for a long time to come. The Stability Pact for the Balkans is a step in the right direction.

Conclusions

This paper tried to tackle three themes in contemporary international relations. The first concerned globalization which is hotly debated these days. On the one hand, I remain rather skeptical regarding claims that there is an increasingly integrated global economy which forces states to abdicate their ability and autonomy to govern the national economy and which leads to a growing convergence of national economic, and social policies. Rather, I argued that economic internationalization is largely confined to the Euro-Atlantic area with the EU and the U.S. – both private and public actors – as the prime movers and shakers of the global economy. With this comes the obligation to exert political leadership and vision to govern international economic relations and to see to it that the goals of free trade are balanced with concerns about health, social security, and the international environment.

On the other hand, there is another aspect of globalization which is mostly overlooked. Globalization also means the internationalization of liberal values and norms, not just with regard to an open market economy, but also concerning human rights and democracy. Moreover, globalization means

the emergence of a transnational civil society composed of mostly non-state actors, such as INGOs, churches, political foundations, and the like. I claim that these actors increasingly shape the political agenda of world politics, be it with regard to human rights, the international environment, or questions of world peace and security. This aspect of globalization is to some degree more inclusionary than economic internationalization, since it tends to link civil societies across the globe with each other and is not just confined to the OECD world.

The second theme of this paper concerned the question of governance in world politics. I argued that international politics is more and more subject to regulations by international organizations and institutions which cover an ever-increasing variety of policy areas. Compliance with these international agreements is surprisingly high given the absence of effective law enforcement mechanisms in international society. Moreover, global governance increasingly involves cooperative networks among public (state) and private actors including firms, but also non-profit INGOs. Whether we deal with the international political economy or with humanitarian crises, national governments and international organizations increasingly rely on the activities of non-state actors to achieve their goals and to solve problems in international society. As a result, the notion of power has dramatically changed in world politics. Information, knowledge, and moral authority have become as significant sources of influence in global affairs as economic resources and military capabilities. And these new forms of power do not always and not necessarily privilege the rich and the wealthy, but provide weaker states and less powerful INGOs with considerable action capacities.

But "governance by private-public networks" does not necessarily imply democratic accountability, the third theme of this paper. On the contrary, exclusionary networks might increase access to influence for some privileged actors, but to the detriment of those who are not participants. As a result, democratic global governance needs to accomplish two tasks. First, on the "input" side of the policy-making process, it must ensure the participatory rights of those who are governed. We do not need a world parliament, as some have suggested. But we must see to it that transnational civil society and their local and regional counterparts gain access to the governance networks. Moreover, policy deliberation in a variety of international public arenas is a necessary ingredient of democratic governance in international affairs.

Second, democratic legitimacy also concerns the "output" side of the policy process and the decisions it produces. If global governance institutions and mechanisms do not deliver the goods in terms of increasing the problem-solving capacity in world politics, they are bound to fail. For the global economy this means finding a new equilibrium between the need to maintain an open world

economy, on the one hand, and the goals of social justice, health, and a sustainable environment, on the other. With regard to international peace and security, global governance entails first and foremost to engage in sustained efforts at democracy and human rights promotion, but also to develop sufficient and efficient institutions for conflict and crisis prevention in order to forestall the humanitarian crises which we have witnessed during the 1990s. Political leadership and vision is required to accomplish these tasks. If the U.S. is becoming more isolationist and increasingly incapable of providing such leadership, the EU needs to fill the gap.

Democratic Global Governance in the 21st Century

by

Thomas Risse

Summary

1. The traditional view of world politics as the realm of states bumping into each other in a "balance of power" game is no longer valid. Networks among national governments, international organizations, and private actors including firms and International Non-Governmental Organizations (INGOs) representing civil society increasingly regulate world affairs. Information, knowledge as well as moral authority are today significant sources of power and influence in world politics. While there is no world government, "governance without government" has become pervasive in many issue-areas of world politics. But governance by networks is not necessarily more democratic and accountable to the citizens than traditional inter-state relations. The more these networks are non-exclusionary, the more their activities are subject to public debate, and the greater their problem-solving capacity, the more the increasing "democratic deficit" in global governance can be tackled.

2. I illustrate my general argument for two issue-areas, the global economy and international peace and security. With regard to the international economy, globalization is not a god-given force against which states have no choices. Particularly the U.S. and Western Europe are prime movers and shakers in the global economy. They also face major responsibilities for maintaining an open world economy combining the efficiency of capitalism with social justice and the welfare state. But their ability to provide leadership in governing the global economy is hampered by a serious lack of decision-making capacity on either side of the Atlantic. Moreover, international trade issues have become more politicized domestically than has previously been the case. There is also a growing tension between this domestic politicization and the judicialization of international trade disputes in the WTO. This results in an increasing "accountability deficit" in global economic governance.

3. Data show that economic internationalization has not led to growing convergence among the industrialized democracies, let alone a "race to the bottom." Economic internationalization leads to quite diverging pressures on the action capacities and the autonomy of the nation-states. While the Anglo-Saxon liberal economies face the problems of increasing social inequality and poverty, the continental European corporatist systems need to tackle unemployment resulting from inflexible welfare systems and labor markets. Since the institutional make-up of these states is quite different and not likely to change profoundly, there is no "best practice" valid across the board.

4. Economic globalization increases the need for global governance so that the unavoidable conflicts over trade and investments can be managed. There are two solutions for increasing the efficiency and the legitimacy of global economic governance. The first concerns political leadership and vision. We need an international public debate on the problems facing the global econ-

omy. How do we balance the goal to preserve an open world economy with legitimate concerns about consumer rights, health, social values, and the environment? Second, we need new forms of private-public partnerships in global economic governance. The various Transatlantic Dialogues involving European and American government agencies, but also private firms and civil society representatives point in the right direction. However, public-private partnerships can only increase democratic governance, if they are non-exclusionary, i.e., if civil society, consumers, and labor are systematically included, and if the activities are subject to public scrutiny.

5. With regard to questions of *war and peace*, the changes in the international systems are even more profound. Current and future threats to international peace and security arise less and less from situations in which deliberate aggressors try to grab territory, people, or economic resources ("World War II" scenario). The same holds true for a "World War I" scenario whereby states cannot trust each other's peaceful intentions, therefore prepare for war leading to arms races, mobilization, and the outbreak of violent conflicts. The current sources of war in the international system mostly stem from domestic conflicts, particularly in conjunction with profound transformations of domestic political, social, and economic orders. Civil and inter-state war arise, because competing elite groups use scapegoating mechanisms to gain or maintain their grip on power.

6. The first task of international governance is to see to it that the promotion of democracy and human rights is accompanied by developing non-violent means of conflict resolution. The second task involves serious efforts at conflict and crisis prevention. Morality and efficiency coincide. It is cheaper to invest resources in crisis prevention and peace-building than in humanitarian intervention and peace enforcement. Neither of these two tasks can be accomplished by state agencies alone. Joint efforts by governmental agencies, international organizations, and the INGO community are required.

7. An international norm has emerged that the world cannot stand idly by when massive violations of human rights and genocides accur. This norm has changed profoundly our understanding of national sovereignty. Dealing with humanitarian crises requires, once again, governance institutions involving the cooperation of state agencies, international (UN) organizations, and the humanitarian INGO community. But the recent experiences with military humanitarian interventions point to a "liberal paradox" in post-Cold War warfare: On the one hand, humanitarian values have become the sole legitimizing principles for military interventions by the Western community in foreign countries. Ultimately, this legitimacy can only be provided by a UN mandate (the recent Kosovo experience not withstanding). On the other hand, public opinion in democratic states seems to expect that wars should be fought without casualties for the (liberal democratic) intervenor. As a result, the recent interventions did not accomplish their prime humanitarian missions, i.e., to prevent ethnic cleansing and genocide. While the dilemma cannot be solved, it should at least be recognized. We need a serious public debate in the transatlantic arena on the conditions under which humanitarian interventions should be carried out and the costs which our societies are prepared to pay.

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Does Equality Matter?

by *Ronald Dworkin*

Paper prepared in occasion of the Conference
"Progressive Governance for the 21st Century"
Florence, Sunday, 21st November 1999

Panel
Tony Blair
Fernando H. Cardoso
William Jefferson Clinton
Massimo D'Alema
Lionel Jospin
Gerhard Schröder

Speakers
Norman Dorsen
Yves Mény
Javier Solana
Juan Somavia

Does Equality Matter?[1]

Ronald Dworkin
Frank Henry Sommer Professor of Law
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Equality is the endangered species of political ideals. A few decades ago any politician who claimed to be liberal, or even centrist, endorsed the ideal of a truly egalitarian society, at least as a utopian goal. But now even self-described left-of-center politicians reject the very idea of equality. They say they represent a "new" liberalism or a "third-way" of government, and though they emphatically reject the "old" right's creed of callousness, which leaves people's fates to the verdict of an often cruel market, they also reject what they call the "old" left's stubborn assumption that citizens should share equally in their nation's wealth.

This "new" doctrine declares, against the "old" right, that society should ensure that every citizen who is willing to work if he can has adequate nutrition, housing, education and medical care for himself and his dependents. The community, they insist, must achieve that "sufficiency" for everyone. But it also declares, against the "old" left, that equality is a false goal, because once those minimal standards are met, government has no

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[1]This paper is adapted from the introduction to my forthcoming book, *Sovereign Virtue: The Theory and Practice of Equality*, Harvard University Press (2000).

further obligation to make people equal in anything. It is not the fault of government, on this view, when some people grow rich while others remain at the basic level sufficient for a decent if frugal life.

Does a political community owe only "sufficiency" and not equality to its members? That might seem a pointless or at least premature question, because even the prosperous democracies are very far from providing a decent minimal life for every member. Should we not concentrate on that lesser requirement, ignoring, at least for the foreseeable future, the more demanding one of strict equality? But that strategy might well be self-defeating. Once it is conceded that the comfortable members of a community do not owe the uncomfortable equality, but only some decent minimum standard of living, then too much turns on the essentially unanswerable question of how minimum a standard is decent, and the comfortable are unlikely to give too demanding an answer. Replacing "equality" with "sufficiency", in the rhetoric of long-term political aims, is likely to put paid to any genuine attempt even to secure the latter.

So it is not premature to challenge the growing orthodoxy against equality. Why has that virtue suddenly attracted a bad name? The answer lies in the popularity, in the middle of the last century, of a confused account of what equality means: much of today's hostility to equality is actually hostility to a misunderstood version of it. Some parties of the left, and some academic socialists and liberals, did seem to suppose that genuine equality

means that everyone must have the same wealth, at every moment in his life, no matter whether he chooses to work or what work he chooses - that government must constantly take from the ants and give to the grasshoppers. That flat, indiscriminate, version of equality is easily mocked and easily rejected. There is nothing to be said for a world in which those who choose leisure, though they could work, are rewarded with the produce of the industrious.

But if genuine equality does not mean that everyone has the same wealth, no matter what, then what does it mean? There is no straightforward or uncontroversial answer to that question. Equality is a contested concept: people who praise or disparage it disagree about what it is they are praising or disparaging. The correct account of equality is itself a difficult philosophical issue: philosophers have defended a variety of answers. Would it not be wise, then, to follow the new fashion, and abandon equality as an abstract ideal, just for that reason? If we cannot agree whether true equality means equality of opportunity, for example, or of outcome, or something altogether different, then why should we continue to puzzle about what it is? Why not just ask, directly, whether a decent society should aim that its citizens have the same wealth, or that they have the same opportunities, or only that they have "sufficient" wealth to meet minimal needs? Why not forget about equality in the abstract, and focus instead on these apparently more precise and tractable issues?

We cannot forget about equality. We cannot abandon the abstract ideal because the most fundamental commitment of a legitimate political community - a commitment on which its legitimacy depends - is itself an abstract egalitarian commitment. No government is legitimate that does not show equal concern for the fate of all the people over whom it claims dominion and from whom it claims allegiance, and it is imperative that we consider together, as theorists and as citizens, the practical implications of that undeniable political responsibility. We must explore and debate, for example, what distribution of a community's resources and opportunities is consistent or inconsistent with its equal concern for all.

For the distribution of property and liberty among the citizens of a political community is the product of a legal order. That distribution massively depends on which laws the community has enacted -- not only its laws governing ownership, theft, contract and tort, but its tax law, labor law, civil rights law, environmental regulation law, and laws of practically everything else - and also depends on how those laws are enforced by the executive departments of government and interpreted by the judicial departments. When government enacts or sustains one set of such laws rather than another, or when it enforces or interprets those laws in one way rather than another, or when it declines to change the laws in place or the standing enforcement or interpretation of these, it fixes, to a considerable extent, the opportunities that different citizens have to lead the lives

they want. On any such occasion it is not only predictable that the government's action or inaction will improve the position of some citizens and worsen that of others, but even, to a considerable degree, which citizens' positions will be improved or worsened. In the prosperous democracies it is generally predictable, for example, whenever government curtails welfare programs, that its decision will make the bleak lives of poor people bleaker still. We must be prepared to explain, to those who suffer in that way, how they have nevertheless been treated with the equal concern to which they are entitled. If we cannot - if we must concede that they have not been treated with equal concern - then we must try to identify what changes would erase that unforgivable stain on the legitimacy of our community, and work toward those changes.

That is why we worry - and need to worry - about what equality is, and how it can be secured. Of course, we need not use the word "equality" to name our concern: we might invent a different term to name the ideal we are trying to explore. But there seems no point in that: we might as well use the right name, if only to emphasize that sufficiency is not equality. If some political community really did succeed in guaranteeing the material means for a decent life to even its poorest citizens, but allowed some citizens to become rich, and to have the opportunity not just for a minimally decent life but for a fascinating one, the question would remain whether that result was consistent with equal concern for all.

What policies of a 21st Century mature democracy would meet the requirements of equal concern? Of course a full answer would be unmanageably complex, because a full answer would require a description of thousands of laws and policies, and these would be different for each distinct political community because each has its own particular history, traditions, and economic, political and other circumstances. But we can hope intelligibly to describe the central features of a theory of equality, and usefully to illustrate and elaborate those central features through a discussion of the concrete and divisive issues that now occupy a particular political community.

That large project has two parts. We must pursue it in political philosophy, because we must be able to state, with the rigor required in the discipline, a coherent account of our ideal. But we must also be ready, indeed anxious, to test our theories against actual political problems and controversies, including the great national debates over health care provision, welfare programs, electoral reform, affirmative action, and genetic experimentation. We must, that is, work not only outside in, from general philosophy to more detailed theories, but also inside-out, from concrete political issues toward the theoretical structures we need responsibly to confront those issues.

I emphasize this interdependence of theory and practical controversy because I believe it important that political philosophy respond to politics. I do not mean that political philosophers should avoid theoretical complexity. We

should not hesitate to follow an argument that begins in practical politics into whatever more abstract arenas of political philosophy, or even philosophy in its more general parts, that we are driven to explore before we can achieve what strikes us as a satisfactory intellectual resolution, or at least as satisfactory a resolution as we feel able to reach. But it is important that the argument that ends in general philosophy should have begun in our life and experience, because only then is it likely to have the right shape, not only finally to help us, but also finally to satisfy us that the problems we have followed into the clouds are, even intellectually, genuine not spurious.

I emphasize the need for inside-out thinking for a further reason as well: to introduce another, yet more abstract, level of argument: we must aim to show how the central themes of a theory of equality can be located in a more general account of the humane values of ethics and morality, of the status and integrity of value, and the character and possibility of objective truth. We should hope for a plausible theory of the central political values - of democracy, liberty, and civil society as well as of equality - that shows each of these growing out of and reflected in all of the others, an account that conceives equality not only as compatible with liberty but as a value someone who prized liberty would also therefore prize, and that takes liberty to be what someone who is egalitarian in the responsibility-protecting way would want it to be. We should hope, moreover,

for theories of all these that show them to respect even more basic commitments about the value of a human life and about each person's responsibility to realize that value in his own life. These aims, I know, are contrary in spirit to two of the most powerful contemporary influences on liberal theory: the political liberalism of John Rawls and the value pluralism of Isaiah Berlin. They nevertheless seem to me to describe the most appropriate next program for contemporary political morality.

Two humanist principles (which I have called the principles of ethical individualism) seem to me fundamental to any such comprehensive liberal theory, and though I cannot discuss these principles, or their impact on such a theory, in any detail here, it may be helpful briefly to describe them and to suggest how, together, they shape and support an appealing account of equality. The first of these is the principle of equal importance: from an objective point of view, it is important that human lives be successful rather than wasted, and equally important for each human life. The second is the principle of special responsibility: though we must all recognize the equal objective importance of the success of a human life, one person has a special and final responsibility for that success, namely the person whose life it is.

The principle of equal importance does not claim that human beings are the same or equal in anything: not that they are equally rational, or good, or that the lives they create are equally valuable. The equality in question

attaches not to any property of people but to the importance of their lives coming to something rather than being wasted. The consequences of that importance for the rightness or wrongness of anyone's behavior is a further question, moreover. If I accept the principle of equal importance, I cannot say, as a reason why my children or neighborhood or race should receive special advantage or treatment, that it is objectively more important that they or we prosper than that others do. I cannot even offer that proposition as a reason why I should pay more attention to my daughter's welfare than to yours. But of course I may have other reasons that explain why I should: for example, that she is my daughter. In some circumstances, however, the principle of equal importance has very strong implication for conduct. The most important of these is the political context: a democratic government must take the objective point of view towards the fate of its own citizens, and the principle that from that perspective each citizen's fate is a matter of equal importance is the most important source of the political requirement of equal concern that I mentioned earlier.

The principle of special responsibility is neither metaphysical nor sociological. It does not deny that psychology or biology can provide causal explanations of why different people choose to live as they do choose, or that such choices are influenced by culture or education or material circumstance. The principle is rather relational: it insists that so far as choices are to be made about what would count as a successful life for a

particular person, within whatever range of choice is permitted by resource and culture, he is responsible for making those choices himself. The principle does not endorse any choice of ethical value. It does not contemn a life that is traditional and unexciting, or one that is novel and eccentric, so long as that life has not been forced upon someone by the judgment of others that it is the right life for him to lead.

The general theory of equality that we need would respect both those principles. The first principle demands that people's fate be, so far as government can achieve this, insensitive to who they are - their backgrounds, gender, race or particular sets of skills and handicaps. The second principle demands that their fate be, again so far as government can achieve this, sensitive to the choices they have made. I make no assumption that people choose their convictions or preferences, or their personality more generally, any more than they choose their race or physical or mental abilities. But I do suppose - as almost all of us in our own lives do suppose - that we are ethically responsible for the consequences of the choices we make out of those convictions or preferences or personality.

I said earlier that many politicians are now anxious to endorse what they call a "new" liberalism, or a "third" way between the old rigidities of right and left. These descriptions are often criticized as merely slogans lacking substance. The criticism is often justified, but the appeal of the slogans nevertheless suggests something important. The old egalitarians

insisted that a political community has a collective responsibility to show equal concern for all its citizens, but they defined that equal concern in a way that ignored those citizens' personal responsibilities. Conservatives - new and old - have insisted on that personal responsibility, but they defined it so as to ignore that collective responsibility. We need not choose between these two mistakes. We can achieve a unified account of equality and responsibility that not only respects both values, but explains each in terms of the other. If that is the third way, then it should be our way.

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Global Markets, National Law, and the Regulation of Business - The New "New International Economic Order"

by *Eleanor M. Fox*

Paper prepared in occasion of the Conference
"Progressive Governance for the 21st Century"
Florence, Sunday, 21st November 1999

Panel

Tony Blair
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Speakers

Norman Dorsen
Yves Mény
Javier Solana
Juan Somavia

GLOBAL MARKETS, NATIONAL LAW, AND THE REGULATION OF BUSINESS — THE NEW «NEW INTERNATIONAL ECONOMIC ORDER»

Eleanor M. Fox
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I. Introduction

Economic liberalization and dynamic technological change are changing the dimensions of markets. Both phenomena drive increasing economic integration in the world, making national borders irrelevant and sometimes even a barrier to global commerce.

As a result, market problems that were once national are now of international dimension. Many of the problems cannot be solved by a national-only, or nation-to-nation, view of the world. The new global patterns of business and market competition call for a new paradigm for the regulation of business; a paradigm sufficiently copious to view the world as market.

Questions of larger-than-national economic governance have long been treated in the area of trade. As we end the century, similar questions loom with regard to investment, the environment, labor, intellectual property, restrictive practices of businesses and the structure of business. Proposed solutions range from international codes and thus new international economic law, to pro-active networking of nations, to continued pursuit of unilateral national policies in the interests of the regulating nation.

This paper argues that economic reality is diminishing the utility and challenging the wisdom and justice of the national-only model. Through the window of regulation of business conduct and structure, the paper outlines the problems posed by unbending adherence to the national-only model, presents case examples that demonstrate the limits of nationalistic solutions, and proposes methodologies for achieving a broader vision.

The questions this paper asks are questions of world economic federalism: To what level of government or community can regulation best be allocated, in view of dual objectives to promote efficiency of regulation and to serve the values and choices of the local community? In the European Union, the challenge has a name. It is called the problem of subsidiarity. As developed below, the experience of the European Union has much to contribute to the world conversation.

The paper looks in the direction of anchoring liberalization while assuring as much autonomy as possible consistent with nations' «pulling together» to achieve an open, productive, unprivileged world market system.

II. The Problems

Because of spill-overs, nationalism, and lack of vision as wide as markets, national law may have a poor fit with transnational problems. There are five problems that may call for larger-than-national conceptions. Namely:

1) National law, because of its bounds, cannot catch all the conduct that harms the nation's citizens.

2) At the other extreme, national law with a generous reach may regulate other nations' people and transactions and intrude on other nations' prerogatives and order.

3) National systems of law and regulation clash.

4) Nations lack vision when the problems are bigger than nations; we need a view from the top.

5) Nations are increasingly less good representatives of people and firms that reside within their borders but that produce, sell and buy in global markets; and people and firms that reside outside the borders are increasingly regulated without a voice.

The problems are intertwined, as may be seen through the lens of competition law (also called antitrust). In industrialized nations, competition law has largely succeeded in maneuvering around problem one — the practical limits of national law. With the United States as forerunner in this often controversial enterprise, nations have developed rules of

extraterritorial reach of national law. Today, extraterritoriality is largely accepted as a legitimate tool of a nation to catch offshore acts, such as price-fixing cartels, targeted at the regulating nations' commerce or citizens or directly harming them. But extraterritoriality of national law cannot meet the challenge of globalization. First, it is a tool of mature economies with power over outsiders to command obedience. Less developed and developing countries lack the power to reach and discipline offshore actors that harm them. Second, the extraterritorial solution is not complete. Nations may insulate their firms' harmful outbound acts by «acts of state,» putting offenders beyond the legal reach of the harmed jurisdiction. Third, the extraterritorial solution aggravates other problems such as the enforcing nation's intrusion into the domain of another nation; it provokes rather than modulates systems clashes.

While the first problem is that national law may catch too little, the second problem is that national law may catch too much. It may extend so far as to regulate what people do on their home territory by means totally consistent with their home regulation. Aggressively extraterritorial law may, then, intrude on another nation's prerogatives. If the latter nation is likewise industrialized, it will probably fight back, perhaps by trade war or retaliation. If it is less developed, it will take what it gets.

Third, in a world of international transactions, systems clash. In the absence of trade wars on the one hand or (possible future) acceptance of protocols on the other hand, this usually means that the most prohibitory law «wins.»

Fourth, as a function of their incentives and powers, national officials in a globalized world lack vision. When national or local officials see problems through eyes that are blindered by political borders, vision is parochial. Imagine, for example, the United States with no federal antitrust law but only the antitrust laws of the 50 states. In any given case, one state might be the producing/employing state; others will be consuming states. There would be no vision for the federation.

Fifth, the nation is increasingly a flawed agent for international bargains. There has been a shift in the tectonic plates of business. The activity of firms has shifted from national to global

environments. Global firms pierce border barriers with the lazer speed of e-commerce. The firm looks worldwide for inputs, for production sites, and for markets. National agencies, in contrast, look down at their bordered domain. In matters of premerger notification and clearance, for example, each national antitrust agency sees its own interest in delaying while vetting international mergers (as well as its interest in filing fees). In matters of trade, trade representatives and legislators respond to still-domestic businesses' «needs» to protect «their» markets from low-priced imports. Ideally, the agent for antitrust should be a citizen of the world in the way that European jurists are citizens of Europe. But typically, national enforcers ask: Why should we look at harms beyond the bounds of our nation? How could we possibly count the costs (e.g. of a U.S. export cartel, or of a U.S. merger) to the world?

As a result of this quite predictable orientation, national enforcers in industrialized countries tend to think of solutions to international problems as national, horizontal and reciprocal. Each nation/community acts in its own short term interest. It may call on a neighbor to help it out — in discovery of evidence, in enforcement of law, in non-enforcement of a law that hurts «its» businesses.[1]

Perhaps the neighbor will return the favor. There is a failure of will and incentive to see the problems as overarching, to search for solutions in the interests of the common good of the greater community, and to appreciate the reality that we are members of the world community.

III. Case Examples

Solutions must be tailored to problems. The body of this paper is devoted to problem-types, exemplified by 1) nation/state regulatory action that imposes costs on outsiders, 2) systems clashes, 3) failure of vision from the top, and 4) unseized opportunities to perfect the world trading system. Reacting to the particular problems, I suggest avenues for resolution.

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[1]These solutions are called positive comity and negative comity. Both are substantial tools. Positive comity bears enriching and is being enriched.

A. Negative Spillovers from State Regulatory Action

Several situations illustrate the problem of negative spillovers from private conduct that has been blessed by government action and that imposes costs on people who have no voice or recourse. First I present the problem of the Union Pacific/Southern Pacific merger, approved in the United States and harming Mexico. Second I present a problem of standard-setting in one community that has the effect of excluding outsiders with fine but incompatible technology.

1. Union Pacific/Southern Pacific

In 1996, the Union Pacific and Southern Pacific Railroads proposed to merge. The merger would create a near-monopoly of railroad transportation to and from the Texas Gulf Coast; thus, to the border of Mexico.

In the United States, the Surface Transportation Board has the right to approve and exempt railroad mergers and may do so in the «public interest.»

The U.S. Departments of Justice, Agriculture, and Transportation analyzed the Union Pacific/Southern Pacific merger, concluded that it would have serious anticompetitive effects, and urged the Surface Transportation Board to block it. The Board, however, accepted the merging firms' assertions that the merger would produce enormous efficiencies. It approved the merger, exempting it from the U.S. antitrust laws.[1] Perhaps it predicted that the Americans (the railroads) would gain more than the Americans (the shippers) would lose.

The merger was consummated. Service deteriorated severely. The Mexican shippers were at the mercy of the new monopolist.

2. Geotek/ETSI[2]

[1]Surface Transportation Board, July 3, 1996.

[2]This is a simplified statement of a situation described by Professor Leonard Waverman in «*Standards WARS*: The Use of Standard Setting as a Means of Facilitating Cartels,» presentation

In Europe in the field of wireless communications including electronic paging technology, the members of the industry belong to a group designed to set the technological standards for Europe and seek their adoption by the private European standards body, ETSI. Only Europeans may belong to ETSI, and all members agree to use its standards. Member States of the European Union frequently impose the ETSI standard by law. The European institutions may officially adopt the standard for the EU. The ETSI procedures naturally favor EU incumbents. Moreover, because of network effects[3] and the fact that other jurisdictions favor competition among technologies rather than standardization of them, users around the world gravitate to products complying with the ETSI standard.

ETSI endorsed a digital standard for electronic paging equipment.

Geotek, a U.S. company that purchased a UK company, was a forerunner in electronic paging that used an analog technology. It was unable to get a license in Europe to use or convert its technology. The single European standard became the gateway to world competition. Geotek now operates under bankruptcy protection.

3. Analysis

The railroad and the standards cases illustrate an increasingly perplexing problem. Action

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to International Competition Policy Advisory Committee to advise the U.S. Attorney General, 1999. The summary presented in this paper is not intended to argue or to establish facts but rather to demonstrate a problem type that will surely recur in the global economy.

[3]The network is useful and valuable in direct proportion to the (increasing) number of people using the network. Network effects are therefore a barrier to entry.

may be taken by one state that has distinct anticompetitive impacts and the impacts may fall disproportionately outside of the regulating jurisdiction. Indeed, as Geotek claims in the ETSI matter, the official action may be strategically designed to benefit nationals or may have the clear effect of doing so; thus the benefits may fall disproportionately *within* the regulating state. Moreover, 1) the outsiders have no voice; they lack a right of participation in the making of a decision that will have a major influence on them, and 2) the authority that imposes the regulation or grants an exemption as a trump over market competition not only has the power to stack the deck in its favor but it has the power to make the political economy choice for the region or the world; and the most regulatory jurisdiction prevails. The most open, competitive economy (e.g. with a bias against government-endorsed standards and industry collaboration to set standards) tends to lose.

4. Solutions

One solution to virtually all of the global-market problems is regulation at a higher level. This solution, however, has all of the shortcomings of «higher law,» including the questions of what the higher law will be, who will decide, who will apply it and by what means, how can the higher authorities be held accountable, and how can the law be changed as necessary to meet evolving needs? These are daunting problems. They impel us to seek solutions at a lower level.

There are lessons to be drawn from the modes of regulation and due process safeguards of both the European Union and the United States.

(a) Lessons from Europe

The European Union takes a cosmopolitan approach to Member State trade-restraining action in the European internal market. Many examples can be drawn from EU jurisprudence applying Articles (pre-Amsterdam Treaty) 3, 5, 30, 59, 85-86, and 90. Most importantly, basic principles of EU law are: nondiscrimination, transparency and openness. Even Member States must not take measures that excessively and parochially restrict the flow of trade and commerce

and advantage their citizens over citizens of other Member States.

At European level the Community often acts by framework directive rather than by uniform substantive rules of law. The framework directive formulates goals and aims of the Community and leaves to the Member States the duty and opportunity to implement the directive through legislation of their choice. Thus, in connection with standards for the transmission of television signals, the European Union adopted an Open Network framework, obliging the Member States' regulatory authorities to provide open architecture and to do so in a transparent and nondiscriminatory way.

The EU vision transcends the state. EU law reprehends and punishes excessive, abusive, and privilege-granting Member State trade-restraining action. The concern is for the citizen of Europe.

(b) Lessons from the United States

Lessons from the United States also could help to solve the conundrum of anticompetitive regulation that «binds» (harms) those that have no voice.

The United States has very strong principles of due process. Its founding tradition condemns taxation without representation. U.S. case law suggests rights of notice, hearing and participation in the event of standard-setting, which by its nature may be exclusionary and restrictive on the one hand, though efficient on the other. Thus, the Supreme Court of the United States said in a case of industry members' excluding new entrants through the vehicle of packing a standard-setting meeting with cronies: «The hope of procompetitive benefits [from private standard-setting] depends upon the existence of safeguards sufficient to prevent the standard-setting process from being biased by members with economic interests in restraining competition.»[1]

The lessons might be extended to fit the international dilemma. Thus, those who will bear

[1] Allied Tube & Conduit Corp. v. Indian Head, Inc., 486 U.S. 492, 509-10 (1988).

the costs of anticompetitive action adopted by a nation/state, but who are outside of the jurisdiction of the state, should have a right to be heard and to participate in hearings. The competition agency of an affected country should be heard. Thus, the Mexican Federal Competition Commission could, in a future *Union Pacific/Southern Pacific* case, have a right to participate in proceedings concerning exemption of the merger. It would then have the opportunity to quantify the costs to Mexico and present the evidence to the agency. The United States or Geotek might be accorded a similar right, with due process, to participate in hearings by a European standard-setting body that may, as a practical reality, be setting the standard for the world; and visa versa.

But the right of outsiders to be heard and to explain the harm to themselves is a feeble right if the regulating nation has only the incentives and obligations to act in the interests of its own nation. This dilemma leads to lesson three.

(c) A Lesson from Economics and Practical Politics — Counting All the Costs

We must learn and take seriously the lesson that even the «harming» nation is better off when it stops imposing economic costs on others. Thus:

> Past the very short run, retaliatory measures and counter-measures taken to offset the first nation's distortion of trade and competition tend to escalate into a downward spiral of increasing impediments to trade. The prospect and reality of the downward spiral have been the impetus to agreements among nations on world trade particularly in the context of the GATT/World Trade Organization. The message that such nationalistic games are harmful was first brought home to nations with regard to government-imposed quotas, tariffs, voluntary export restraints, and similar impediments. It has only recently been recognized with respect to government-imposed non-tariff barriers, including foreign investment limitations, unreasonably exclusionary standards (e.g. in telecommunications) and discriminatory procurement policies.
>
> The lesson has not yet been brought home, however, with respect to private restraints, and (perhaps peculiarly, because it *is* government action) facilitation by governments of restraints by firms within their territory. Yet governments quite perceptibly and pervasively facilitate private restraints, and the costs to the world possibly amount to billions of dollars a year in lost income. Governments may act in numerous anticompetitive ways. National legislatures may limit the coverage of antitrust laws so as not to reach beggar-thy-neighbour restraints. Executive or administrative decisions

> may be taken not to enforce antitrust law where the gain from harm to foreigners is judged greater than the loss to the nations' own constituency.
>
> An alternative to the national welfare standard is a world welfare standard. «World welfare» is used here to mean the aggregate level of consumer benefits and profits realized by consumers and firms in all pertinent countries. The case for a world-welfare standard to guide the two residual areas identified above — private restraints of international dimension, and government facilitation of them — seems rather compelling . . . .[2]

In view of this economic lesson, world leaders might consider, in their economic dialogue, a principle such as the following: When a nation considers regulatory action that will perceptibly have unwelcome impacts beyond its borders, it should provide rights of process to persons beyond its borders, and it should count the costs and benefits beyond its borders as if the outside area lay within its borders.[3] Only then — especially if the outside jurisdictions and peoples lack the power to protect themselves, will the regulatory action sanctioning business acts with spillover effects have legitimacy.

National law does not reach so far today. Statutory change would be needed. But the more it is the case that national enforcers and regulators resist taking account of the costs «to foreigners,» the sooner will come the day for uncongenial international regulation that could

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[2]Eleanor M. Fox and Janusz A. Ordover, The Harmonization of Competition and Trade Law: The Case for Modest Linkages of Law and Limits to Parochial State Action, 19 World Competition L. and Econ. Rev. 5, 15-16 (1995). See also Wolfgang H. Reinicke, Global Public Policy, Foreign Affairs, Nov./Dec. 1997, vol. 76, no. 6, p. 127, regarding the dilemma of parochialism in an interdependent world. The dilemma is not solved by extraterritoriality. *Id.* at 131.

[3]Some ask: How can we possibly consider antitrust harm beyond our borders? There are two answers:

1) In cases of world markets, this consideration is a necessary part of the analysis that regulating authorities must undertake. For example, in the merger case of *Boeing/McDonnell Douglas*, if the merger was price-raising, it was price-raising in the world. Data on the buyers' market would indicate the extent of harm to customers located abroad.

2) A burden can be put on harmed outsiders to come forward with proof of harm to them.

straight-jacket the businesses of the world.

B. Systems Clashes

Nations' different and sometimes conflicting laws often apply cumulatively to the same transaction. Sometimes outcomes can be different because local market conditions are different; but sometimes there is only one market, and it is the world.

Such was the situation when Boeing, the largest producer of commercial jet aircraft in the world, sought to acquire McDonnell Douglas, the third largest. McDonnell Douglas had failed to invest in new generation technology and had a dim future. The only other competitor in the world was Airbus Industrie, the European consortium. In connection with the acquisition, Boeing entered into exclusive supply agreements with the three big U.S. airlines, tying up 12% of the world market for 20 years.

The U.S. Federal Trade Commission vetted the merger, found no competitive problem because of McDonnell Douglas' dim future, and closed the investigation. The European Union, however, stressed that Boeing would increase its share of the world market from 64% to 70%. It found serious competitive problems with the merger of the two U.S. firms[4] — Boeing would increase its dominance. The European Commission would have aborted the merger had Boeing not agreed at the eleventh hour to conditions that included dropping the exclusive contracts and licensing technology that had been subsidized by the U.S. government. The settlement came only after top-level threats of a trade war, and accusations of nationalistic strategies, on both sides.

Boeing is the tip of an iceberg. Mergers desired by one nation may be prohibited by another. The language of the law itself may be virtually the same, but the analysis may differ. Or the law and its underlying values may differ. U.S. law may require approval of a merger if it cannot be proved to raise prices; the European Union may insist on disapproval if a merger

[4]In challenging a merger of firms with no assets in their jurisdiction but with alleged anticompetitive effects there, the European Commission was following the lead of the U.S. agencies.

«unlevels» a playing field for competitors. What is to be done?

Solutions

Possible solutions would include a single set of laws for international transactions in global markets; but this would be difficult to accomplish, and harder yet would it be to assure administration of the new global law with fairness and legitimacy.

At the other extreme, nations could insist on the right of unilateral enforcement as they deem fit in the interests of their nation, perhaps, as is now the case between the United States and the European Union, with bilateral duties of notification, consultation, and explanation.

But the national interest model is likely not to be enough in the new millennium when «one nation's» merger affects the world. If nations decide to work towards cosmopolitan principles, a beginning set of principles might look like this, for mergers of international dimension:

1. Nations' laws and their mode of analysis should be transparent.

1. Nations should apply their laws without discrimination based on nationality.

1. Nations should not allow national champion interests to trump competition interests. They should neither enforce nor withhold enforcement in the interests of a national champion.

1. If nations apply non-competition objectives such as national security or environmental concerns, they should do so transparently and by means tailored to achieve their ends.

1. If a nation's law expressly allows a policy trump, the trumping value should be separately applied after the competition analysis has been completed.

But even this set of five principles may not be enough. What happens when, in spite of the five principles, systems clash? If there is an interest in preventing the state of affairs wherein the most prohibitory law prevails, we may need either higher law or rules of priority. Assuming that the latter is preferable if workable, we should consider rules of priority. For example, the

right to grant or not grant drastic relief (an injunction or break-up) might be assigned to: 1) the nation that is «home» to one or both merging firms, or 2) the largest one or two consuming nations. But if any one or two nations has this right of priority, there will be no legitimacy unless 1) the nation with the right of priority counts all costs wherever in the world they fall, and treats all costs and benefits as if they fell within the regulating jurisdiction, and 2) harmed persons or nations outside of the regulating jurisdiction have rights of due process before the court or agencies within the regulating jurisdiction. Thus, the principles suggested above to legitimate spill-over nation/state action are adaptable to the regulation of restrictive business acts.

C. The Lack of Vision From the Top

Lack of vision from the top is a startling missing element in a world in which national law governs global transactions. The blindered vision problem reasserts itself repeatedly and in different ways.

One set of problems is exemplified by the state of merger control and pre-merger clearance in the world. This is a problem of excessive uncoordinated regulation. More than 40 nations now have merger control laws that require premerger notification (often cumbersome and expensive), and a period of waiting before clearance — which may take five to eight months or more. The thresholds for reporting and waiting are often very low. A small stream of sales into the nation may trigger the nation's law; the merging firms need have no assets in the jurisdiction. A small country like Bulgaria or Romania can hold up and possibly abort a multinational merger, though the market in that nation is small and the merging firms together have an insignificant market share in the regulating country. A single multinational merger may be required to pass through 20 or 30 national merger systems before consummation, even if the market is global, there is no disparate impact in any nation, and the merger is being seriously vetted by two or more mature agencies in nations with the major purchases.

If one were to design an effective merger control system for the world, it would not resemble the ad hoc, uncoordinated, reinvent-the-wheel merger control regimes of today.

Second, with a view from the top we would not and could not ignore the less developed world. Demographics and demographic trends, if not justice values themselves, should require us to move forward on a premise of inclusiveness. Bringing the less developed and developing countries into the core of the world trading system[1] promises to enhance world welfare and justice as well. Thomas Friedman has written eloquently about the role of global pressures in squeezing out cronyism and helping to put economies on a base of merit, not privilege.[2] Others have observed how cartels ostensibly targeted at the third world (and thus never challenged) are in fact world cartels that hurt us all. Moreover, the ripple effects of monopolistic practices that harm nations that lack institutions or will to fight back may become large waves on the global ocean. We are, economically (like it or not), one world.

Third, the world trading system is distorted by problems of private restraints that re-close opened markets and undermine the system. Liberal trade law attends to public restraints. Competition law is left to deal with private restraints. But competition law is national. National law is not up to the task of opening foreign markets and countering distant restraints; indeed, it may not apply. To make the world trading system more nearly complete, and to inform the several sectoral instruments of the World Trade Organization that already contain competition obligations, we may need to deepen the WTO's competition competences.

Solutions to the vision-deficit problem are elusive. Networking of nations on a horizontal plane may not be enough. Conventions, or the deeping of the World Trade Organization, may be fruitful routes.

Suggestions to pursue these paths meet resistance in the good name of sovereignty and the bad name of distant bureaucracy. But the resistance to even talking about world solutions does not withstand analysis and will not withstand time. In some cases the «higher law» problem can be solved by European-style framework directives and choice of law principles. For example, WTO nations might agree to assure that their markets are not closed by unreasonable restraints of

[1]While allowing them appropriate protections — an issue I do not address.

[2]See Thomas L. Friedman, The Lexus and the Olive Tree (1999), Chapter 8: Globalution.

trade; and they might agree that the law of the allegedly excluding nation must be used to define the contours of what is unreasonable. And the industrialized world might anchor and multilateralize obligations and networks to give technical assistance to less developed partners, in the context of the WTO or otherwise.

IV. Conclusion

In matters of economics and market conduct, we are on a trend line toward «one world.» We can close our eyes and insist on narrow national solutions, or we can be architects of a more nearly open world.

This essay is an attempt to stimulate dialogue on liberal solutions to the problem of incoherence between national law and global commerce. It suggests open architecture and the embrace of principles of cosmopolitanism that would link the nations and peoples of the world while giving weighty respect to subsidiarity.

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Political Organization and the Future of Democracy

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Paper prepared in occasion of the Conference
"Progressive Governance for the 21st Century"
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Panel

Tony Blair
Fernando H. Cardoso
William Jefferson Clinton
Massimo D'Alema
Lionel Jospin
Gerhard Schröder

Speakers

Norman Dorsen
Yves Mény
Javier Solana
Juan Somavia

Political Organization and the Future of Democracy

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"All politics is local."
Thomas "Tip" O'Neill
Former Speaker, U.S. House of Representatives

A Puzzle.

The twentieth century is ending with a spectacular surge of democracy, the greatest by far since the end of the eighteenth. In simple numbers of people getting their first taste of self-government, the spread of the democratic sentiment across the globe today dwarfs the tiny American and French Revolutions. In the United States and Western Europe, the cradle of modern democracy, democratic institutions have never been healthier. Government is more responsive than ever. Politicians are less corrupt, better educated, and more devoted to public service than at any time in the past. The free press flourishes, with greater access and far more resources, and the battle to create political and economic opportunities for women, minorities, and the poor, while far from over, is steadily advancing. Liberal democracy looks better than ever.

Except for one thing. Apart from a handful of historically-minded academics, no one else seems to think so. As remarkable as the late-century spread of democratic institutions throughout the world is the late-century swell of cynicism in the places where democracy is oldest and that have seen its benefits best. Signs of this phenomenon are all around us. Voter turnout in the United States continues to drop, despite occasional bounces. In Europe, splinter parties with extremist agendas and depressingly thin commitments to

* The discussion below is based on a book-in-progress entitled *The Confidence of the People: Organizing Politics in the Extended Republic* (manuscript on file with the author).

democracy are making hair-raising gains. Scandals abound, even as politicians become cleaner under the ceaseless glare of public scrutiny. On both continents, the electorate willingly embraces extravagantly implausible amateur politicians, while polls report persistently rising levels of mistrust in leadership and skepticism about the ability of politics to make life better. Here, then, is a puzzle worth pondering. How can democracy being doing so well and so poorly at the same time? And why are people losing faith in political institutions even as those institutions are, in fact, becoming healthier?

Taking the Long View.

The most beneficial use of history is not, as the familiar canard would have it, that without understanding history we are destined to repeat it. Rather, studying history gives us distance and perspective from which to see things that may otherwise be obscured. The concerns of the day and convictions of the moment too easily fill our perceptions of problems and solutions. In looking at our own cultures at an earlier time, we may discover otherwise imperceptible forces that shape events.

The struggle for democracy in modern times achieved its first triumph in the United States, during the years 1763-1800. The popular misperception that this victory was complete with the Declaration of Independence in 1776 or that it was secured by the adoption of the Constitution in 1789 is just that: a misperception. The American Founders had a terribly difficult time devising institutions capable of supporting popular (or what they called "republican") government, and the infant republic came perilously close to collapse during its first decade. These early struggles to build a successful democracy are worth revisiting, if only briefly, to see what light they cast on our problems today.

Although the war for independence from England was effectively won by 1781, the new United States lacked the institutional and political infrastructure to survive as a nation. The 1780s are known for good reason as "the critical period," for even contemporaries appreciated that a crisis was at hand. The usually sober and restrained George Washington thus wrote despairingly in 1786, "From the high ground we stood upon, from the plain path

which invited our footsteps, to be so fallen! so lost! it is really mortifying."[1] The reform movement to adopt a new constitution in 1787 was first and foremost a movement to create a stronger, more "energetic" national government.

Opponents of the new system, known to both contemporaries and historians as "Anti-Federalists," shrieked that popular government was impossible on a national scale. No matter how dedicated, no matter how faithful its representatives, they urged, the government of a society as large and diverse as the United States would be unable to maintain "the confidence of the people."[2] Faith in government would erode, and the system would eventually collapse. Instead, they counseled, governing should be left mainly to the states, with a modest national organization arranged along the lines of a league among co-equals--a model closely akin to the existing European Union.

At its heart, this Anti-Federal argument rested on a shrewd evaluation of the conditions necessary for democratic politics. Democracy is not just a matter of rational debate about the best policy, nor solely a question of interests or even principles. It is also a matter of what Enlightenment philosophers referred to as "affection" or "attachment." A democratic system must engage people's emotions and imaginations as well as their interests. It must make them believe, truly *feel*, that the government acts for them, that it follows their wishes and can be controlled by them--that it is, in a word, theirs.

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[1] Letter from George Washington to John Jay (Aug. 1, 1786), in 28 The Writings of George Washington 431-32 (John C. Fitzpatrick, ed. 1931-44)

[2] This was the standard eighteenth-century phrase used to refer to public trust and faith in government. See, e.g., Brutus I, New York Journal, Oct. 18, 1788, in 13 The Documentary History of the Ratification of the Constitution 411, 419 (Merrill Jensen et al., eds. 1981).

Opponents of the Constitution insisted that a national government could never secure this sort of affection and confidence. Why? Because, they explained, popular government requires an intimacy and connection between rulers and ruled that will never exist in a large republic, where government officials and institutions must necessarily be distant and remote from the average citizen. Under the then-existing state systems, voters were "acquainted with" their representatives and had "personal knowledge" of their characters; constituents could "make known their wants, circumstances, and opinions" because elected officials were friends, neighbors, or patrons who "mixed" with them and whom they regularly encountered while going about their daily business.[3] It was this sort of relationship that made government by representatives acceptable without force or tyranny--a kind of intimacy that would be impossible for officials in a continental-sized republic. Relying on reputation or expecting voters to be satisfied with reports and editorials in newspapers simply would not suffice.

This is why Anti-Federalists were so troubled by the Constitution. If you remove the props on which faith in popular government has rested, they asked, what will support it when things get rough, as they assuredly will? How will government retain "the confidence of the people" if you weaken the foundations on which that confidence has been based? When lawmakers adopted measures that were controversial or that called for unequal sacrifices--something inevitable in a diverse, eclectic society--the government would be unable to manage the political strains that would emerge. The nation would, eventually, either erupt in civil war or dissolve under the collective weight of the people's apathy.

The Constitution's supporters, known as "Federalists," thought they had an answer to this quandary. Giving people better government was one way to earn their support and affection. "I believe it may be laid down as a general rule," Alexander Hamilton

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[3] The Federal Farmer, Letter VII, in 17 Documentary History, supra note 2, at 265, 281-82.

wrote in *The Federalist No. 27*, that the people's "confidence in and obedience to a government, will commonly be proportioned to the goodness or badness of its administration." More fundamentally, the Federalists offered an ingenious structural solution in the form of what has come to be known as "federalism." No sensible Federalist denied either that substantial differences existed among the states or that the legislature in a unitary national system would be hard pressed to take all them into account. Instead, they denied that such a thing was necessary--pointing to the Constitution's federal division of labor, which confined the national government to objects of a general nature that would not need to be adjusted to suit the particular circumstances of every community. By thus limiting the responsibilities of national representatives, federalism itself became an integral component of the Federalist theory of republicanism and democracy.

This decentralizing strategy was, as it turned out, exceedingly useful (a point we will return to below). But it was also incomplete--and for reasons the Anti-Federalists anticipated. Even with federalism, they said, the national government must do things that will touch people where it counts, that will affect their lives and their pocketbooks, and stir their emotions. That the objects of federal law are general does not make them insignificant in the lives of ordinary citizens, and Congress's actions must often rouse passionate conflict in the community. The problem of governing a pluralistic society is not merely the technocratic one of tailoring laws appropriately to suit dissimilar local circumstances. It also includes finding a way to engage the polity: enabling citizens to embrace and take possession of a distant government that must often make decisions with which they disagree or whose content they do not fully grasp. Federalism is no help when national policy is at stake. Nor can political stress be relieved by "good government" when it is precisely whether the government is "good" that is in issue.

The clairvoyance of these Anti-Federalists was apparent from the start. The United States experienced one of the greatest economic booms of its history during the first decade under the Constitution, yet the 1790s were still a time of "vicious party warfare" and "almost hysterical fear."[4] Although Federalists delivered precisely the kind of

[4] James Roger Sharp, American Politics in the Early Republic: The New Nation

good government they had promised, domestic political debate achieved a level of violence and alienation exceeded only by the Civil War. By decade's end, talk of disunion and secession was rife, the commander of the U.S. Army was musing about whether to invade Virginia, and governors in several other states were anxiously organizing their militia in anticipation of a possible civil war.

The new nation weathered the crisis, due in large part to the emergence of the world's first political parties. With each new controversy, even as the emerging Federalist and Republican parties exacerbated popular discontent, they helped simultaneously to channel that discontent back into the system. When disgruntled citizens began murmuring about secession and civil war, party leaders were able to encourage them instead to turn to the polls by offering supporters a national organization capable of formulating positions, managing election campaigns, and arranging the government to insure that the party's program was implemented. It was the replacement of traditional forms of deference politics with the new rituals of party politics that made constitutional democracy on a large scale functional.[5] Parties gave public debate on a continental scale the structure and coherence needed to create tolerable consensus on an agenda, while offering citizens opportunities to participate at the local level that facilitated their acceptance of the system and its laws.

The crucial insight of the Anti-Federalists in 1787 was thus the same insight as that expressed by Tip O'Neill in the epigram to this paper: that in a democracy "all politics is local." Because popular government depends on the "affection" and good will of the citizenry, for democracy to work it must be experienced as something vital and immediate; this means more than meekly submitting to policies dictated from above or dutifully trudging down to the local high school to cast a vote every few years. A democratic system must

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in Crisis 5 (1993); Richard H. Kohn, Eagle and Sword: The Federalists and the Creation of the Military Establishment in America, 1783-1802, at 195 (1975).

[5] William Nesbit Chambers, Political Parties in a New Nation (1963).

engage its citizenry where they live--not abstractly or passively, not through watching television or reading newspapers or sending checks, but in forms and on planes that are personal and feel efficacious.

Federalism does this by relocating the situs of political decision-making closer to home, putting it at a level where most people feel a greater sense of familiarity and control than is likely to be true of national politics. But national politics cannot be avoided, and a solution is needed to bring politics home from this level as well. For most of the nineteenth and twentieth centuries, in both the United States and Europe, it was political parties that filled the gap, connecting people to government by traversing and mediating the space between politicians and their constituents.

Back to the Future.

Even in this sketchy form, the story related above highlights some important lessons about the nature of democracy. First, that democracy has an emotional and affective side as well as a rational one. Second, that we must tend to democracy's affective side through political stratagems capable of nourishing a vibrant political life for ordinary citizens. More particularly, my story points to two very different sorts of institutional devices that are worth examining in this regard. And, as we shall see, it provides a possible partial explanation for rising public cynicism about government while suggesting some ways to think about how to turn that cynicism around.

Federalism. Federalism was out of favor for most of the twentieth century, particularly in the United States, where it was blamed for perpetuating racism and a variety of other evils. This tendency peaked around 1964, when William Riker concluded a comparative study of federalist systems around the globe by observing that federalism was good only for shielding powerful minorities from surrendering their privileged status. Put in other words, Riker mused sardonically, "if . . . one approves of Southern white racists, then one should approve of American federalism. . . . If one disapproves of racism, one should disapprove of federalism."[6]

[6] William H. Riker, Federalism: Origin, Operation, Significance 155 (1964).

Recent years have been kinder, and dispersing legislative authority among different levels of government has once again become popular. The United States Congress has been busily investigating ways to return authority to the states, while "subsidiarity" has become a core principle of political action in Europe. Countries adopting new constitutions have, with increasing frequency, incorporated federalist strategies; nations with stable constitutional regimes, like England, have utilized equivalent tactics without formal constitutional change.

The current rage for decentralization reflects renewed awareness of the substantial benefits to be derived from transferring certain decisions to lower levels of government. In a surprising turnabout, the unremitting criticism of the 1950s and 60s has been replaced by an equally incessant chorus of praise. Items listed in the inventory of claimed benefits for federalism include everything from enhancing freedom to fostering participatory democracy, facilitating regulatory diversity, protecting individual liberty, promoting responsible fiscal policy, and providing a laboratory for testing novel legislative programs.

One must be careful here. Some of the items included in this litany reflect thoughtless repetition of theoretical justifications that experience has disproved or called into question. The view that federalism enhances freedom, for example, was first voiced in the late-eighteenth century, at which time it rested on a "civic humanist" understanding of liberty that was group rather than individually oriented. The argument may have made sense in this context, but if anything seems clear today, it is that central governments do a better job than local governments of protecting individual liberties and the rights of subordinated minorities. Similarly, an abundance of studies have refuted the notion--first articulated by Justice Louis Brandeis--that state and local governments provide valuable "laboratories of democracy."[7]

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[7] New State Ice Co. v. Liebmann, 285 U.S. 262, 311 (1932)(Brandeis, J., dissenting).

Such qualifications aside, two centuries of experience has vindicated the conviction of the American Founders that federalism can contribute to the political health of a democracy.[8] Because state and local electorates are smaller, elected representatives are more immediately accountable to individuals and their concerns. Government is closer to the people, and democratic ideals can be more fully realized. The paradigmatic model of democracy remains the legendary Greek polis or New England Town Meeting, a setting in which the whole electorate deliberates and decides, and elected representatives have essentially managerial responsibilities. Of course, direct democracy of this sort is not only impossible, but ultimately undesirable. As James Madison quipped in *The Federalist No. 55*, "Had every Athenian citizen been a Socrates, every Athenian assembly would still have been a mob." Nevertheless, the aspect of direct democracy that retains a hold on our imaginations is the way in which it engages ordinary citizens in political decision making. There is overwhelming evidence to support the proposition that our most local governing structures--school boards, county commissions, city and state government, and so forth--are also our liveliest and most vital. Government close to home enables people to participate in ways that feel more vivid and more fulfilling than is ever possible for decisions made at the national or multinational level.

Federalism matters for another reason. No matter how responsive the representatives in a national assembly are to state and local interests, preferences are still aggregated on a nationwide basis. If interests in an area represented by a majority of national representatives concur, interests in the rest of the country will be subordinated. Because preferences for governmental policy are unevenly distributed among the states and regions of a nation, more people can be satisfied--more can see their beliefs or desires enacted into law--when decision making is decentralized. Michael McConnell illustrates the point with a simple example:

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[8] The following discussion of the positive values of federalism is drawn from Professor David Shapiro's excellent treatment in Federalism: A Dialogue 91-106 (1995).

> Assume there are only two states, with equal populations of 100 each. Assume further that 70 percent of State A, and only 40 percent of State B, wish to outlaw smoking in public buildings. The others are opposed. If the decision is made on a national basis by a majority rule, 110 people will be pleased, and 90 displeased. If a separate decision is made by majorities in each state, 130 will be pleased, and only 70 displeased.[9]

It does not follow that all decisions should be made at the state or local level. There are powerful and essential justifications favoring national legislation: the demand for a country to speak with one voice on important matters, the need to prevent "spillover" effects among the different states or regions of a nation, the desire to achieve economies of scale and to protect individual rights, and so forth. What is wanted, then, is a genuine commitment responsibly to allocate political authority among different levels of government, together with appropriate devices to ensure that national lawmakers leave suitable decisions to lower levels.

As to political commitment, there seems everywhere to be renewed willingness on the part of public officials and party leaders to explore decentralizing strategies. Nevertheless, the reflex to address every new problem at the national level remains strong and must be watched and resisted where it is inappropriate. The process of sensibly rethinking how big to make big government is still just beginning.

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[9] Michael W. McConnell, Federalism: Evaluating the Founders' Design, 54 U. Chi. L. Rev. 1484, 1494 (1987).

The problem of discovering means to achieve an optimal allocation of authority is more difficult, but also more exciting. The first impulse among scholars is invariably to think in constitutional terms, which means looking ultimately to courts for an answer. But while this surely is a possible strategy, articulating legally-enforceable limits on national authority has proved exceedingly difficult in practice. The German court has been somewhat successful in this venture, whereas American courts have experienced nothing but controversy and trouble. In any event, legal solutions have actually been less common and less prominent than political ones. In the United States, for example, the Supreme Court has historically played an insignificant part in defining the boundaries of national power (with unfortunate results when it has intruded, though this has not stopped the present Court from trying). Instead, the allocation of power between the federal government and the states, and between state and local governments, has been fought out and decided through ordinary politics.[10]

Moreover, legal strategies have generally been less successful than political ones. International dialogue is important in this respect, for among the different nations that use federalism we have already seen and tested a wide variety of possible approaches. These include various ways of giving state or provincial governments a voice in national politics, sharing legislative and administrative authority at different levels, innovative efforts to foster "home rule," and the formation of novel cross-governmental funding and incentive structures to shape policy. We have only just begun to explore the full potential of what has come to be known as "cooperative federalism": arrangements for sharing power among officials at different levels rather than allocating exclusive responsibility in any particular area to one or another authority. Early efforts at cooperation, such as the Great Society programs of President Lyndon Johnson, failed badly. But there is room to build on the lessons of these failures, as well as

[10] Larry Kramer, Putting the Politics Back Into the Political Safeguards of Federalism, 100 Columbia L. Rev. (forthcoming 2000); Larry Kramer, Understanding Federalism, 47 Vanderbilt L. Rev. 1485 (1994).

on subsequent successful efforts in the United States and elsewhere. The space for creative thinking and innovative leadership remains enormous.

Beyond Parties. Having said all that, there are nevertheless limits to what can be accomplished through decentralization and dispersal of power. As noted above, many political choices can only be made at the national level: choices about war and peace, foreign relations, trade and commerce--in other words, all the most important and controversial choices in society. Pressure for national legislation will continue to intensify, moreover, as the process of globalization accelerates, demanding national and multinational solutions for an ever-expanding range of economic and social problems. Indeed, the creeping alienation so characteristic of late-twentieth-century democracy is surely at least partly attributable to this trend. It is hardly surprising that people would become more removed from politics as politics becomes more removed from them.

During the nineteenth and early twentieth centuries, it was political parties that kept politics from becoming too remote. This was mostly a matter of technology. Learning what people wanted, whom they favored, or what issues mattered to them, could be done only through face-to-face encounters--a method of intelligence gathering that demanded a presence in the community that only political parties could manage. Campaigning was labor-intensive activity, requiring nothing so much as bodies to hand out pamphlets; to canvass door-to-door; to stage rallies and torch-light parades; and to make stump speeches in parks, on corners, or near polling places. With armies of volunteers obtained through their extensive patronage networks, it was the parties that supplied these services, nurturing a style of politics that could not help engaging citizens on a personal level.

Nor were party activities confined to elections and electioneering only. Absent government welfare systems, political parties managed private welfare networks: in exchange for loyal support, ward bosses or precinct captains would help constituents find jobs in the neighborhood or arrange for them to receive food and shelter during a bad stretch. The parties also provided entertainment at a time when cheap forms of amusement were scarce. The famous

debates between Abraham Lincoln and Stephen Douglas attracted immense crowds not only because the issue of slavery was so pressing, but also because their contest was the best entertainment around. Parties sponsored dances and social events and organized a wide variety of other neighborhood activities, thus becoming important institutions in people's daily lives. And because the party's agenda was never far from the surface, these full service organizations made active engagement with politics an important aspect of everyday life.

In the United States, successive waves of well-meaning reform progressively maimed this system over the course of the twentieth century's first six decades. In America and elsewhere, a still more crushing blow was delivered by new technology: the invention and spectacular growth of television, of computer-based polling and survey techniques, and of direct mail and other sophisticated means of reaching voters with minimal manpower. Even as greater numbers of political decisions were being made at higher levels of government, politicians and government officials were becoming more distant as they abandoned the traditional forms of party politics. Leaders today reach out to constituents primarily through the national media, apparently content to establish "personal" contact through forms of address that are, in fact, one-sided and anything but personal.

Politics today has thus become a remote, passive activity for most of us. We read newspapers or watch TV; we discuss the issues with friends; we vote and maybe give some money to a party or other organization. But apart from that, we leave the management of our political affairs to others working in a businesslike manner in or closely with government agencies. Is it really any wonder that ordinary citizens have become progressively more alienated and mistrustful?

Obviously, it is too late in the day to think about resurrecting old-style political parties, even in Europe, where these forms have retained more of their traditional flavor and salience. Nor is it clear that we should want to do so. Mass party politics in the United States was, indeed, a sinkhole of corruption, and the fascist and communist parties of mid-century Europe made the potential dangers of

demogoguery and excessive party control abundantly clear. In focusing on dangers and downsides, however, we may have paid too little attention to the important constitutive role the parties played in maintaining a healthy democracy. We allowed these critical institutions to atrophy without giving adequate thought to alternative means or institutions to fill the resulting gap. We became content to address the public from a distance without seeing how this might affect the long-term vitality of democratic politics.

Here, then, is an even more important item demanding the attention of responsible leaders concerned for the future of democracy. The process of globalization has just begun to hit full stride. No matter how much energy we invest trying to preserve spheres of local autonomy, the pressures for greater centralization will be irresistable, for the simple reason that increasing numbers of issues really can be addressed only at a national or international level. As this happens, it is incumbent on political leaders to devise new means and new forms of political organization to draw the public in--to give ordinary citizens a sense not merely that the policies being adopted are good, but that these policies are also theirs.

Global Governance for Sustainable Development

by *Richard B. Stewart*

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Panel

Tony Blair
Fernando H. Cardoso
William Jefferson Clinton
Massimo D'Alema
Lionel Jospin
Gerhard Schröder

Speakers

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Yves Mény
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Global Governance For Sustainable Development

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The coming decades pose an enormous challenge of governance for the global community. How to preserve the planet's ecosystems and protect our common environment while meeting the aspirations of all peoples for higher personal and societal levels of economic welfare? Meeting this challenge will require new developed country/developing country and public/private international partnerships for sustainable development; wider adoption of economic instruments for environmental protection and resource protection; improved international mechanisms for risk assessment and resolution of trade/environment controversies; and more focused and effective international environmental laws and institutions with a tough-minded focus on achieving tangible results.

I. THE CHALLENGE OF SUSTAINABLE DEVELOPMENT

Market Versus Environment? Current forms of economic development are imposing great stresses on the earth's atmospheric, oceanic and other global resources. These stresses are causing stratospheric ozone depletion, the threat of harmful climate change, destruction of coral reefs, depletion of fisheries, and accelerating worldwide depletion of biodiversity. At regional and local levels, many parts of the world are plagued by serious and worsening problems of air and water pollution, toxic waste hazards, water shortages including inadequate supplies of safe drinking water, poor sanitation, deforestation, and desertification. Regional conflicts over shared resources that are being over-exploited threaten political and economic destabilization.

Substantial progress has been made in addressing some of these problems, especially at

the domestic level in developed countries. Many international environmental agreements have been negotiated. Some progress has been achieved in implementing them. There are a few notable international environmental success stories, such as the reductions that have been achieved in emissions of chemicals that deplete the stratospheric ozone layer. There are, however, many gaps and weaknesses. In worldwide perspective, the performance of environmental laws and institutions has fallen far short of the problems at hand and failed to keep pace with rising public demands for higher levels of environmental and health protection. Yet, the very same public simultaneously demands continued economic growth.

As a result of global economic integration and the downfall of state socialism and central planning, economic decisions by governments as well as by most of the private sector are increasingly market-based. The market, however, ignores environmental effects that are not priced in the market itself. Market-oriented decisionmakers, both inside and outside government, also work within quite short time horizons. These circumstances create patterns of economic development that systematically ignore the need to preserve the ecological and natural resource base on which depend all development and prosperity, now and in the future. At the same time, traditional approaches to achieving environmental protection through use of detailed command and control regulations are reaching their limits, in part because central planning methods are fundamentally incompatible with dynamic market economies.

Sustainable Development. Will the triumph of the global market inevitably mean the ruin of our environment? From an ecological perspective, the earth's natural resources are preciously and often precariously finite. From an economic perspective, however, resources include not only natural capital but knowledge, invention, and other forms of human capital. The

Enlightenment hope for our age is that human capital can flourish in ways that will underwrite continued economic growth and societal prosperity while preserving or enhancing the ecological base. Such is the premise and the promise of sustainable development. Harmonizing ecological and economic goals will, however, require ambitious broad-scale leadership and innovation in governance. Achieving sustainable development will demand far-reaching changes in established patterns of production and consumption. Such changes will in turn require that existing command and control environmental regulatory models be replaced or supplemented by market-oriented instruments that will provide more effective, better targeted incentives to promote resource efficiency, reduce waste, and give appropriate recognition to ecological values. There is also an urgent need to develop more effective institutions and implementation mechanisms to ensure compliance with agreed-upon environmentally protective requirements and conditions.

Winning political support for this agenda and designing and implementing it will be difficult, even in the context of a single nation. Because of international environmental and economic interdependencies, however, the new arrangements that are needed for sustainable development must be built and carried out at the regional and global levels as well. This complex task poses a much greater challenge than at the purely domestic level. Development of international community spirit and of effective international legal and institutional structures has lagged far behind the rapid intensification of global interdependencies. The urgent aspirations of the developing countries to improve the lots of their peoples must also be addressed. The challenge must nonetheless be mounted because regional and global interdependencies require governance measures of equivalent scope.

International Environmental and Economic Interdependencies. Nations are

environmentally interdependent because they share natural resources, including airsheds and water bodies. Many forms of pollution cross national boundaries and also degrade the global commons. Examples include acid deposition, ozone-type smog, effluent discharges to regional seas and other water bodies, and international shipments of wastes. Other regional problems include water scarcity, fisheries depletion, desertification, and deforestation. Furthermore, products, including chemicals, bioengineered organisms, and foods, that pose potential health or environmental risks trade in international commerce. Some transjurisdictional environmental problems are truly global, including stratospheric ozone depletion and climate change. There is also a worldwide stake in preservation of biodiversity, regardless of the jurisdiction where it is located. Yet, despite the ecologists' maxim that everything is connected to everything else, some environmental problems remain primarily localized in their effects; examples include municipal waste disposal, many forms of pollution and resource development, and drinking water quality.

Solutions to global, regional, and even local environmental problems are intertwined with and complicated by international economic interdependencies. The Bretton Woods institutions, the GATT/WTO, and regional free trade agreements in Europe, the Americas, and elsewhere have achieved dramatic successes in fostering international economic integration, expanding markets, increasing the international flow of capital and commodities, and creating broader scope for competition and innovation. These developments have contributed significantly to enhancing overall economic welfare, although not without adverse consequences. Experience abundantly demonstrates that economic development can cause serious environmental problems. Moreover, there are at present no international environmental organizations that have the capacity, stature, or record of success of the international economic bodies. If properly directed, however,

economic forces might also help to solve environmental problems and promote ecologically sustainable development. At the same time, global economic integration coexists with wide disparities in the level of economic development, in wealth, and in the intensity of resource use among nations. It takes as much energy use to support the lifestyle of one American as it does to support the lifestyle of 20 Indians. The understandable and legitimate consequence is that the poorer nations and communities of the world insist, as a priority, on the development component of sustainable development.

Implication of Interdependencies For Governance. Both environmental interdependencies and the economic interdependencies generated by the free flow of capital and trade have important implications for level-of-governance arrangements for environmental regulation, whether the environmental problem in question is local, regional, or global. By their very nature, the regional and global nature of environmental problems demand regional and global legal and institutional solutions. A single jurisdiction is unlikely adequately to control pollution, waste generation and disposal, or other environmental problems that are transboundary in character, such that some or all of the adverse effects are imposed on other jurisdictions. Some international environmental problems involving shared resources are mutual in character: each affected nation contributes to the problem and each is adversely affected by it. Examples include pollution of regional seas and other shared water bodies and the threat of global climate resulting from emissions of greenhouse gases. In such cases, environmental quality is a collective good which can only be achieved by mutual cooperation. Yet, international agreement on and implementation of effective common measures is often difficult to achieve. The benefits of cooperative measures may be greater for some nations than for others. Conflicts also arise over

the allocation among states of obligations to abate pollution or take other steps to solve the problem. These conflicts are exacerbated by economic interdependencies. Business firms often resist new regulatory obligations because of international competitiveness considerations. Some nations may decline to join international environmental agreements or fail to implement them effectively in order to "free-ride" on the efforts of others and gain potential competitive advantage. Investment may tend to flow to such countries because they have less stringent environmental regulations than those who have undertaken control measures. Such "leakage" of investment from countries that cooperate in implementing joint solutions to those that do not will increase pollution, further undermining the effort to solve the common environmental problem.

Economic interdependency also adds international dimensions to the solution of environmental problems whose adverse effects are primarily local. Adoption by different nations or regional organizations of different domestic environmental regulations for products such as automobiles, chemicals and foods can impede trade by increasing transactions costs and preventing realization of scale economies in the broader market. Many industrial firms facing intensive global competition fear that the costs imposed by stringent local environmental regulation of their production methods and processes will disadvantage them vis-a-vis competitors in other jurisdictions with less stringent regulations. By the same token, environmental groups, often backed by labor unions, fear that industry will migrate to jurisdictions with laxer product and process standards and that other jurisdictions will respond to the international mobility of investment capital by competing in regulatory laxity in order to attract industry, creating a "race to the bottom." Theoretical analysis nonetheless casts serious doubt on the claim that adoption of different process standards by different nations to deal with

local environmental problems will have this debilitating effect. Empirical studies also indicate that the costs associated with environmental regulation are in most cases too small a percentage of production costs to be of much competitive significance. Nevertheless, many politically powerful interests hold the contrary view; they have generated strong demands for adoption across jurisdictions of harmonized regulations for even local environmental problems.

The interdependencies among environmental protection, trade, and investment also generate conflicts between developed countries and developing countries. For competitive economic as well as environmental reasons, developed countries have sought to promote adoption of higher environmental standards by developing countries, both through international agreements and occasionally through the use of trade measures. These efforts have often provoked resentment and resistance from developing countries, who argue that it is now their turn to develop and that the rich countries, having created many international and other environmental problems in the course of their own development, should take the primary or exclusive responsibility for addressing them.

II. ACHIEVING SUSTAINABLE DEVELOPMENT

Levels of Governance. An initial question in designing effective strategies for sustainable development is the level of governance at which decisionmaking responsibility for addressing different types of environmental problems should be located: the national, the regional, the global, or some combination? Does the answer turn on the nature of the environmental problem at stake? Is the problem generated by products — for example, the health risks of genetically modified foods or air pollution from automobiles? Is the problem one of production and process methods — pollution from factories, the impact of fishing practices on endangered sea turtles,

the destruction of tropical rain forests? To what extent does the problem involve pollution or wastes that cross jurisdictional boundaries? To what extent does the problem involve threats to global biodiversity or to treasured ecosystems that are of concern to persons outside the jurisdiction in which they are located? What is the relevance of international investment and trade flows and competitiveness concerns? To what extent should local jurisdictions be free to take initiatives unilaterally to impose more stringent regulatory requirements than their neighbors? Does it matter whether the regulation deals with products or production and process methods?

International political capabilities and institutions are relatively weak. In these circumstances prudence dictates that multilateral efforts focus on environmental problems that are regional and global rather than local in character. This conclusion is reinforced by the principle of subsidiarity. Even with respect to those problems that are truly international in character, priorities must be established and limited capabilities targeted on those problems that are most urgent and important and that most clearly demand international solutions. These problems include climate change, loss of biodiversity, pollution of oceans and depletion of ocean resources, and deforestation. Although there are many other important regional and local problems, scattershot efforts to address all of them will lead to dissipation and fragmentation of effort. As discussed below, this is one of the central problems of the current international environmental legal regime, which includes a plethora of conventions, many of which are not being implemented in ways that make a significant contribution to environmental protection.

In most cases, multilateral arrangements to address high-priority global and regional environmental problems should focus primarily on process and production methods. Market

integration is consistent with great variety of process standards. But, for reasons already noted, domestic regulatory measures will likely be inadequate for dealing with problems, such as transboundary pollution and biodiversity losses, whose adverse effects extend to other jurisdictions or to the global commons. The adverse environmental effects of products, by contrast, are more likely to be limited to the jurisdiction in which the product is used, although there are exceptions such as automobile air pollution and ozone depleting substances.

Trade and Environment. Level-of-governance decisions must also address the increasingly controversial issue of the relation between international free trade regimes and environmental protection measures. At the outset, one must distinguish trade-restrictive environmental measures adopted unilaterally by a given nation or regional authority from multilateral measures undertaken pursuant to an international environmental or other agreement. One must also distinguish measures aimed at the environmental characteristics of an imported product itself from those aimed at the methods by which it is produced.

The right of jurisdictions unilaterally to protect their citizens against the harmful environmental, health, and safety effects of imported products is acknowledged by international free trade regimes such as the GATT/WTO, or the North American Free Trade Agreement, provided that requirements of national treatment and non-discrimination are respected, so that both domestically produced and imported products are subject to the same regulatory or tax measures, and further provided that the trade burdens of the measure are not disproportionate to its local environmental benefits. This proportionality standard, aimed in part at environmental measures that are designed or used for purposes of economic protectionism, is nonetheless difficult to apply in individual cases. Another concern is that inconsistent product regulations

adopted by different jurisdictions can prevent scale economies in production and distribution from being realized, increase transaction costs, and otherwise reduce the benefits of free trade. These considerations favor a degree of harmonization of product standards across jurisdictions.

Harmonization of product standards can be promoted through two very different institutional mechanisms. Negative harmonization occurs when a tribunal or an administrative authority reviews particular trade measures against challenges by importers as contrary to the free trade regime, and invalidates those measures that are found to be discriminatory or to involve burdens disproportionate to their environmental benefits. This form of "negative" harmonization is practiced internally by the U.S. Supreme Court and the European Court of Justice, and internationally by WTO and NAFTA dispute resolution tribunals. The invalidation by the WTO Appellate Body of the EU's ban on imports of meat products from North American animals that have received bovine growth hormones is an example. Positive harmonization of product standards occurs when uniform standards are adopted at a higher governance level, where such standards are binding, at least as minimum standards and in some cases as maximum standards as well, on lower level jurisdictions. Examples include U.S. federal or EU product regulatory legislation and the multilateral adoption of international product standards such as those in the Convention on Trade in Endangered Species and the Montreal Protocol's restrictions on imports from non-Parties of ozone-depleting substances or products containing such substances.

Trade restrictions or tariffs on imports of products that are based not on the characteristic of the product itself, but on the process or method by which it was produced, present quite different considerations. This type of measure – such as the U.S. ban on imports of tuna caught on the high seas by Mexican fishing boats without use of measures to protect dolphins – cannot

be justified by reference to adverse environmental effects within the importing country, except perhaps in cases in which the production process causes transboundary pollution. The traditional GATT position, reflected in the GATT Secretariat's 1992 Report on Trade and Environment and the GATT panels' Tuna-Dolphin decisions, is that all such "extrajurisdictional" process-oriented measures are inconsistent with the free trade regime and therefore invalid. Some proponents of process-based trade restrictions nonetheless contend that such measures are justified in order to equalize competition across jurisdictions or avoid a race-to-the-bottom in process regulation. Others emphasize the need for measures in order to protect the global commons, including measures to protect ocean resources and address global pollutants such as greenhouse gas emissions.

The traditional free traders' response is that such objectives should be achieved by multilateral agreements among the members of the free trade regime, rather than being unilaterally imposed by one jurisdiction or a subset of the whole. This may be a convincing retort in political systems, such as the EU and the U.S., that follow qualified majority or similar decision procedures that make it not too difficult to adopt uniform process-based regulatory measures at a higher level, and that also have the authority and the means to ensure that these standards are observed at lower levels. This position is far less convicting in the international context, in which voluntary agreements among nations are difficult to achieve and effectively implement. This circumstance may justify greater latitude in the international context for imposition of process-based trade measures by one or a subset of jurisdictions to deal with activities elsewhere that generate transjurisdictional spillovers or that injure the global commons. The argument for such measures is especially strong when efforts to achieve multilateral

solutions have been exhausted and principles of non-discrimination and proportionality are respected. This view appears to have been endorsed by the WTO Appellate Body in its recent Shrimp-Turtle decision, which invalidated a U.S. prohibition on imports of shrimp caught by foreign fleets that did not employ the specific devices to prevent by-catch of turtles that the U.S. requires its fleets to use. The Appellate Body indicated, however, that a similar measure would be upheld if the U.S. had made greater efforts to secure multilateral agreement before acting unilaterally and if it had not insisted on use of U.S.-required devices but had allowed greater flexibility in the means of compliance. Accordingly, the WTO dispute resolution process is moving in the general direction of providing at least some room for process-based environment/trade linkages, preferably by multilateral agreement.

The trade/environment governance issues that must be addressed for the future are whether trade tribunals such as the WTO dispute resolution authorities, which are distrusted by environmentalists, should continue to exercise the principal responsibility for adjudicating international disputes over environmental trade measures or whether such disputes should be handled by new, specialized international bodies, such as the proposed new international tribunal to resolve controversies over the safety of food products. Given the difficulties in building effective new international institutions, it may be preferable to strengthen the environmental responsiveness of the GATT/WTO system rather than starting from scratch to build new tribunals. A related issue is whether the efforts of the international community should be concentrated on achieving multilateral agreements on common product or process standards. From a trade perspective, harmonization of product standards is a high priority. From an environmental perspective, adoption of common process standards is more important. A further question is

whether a multilateral environmental agreement that authorizes trade restrictions should trump the GATT/WTO free trade disciplines when challenged by a GATT/WTO Party who is not party to the multilateral environmental agreement. These important matters probably do not admit of a single, uniform answer, regardless of context.

Regulatory Instruments. Another important set of issues in promoting sustainable development concerns the selection of regulatory instruments that can meet public demands for higher levels of environmental, health and safety protection in a market-dominated era. These conditions point to the need to make increasing use of economic instruments to achieve environmental objectives. These instruments include pollution taxes, tradeable pollution quotas or credits, and new forms of property rights, including rights in watershed protection services, the genetic resources of natural ecosystems, and fisheries resources. Appropriately designed, these incentive systems can direct the energies and ingenuity of market actors, including financial intermediaries, to the service of environmental objectives. In both the United States and Europe there is growing recognition of the limitations of detailed command and control regulation, including problems of excessive rigidity and regulatory overcentralization, and a receptivity to new approaches. The provisions in the Kyoto Protocol for use of flexibility mechanisms to achieve compliance with greenhouse gas emissions limitations objectives reflects a similar movement at the international level.

Pollution taxes and tradeable pollution quota or credit systems have a number of important advantages over command and control regulation in addressing climate change, acid deposition, effluent discharges, waste generation, and other widespread pollution problems. The advantages and the effectiveness of these instruments has been confirmed by experience with emissions

trading in the United States and pollution taxes in Europe. By affording individual sources the flexibility to choose their own level of pollution limitation and the means of achieving it, these instruments can achieve aggregate limitations goals at far less cost than under more rigid command regulatory systems. For example, the use of international greenhouse emissions trading can achieve cost savings of 50% or more in attaining overall limitations goals. These cost savings are especially important in the international context because they promote the likelihood that countries will agree on and implement limitations. Moreover, these incentive systems impose a price on all pollution discharges; under command systems, discharges within regulatory limits are free. Imposing a price on residual discharges gives sources a continuing incentive to develop and adopt less polluting, more resource efficient means of producing goods and services. Managers who reduce discharges can make a profit for their firms and gain competitive advantage. Furthermore, the price to consumers of commodities produced with low-polluting methods will be less than that of commodities produced with high-polluting methods; purchasing patterns will accordingly shift in favor of "green" products. As recognized in the Kyoto Protocol, these mechanisms are ideally suited to deal with the threat of climate change. They should also be used widely to address regional air, water pollution, and waste problems.

New property rights systems are being successfully developed to preserve and protect ecological services provided by natural resource systems. The total economic value of such services worldwide has been estimated between $16 and $54 trillion annually, compared to a global gross national product of $18 trillion annually. In many cases these extraordinarily valuable services are being lost or impaired by shortsighted development policies and by mismatches in the incidence of the costs of preserving ecological services and the benefits that the

services provide. For example, the costs of preserving rain forests are borne by local populations, while the benefits are regional and global. Yet, there are no legal or institutional mechanisms for charging the beneficiaries in order to compensate local populations for preserving the resource. Many such problems can be addressed in many cases by adopting new property rights and contract regimes that harness market incentives in the service of resource protection. For example, greenhouse gas emissions trading schemes provide incentives for forest preservation. As another example, New York City has contracted with upstate jurisdictions from which the city draws its drinking water, paying them up to $1 billion to protect watersheds in order to ensure water purity; this arrangement is far less costly than the alternative of installing technologies to filter the water. Similar arrangements are being undertaken by privatized water supply companies in Brazil. As a third example, pharmaceutical companies have entered into bioprospecting arrangements with government or quasi-autonomous entities in developing countries, paying for preservation of and access to biologically rich rain forests containing species that may provide genetic templates for new drugs and other products. As a fourth example, tradeable quotas for fisheries have been successfully established to protect fishery stocks from overexploitation while maximizing the value of sustainable yields. Similar techniques should be developed, with the assistance of UN agencies, development banks, and other multilateral entities, to provide incentives, especially for developing countries, to protect other aspects of biodiversity and a wide range of ecosystem services.

Risk Assessment. The international governance of sustainable development also presents important issues of risk assessment and management. Effective protection of health and the environment not only requires use of more efficient regulatory instruments, but also careful

assessment of and prioritization among risks in order to target resources on the most significant or more readily regulated risks. Quantitative risk assessment has been more widely adopted in the United States than in Europe. It has played very little role in the international arena outside of the climate change context. It should be used much more widely. Such assessments should inform regulatory policy, but cannot and should not dictate specific outcomes. Regulatory policies must reflect not only the best evidence and the judgments of experts but also a broader range of political and public values. The question is how to appropriately strike the balance between these perspectives. This institutional question arises in a variety of contexts, including trade/environment controversies like that over bovine growth hormones and bioengineered crops and food products. Should these disputes be resolved through the existing GATT/WTO process? Through a new international body with the institutional capacity to undertake risk assessments itself as well as to resolve controversies between exporting and importing states? Under these or similar arrangements, what leeway should be given to risk perceptions and broader social values -- including, for example, attitudes towards "industrial agriculture" – on the part of importing countries? Still another institutional model for international risk assessment is represented by the highly constructive role played by the international scientific community in evaluating environmental problems such as stratospheric ozone depletion and climate change. Could the international scientific community be mobilized to play a similar role with respect, for example, to the risks of crops and food products that have been genetically modified through bioengineering?

International Partnerships. Another essential element in achieving sustainable development is the creation of new and more effective forms of partnership between developed

and developing countries. As acknowledged in the Montreal Protocol and the Biodiversity and Climate Change Conventions, the developed countries must take the lead in tackling global environmental problems; the developing countries have an important role to play, but they will require financial and technology support from the developed countries. A crucial factor in devising and implementing such partnerships is the vital role played by private sector investment, which now amounts to well over 90% of all investment in developing countries. Its importance is underscored by the effective political limitations on the amount of official development assistance that developed country governments can provide, either directly or through multilateral institutions. These circumstances make it crucial to enlist the private sector, including NGOs as well as business firms, in promoting sustainable forms of economic growth in developing countries. Examples of such approaches include bioprospecting agreements and the Kyoto Protocol Clean Development Mechanism, which contemplates that private entities in developed countries can gain greenhouse gas emissions credits from investments in energy efficiency or similar projects in developing countries. Such approaches, which can advance environmental protection in ways that bridge gaps between developed and developing countries and promote cooperative solutions to international environmental problems. Many developing countries are, however, unfamiliar with the use of economic instruments for environmental protection. They are also suspicious of market arrangements for managing their natural resources, especially when powerful multinational corporations play a large role; this suspicion is understandable, given past experiences with petroleum and mineral resources. They are also concerned about the intellectual property rights elements of such arrangements. In order to ensure the acceptance and the success of these new partnership approaches, the developed countries must take steps to help build

capacity in developing countries and otherwise ensure that they can act as equal partners in the enterprise.

International Environmental Law and Legal Institutions. Effective governance of sustainable development will require changes in international environmental law and legal institutions. At a fundamental level, the issues include the following: How to reconcile traditional notions of state sovereignty with ecological and economic interdependence? How to define the relation between international environmental law and institutions with other international legal and institutional regimes, especially those dealing with economic matters? How to define and implement the multi-faceted goals of environmentally sustainable development in light of the divergent interests and perspectives of different nations, including the developed and the developing countries? What should be the role in these arrangements of the private sector, including both NGOs and business firms, and how can their role be incorporated in international legal arrangements that have traditionally focused on state actors?

A number of key principles favorable to sustainable development have emerged in international environmental law over the past two decades: state sovereignty over natural resources balanced by the obligation not to cause external environmental harm; good neighborliness and the duty to cooperate; sustainable development; the precautionary principle; and the polluter pays principle. Many international environmental conventions have been adopted to address a wide range of environmental problems. These agreements include a number of new and important legal techniques including environmental impact assessment and other environmental information measures; liability for environmental damage; and the expanded use of economic and fiscal measures, including arrangements to transfer resources from developed to

developing countries to address global environmental problems. There is also a need for better integration of environmental issues with international laws and institutions that are focused on other matters, especially economic matters. One approach to achieving such integration is to accord broader recognition to customary and other international environmental law in the interpretation and administration of economic and development regimes such as the WTO and the multilateral development banks. These and related principles need to be further developed and given more concrete application.

Another critical issue is the need for international institutional reform, including reform of the lawmaking process, in the environmental field. Currently, there is an enormous fragmentation of international environmental conventions and their administrative machinery. There are a multitude of different international environmental agreements, each with its own separate conference of parties and its own separate secretariat. These secretariats are dispersed among cities across the globe. Following the precedent in many domestic jurisdictions, which have created a single environmental regulatory agency dealing with a wide range of environmental problems, there is an urgent need for institutional consolidation and integration at the international level. A single lead international environmental organization — perhaps a greatly strengthened United Nations Environmental Program -- should be created to serve this function, and act as the counterpart to the Bretton Woods institutions and the WTO in the economic sphere. Existing bodies, such as the UN Commission on Sustainable Development, that produce abundant verbiage but no action, should be abolished.

A further priority for international environmental governance is closer and more systematic integration of non-state actors, including industry and NGOs, in international legal

arrangements. In accordance with Article 10 of the Rio Declaration and the Aarhus Convention, there should be a greatly expanded role for participation by non-state actors, including business firms and NGOs, in the decisional processes of international environmental organizations as well as international economic organizations, such as the WTO, whose policies and decisions significantly affect sustainable development.

In addition, the implementation and enforcement of international environmental obligations and measures must be substantially strengthened, especially in developing countries. In this regard, international organizations and NGOs must be given a stronger role. Information regarding environmental conditions and compliance with obligations should be collected and made available in a more systematic and effective fashion. Economic incentives in the form of both "carrots" (such as financial assistance and the ability to participate in international emissions trading regimes) and "sticks" (such as trade sanctions) should be deployed more widely. Attention must be given to developing other types of sanctions and incentives as well.

More effective implementation and enforcement also requires strengthening the dispute resolution capacity of international environmental authorities. The International Law of the Sea Tribunal recently took a significant and welcome step forward in a case brought by Australia and New Zealand challenging, as a violation of the South Pacific Bluefin Tuna Convention, Japan's actions in taking 2000 tonnes of bluefin tuna annually, over and above its annual 5000 tonne quota. Japan claimed that its takings fell within a Treaty exception for international "scientific experiment" programs. The tribunal issued a provisional order halting the "program" and requiring that the amount of tuna taken under it be deduced from Japan's future quotas under the Convention. In order to promote more effective public/private partnerships for sustainable

development, it is also essential to expand access by non-state actors to dispute resolution procedures as well as to other forms of international lawmaking processes. Effective and broadly accessible dispute resolution procedures are essential for the success of arrangements such as the Clean Development Mechanism, which involves developed countries, developing countries, private investors, project developers, and NGOs. Private investors, for example, will be reluctant to make investments in Clean Development Projects unless they have access to speedy and effective procedures for resolving disputes over the award of emissions reduction credits and other disputes over implementation of the Mechanism. Likewise, NGOs will properly demand access to appropriate procedures to ensure that the environmental objectives of the Mechanism have not been slighted in decisions to approve or award credits to specific projects.

CONCLUSION

Sustainable development is in danger of becoming a fashionable slogan that is all things to all interests – a rationalization for "business as usual." But the status quo is ecologically intolerable. The developed countries and their leadership must make clear that they are willing to confront the urgent problems at hand. In order to do so, they must initiate basic changes in regulatory approaches that focus on the priority problems, mobilize private sector energies, and lay the foundation for basic changes in production and consumption patterns. The developed countries and their leaders must underwrite genuine partnerships with developing countries that will build mutual trust and ensure environmentally sustainable forms of development. They must shake up, consolidate, and greatly strengthen the international environmental regime. They must give environmental objectives equal status with economic goals, not just with rhetoric but with actions and results.

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WAR AND PEACE – the future of the international system

Paper presented by the Istituto Affari Internazionali, (IAI – Rome)
to the Conference on Progressive Governance for the 21st Century
Florence, 20-21 November 1999

Authors: Stefano Silvestri, Roberto Aliboni, Gianni Bonvicini, Natalino Ronzitti.

1. The new world order and the changing security framework

Security has changed profoundly. The end of the Cold War and the East-West confrontation has also meant, for all practical purposes, the end of the nuclear "balance of terror". The prospect of a new global war has faded away. The territory of our nations is no longer threatened by a massive and imminent conventional or nuclear attack. While other threats and risks remain, the world has become more secure.

The end of the ideological divide between communism and democracy has increased the visibility of other imbalances: economic development and welfare, population growth, mass starvation, the availability of natural resources – from energy to water. Democracy is far from being the universal form of government and human rights continue to be challenged and violated. In the military sphere, the global spread of technological knowledge increases the likelihood of proliferation of weapons of mass destruction (nuclear, biological and chemical), which could fall into the hand of rogue political states, but also of terrorist or other criminal groups.

While new forms of ethnic or religious nationalism appear, we are witnessing the crisis of many new and old nation states. A new category of "failed states" is spreading instability around them, while various rogue states are fostering a new and more lethal kind of terrorism, challenging the foundations of our civil society and democracy.

The openness of our societies, the global web of communications, travel, financial services and trade is a powerful factor of individual freedom and economic growth. Yet it also favors the development of international crime,

narco-trafficking, mafia-controlled illegal immigration, money laundering, trademark infringements, etc. The financial flow of crime-related money is staggering, and increases the volatility of the international financial system. Moreover, organized crime takes advantage of situations of domestic political or institutional crisis in weaker states in an attempt to establish "kleptocracies": states or wide regions under the control of a "*pax mafiosa*", challenging the rule of law and increasing the risks of instability and civil strife.

At the same time, however, the importance of international organizations and international law is increasing. We are witnessing the birth of a new world order, much more "regulated" than in the past, and in which trade and financial relations, but also important arms control and disarmament agreements, add stability to our relations. Fundamental values such as peace, human rights and fair trade become the shared vital interests of our societies and are translated into national laws and international treaties and regulations that we are supposed to uphold and disseminate.

A new, pro-active, international solidarity and legitimacy is developing to replace the old solidarity, based simply on the common interest of nations to defend their territories and keep the "balance of terror" under control. This is changing the alliances and the structure of the international security system. While only the United States can claim the role of superpower, other states can be ranked as great powers. The European Union, Russia, Japan, China, India, Pakistan, Brazil and other countries cannot directly challenge the United States, but hold a significant denial power and have the capacity to initiate autonomous policies of global relevance. Any kind of new world order, therefore, can only be based on a successful coalition policy among the only remaining superpower and at least some of these great powers.

2. Towards a new, value-related solidarity

Transition from the old defense-related coalitions to the new value-related solidarity is not proving easy. There is important political and cultural opposition, even inside our countries. A new nationalism is emerging in the United States and Europe. In America, it has sometimes taken the form of neo-isolationism or, more recently, disregard for the interests and policies of other countries, including allies. These are the political forces that also oppose the United Nations and any proposal that could extend the rule of new international

legal instruments to the US. In Europe, this new nationalism has favored the development of extremist anti-European movements, on both the right and the left. These tendencies undermine international solidarity and increase the fragmentation of the global security system.

A much discussed alternative to a new system of international solidarity, barring anarchy and war, could be a new system of power politics, with an almost imperial American role challenged by a number of lesser powers. However, the ongoing debate on the development of a "unipolar" world fails to deal satisfactorily with the prospect of increasing conflictuality ensuing from this choice.

The existing alliances and international organizations constitute the fundament and working framework of the global security system. While we tackle the problem of defining the new balance of power and of dealing with a number of limited conflicts and crises, this powerful institutional and political framework allows for a great degree of overall coherence and the necessary level of international legitimacy. Change will be based on the solid base laid by our past achievements.

Yet, the new pro-active strategic priority, shifting from territorial defense to crisis management operations (peace-keeping, peace-support, peace-enforcing, peace-building and the like), modifies the texture and the decision-making of both alliances and international organizations. The old automatic consensus inspired by the immediate threat of a well identified enemy has disappeared. The establishment of a new consensus based on shared values, and parallel (but not necessarily identical) political priorities, is far from certain and requires a more complex and slower process of decision-making.

It is therefore necessary to grapple squarely with the many ambiguities and problems still lingering around this new prospect. Problems of legitimacy, decision-making and effectiveness cannot be pushed aside. The paramount question of coherence between ends and available means must be answered.

3. The ethical and political perspectives of crisis management

Armed interventions in favor of crisis management and peace enforcement have brought to the fore the problem of the relationship between respect of international moral principles and the effectiveness of recourse to arms.

The failure of some of these actions, such as the one in Somalia, have strengthened the conviction that the reference to ethical principles cannot be the only factor considered by international institutions or coalitions, when deciding to intervene to counter the violation of human rights, individual freedoms or social justice.

In deciding upon armed intervention, a mix of ethical motivations and political criteria must be taken into consideration. In general, the aim of international interventions is to re-establish overall governance (not only in the area of crisis but with respect to the entire international community) as well as the rule of law violated by the behavior of a deviant state. Therefore, the ethical motivations behind the intervention must be assessed on the basis of the effects it is likely to have.

This means that a number of political criteria must be brought into play whenever deciding to undertake armed intervention: in particular, *ultima ratio* and effectiveness.

The *ultima ratio* criterion should drive actors to use all diplomatic and economic instruments available to the international community, in the knowledge that they form a single package with the eventual military option. Their use must be considered in a *continuum* with military action, even when the latter is the last link in the chain. Very often in recent events, evaluation of armed intervention and its consequences has come too late, when the mix of diplomatic and economic pressures had already lost its deterrent function.

Before considering armed intervention and including it in the basket of negotiating instruments, its effectiveness must be assessed in light of three factors: 1) military superiority; 2) possible enlargement of the conflict; 3) peace-building in view of post-conflict conflict prevention (see also point 6).

The latter is the most difficult to assess since it largely depends on the evaluation of the other two factors. It is clear that the difficulties encountered in

the cases of Iraq and Serbia were primarily the result of the lack of a peace-building solution.

The key, in any case, remains the second factor (possible enlargement of the conflict), which can, on its own, cancel the positive effect of military superiority.

If global governance is to be the final objective of any military action aimed at solving a serious violation of ethical principles, it is rather evident that loss of control of a military action can jeopardize achievement of that objective. Thus, in management of local conflicts, the political criterion must be given priority.

Therefore, it is essential that the main actors involved – above all those that could react negatively to a military action – be addressed in a preventive phase. Preventive diplomacy, in other words, must not be directed only at the concerned parties, but also at states external to the conflict, yet strategically interested in it.

4. Prevention through cooperation and stronger international institutions

A sensible policy of value-related solidarity cannot be based only on military intervention: it should develop effective deterrence and be able to prevent most crises from happening or reaching unacceptable levels of violence.

For many years, conflict prevention held a dominant position on the international security scene. However, the eruption of (failure to prevent) a number of serious crises in sub-Saharan Africa, the Caucasus and Southeastern Europe weakened public confidence in conflict prevention policies. In addition, the failure to take preventive action in East Timor with respect to a highly predictable crisis may have exacerbated the feeling that conflict prevention policies are not really being pursued.

Still, in an international landscape affected by numerous intra- and inter-state conflicts, prevention continues to be needed to reduce the burden of conflict management in the shorter run, as well as conflict itself in the long run.

Prevention could foster domestic reform and international cooperation policies. A common effort is thus needed to restore and strengthen conflict prevention in the framework of international security policy.

Conflict can be prevented by three different set of policies, which vary according to time and the level of available solidarity: (a) fostering cooperative regimes and measures geared to arms control and limitation, as well as disarmament; (b) strengthening broad preventive diplomacy; (c) enhancing middle/long term measures for systemic and structural prevention of conflict.

Existing cooperative regimes to limit armaments must be improved and compliance with them strongly encouraged. Two aspects must be dealt with more effectively:

1 Great power compliance must be made more convincing by enhancing cooperative moves vs. deterrence and shifting more swiftly towards non-offensive defense postures;
2 A more effective and regular regional diplomacy is needed to tackle political sources of conflict, in particular where conflict is not terminated and can re-erupt, such as, for example, in the Eastern Mediterranean, Caucasus, South Asia, Persian Gulf, Horn of Africa, Western Sahara and Middle East.

In addition to pursuing broader actions of preventive diplomacy and long-term preventive policies, in many unstable regions diplomacy has to target specifically the eruption of armed inter-state conflict. In order to encourage concerned states to adhere to or comply with existing cooperative regimes, preventive diplomacy must encourage the establishment of Confidence- and Security-Building Measures to avoid impending conflict and, whenever possible, start a process of structural arms limitations or control. Of course, enhanced compliance mechanisms, equally applicable to all parties of these agreements, should be conceived.

More effective preventive diplomacy requires incremental and relentless efforts of political cooperation and consensus- and institution-building. Stronger or newly established regional and functional institutions and organizations are an essential step to achieve effective preventive diplomacy and conflict prevention policies - be they political institutions like the Stability Pact for Southeastern Europe or technical organizations like early-warning or conflict prevention centers.

In order to reach a higher level of consensus where it is weak, the interplay between universal and regional security organizations must be improved. The interlocking of institutions remains a crucial factor for the reinforcement of international security. This interplay requires a more convincing and recognized coordination between universal and regional layers as well as more flexibility, common purpose and openness among regional organizations - a good example is the post-conflict policies presently being conducted in Southeastern Europe, which rely on a complex mechanism of cooperation among different institutions.

Besides these short- and middle-term preventive policies, our policy should aim at focusing more effectively on long-term policies to create structural and systemic conditions for solving or managing conflicts. In the same spirit, international economic cooperation must implement the structural reforms suggested by the Washington Consensus, as well as favor development of the existing trends of globalization and liberalization.

Also, political reforms require a set of more complex and flexible policies and a good deal of compromise, tolerance and constructive dialogue. There is the need for building understanding and co-operation, as well as for joint action on the rule of law and good governance (referred to by the Washington Consensus as well as in the economic realm) to set a more articulated and productive dialogue in motion. Again, this dialogue must take place in a reinforced institutional setting, with fair and accepted interplay between different layers, whether global, regional or functional.

5. Improving international legitimacy

Humanitarian emergencies, such as the ethnic cleansing in Kosovo and the human rights deprivation and denial of self-determination in East Timor, require an immediate and vigorous response by the international community.

States should serve the interest of peoples and not vice versa. Human rights and good governance have become the common interest of mankind. National interest should be defined in connection with the common interest, as has been pointed out by the UN Secretary General. Pursuing the common interest means serving the national interest.

However, the promotion of these values raises the question of intervention and its legitimacy. Democracy and human rights are giving way to a new kind of very intrusive perception: the new foreign and security policies seem to be concerned mainly with the domestic policy of other states. Intervention into the internal affairs of other countries is becoming more direct under the pretence that it is done in the name of higher principles. This new reality could create a perception of uncertainty and risk: it is necessary to avoid that these perceptions become a stumbling block on the road to improving solidarity.

Intervention means not only the threat of use of force, but also other forms of coercive diplomacy, such as sanctions against the wrongdoer. Peaceful means should be exerted and interference should become a normal diplomatic practice, serving the cause of human rights and good governance.

Diplomatic means calling on states to abide by their international commitments are legitimate. These means are in the hands of individual states, groups of states, regional organizations or the United Nations. Diplomatic means are not in themselves a deterrent, however, unless followed by more compelling actions, should the target state not abide by its international commitments.

In this connection, sanctions are an appropriate means, provided they are applied by all states concerned. Sanctions can be decided by a group of states, by a regional organization or by the United Nations. When necessary, sanctions should be backed by forceful means, for example, by a naval blockade or traffic diversion on the high seas. Although humanitarian considerations might render sanctions less severe; shipment of medical supplies and foodstuffs should always be envisaged, provided they are channeled to the population of the targeted state.

In the present situation, the UN Charter prohibits the use of force, save in the common interest. In principle, intervention should be a UN matter. Humanitarian emergency should be considered a threat to peace, under Chapter VII, which gives the Security Council the power to authorize member states to intervene.

Regional organizations are also empowered. However, they require the authorization of the Security Council. Should the international community stand by idly if the Security Council is unable to pass a resolution authorizing intervention?

The international community should not passively tolerate mass killing and genocide and should adequately recognize the importance of universal values such as democracy and the rule of law. We need to define criteria to allow for intervention in case of inaction by the Security Council. These criteria should be embodied in a structural Security Council resolution. Thus, states grouped in a regional organization would be able to intervene legally if the criteria indicated by the resolution were respected and would not have to wait for an *ad hoc* resolution from the Security Council. This procedure could render the deterrent effect of intervention more credible.

Entering foreign territory calls for the consent of the territorial sovereign. However, humanitarian relief by NGOs and other humanitarian organizations should, under certain conditions, be permitted without the consent of the local government. This is particularly true when a foreign country is in a state of anarchy.

Intervention for protecting nationals abroad in mortal danger is permitted under international law and is in the interest of Western countries, which have their nationals dispatched abroad on relief or monitoring missions.

Both the European Union and NATO have defined the goal of intervention (Article 17 of the Amsterdam Treaty; NATO's new Strategic Concept and non-article 5 missions). A common strategy should be construed. Different views across the Atlantic on the notion of self-defense should be reconciled. It is a common understanding that self-defense might be resorted to in case an armed attack takes place. However, different opinions exist as to the legality of pre-emptive self-defense and other violent measures aimed at fighting international terrorism or proliferation of weapons of mass destruction.

6. Restoring deterrence and reforming the military means

The re-establishment of a credible deterrence posture is a key factor of future solidarity. Many problems have to be addressed:

- Deterrence of "strong to mad" (or rogue) states: the posture cannot be based on the assumption of rational behavior from all foes. Moreover, it is certainly more difficult to exert a deterrent pressure on non-governmental, terrorist or criminal groups than on national states.

- Deterrence of the proliferation of weapons of mass destruction: this may be based on the more traditional non-proliferation and disarmament policies, which have however frequently proved insufficient. Alternatively, it could be based on military counter-proliferation moves, which raise the question however of their legitimacy and of sufficient consensus among allies and in the international system.
- Conventional deterrence has normally been considered much less effective and credible than nuclear deterrence, yet the large majority of crises develop well below the nuclear threshold.

Agreement on a number of universally accepted norms (see point 5), particularly regarding non-proliferation and arms control, could certainly strengthen deterrence. At the same time, a more limited, empirical approach should be implemented which, while insufficient *per se*, would nonetheless help to increase the credibility of the overall posture.

The means at our disposal for exerting power to manage crises and implement universal values are weak. They are mostly of a "negative" kind, that is, we can enforce our will through a mixture of military and economic means, but we are much less able to devise "positive" actions to prevent crises or generate positive developments. Eight years of unsuccessful attempts to curb Saddam Hussein do not bode well for our prospects with Slobodan Milosevic. Equally, a future in which our countries will remain indefinitely tied to a military presence in the Balkans – or worse, be obliged to mount new military interventions in these regions – cannot be viewed positively.

Post-conflict conflict prevention (of new conflicts) and peace-building should therefore be considered as part of our new deterrent posture. This will require better organization of civilian as well as military interventions, greater coherence among peace-building policies and the establishment of a credible and effective international ability to project law-enforcement forces and agencies.

On the military side, a greater effort should be made by all parties concerned to develop means especially conceived to perform crisis management. We are now dealing with a number of limited military conflicts with means conceived to fight a major war. While this enhances our technological superiority, reducing the risk of human losses, it also reduces our options, escalating the conflict to higher levels than necessary. The development of new, non-lethal technologies, as well as the timely availability of forces especially tailored to crisis management tasks could multiply our options

and increase both our credibility and propensity to intervene sooner, when the crisis has yet to unfold.

7. The importance of the European model

It is no coincidence if most of the more effective examples of crisis prevention and management can be found in and around Europe. This is a direct result of the existence of a well established web of regional international organizations with a high level of effectiveness and a high degree of legitimacy. Structures such as the OSCE, the Council of Europe, the European Union and the Atlantic Alliance have proven their worth and are the building blocks of peace and stability on the continent.

This system can and should develop further. The web of "interlocking" institutions should carefully avoid the risk of becoming "inter-blocking". The agreement reached at the Washington Summit of the Atlantic Alliance has paved the way for a better and greater contribution of the European Union to the common task of preserving peace and managing crises. This will require the development of new European military capabilities as well as a new positive working relation with NATO. To maintain and increase their effectiveness, the enlargement process of these organizations should continue and go hand in hand with their institutional reform.

The role of the OSCE and of the other pan-European institutions remains essential and should be strengthened. The full participation of Russia and the other republics of the former Soviet Union is an essential factor in the implementation of a successful policy of peace and stability. Also, this would require better linkage between these regional organizations and global ones, such as the United Nations and the G-8. Any policy of peace-building should be based on a common and well articulated approach of the financial, political, trade and security institutions, both regional and global (as well as public and private).

The European model must be better understood and promoted elsewhere in the world to prevent the development of erratic or nationalistic behaviors and to increase the level of international understanding and solidarity. It cannot be construed as a hard-nosed, euro-centrist approach to the diverse problems of other countries and areas. After all, the necessary starting point of the

European experience was an decision taken autonomously by democratically elected European governments. It is up to the rest of the world to decide if and how such a model can apply to their problems and priorities. We can only say that, until now, we have been unable to find a better model elsewhere and that it therefore seems proper to us to encourage other countries to study our case.

8. The key role of the Transatlantic Partnership

In the end, a new and more effective global governance, and a new, value-based international solidarity will only have a reasonable chance to develop if a positive relationship is maintained, over the long term, between Europe and the United States.

We share many common values. Our societies

a. are based on an open civilization,
b. are not based on fundamentalist assumptions, while respectful of the essential role of religions,
c. carry on silent revolutions,
d. stress the long term,
e. expand themselves through mediation.

Our democratic systems have proved their resilience and worth. Europe would have been unable to overcome positively the disaster of two world wars without the generous and far-reaching contribution of the United States. America's might and welfare would not be the same without Europe. Both are linked by a strong political and military alliance, as well as by a common economic, cultural and technological system. Yet, these positive accomplishments of our common past need to be revitalized.

Basically, we have moved from a situation of global war to one of global peace. This new situation requires a reappraisal of existing common policies and organizations. The process is already well under way, but requires attention, careful handling and at least some of the far-sighted spirit that enabled our fathers to envisage the existing web of institutions and system of values.

A stronger Europe needs a positive response from the United States. At the same time, it is impossible to conceive of a positive answer to the problem of international peace without a common Euro-American approach.

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Quale via? Convergenze e divergenze nella visione dei capi di governo progressisti

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Comitato Scientifico ISPI

Scopo di questo paper è una lettura critica in parallelo dei discorsi dei leaders politici partecipanti alla Conferenza, Blair, Cardoso, Clinton, D'Alema, Jospin e Schroeder, per discutere analogie e differenze nella loro visione della realtà contemporanea, nella loro definizione delle priorità della agenda politica e delle strategie proposte per la soluzione dei problemi, e, infine, per accertare se esiste una comune prospettiva di un governo progressivo della società del XXI secolo.

Si tratta di discorsi o di collages di discorsi pronunciati in varie occasioni (durante visite di stato, congressi di partito, incontri con associazioni di cultura politica), per pubblici di diversa natura, che mostrano quindi stili argomentativi e tecniche di comunicazione assai differenti. Le idee espresse vanno quindi contestualizzate e sostanziate con riferimenti sia ad altri interventi e dichiarazioni pubbliche dei leaders in questione, sia alle opinioni e agli argomenti sviluppati nel corso di un più ampio dibattito politico-culturale nei lavori di intellettuali affini e appartenenti alla area politica del centrosinistra, da Bobbio a Rawls, da Giddens a Touraine, da Dahrendorf a Habermas e da Dworkin a Walzer.

1. Il contesto storico-politico di riferimento

Come è noto, partiti e coalizioni politiche di centrosinistra sono oggi al governo dei principali paesi occidentali, con l'esclusione della Spagna. Questa situazione configura una vera e propria ripresa di iniziativa politica di una nuova sinistra dopo il periodo di predominio della nuova destra negli anni precedenti.

L'affermazione della nuova destra nel Regno Unito con Margaret Thatcher e negli Stati Uniti con Reagan e Bush, in Germania con Kohl e in Francia con Chirac, al di là delle pur profonde differenze nelle politiche pubbliche adottate e nelle modalità e nei tempi in cui si è manifestata, esprimeva la capacità di dare risposte alle questioni della crisi fiscale del bilancio pubblico, della deriva del welfare state, del sovraccarico di governo, della inflazione. Tali questioni già pienamente evidenti negli anni Settanta, dopo la stagione dei grandi movimenti collettivi, sono state diffusamente percepite come una crisi delle istituzioni della democrazia rappresentativa e della sua capacità di governo e sono state efficacemente analizzate dai teorici della 'crisi fiscale dello stato' come O'Connor ai teorici del neo-corporativismo come Schmitter e Lehmbruch, dai proponenti della teoria della 'crisi di legittimazione dello stato' come Habermas e Offe ai teorici del 'governo sovraccarico'. I paradigmi teorici di riferimento sono diversi come diverse sono le soluzioni proposte, ma comune è il nucleo centrale della analisi, la crisi di governabilità.

La formulazione del problema più congeniale alla nuova destra è la teoria del 'governo sovraccarico' (argomentata limpidamente nel Rapporto scritto nel 1975 da Crozier, Huntington a Watanuki per la Commissione Trilaterale dal titolo appunto *Crisi della democrazia*), secondo la quale i sistemi politici sono sovraccarichi di partecipanti e di domande e mostrano una crescente difficoltà a padroneggiare

quella complessità e eterogeneità degli interessi che è il risultato naturale della loro crescita economica e del loro sviluppo politico. Il paradigma di questa analisi è chiaramente quello pluralista, in cui il processo di governo consiste essenzialmente nelle mediazione tra domande diverse e divergenti con esiti politici che sono il risultato di molteplici pressioni e influenze. Tuttavia, a causa del forte e costante aumento delle aspettative derivante dal lungo periodo di prosperità economica e del declino della deferenza nei confronti delle élites tradizionali riconducibile al ruolo svolto dalle ideologie 'egualitarie' della socialdemocrazia e del liberalismo sociale, l'esito non è come nel pluralismo classico l'equilibrio del sistema politico, ma al contrario, un circolo vizioso in cui crisi di governabilità, proliferazione di agenzie statali, aumento del disavanzo pubblico e progressivo indebolimento della iniziativa individuale si alimentano reciprocamente. La principale via d'uscita da questo circolo vizioso è il rafforzamento del ruolo dell'esecutivo e una leadership decisa e autorevole capace di resistere alle pressioni e alle domande dei diversi gruppi sociali, il ridimensionamento dei compiti dello stato (in particolare nelle politiche di welfare state e nelle imprese pubbliche), la rivitalizzazione del mercato.

Il rinnovamento teorico e programmatico della nuova destra si iscrive in questo tipo di analisi e di proposte di soluzione. La nuova destra ha sviluppato la sua connotazione liberista (anche a scapito di altre sua connotazioni tradizionali come il nazionalismo e il populismo localistico) e si è affermata perché ha saputo convincere la maggioranza degli elettori che i veri conservatori erano 'a sinistra', tra i difensori dei gruppi sociali garantiti dai sindacati e dalle politiche di welfare, tra i dipendenti pubblici, nei settori industriali protetti dalla concorrenza internazionale; secondo i fautori di tale corrente di pensiero, solo la destra era capace di innovazione e di liberare le energie e le potenzialità di cittadini attivi nel mercato e nella società.

Successivamente, il crollo del comunismo sovietico e il fallimento della economia di piano hanno decisamente rafforzato la legittimazione del mercato come meccanismo capace di garantire lo sviluppo economico, ma anche come 'ordine spontaneo' in grado di assicurare la coesione sociale, riducendo al minimo le interferenze dello stato. E, per quanto riguarda i paesi europei, l'accelerazione del processo di integrazione europea, con l'Atto unico e la moneta unica, ha posto limiti rigorosi alle politiche della spesa pubblica (e della spesa sociale in particolare) creando difficoltà oggettive alle tradizionali politiche della sinistra.

Infine, l'intensificazione dei processi di globalizzazione, tecnologica, finanziaria, produttiva e della comunicazione, hanno della competitività dei singoli sistemi-paese l'obiettivo prioritario, ponendo al vertice della agenda politica dei governi gli interventi di recupero della efficienza economica e le politiche di riduzione del costo dei fattori di produzione (secondo i dettami della *supply side economics*), in luogo delle tradizionali politiche di difesa della occupazione e di sostegno pubblico della domanda. E hanno reso più problematica la compatibilità degli obiettivi di giustizia sociale qualificanti per la sinistra (comunque definita) con i vincoli e le esigenze della competizione nel mercato globale.

La ripresa di iniziativa politica dei partiti della sinistra e del centrosinistra nelle sue diverse manifestazioni (la vittoria di Clinton nelle elezioni presidenziali americane del 1992, il ritorno al governo

dei labouristi inglesi dopo un lungo periodo di opposizione, le più recenti vittorie di Jospin in Francia e di Schroeder in Germania, il successo della coalizione dell'Ulivo in Italia) nasce dalla consapevolezza di queste grandi trasformazioni politiche, economiche e sociali e da una conseguente, profonda revisione delle politiche tradizionali di questi partiti; e ha comportato una duplice competizione: all'esterno, contro la nuova destra (che resta per molti aspetti conservatrice, nonostante le sue oggettive capacità di innovazione politica e programmatica) e, all'interno, contro le forze conservatrici presenti dentro la sinistra stessa. Questa revisione ha consentito ai partiti della sinistra rinnovata di essere di nuovo competitivi al centro dello spazio politico-elettorale, mutuando e inserendo all'interno dei propri programmi di governo elementi significativi dei programmi politici della nuova destra, come ad esempio la privatizzazione di imprese statali inefficienti e il controllo di alcuni aspetti della spesa sociale.

2. La Terza via

Il termine Terza via sta a significare, in una prima accezione, proprio questa ripresa di iniziativa politica da parte dei partiti di sinistra e di centrosinistra e la sua riappropriazione della innovazione programmatica che è parte integrante della sua tradizione 'progressista'.

La Terza via è, in tal senso, il nome della modernizzazione della sinistra, di una nuova sinistra che, contrariamente al passato non nasce alla sinistra della sinistra, ma guarda al centro dello spazio politico-elettorale, alla costellazione dei ceti medi (che sono ormai maggioritari nelle società occidentali sviluppate e che rivendicano libertà di iniziativa e autonomia responsabile) e, nel contempo, riafferma e aggiorna i suoi obiettivi di uguaglianza di opportunità e di giustizia sociale. La Terza via si fonda su una decisa riaffermazione del ruolo della politica nel progettare il futuro e nello sperimentare nuove soluzioni.

Così, ad esempio, Clinton, richiamandosi alla vera eredità di Franklin Roosevelt parla di un "reale impegno nella sperimentazione audace e nella convinzione che tempi nuovi richiedano nuovi approcci, e spesso anche un tipo diverso di governo". Ricordando con orgoglio i risultati della sua amministrazione (l'onda lunga della crescita economica statunitense - la più lunga in tempo di pace - e il ritorno all'attivo del bilancio federale), il presidente americano preannuncia un grande dibattito sulle priorità nazionali degli Stati Uniti per decidere come impiegare i frutti della nuova prosperità; afferma che la Terza via è la via giusta per l'America e rivendica la primogenitura nella attuazione della nuova linea politica progressista ("Adesso, all'alba del nuovo millennio, queste idee, come tutti ben sapete, si sono diffuse nel mondo. E hanno aiutato i partiti di centro-sinistra a prendere il potere in Gran Bretagna, in Francia, in Germania, in Italia, in Brasile... La Terza via è diventata la via del futuro").

Se la Terza via è definita come nuova linea politica progressista, come nelle precedenti affermazioni di Clinton, l'accordo tra i leaders è pressoché generale. Ma quando si precisano i presupposti valoriali e il rapporto con le grandi correnti della cultura politica moderna, emergono atteggiamenti diversi e definizioni parzialmente discordanti. Alla concezione di Clinton, che concepisce la Terza via come una democrazia liberale attenta alla giustizia sociale, una concezione radicata "nei fondamentali valori di opportunità, responsabilità e comunità" e di Blair che vede la Terza via come incontro delle due grandi

tradizioni della socialdemocrazia e del liberalismo, si contrappone la concezione di Jospin che rifiuta decisamente il liberalismo sociale ("non siamo dunque liberali di sinistra, ma socialisti...Se la Terza via è la mediazione tra socialdemocrazia e liberismo non la potrei sottoscrivere...i termini del nuovo dinamismo ideologico della socialdemocrazia non sono gli stessi nella formulazione di Tony Blair e in quella di altri, dei quali faccio parte"); e, rilevando che la socialdemocrazia assume forme diverse in relazione alle diverse realtà nazionali, definisce la Terza via come "la forma nazionale assunta nel Regno Unito dall'opera di rifondazione teorica e politica intrapresa dalle forze socialiste e socialdemocratiche in tutta l'Europa".

Blair insiste molto sulla necessità di distinguersi dalla destra, ma anche dalla sinistra tradizionale ("la Terza via non è una nuova via tra la politica progressista e la politica conservatrice. E' la politica progressista che si distingue dai conservatori di sinistra o di destra"). Dopo la sconfitta del comunismo sovietico, non connota più la diversità della socialdemocrazia tra capitalismo e socialismo reale, ovvero tra mercato e economia di piano, bensì tra la vecchia sinistra della centralità operaia, della politica economia keynesiana, dello stato assistenziale e la nuova sinistra che guarda agli individui più che alle classi sociali e ai movimenti collettivi, proponendosi di coniugare libertà e giustizia sociale, diritti e responsabilità, eguaglianza di opportunità e spirito di iniziativa.

Nel documento firmato da Blair e Schroeder alla vigilia delle recenti elezioni europee si afferma che "la socialdemocrazia ha ottenuto nuovo consensi soltanto perché, pur rimanendo fedele ai propri valori tradizionali, ha posto mano a una credibile opera di rinnovamento delle proprie idee e di modernizzazione dei propri programmi. Se ha riscosso nuovi consensi è anche perché si impegna sia per la giustizia sociale che per il dinamismo economico e la libera espansione della creatività e della innovazione"*(Europe, The Third Way-Die neue Mitte*,1999).

Jospin è, invece, molto più attento a segnare la continuità con la tradizione socialista, pur affermando che "la socialdemocrazia ha incominciato a rifondare la propria identità politica" e che il suo governo "lavora per far emergere una modernità controllata". Fa riferimento, come vedremo in seguito, alle classi piuttosto che agli individui ("è possibile aggregare le classi sociali intorno alla parità delle opportunità") e alla necessaria 'alleanza' tra ceti medi e gruppi sociali emarginati. In tal senso, Touraine identifica la differenza principale rispetto alla Terza via di Blair nella priorità accordata alla reintegrazione sociale dei gruppi esclusi e marginali dando voce ai loro movimenti di protesta mediante politiche di sviluppo della occupazione (A.Touraine, *Comment sortir du liberalisme?*, 1999).

Da parte sua, D'Alema sottolinea soprattutto i motivi e la necessità di una convergenza fra le varie tradizioni del riformismo europeo. E sul tema della identità della sinistra scrive: "Vi sono parole importanti, valori permanenti, che contribuiscono alla definizione di una sinistra moderna: eguaglianza, libertà. Ma se si dice eguaglianza bisogna poi aggiungere: non egualitarismo, non appiattimento. E se si dice libertà bisogna anche precisare: liberazione dal bisogno e libertà di scegliere, in un quadro di regole condivise. Su questi due grandi principi la sinistra esprime non solo un suo forte punto di vista ma anche una istintiva adesione ideale". Ma aggiunge che nessuna parola identifica la "sinistra moderna quanto il

legame con la parola democrazia. La sinistra moderna è stata e deve rimanere la forza capace di disegnare e realizzare il compromesso tra capitalismo e democrazia, tra le ragioni dell'economia e quelle del consenso e della politica".

3. Le differenze specifiche

Le differenze sul modo di intendere la Terza via e, in generale, il rinnovamento della sinistra esprimono in realtà divergenze più profonde nelle culture politiche di riferimento e nel lessico politico impiegato, che non escludono tuttavia una sostanziale convergenza sulla analisi delle caratteristiche della società contemporanea, le priorità della agenda politica e le principali strategie della azione di governo. Cercheremo di argomentare questa tesi identificando, dapprima, le quattro divergenze più evidenti e, poi, le quattro principali aree di convergenza.

Le divergenze sono riconducibili sia alla dimensione, alla posizione geo-politica e al ruolo di ciascun paese nell'economia globale, sia alle specificità dei rapporti sociali e degli assetti politico-istituzionali, sia alla tradizione ideologica dei partiti di riferimento e alla formazione culturale dei rispettivi leaders. Ad esempio, l'atteggiamento critico di Jospin nei confronti dell'innesto di elementi liberal-democratici nella socialdemocrazia scaturisce non solo dalle sue personali convinzioni, ma anche dal fatto di essere a capo di un governo di coalizione che si avvale del sostegno determinante del Partito comunista francese. Mentre l'atteggiamento innovatore di Blair è stato reso possibile, una volta sconfitta la sinistra tradizionale all'interno del suo partito, dalle caratteristiche di *party government* del sistema politico britannico che conferisce maggiore stabilità e libertà d'innovazione politico-programmatica rispetto a governi di coalizione come quelli italiano o tedesco. Le divergenze, inoltre, non solo distinguono l'una dall'altra le posizioni dei leaders, ma alimentano anche il dibattito tra le diverse componenti della coalizione di governo e tra maggioranza e minoranze nei partiti.

Ci sembra che le divergenze riguardino essenzialmente: a) socialdemocrazia e liberalismo; b) il ruolo dello stato nell'economia; c) gli individui e le classi come soggetti politici fondamentali; d) l'atteggiamento verso l'unificazione europea e il rapporto tra Europa e Stati Uniti.

a) Socialdemocrazia e liberalismo.

La matrice di cultura politica dei partiti della sinistra europea è socialdemocratica, quella del Partito democratico americano è liberal-progressista. La tradizione liberale e la tradizione socialdemocratica sono in parte complementari e in parte contrapposte; sono state accomunate dall'opposizione ai regimi totalitari e dal rifiuto delle grandi narrazioni ideologiche, dalla comune insistenza su politiche di riformismo pragmatico. Si sono differenziate invece per la priorità attribuita rispettivamente alla libertà e alla eguaglianza, alla responsabilità e alla solidarietà, ai diritti individuali e alle rivendicazioni collettive. Da un lato, la socialdemocrazia europea ha sviluppato il welfare state, che si è dimostrato un potente strumento di coesione sociale e di cittadinanza per masse escluse o emarginate, ma che ha anche contribuito a creare ingenti deficit di bilancio pubblico e ha creato fratture tra garantiti e non garantiti.

Dall'altro, i liberali nordamericani hanno si difeso i diritti e le libertà politiche e economiche dei cittadini, trascurando tuttavia spesso le conseguenze negative della competizione per i più deboli sia all'interno del loro paese sia nel mondo. Per alcuni dei leaders europei del centro-sinistra, in particolare Blair e Schroeder, la Terza via rappresenta il tentativo di integrare gli aspetti migliori delle due tradizioni. Nella formulazione di Giddens, si tratta di nuove relazioni intese a coniugare stato, mercato e società civile; una politica economica centrata sull'offerta attraverso investimenti sociale, in particolare l'istruzione e le infrastrutture; una riforma del welfare attraverso la creazione di un nuovo equilibrio tra rischio e sicurezza; maggiore flessibilità e competizione individuale temperate tuttavia dalla solidarietà nei rapporti sociali (A. Giddens,*The Third Way.The Renewal of Social Democracy*, 1998).

Jospin, invece, e in genere la sinistra francese, diffida del liberalismo che considera soprattutto nella variante del liberismo economico, pone l'accento sul 'volontarismo dello stato' per 'l'indispensabile regolamentazione del capitalismo', , definisce come elemento qualificante della 'modernità controllata' il "controllo della politica economica in un mondo globalizzato" e dichiara l'intenzione di "combattere l'unilateralismo in seno alla Organizzazione mondiale del commercio".

b) Il ruolo dello stato nell'economia

La posizione di Jospin si precisa con riguardo al ruolo dello stato e alle imprese pubbliche, che costituisce un altro terreno di differenziazione. Circa il primo punto, afferma che "nell'economia di mercato di questa fine secolo, segnata da una rivoluzione tecnologica e dalla globalizzazione degli scambi, anche l'innovazione è compito dello stato" e definisce i connotati di "uno 'stato *stratega*' (che, pur senza sostituirsi agli altri attori in campo, faciliti la produzione di nuovi servizi e la creazione di imprese e di conseguenza di posti di lavoro, punti alle fonti di crescita futura, impartisca i necessari impulsi, e dia un sostegno essenziale allo sviluppo delle nuove tecnologie dell'informazione e della comunicazione, che in Francia non sono decollate spontaneamente perché le imprese esitavano a impegnarsi, e il ritardo del nostro paese aumentava sempre), di uno 'stato *investitore*' (che assuma pienamente la propria responsabilità per il miglioramento delle infrastrutture, degli impianti, delle comunicazioni, dell'istruzione e formazione, della ricerca, cioè di tutti gli elementi che concorrono all'innovazione e alla crescita) e di uno 'stato *facilitatore*'(che operi in favore della qualità dell'ambiente industriale).

Circa le imprese pubbliche, dopo aver rilevato che oggi il socialismo non si identifica più con l'appropriazione collettiva dei mezzi di produzione, ribadisce tuttavia che, da un lato, l'appropriazione pubblica può essere certo giustificata in un certo numero di settori che riguardano sia la sicurezza nazionale, sia la necessità di servire - attraverso l'intervento pubblico - obiettivi che non possono essere fatti propri dal mercato; e, dall'altro che non intende bloccare alleanze industriali con imprese private francesi o straniere, in particolare europee, in nome del principio della maggioranza pubblica del capitale, laddove siano giustificate dall'interesse nazionale – in particolare in alcune imprese di punta o strategiche - e dalla lotta per l'occupazione ("Ciò che conta per me, nel caso specifico, sono i fini della politica

industriale che stiamo portando avanti: l'occupazione, la crescita, la potenza economica e industriale delle nostre imprese, il ruolo della Francia. Se per difendere questi obiettivi è necessario aprire il capitale di un'impresa pubblica, o anche privatizzarla, a questo noi siamo disponibili"). Pare di intendere che si tratta più della eccezione che della regola.

Si tratta di un orientamento chiaramente diverso da quello dei democratici americani che sono tradizionalmente contrari al volontarismo dello stato in economia e sviluppano invece il ruolo dello stato come garante delle regole del gioco del mercato competitivo. E diverso dalla posizione di Blair che riconosce al governo Thatcher l'aver opportunamente proceduto alla modernizzazione e alla messa in competizione dell'industria statale, pur criticandolo per la "viscerale antipatia per quel che restava del settore pubblico, provocando danni ingenti ai servizi statali fondamentali, primi fra tutti l'istruzione e la sanità" (discorso tenuto all'incontro di New York sulla Terza via del 4 settembre 1997).

La posizione di Jospin non coincide pienamente neppure con la concezione della socialdemocrazia tedesca, che condivide la prassi della concertazione, ma attribuisce al governo un ruolo non tanto di decisore quanto di garante e facilitatore degli accordi derivanti dalla contrattazione tra le parti sociali e gli interessi organizzati.

Meno interventista della politica francese è anche la politica industriale del governo di centrosinistra italiano, di un paese con una lunga e consolidata tradizione di controllo pubblico delle imprese, che è tuttavia oggi orientata alla privatizzazione delle imprese statali e municipalizzate e alla liberalizzazione dei settori con monopolio pubblico, dalle telecomunicazioni all'energia.

c) Gli individui e le classi come soggetti politici fondamentali

La differenza si manifesta ulteriormente relativamente all'analisi dei soggetti primari del programma politico. Jospin fa riferimento alle classi piuttosto che agli individui ("è possibile aggregare le classi sociali intorno alla parità delle opportunità. Essere socialista significa costruire una società più giusta. E quindi sforzarsi di ridurre le disuguaglianze. Non le differenze dovute alle diversità individuali dei talenti, bensì le sperequazioni che hanno una dimensione sociologica"). E fonda la sua politica di organizzazione del consenso intorno alla possibilità di "riconciliare il ceto medio e le classi popolari, i cui interessi possono essere diversi e talora divergenti facendoli progredire fianco a fianco".

Gli altri leaders sembrano, invece, ragionare non più in termini di classi ma di individui, spostando l'accento sulle libertà, sia intese come *libertà da* costrizioni e interferenze dello stato nelle vite private degli individui, sia come *libertà di* dominare il proprio destino e quindi come pari opportunità nel disporre delle essenziali dotazioni di capitale immateriale, a cominciare dall'istruzione, sulle quali tali libertà si fondano. Così, ad esempio, D'Alema, con riferimento al diffuso tessuto di comunità intermedie esistente in Italia (in primo luogo la famiglia, ma anche le associazioni volontarie, i gruppi *single issues*) afferma che l'idea di appartenenza alla comunità ha sostituito la solidarietà di classe come meccanismo di coesione sociale. Si tratta spesso di

differenze di lessico politico più che di contenuti politici, perché è chiaro che anche Blair è interessato a una analisi sociologica del blocco sociale che può sostenere la sua politica e che anche Jospin pone un forte accento sulle pari opportunità per l'autorealizzazione delle persone. Ma si tratta comunque di differenze significative, perché anche il lessico politico e l'orizzonte culturale di riferimento sono importanti nel definire le scelte politiche concretamente attuate.

d) L'atteggiamento verso l'unificazione europea e il rapporto tra Europa e Stati Uniti

Differenze esistono anche con riguardo al processo di unificazione europea e al rapporto tra Europa e Stati Uniti. I leaders socialdemocratici continentali considerano obiettivo prioritario la costruzione della Europa politica, come soluzione alla crisi dello stato nazionale nell'epoca della globalizzazione e come migliore assetto istituzionale per garantire sviluppo economico e uguaglianza di opportunità, tutela dei diritti umani e influenza politica nel mondo, in un rapporto di collaborazione competitiva con la potenza americana egemone (" Sono convinto – scrive D'Alema - che il principale contenuto riformista con cui il nuovo socialismo europeo dovrà misurarsi sia proprio l'Europa. L'unità politica dell'Europa, il crescere dell'Europa come attore globale in un nuovo sistema internazionale, sono le scelte più importanti che il riformismo europeo deve compiere fino in fondo e di cui deve e può rendersi protagonista"). La centralità attribuita alla politica europea significa anche la difesa dello specifico modello dell'economia sociale di mercato, sul quale l'Europa ha costruito la propria prosperità economica.

La posizione di Blair è in parte diversa, in ragione della storia e della posizione geo-politica del suo paese e del diffuso euroscetticismo nell'opinione pubblica britannica. Ponendo il quesito se il destino della Gran Bretagna sia o no con l'Europa, argomenta efficacemente che l'abbandono dell'Europa significa per la Gran Bretagna rinunciare a essere una potenza, rinunciare a svolgere un ruolo nel futuro del continente di cui fa parte, ponendo fine a 1000 anni di storia. E afferma che la "Gran Bretagna ha le potenzialità per essere il ponte tra Europa e America, perché la scelta non è tra Europa e America" e che "la Gran Bretagna è oggi più forte con gli Stati Uniti, perché è più forte in Europa". Nella sua concezione, esposta nell'incontro di New York con Clinton e Prodi del settembe 1998, "l'Europa dovrebbe essere una Terza via tra lo stato nazionale - troppo piccolo per molti dei paesi contemporanei che valicano i confini nazionali - e un super stato europeo troppo grande, troppo lontano e troppo irrispettoso delle diversità di lingua, nazionalità e tradizione".

Differenze anche più significative si trovano nella posizione americana. Mentre Clinton, infatti, si è spesso dichiarato a favore della integrazione europea (come, ad esempio, nel discorso del 4 febbraio 1997 dinanzi al Congresso degli Stati Uniti riunito in seduta plenaria: " il nostro primo compito è quello di contribuire a costruire per la prima volta una Europa democratica e indivisa. Quando l'Europa è stabile, prospera e in pace, l'America è più sicura... un'Europa in cui tutte le democrazie definiscano il proprio futuro non in termini di ciò che possono fare l'una all'altra, ma di ciò che possono fare insieme per il bene di tutti, un'Europa così è un bene per l'America"), dalle analisi degli scritti degli esperti di politica estera americana e di alcuni suoi consiglieri e, ancor più dalla lettura della stampa americana, si ricava un

atteggiamento più ambivalente, di apprezzamento per il ruolo di stabilità che può svolgere un'Europa più unita e più forte, e di preoccupazione per la sfida che potrebbe portare alla egemonia economica e politica americana.

4) Le convergenze più significative

Al di là delle diverse connotazioni della Terza via, resta il fatto che essa esprime il riconoscimento della necessità di modernizzare la cultura della sinistra nei diversi contesti, superando vecchi atteggiamenti e comportamenti, per competere efficacemente con la nuova destra e rispondere alle sfide della globalizzazione. E, al di là delle divergenze di tradizione politica e di lessico politico, derivanti delle differenti esperienze nazionali, che abbiamo illustrato, esiste un nucleo di caratteri comuni nella visione di questi diversi leaders e nel modo di affrontare le questioni che fanno sì che le priorità della agenda politica e le strategie di soluzione dei problemi per la 'progressive governance' siano assai simili.

Identifichiamo le quattro convergenze più significative, organizzate secondo un percorso logico, in: a) il primato della politica; b) il governo della globalizzazione: mercato e regole; sovranità nazionale e diritti umani; c) la lotta contro le diseguaglianze e l'emarginazione sociale; d) la centralità delle politiche sociali: istruzione, occupazione, sanità e sicurezza sociale.

a) Il primato della politica

Sono numerose le dichiarazioni concordanti a questo riguardo. Citiamo a titolo di esempio Jospin ("essere socialisti vuol dire affermare che esiste un primato del politico sull'economico. E' ciò che ho fatto con forza e a più riprese ripetere in questi due anni"), D'Alema ("per tenere insieme libertà dei singoli e sviluppo, partecipazione e decisione, c'è bisogno della politica. La politica è lo spazio della sinistra, è il campo nel quale i soggetti più deboli nella società e nel mercato hanno potuto combattere e negoziare le proprie conquiste"), Schroeder che, confutando il detto che la migliore politica è nessuna politica sostiene che "la politica bene intesa può plasmare l'economia e la società, indicare le linee di sviluppo, prevedere, avere coraggio e essere creativa, non limitandosi alla mera gestione delle crisi". Si tratta naturalmente di una politica riformista che per Jospin ha come premessa essenziale "una giusta articolazione tra fini e mezzi" e la "costruzione di utopie realiste" e che Clinton definisce con le parole di Robert Kennedy come compatibilità tra ideali e programmi reali. Queste dichiarazioni non sorprendono, dal momento che uno dei tratti distintivi della sinistra è sempre stata la convinzione che la società sia modificabile da un disegno coerente di cambiamento, reso egemonico dal potere politico e che gli individui con i loro interessi, le loro aspirazioni, le loro inclinazioni, siano sufficientemente plastici e adattabili a progetti di riforma coerenti e convincenti, mentre la destra tende a considerare la società come non progettabile e ritiene preferibile affidarsi all'ordine spontaneo del mercato.

La riaffermazione del primato della politica assume connotati e valenze diverse nei singoli contesti nazionali. In Gran Bretagna esprime innanzitutto un nuovo rapporto diretto con la cittadinanza per far sì

che i cittadini elettori contino veramente nella formazione delle politiche pubbliche (la 'seconda ondata della democratizzazione' su cui molto investe il nuovo Labour Party). Negli Stati Uniti considera prioritaria una riforma della amministrazione che cambi il rapporto tra le burocrazie pubbliche e i cittadini (il *Reinventing Government* in cui si sono impegnati Clinton e Gore). Per Jospin il primato della politica significa far appello al 'volontarismo dello stato' e alla concertazione, mentre Schroeder si richiama alla creatività del movimento politico socialdemocratico e alla concertazione degli interessi organizzati. Primato della politica significa per D'Alema "imparare a rappresentare la complessità della società moderna .. contrastando l'illusione decisionista della riduzione autoritaria della complessità, e affermare la necessità di un'arte politica che nella definizione di Delors " è quello strano miscuglio di analisi della realtà, misura dei vincoli da fronteggiare e modo di giungere a una soluzione che non sia soltanto valida ma accettabile".

b) Il governo della globalizzazione: mercato e regole; sovranità nazionale e diritti umani

Il secondo elemento di convergenza è l'atteggiamento verso la globalizzazione intesa come un processo da governare e non da demonizzare. Tale atteggiamento va discusso con riferimento a due dimensioni fondamentali, il rapporto fra mercato e regole e il rapporto fra sovranità nazionale e diritti umani, dimensioni strettamente connesse al tema precedente del primato della politica.

Qui la contrapposizione con la vecchia sinistra che vede prevalentemente, se non esclusivamente, i rischi della globalizzazione appaiono particolarmete evidenti. Per i leaders riformisti è necessario prendere atto della globalizzazione, non rinunciando al compito della politica, ma governando, attraverso una politica rinnovata, l'interdipendenza della produzione e dei mercati, le nuove sfide tecnologiche, la comunicazione globale. Viene da tutti affermata la necessaria iniziativa del governo contro lo spontaneismo del mercato, per assicurare la coesione sociale che non può essere da questo garantita. A tal proposito Jospin sostiene "Noi dunque accettiamo l'economia di mercato, dato che, a condizione di essere regolata e inquadrata, è il modo più efficace per allocare le risorse, per stimolare l'iniziativa, per ricompensare il lavoro e lo sforzo. Rifiutiamo invece la 'società di mercato'; se infatti il mercato produce le ricchezze, non produce, in quanto tale, né solidarietà, né valori, né un progetto, né un senso". Analogamente Schroeder ritiene che " alla fine di ogni politica fondata su un non controllato 'laissez-faire' c'è una società fredda e non solidale, dove conta solo il diritto dei più forti".

E il governo dello spontaneismo del mercato non può prescindere dalle caratteristiche dell'economia globale. Per Jospin, "la finanziarizzazione dell'economia e la circolazione accelerata dell'informazione nell'economia globale hanno introdotto una rottura tra i movimenti finanziari e quelli propri alla produzione o alle realtà sociali... Nel primo caso c'è una fluidità, un'istantaneità assoluta; nell'altro c'è viscosità e un'inevitabile lentezza, dato che si tratta di realtà materiali e sociali animate dagli uomini. La differenza tra questi due ritmi costituisce un elemento tecnico forte di rottura e di disaccordo. I movimenti finanziari sono troppo veloci rispetto al ritmo reale dell'economia. Perciò è necessario regolare la finanziarizzazione e restituire un senso a questi scambi. La produzione di ricchezze deve rispondere a

finalità umane". Per Cardoso "una prima conclusione fuorviante consisterebbe nel ritenere la globalizzazione il risultato delle sole forze del mercato, per cui non vi sarebbe altro da discutere. Così non è: il mercato agisce in un contesto definito in sede politica, e i giochi di potere fra le nazioni sono tutt'altro che assenti, così come non manca la possibilità di cooperazione economica fra Stati. I negoziati sul commercio estero procedono sempre attraverso il dialogo fra Stati, in istanze da loro stessi create, soprattutto per quanto concerne la definizione delle norme entro cui si attua la concorrenza". Per D'Alema " le nuove sfide per una nuova socialdemocrazia partono dalla consapevolezza della necessità di una dimensione politica sovranazionale per governare la globalizzazione", una dimensione politica in primo luogo europea.

I leaders riformisti vivono la contraddizione tra l'esigenza di accrescere la competitività dei singoli paesi nell'interesse nazionale e il desiderio di affermare i valori di democrazia, giustizia sociale e libertà a livello mondiale, che è la versione attualizzata del vecchio dilemma tra declinazione nazionale e internazionale dei principi del 1789. A questo riguardo la globalizzazione ha effetti ambivalenti, comporta insieme opportunità e rischi. Da un lato, indebolisce gli stati nazionali e li induce a attuare politiche di riduzione dei costi, di attrazione competitiva degli investimenti in una "concorrenza di posizione" con esiti diversi a seconda della loro forza rispettiva nella arena mondiale. Dall'altro, lo sviluppo di istituzioni di governo sovranazionale e internazionale, favorite dalla diffusione di una opinione politica cosmopolita attenta al rispetto dei diritti umani fondamentali potrebbe avviare un circuito virtuoso di democrazia e ordine normativo che ha già ottenuto risultati positivi a livello nazionale.

Come ha mostrato l'aspro dibattito sulle ragioni della guerra del Kosovo all'interno del centro-sinistra dei vari paesi coinvolti, il rapporto tra il principio della tutela dei diritti umani e il principio della sovranità nazionale è assai complesso. E la visione di Habermas di una sinistra capace di sostituire la cittadinanza particolaristica dell'*ethnos* con quella universalistica del *demos*, sganciandosi dal principio nazionalistico per proiettarsi nella democrazia cosmopolitica appare irta di difficoltà concrete (J. Habermas, *Die postnationale Konstellation*, 1998).

Consapevoli di queste difficoltà, i leader socialdemocratici europei continentali vedono nel processo di unificazione europea una tappa fondamentale per realizzare un governo progressista della globalizzazione, pur con le differenze illustrate in precedenza. D'Alema, dopo aver riconosciuto che il "tema dell'unità europea non è stato tradizionalmente della sinistra; è nato storicamente sotto un altro segno. La sinistra ha visto per lungo tempo con diffidenza il processo di integrazione..." ritiene che "alla nuova cultura della stabilità e della flessibilità va combinata, su scala internazionale, una cultura dell'Europa come fattore attivo di stabilità globale". Dal punto di vista del riformismo europeo si tratta di punti essenziali dell'agenda, in cui è possibile stabilire una convergenza – non solo culturale, ma tradotta in progetti concreti di governo della globalizzazione – con la sinistra di ispirazione democratica che, al di là dell'Atlantico, guida gli Stati Uniti". Jospin ricorda la concezione della costruzione europea espressa dal Progetto in 21 punti sottoscritto dai rappresentanti di partiti socialisti e socialdemocratici europei nelle riunioni di Vienna e di Milano: un'Europa per l'occupazione, un'Europa sociale, un'Europa democratica

e un'Europa forte... "che deve parlare con una sola voce nel mondo, che si tratti della indispensabile regolamentazione del capitalismo mondiale o del mantenimento della pace e della affermazione del diritto in un sistema multilaterale". Le regole a livello mondiale possono infatti "essere definite da organismi emanati da una comunità internazionale che funzionino in base a regole, in seno ai quali ogni stato sia uguale in termini di diritti" e le istituzioni europee dovrebbero essere riformate nella direzione del decentramento, del dinamismo del mercato unico, della coesione sociale, dell'allargamento verso est, e del coordinamento nella gestione dei problemi comuni, dalla lotta alla criminalità e al traffico di droga, alla tutela al degrado ambientale.

c) La lotta contro le diseguaglianze e l'emarginazione sociale

In terzo luogo, la lotta alle diseguaglianze perseguendo l'obiettivo della eguaglianza delle opportunità, altro aspetto qualificante della tradizione politica progressista e riformista. Se, infatti, la competizione globale richiede economie di mercato forti e flessibili, con meno vincoli nell'offerta dei fattori, e adeguati strumenti anti-inflazionistici e di controllo della spesa pubblica, le sinistra modernizzata non deve dimenticare la sua tradizione di giustizia sociale e di uguaglianza delle opportunità. La competizione individuale, requisito della crescita economica, deve essere temperata dalla solidarietà nei rapporti sociali e questo richiede un governo forte.

Blair identifica nella liberazione della Gran Bretagna dalle vecchie divisioni di classe e dai vecchi pregiudizi, dalle vecchie strutture della diseguaglianza, la missione storica del Labour Party modernizzato. Criticando la nuova destra che auspica un totale smantellamento della attività dello stato in nome della libertà e il Partito Conservatore che, come nel passato aveva osteggiato il voto alle donne, così oggi vota ripetutamente contro il sistema sanitario nazionale, e si oppone con argomenti speciosi alla legge del salario minimo, sostiene la tesi che "la libertà di molti ha bisogno di un governo forte". Il nucleo centrale del discorso di Clinton è la necessità di utilizzare parte delle risorse generate dalla prolungata prosperità economica e dal ritrovato surplus del bilancio federale per accrescere la spesa pubblica per la sicurezza sociale, la sanità e l'istruzione ("voglio usare la parte più consistente del surplus per salvare la sicurezza sociale. Mettere da parte la metà di queste risorse per riformare Medicare... introdurre esenzioni fiscali per 250 miliardi di dollari per aiutare le famiglie a risparmiare per i loro fondi di pensione, per l'assistenza ai bambini a coloro che richiedono lunghe cure, e per investire nella modernizzazione delle nostre scuole, nella tutela dell'ambiente e nello sviluppo dei nuovo mercati dell'America"). Criticando aspramente la promessa di riduzione drastica delle tasse da parte dei repubblicani, Clinton rileva tutti i costi che questo comporterebbe per le politiche sociali e afferma di non voler compromettere il futuro dell'America e delle generazioni future per finalità di mero calcolo elettorale.

Convergente è anche la tesi che le politiche contro l'esclusione sociale devono andare di pari passo con il rispetto della legalità e la lotta alla criminalità. Jospin, in riferimento ai problemi di integrazione civile e sociale rispetto al processo migratorio, sostiene, coerentemente con la propria tradizione repubblicana, la

certezza del diritto e l'osservanza della legge. Tali regole sono "il frutto della nostra democrazia. Rispetto ovviamente le minoranze attive. Ma non riconosco loro il diritto di imporci la loro legge. E' lo stato che ha il diritto di farle rispettare. E lo faremo. Lo stesso vale per la nostra politica in materia di sicurezza. La sicurezza è un diritto, la sua assenza è un'ingiustizia sociale. Essa colpisce prima di tutto i più sfavoriti tra i nostri concittadini. La sinistra non può accettare questo stato di cose. E' per questo che lavoriamo affinché la legge repubblicana sia rispettata in ogni angolo del nostro territorio. La legge repubblicana, ma anche le regole di civiltà e di vita sociale"(Discorso tenuto il 30 agosto 1998 all'Università estiva del Partito socialista francese a La Rochelle) .

Analogamente, ma con un più forte richiamo all'etica della responsabilità, la Terza via di Blair vuole "andare oltre la vecchia divisione tra responsabilità individuale e sociale" in un'ottica che coniughi prevenzione e fermezza nella sanzione; viene enfatizzata la responsabilità dei cittadini per le conseguenze delle loro azioni e allo stesso tempo si riconoscono e si cerca di risolvere "le situazioni di cui la criminalità si nutre, come le famiglie sfasciate, l'abuso di droghe e l'emarginazione sociale". (...) Stiamo favorendo sentenze che prevedano pene alternative, abbiamo introdotto sanzioni per i genitori per far sì che questi si assumano la responsabilità del comportamento dei figli. Stiamo lavorando duramente sulle cause della criminalità giovanile. Il Progetto *Welfare to Work* è volto a evitare che i giovani vivano del sussidio di disoccupazione e si inseriscano nel mondo del lavoro (Discorso tenuto il 4 settembre 1998 a New York).

Analoga insistenza sulla responsabilità individuale si ricava dalle dichiarazionei di Clinton ("il Congresso ha approvato una storica riforma della assistenza pubblica e ha preteso che tutti i beneficiari di sussidi che erano in condizione di lavorare si assumessero la responsabilità di passare dall'assistenza al lavoro"). E sulla base di analoghe preoccupazioni ma in una situazione di più grave illegalità, Clinton ribadisce che "l'alternativa non è tra un inasprimento delle pene e un miglioramento della prevenzione, la vera sfida è realizzare entrambe questi obiettivi" e la sua amministrazione persegue come linee principali della politica anti-criminalità di Clinton la tutela della sicurezza delle comunità locali attraverso un sensibile incremento del numero dei poliziotti di quartiere in servizio nelle strade, l'intensificazione della lotta alla droga, misure più severe contro le bande criminali giovanili, l'apertura delle scuole oltre l'orario scolastico e nei week-end, e modifiche restrittive alla normativa sulla vendita di armi da fuoco.

d) La centralità delle politiche sociali: istruzione, occupazione, sanità e sicurezza sociale

Infine, il quarto punto qualificante di convergenza nella visione politica dei diversi leaders è la perdurante centralità attribuita alle politiche sociali, sia pur ridisegnate nel senso di una maggiore attenzione ai problemi della scarsità delle risorse, della selettività nei criteri di erogazione e della qualità dei beni e dei servizi offerti. Particolarmente importanti sono considerate le politiche per l'istruzione, la tutela della salute e lo sviluppo dell'occupazione, nell'ottica da tutti condivisa delle pari opportunità. Non si tratta solo di trovare un equilibrio tra gli obiettivi diversi della competitività economica e della giustizia sociale. L'obiettivo delle eque opportunità per tutti i cittadini, e in particolare nel rapporto tra i generi e

tra le generazioni, rappresenta la via per ottenere il più efficace impiego delle risorse nazionali, essendo ormai le risorse umane il fattore fondamentale della produzione di ricchezza nella *knowledge-based society*. La convinzione che gli obiettivi di giustizia sociale non soltanto siano compatibili con il nuovo quadro della globalizzazione, ma siano anzi un requisito per la competitività dei diversi paesi nel mercato globale è comune a tutt i leaders riformisti, ma è espressa con particolare fiducia e decisione da Blair, che afferma:"l'efficienza economica e la giustizia sociale stanno in ultima istanza lavorando insieme". E continua rilevando che per troppo tempo si è fatto affidamento sul talento dei pochi, mentre non ci si è preoccupati e si è ignorata la genialità dei molti; che, essendo il talento la ricchezza del XXI secolo, nella società basata sulla conoscenza, negare opportunità a ogni singola persona significa sprecare la ricchezza del paese; e che la causa della giustizia sociale, per cui i partiti socialisti hanno combattuto la loro battaglia secolare è diventata l'unica speranza di salvezza. "Come si può infatti sviluppare il talento di tutti" si chiede retoricamente, " se non in una società che tratta tutti allo stesso modo, in cui le porte chiuse del pregiudizio altezzoso, dell'ignoranza e della povertà, della paura e dell'ingiustizia non sbarrano più la via alla autorealizzazione? ... Siamo contro l'uguaglianza di risultati , di stili di vita, gusti o atteggiamenti culturali. Ma vogliamo una vera uguaglianza: uguale dignità, uguali chances di vita, uguale possibilità di accesso alla conoscenza e alle opportunità. Uguali diritti e uguali responsabilità". E conclude icasticamente che "la lotta di classe è finita, ma la lotta per l'eguaglianza è appena incominciata". Ecco perché le politiche per l'istruzione, la formazione professionale, la ricerca scientifica e tecnologica sono divenute un obiettivo prioritario e centrale per i riformisti europei; e non solo per loro. Cardoso afferma infatti che : "la posizione competitiva di un paese rispetto agli altri è determinata in misura sempre crescente dalla qualità delle sue risorse umane, dal bagaglio di conoscenze, dalla scienza e dalla tecnologia applicate ai metodi di produzione. L'abbondanza di manodopera e di materie prime è un vantaggio comparativo sempre minore, nella misura in cui rappresenta un'aliquota decrescente del valore aggiunto, virtualmente in tutti i prodotti. E' una tendenza irreversibile, per cui è poco probabile che i paesi del Sud del mondo possano prosperare puntando esclusivamente su manodopera relativamente a basso costo e sull'abbondanza delle risorse naturali. L'amministrazione Clinton ha sempre avuto tra i suoi obiettivi prioritari il miglioramento della qualità scolastica, da ottenere anche attraverso un massiccio programma di alfabetizzazione informatica ("La mia prima priorità per i prossimi quattro anni è far sì che tutti gli americani possano avere la migliore istruzione del mondo ogni bambino di 8 anni deve saper leggere, ogni ragazzo di 12 anni deve esser capace di collegarsi a internet, ogni giovane di 18 anni deve poter andare all'università e ogni americano adulto deve poter continuare a istruirsi per tutta la vita").

La priorità delle politiche per lo sviluppo e il miglioramento dell'istruzione nel governo progressivo per il XXI secolo è evidente. Si tratta, infatti, di politiche che possono modernizzare i principi e gli obiettivi della tradizione socialista e democratica, cercando di rendere compatibili l'obiettivo della competitività dei sistemi paese e dei sistemi regione nelle nuove condizioni del mercato globale con l'obiettivo delle pari opportunità e della autorealizzazione degli individui.

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Dossier for the Conference

PROGRESSIVE GOVERNANCE FOR THE XXI CENTURY

IL RIFORMISMO NEL XXI SECOLO

Florence, 21st November 1999

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Dossier for the Conference

PROGRESSIVE GOVERNANCE FOR THE XXI CENTURY

IL RIFORMISMO NEL XXI SECOLO

Florence, 21st November 1999

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FOREWORD

The texts collected here by CeSPI, the Centre for International Political Studies, are essays and speeches recently written or delivered by the statesmen meeting in Florence as leaders of the European left and of the American democratic forces.

The purpose of the dossier is to offer a ready selection of arguments, ideas and policies promoted by the representative of international "reformism" and of what can be broadly described as "progressiveness". The parties representing social-democracy are in the process of formulating novel ideas to define the strategies most suitable to successfully face the new challenges of globalization and of a changing world.

These collected texts clearly reveal that, despite cultural and national differences, there are many analogies and ideas shared between the leaders, forming a common ground in the search for solutions to common problems. The purpose of the Florence seminar is to discuss these shared themes and values, and the possibility of making the imperative needs of economic growth compatible with those of social justice within one's own country and in the world, given that the aspiration to greater equality remains a fundamental concept and a distinctive characteristic of these political forces.

The present dossier does by no means expect to be exhaustive, but merely attempts to outline a general view of the work in progress performed by these leaders, both on an intellectual level, as well as on the one of practical policy and government.

The translation of the texts was supervised by CESPI and is therefore not official.

SPEECH BY THE RT HON TONY BLAIR MP,
PRIME MINISTER
LABOUR PARTY CONFERENCE, BOURNEMOUTH
TUESDAY 28TH SEPTEMBER 1999

Today at the frontier of the new Millennium I set out for you how, as a nation, we renew British strength and confidence for the 21st century; and how, as a Party reborn, we make it a century of progressive politics after one dominated by Conservatives.

A New Britain where the extraordinary talent of the British people is liberated from the forces of conservatism that so long have held them back, to create a model 21st century nation, based not on privilege, class or background, but on the equal worth of all.

And New Labour, confident at having modernised itself, now the new progressive force in British politics which can modernise the nation, sweep away those forces of conservatism to set the people free.

100 years in existence, 22 in power, we have never, ever won a full second term. That is our unfinished business. Let us now finish it and with it finish the Tory Party's chances of doing as much damage in the next century as they've done in this one.

By convention, Prime Ministers start with all the good things their Government has done. I want to start where the British people start: with all we have still to do.

More than 1 million still unemployed. Schools and hospitals still needing investment. Pensioners still living in hardship. People still petrified by crime and drugs. 3 million children still in poverty. A century of decline, 20 years of Conservative Government still not put to rights. Do you think I don't feel this, in every fibre of my being?

The frustration, the impatience, the urgency, the anger at the waste of lives unfulfilled, hopes never achieved, dreams never realised. And whilst there is one child still in poverty in Britain today, one pensioner in poverty, one person denied their chance in life, there is one Prime Minister and one Party that will have no rest, no vanity in achievement, no sense of mission completed, until they too are free. So I do not claim Britain is transformed. I do say the foundations of a New Britain are being laid. After decades of Tory boom and bust, it is New Labour which is the party of economic competence today and for that we can be proud; and proud of our Chancellor too. Indeed, I can stand here today, leader of the Labour Party, Prime Minister, and say to the British people: you have never had it so...prudent.

As we think back to 1985, and to Neil Kinnock, wasn't it brilliant yesterday, in this hall of all places, to see a Labour Chancellor, "scuttling" back from Washington to hand out the best economic news in a generation, to his own party's Conference. 650,000 more jobs in the economy, long-term youth unemployment halved and – here's one for us to put back down a few Tory throats – fewer days lost in strikes than any of the 18 years of Tory Government. Who says Labour's not working now?

All employees with the right to a paid holiday. Leave for parents to take time off work for a family crisis. And after 100 years of trying, the right for union members to have their union recognised, not on the whim of an employer, but as a democratic right in a fair and free society. Maternity grant doubled. 7 million families with the largest ever rise in Child Benefit Britain has seen.

And I say to Britain's pensioners: I know when you get an extra £100 for every pensioner household this November - not just those on benefits, everyone - it's not the end of your worries, but it's £100 more than you got under any Conservative Government; and they'd take the £100 back off you if they were ever elected again.

Half-way through one Parliament. Nothing like half-way towards meeting all our goals. And all around us the challenge of change.

A spectre haunts the world: technological revolution. 10 years ago, a fifteen year old probably couldn't work a computer. Now he's in danger of living on it. Over a trillion dollars traded every day in currency markets and with them the fate of nations. Global finance and Communications and Media. Electronic commerce. The Internet. The science of genetics. Every year a new revolution scattering in its wake, security, and ways of living for millions of people. These forces of change driving the future: Don't stop at national boundaries. Don't respect tradition. They wait for no-one and no nation. They are universal.

We know what a 21st century nation needs. A knowledge-based economy. A strong civic society. A confident place in the world. Do that and a nation masters the future. Fail and it is the future's victim.

The challenge is how? The answer is people. The future is people. The liberation of human potential not just as workers but as citizens. Not power to the people but power to each person to make the most of what is within them.

People are born with talent and everywhere it is in chains. Look at Britain. Great strengths. Great history. English, the language of the new technology. The national creative genius of the British people. But wasted. The country run for far too long on the talents of the few, when the genius of the many lies uncared for, and ignored.

Fail to develop the talents of any one person, we fail Britain. Talent is 21st century wealth. Every person liberated to fulfil their potential adds to our wealth. Every person denied opportunity takes our wealth away. In the 18th century land was our resource. In the 19th and 20th century it was plant and capital. Today it is people.

The cause we have fought for, these 100 years, is no longer simply our cause of social justice. It is the nation's only hope of salvation. For how do you develop the talent of all, unless in a society that treats us all equally, where the closed doors of snobbery and prejudice, ignorance and poverty, fear and injustice no longer bar our way to fulfilment. Not equal incomes. Not uniform lifestyles or taste or culture. But true equality: equal worth, an equal chance of fulfilment, equal access to knowledge and opportunity.

Equal rights. Equal responsibilities. The class war is over. But the struggle for true equality has only just begun.

To the child who goes to school hungry for food, but thirsting for knowledge, I know the talent you were born with, and the frustration you feel that it's trapped inside. We will set your potential free. To the women free to work, but because they are also mothers, carers, helpers barely know how to get through the day, we will give you the support to set your potential free. To the 45 year old who came to my surgery a few months ago, scared he'll never work again, I say: you didn't become useless at 45. You deserve the chance to start afresh and we will set your potential free. And to those who have wealth, but who say that none of it means anything if my children can't play in the

park, and my mother daren't go out at night. We share your belief in a strong community. We will set your potential free.

And it is us, the new radicals, the Labour Party modernised, that must undertake this historic mission. To liberate Britain from the old class divisions, old structures, old prejudices, old ways of working and of doing things, that will not do in this world of change. To be the progressive force that defeats the forces of conservatism.

For the 21st century will not be about the battle between capitalism and socialism but between the forces of progress and the forces of conservatism. They are what hold our nation back. Not just in the Conservative Party but within us, within our nation.

The forces that do not understand that creating a new Britain of true equality is no more a betrayal of Britain's history than New Labour is of Labour's values. The old prejudices, where foreign means bad. Where multi-culturalism is not something to celebrate, but a left-wing conspiracy to destroy their way of life. Where women shouldn't work and those who do are responsible for the breakdown of the family. The old elites, establishments that have run our professions and our country too long. Who have kept women and black and Asian talent out of our top jobs and senior parts of Government and the Services. Who keep our bright inner city kids from our best universities. And who still think the House of Lords should be run by hereditary peers in the interests of the Tory Party. The old order, those forces of conservatism, for all their language about promoting the individual, and freedom and liberty, they held people back. They kept people down. They stunted people's potential. Year after year. Decade after decade.

Think back on some of the great achievements of this century. To us today, it almost defies belief that people had to die to win the fight for the vote for women. But they did. That battle was a massive, heroic struggle. But why did it need such a fight? Because Tory MPs stood up in the House of Commons and said: "voting is a man's business". And that is why we can be so proud that it is this Labour Party that has more women MPs and more women Ministers than any Government before us until our record is bettered by a future Labour Government.

Look at this Party's greatest achievement. The forces of conservatism, and the force of the Conservative Party, pulled every trick in the book – voting 51 times, yes 51 times, against the creation of the NHS. One leading Tory, Mr Henry Willink, said at the time that the NHS "will destroy so much in this country that we value", when we knew human potential can never be realised when whether you are well or ill depends on wealth not need.

The forces of conservatism allied to racism are why one of the heroes of the 20th century, Martin Luther King, is dead. It's why another, Nelson Mandela, spent the best years of his life in a cell the size of a bed. And though the fact that Mandela is alive, free and became President, is a sign of the progress we have made: the fact that Stephen Lawrence is dead, for no other reason than he was born black, is a sign of how far we still have to go.

And they still keep opposing progress and justice. What did they say about the minimum wage? The same as they said right through this century. They tried the employment argument – it would cost jobs. They tried the business argument – it would make them bankrupt. They then used the economic argument – it would cause inflation. They then resorted to the selfish argument – businesses wouldn't want to pay it. Well, businesses are paying it. Inflation is low. Unemployment is falling. There are one million job vacancies in the country. And two million people have had a pay rise because we believe they are worth more than poverty pay.

These forces of conservatism chain us not only to an outdated view of our people's potential but of our nation's potential. What threatens the nation-state today is not change, but the refusal to change in a world opening up, becoming ever more interdependent.

The old air of superiority based on past glory must give way to the ambition to succeed, based on the merit of what Britain stands for today. For the last half century, we have been torn between Europe and the United States, searching for our identity in the post-Empire world. I pose this simple question: is our destiny with Europe or not? If the answer is no, then we should leave. But we would leave an economic union in which 50% of our trade is done, on which millions of British jobs depend. Our economic future would be uncertain. But what is certain is that we would not be a power. Britain would no longer play a determining part in the future of the continent to which we belong. That would be the real end of one thousand years of history.

We can choose this destiny. But we should do it with our eyes open and our senses alert, not blindfold and dulled by the incessant propaganda of Europhobes. The single currency is, of course, a decision that must be dependent on the economic conditions; and on the consent of the British people in a referendum. If we believe our destiny is with Europe, then let us leave behind the muddling through, the hesitation, the half-heartedness which has characterised British relations with Europe for forty years and play our part with confidence and pride giving us the chance to defeat the forces of conservatism, economic and political, that hold Europe back too.

There is no choice between Europe and America. Britain is stronger with the US today because we are strong in Europe. Britain has the potential to be the bridge between Europe and America and for the 21st century the narrow-minded isolationism of right-wing Tories should not block our path to fulfilling it.

The nation-state is changing. The Tory policy on devolution left them without a single seat anywhere in Scotland and Wales. Delivering our promise of a Scottish Parliament and Welsh Assembly has strengthened the UK not weakened it, and now having defeated the force of conservatism in granting devolution, let us continue to defeat the separatism which is just the forces of conservatism by another name.

And don't let the forces of conservatism stop devolution in Northern Ireland too. Those who are addicted to violence. Those who confuse any progress with selling out. They shouldn't determine Northern Ireland's future. Walk through Belfast. No armed soldiers. Drive through it. No road blocks. In the last year, the first time in 30 years, not a single member of the security forces killed. 1996, 8,000 plastic bullets fired. This year 99. Yes, there is violence and any violence is unacceptable. But don't throw away all that has been achieved. And I ask the Conservative Party: we supported you when you were in Government; don't make our task harder now because that would be the real betrayal of the children of Northern Ireland.

It would be comforting to think the forces of conservatism were only Tories. But wrong. There were forces of conservatism who said changing Clause 4 would destroy the Labour Party, when in truth it was critical to our renewal. Who said a referendum on devolution was a ploy to stop it happening, when I knew it was the only way to make it happen. Who said that making young people take a job that was offered to them was a denial of social justice, when our attack on youth unemployment is the route to social justice.

The Third Way is not a new way between progressive and conservative politics. It is progressive politics distinguishing itself from conservatism of left or right. New Labour must be the new radicals who take on both of them, not just on election day but every day. People say in our first two

years we ran a Tory economic policy. Nonsense. If we had run a Tory economic policy Britain would be in recession by now which is no doubt why they predicted it.

We gave the Bank of England independence. We cut the borrowing. We cut unemployment. We are at long last reforming welfare, making work pay more than benefit for hard-working families through the Working Families Tax Credit. They would scrap each and every one of these reforms.

Slowly the Tory general election strategy is emerging. To 2 million people given a pay rise through the minimum wage. Tory pledge 1: we'll cut it. To 1.5 million families helped by the working families tax credit. Tory pledge 2: we'll scrap it. To 250,000 young people getting through the New Deal, Tory pledge 3: you'll go back on the dole. I say: roll on the next General Election.

Our reforms are why we are spending £4bn less on interest payments this year. Saving £2bn by cutting unemployment. Why, thanks to economic growth, billions of pounds of wealth has been created, not lost in Tory boom and bust. And as a result, the next three years show the biggest ever investment in schools and hospitals. Not just one year. But the year after and the year after that. And, if we carry on running this New Labour economic policy I can tell you today we will continue to get more money into schools and hospitals in a way we can sustain year on year on year.

We are rewriting some of the traditional rules of politics. Now after a century of antagonism, economic efficiency and social justice are finally working in partnership together. We are demonstrating that it is possible to cut poverty and run the economy well. At last our historic reputation for compassion is being matched with a hard won reputation for economic competence. From now on people will vote Labour with their head as well as their heart.

The political landscape of Britain has changed forever. That's why Prudence's chastity belt stays on, even for the Liberal Democrats. And then we open up the UK economy. Open it up to electronic commerce, so we cut the cost of buying and selling. Open it up to competition so we can stop the consumer being ripped off. And private capital alongside public investment. In transport, to read some of the papers you would think John Prescott had created Britain's transport problems. Thanks to him, and the new Strategic Rail Authority, the next 10 years will see the largest investment in the railways for 100 years. Let's be honest. When it comes to transport we are all the forces of conservatism. But the real anti-car policy is staying as we are.

Let us take on the forces of conservatism in education, too, the greatest liberator of human potential there is. No more nursery vouchers. No return to 11+. No freeze on student numbers in our universities. No more Assisted Places Scheme. Not the right. But not the old Left either: no tolerance of failing LEAs (Local Education Authorities, editor's note). No truce on failing schools. No pupils condemned to failure.

We owe it to every child to unleash their potential. They are of equal worth. They deserve an equal chance. A failed education is a life sentence on a child. If we are to succeed in the knowledge economy, we need – as parents, as teachers, as a country – to get a whole new attitude to learning. What other country in the world sees being "too clever by half" as a fault? In today's world, there is no such thing as too clever. The more you know, the further you'll go.

The forces of conservatism, the elite, have held us back for too long. Why is it only now that we are getting nursery places for all three and four year olds? Why has it taken this government to realise that 5, 6 and 7 year olds need that extra attention that smaller classes give them? Why, when we have known all our lives the importance of the 3 Rs, is it only now that we have put in place the literacy and numeracy strategies to get those basics taught properly? And look at the results for 11

year olds: maths up 10%, reading up 5%, a tribute to our children, to their teachers and to David Blunkett.

Why has it taken this government to set about ending the culture of failure in our inner city comprehensives? Doubling the number of specialist schools; creating 1,000 beacon schools; every run down school getting help with buildings, equipment, facilities from the £5bn modernisation programme: LEAs with a track record of failure taken over and run by people with a track record of success. Why is it only now, we have lifted the cap on student numbers and 100,000 more will go to university in the next 2 years, 700,000 more to further education.

So today I set a target of 50% of young adults going into higher education in the next century. Why if education is the key to success do we allow so many children to leave school at 16 when we should be doing all we can to get them to stay on. Today we are announcing a smartcard to offer all 16-18 year olds who stay in education cut price deals at shops, in theatres and cinemas and on trains and buses. Only now can this happen because there is a Labour Government that cares about educating the many and a Labour Party with the courage to reform the system to do it.

And critical to reform are our teachers. I appeal to them. You do a great job in our schools. We know how important it is for you to work as a team. But if we are to get the real step change in your pay you and we both want, we have to link it to performance. We have to raise standards, and we have to remove those who really cannot do the job. And if a Head Teacher transforms a school and so transforms the life chances of our children, aren't they worth as much as a good doctor, banker or lawyer?

In 10 years we will have transformed our schools. And our NHS too (National Health Service, editor's note). And I know the impatience here is at its highest. After all, we created the NHS. It has to be us that rebuilds it. And yes it needs money. And yes, the first two years were tough. But the money is now starting. And money is not all it needs. A predecessor of mine famously said she wanted to be able to go into the hospital of her choice, "on the day I want, at the time I want, with the doctor I want". That was Margaret Thatcher's argument for going private. I want to go to the hospital of my choice, on the day I want, at the time I want. And I want it on the NHS.

I say in all frankness to the BMA (British Medical Association, editor's note). You want our reforms to slow down. I want them to speed up. Already: 4,000 more student nurses and midwives. 4,000 more nurses returning to nursing. 27 new hospitals being built. 20 million people now covered by NHS Direct. And the dreaded Tory internal market finally banished for good. And over the next 3 years: there will be 7000 more doctors 15,000 more nurses 37 hospitals built. The whole country covered by NHS Direct. Every casualty department that needs it refurbished. And waiting times and waiting lists lower at the end of our time in Government than at the beginning.

And will that be enough? No. But in time, if we are returned to power: we will have booked appointments for everyone. Walk-in NHS centres in all our major towns and cities. Primary care surgeries that offer you all services on one site. And everyone with the chance to go back on the NHS to see their dentist. And just to show you it's not impossible. Today I can tell you: we will start next year with booked appointments for cancer and cataract patients. And working with the British Dental Association, everyone within the next 2 years will be able once again to see an NHS dentist just by phoning NHS Direct. So much more to do. But it will be done.

We aren't just workers. We are citizens proud to say there is such a thing as society and proud to be part of it. Yet, today, we feel our social fabric torn. Respect for law and order broken. My grandfather's generation was strong on values. Respect for people. Good manners. Horror of crime.

But it was a generation also of deference and of prejudices: racial, sexual, social. The modern world is different. There is less prejudice, less deference, but also less respect. It is time to move beyond the social indifference of right and left, libertarian nonsense masquerading as freedom.

This generation wants a society free from prejudice, but not from rules, from order. A common duty to provide opportunity for all. An individual duty to be responsible towards all. There will be a new Crime Bill in The Queen's Speech. With the new DNA technology we have the chance to match any DNA at any scene of crime with those on police records. Already thousands of criminals are being caught that way. But less than a fifth are on record. I can announce we will provide the extra resources for a database where every known offender will have their DNA recorded, and evidence from any scene of crime will be matched with it.

And I saw that we said on drugs and new powers was attacked by civil liberties groups. I believe in civil liberties too: the liberty of parents to drop their kids off at school, without worrying they're dropping them straight into the arms of drug dealers. The liberty of pensioners to live without fear of getting their door kicked in by someone thieving to pay for their habit. The liberty of young people to live a full life, not die young, the victim of the most chilling, evil industry the world has to confront.

Civil liberty to me means just that: the liberty to live in a civil society founded on rights and responsibilities, and in dealing with the drugs menace, that is the society we can help to build. So when I speak of the need for a new moral purpose and some on the right and left rise up and say this is nothing to do with politics, leave it all to the bishops, I tell you these people know exactly what I'm talking about. That's what I mean by fulfilling our potential as citizens as well as workers. We don't live by material goods alone.

That's why today we set out more plans to boost arts, culture, competitive sports in schools. It's why John Prescott puts his heart and soul in the battle to protect our environment, so we leave to our children a safer, healthier planet than the one into which they were born.

Yes we are three times richer than our grandparents. But are we three times happier? Ours is a moral cause, best expressed through how we see our families and our children. To our children, we are irreplaceable. If anything happened to me, you'd soon find a new leader. But my kids wouldn't find a new Dad.

There is no more powerful symbol of our politics than the experience of being on a maternity ward. Seeing two babies side by side. Delivered by the same doctors and midwives. Yet two totally different lives ahead of them.

One returns with his mother to a bed and breakfast that is cold, damp, cramped. A mother who has no job, no family to support her, sadder still – no-one to share the joy and triumph of the new baby … a father nowhere to be seen. That mother loves her child like any other mother. But her life and her baby's life is a long, hard struggle. For this child, individual potential hangs by a thread.

The second child returns to a prosperous home, grandparents desperate to share the caring, and a father with a decent income and an even larger sense of pride. They're already thinking about schools, friends she can make, new toys they can buy. Expectations are sky high, opportunities truly limitless.

A child is a vulnerable witness on life. A child sees her father hit her mother. A child runs away from home. A child takes drugs. A child gives birth at 12.

If we are in politics for one thing – it is to make sure that all children are given the best chance in life. That the moment they are born, their potential and individuality can sparkle. That every child can grow up with high hopes, certainty, love, security and the attention of their parents.

Strong families cherished by a strong community. That is our national moral purpose. So when I pledge to end child poverty in 20 years, I do so not just as a politician, but as a father.

Can I tell you something? And there are only four other people alive who know this – it's actually a bit odd being Prime Minister. Everyone has views about you, and no hesitation giving them to you. You read things about yourself, on a daily basis, that are a complete mystery. And you find that a lot of strange new people want to be your friend, and lots of other strange people want to be your enemy.

We're only flesh and blood in the end. Sometimes can't sleep. Worry about the job. Worry about the kids. Worry about growing old. Worry about interest rates going up. Worry about Newcastle going down. Then you've got these big worries – when's the health money really going to make a difference? Why are there still people sleeping in doorways? Can't we turn round failing schools more quickly? How many of our pensioners will go cold this winter?

It's a big job. A lonely job. The red boxes really do come at you day and night, papers to read, decisions to make. Sometimes life and death decisions. Often decisions, after all the advice and the consultation, that only the Prime Minister can make. So it's a pressure. But it's a privilege too. There is no greater privilege than serving your country. And there is no greater purpose than realising your potential.

I was lucky. A good education, a loving home, a great family, strong beliefs, a great Party in which to give them expression. Everyone has talent. Everyone has something to offer. And this country needs everyone to make a contribution. You'll see me on the TV, getting on and off planes, meeting Presidents and Prime Ministers, Kings and Queens. It's all part of the job. But the part that matters most to me is getting my sleeves rolled up and pushing through the changes to our country that will give to others by right, what I achieved by good fortune.

Let me read to you the words of someone else who thought ours was a moral purpose, and said this about the people in our Party. "The men and women who are in it are not working for themselves; they know perfectly well that all they can do is but to create the beginning of a condition of things which will one day bring peace and happiness and freedom and a fuller life for those who are to come after us." Our very first leader, Keir Hardie. But 100 years ago, the circumstances of our birth and our political childhood was such we never realised our potential.

Born in separation from other progressive forces in British politics, out of the visceral need to represent the interests of an exploited workforce, our base, our appeal, our ideology was too narrow. People were made to feel we wanted to hold them back, limit their aspirations, when in truth the very opposite was our goal.

We were chained by our ideology. We thought we had eternal doctrines. When they are in truth eternal values.

Solidarity, social justice, the belief not that society comes before individual fulfilment but that it is only in a strong society of others that the individual will be fulfilled. That it is these bonds of connection that make us not citizens of one nation but members of one human race.

And wouldn't Keir Hardie have been proud when under Britain's leadership, this week we cancelled the debt of those African nations deep in poverty so that their people too can realise their potential, have the hopes and dreams for their children we want for ours?

And wouldn't Clem Attlee and Ernie Bevin have applauded when in Kosovo, faced with racial genocide in Europe for the first time since they fought fascism in the Second World War, it was Britain and this Government that helped defeat it and set one million people free back to their homeland?

And wouldn't it bring a smile to the faces of all Labour leaders to see how confident our Party is today? Today we stand here, more confident than at any time during our 100 years, more confident because we are winning the battle of ideas; we are putting our values into practice; we are the only political force capable of liberating the potential of our people. Knowing what we have to do and knowing how to do it.

Arrayed against us: the forces of conservatism, the cynics, the elites, the establishment. Those who will live with decline. Those who yearn for yesteryear. Those who just can't be bothered. Those who prefer to criticise rather than do.

On our side, the forces of modernity and justice. Those who believe in a Britain for all the people. Those who fight social injustice, because they know it harms our nation. Those who believe in a society of equality, of opportunity and responsibility. Those who have the courage to change. Those who have confidence in the future.

The battleground, the new Millennium. Our values are our guide. Our job is to serve. Our workplace, the future.

Let us step up the pace. Be confident. Be radical.

To every nation a purpose. To every Party a cause. And now, at last, Party and nation joined in the same cause for the same purpose: to set our people free.

CONFERENCE BY H.E. FERNANDO HENRIQUE CARDOSO
PRESIDENT OF THE FEDERATIVE REPUBLIC OF BRAZIL
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NEW DELHI, JANUARY 1996

SOCIAL CONSEQUENCES OF GLOBALIZATION. MARGINALIZATION OR IMPROVEMENT

I. INTRODUCTION. THE DIFFERENT ASPECTS OF ECONOMIC GLOBALIZATION

It is a great pleasure to share with you today some thoughts on the consequences of globalization. Needless to say that so complex a subject cannot be entirely covered in a brief Conference. But time constraints will have a beneficial effect. I will be concise and thus focus my attention on those issues that are of particular interest to developing countries such as India and Brazil.

Globalization has become a sort of fashionable buzzword. Quite often said; seldom with the same meaning. It is in fact one of those far-reaching concepts which are used by different people to explain facts which are of a completely different nature. Even when qualified as "economic", globalization can still be associated with a variety of phenomena.

Possibily the first notion one relates to economic globalization is that of the ever-growing expansion of cross-border financial flows and their impact upon the monetary and exchange policies of national economies. The effects of the financial dimension of globalization are somewhat disputed. If the mobility of capital flows across borders can be seen as an efficient way to allocate resources world-wide and to channel them to developing countries their volatility and their possible use for speculative attacks against currencies are thought to pose new threats to the economic stability of countries. In other words the virtually free movement of huge capital flows creates both opportunities and risks.

Another aspect is the globalization of production and the ensuing expansion of world trade flows. In the past, as a general rule, all stages in the production of any specific good were usually conducted in one country, and that good was either locally consumed or exported. This is no longer true. The domestic content of most goods has diminished, and intermediate production stages now take place in different countries. Final products – especially technology intensive ones – can hardly be considered to be fully "Made in" a given country. This is the result of the interplay of several new trends, including reduction in the costs of the mobility of production factors and the economies of scale required by increasingly sophisticated production processes.

International trade of intermediate goods is conducted primarily among industrial units of the same company. Corporations frequently structure their activities to fit marketing and production strategies designed to enhance their global or regional competitive position. Countries are selected for investment by those companies on the basis of the overall advantages they present. This has led to increased competition for foreign investment among countries, particularly developing ones. As opposed to the sixties and even the seventies, when controls and restrictions were deemed necessary to discipline the operations by transnational corporations in their markets, developing countries have been reformulating their trade and economic policies, in part to offer an attractive domestic environment for foreign investment, which is needed to complement their generally insufficient rate of domestic savings.

Another dimension of economic globalization is thus a growing uniformity in the institutional and regulatory framework in all countries. For the globalization of production to take place, rules in different countries need to be made similar, so that no "artificial" advantages prevail in any of them. Examples of these rules are the introduction in the World Trade Organization of international standards for intellectual property rights and trade related aspects of investment measures. Matters that were once considered to fall primarily within the domestic jurisdiction of each State are now subject to multilateral disciplines. Naturally, there are limits to such uniformity, due to national differences. The interplay of global trends toward uniformity and national identities is a complex one.

Finally, economic globalization is linked to a revolution in production patterns leading to a significant shift in the comparative advantages of nations. The competitive position of a country relative to others is determined more and more by the quality of its human resources, by knowledge, by science and technology applied to production methods. Abundant labor and raw materials are less and less a comparative advantage. to the extent that they represent a diminishing share of the value added in virtually all products. This irreversible trend makes it unlikely for countries in the South to succeed solely on relatively cheap labor and on natural resources.

II. THE CONSEQUENCES OF ECONOMIC GLOBALIZATION

1. The changing role of the State

Hand in hand with economic globalization goes a change in the role of the State.

Globalization means that external variables have an increased bearing on the domestic agendas, narrowing the scope for national choices. I have already mentioned that requirements for external competitiveness have led to greater homogeneity of the institutional and regulatory framework of States, that these requirements have left less room for widely-differentiated national strategies with regard to labor, to macro-economic policy. Fiscal balance, for instance, has become a new dogma. The Maastricht Treaty of the European Union sets limits within which the budget deficit of its members has to be maintained.

Both international public opinion and market behavior have also come to play a role in redefining the range of possible action by States. Information flows freely and rapidly. If, for example, the news is disclosed that any particular country is having difficulties controlling its budget deficit or is going to hike its interest rates, world financial markets make decisions based on that information which will have an impact on the country concerned. Countries, their leaders and the policies they are pursuing are under the close scrutiny of the world public opinion. Any misdeed or step judged by these immaterial entities to be in the wrong direction may exact penalties. Conversely, developments or decisions construed to be positive are rewarded. International public opinion and above all markets tend to be conservative, to follow a certain orthodoxy in economic matters. They establish a pattern of economic conduct which admits of little variation in a world of immense variety of national realities. The complex process of adjustment must not ignore such diversity.

Globalization has changed the role of the State in another dimension. It has completely shifted the emphasis of Government action, now almost exclusively laid on making the overall national economy develop and sustain conditions for competitiveness on a global scale. This does not necessarily mean a leaner State, though that too is quite often a desirable side-effect of this shift of emphasis, but it certainly calls for a State that intervenes less and better, a State which is capable of mobilizing its scarce resources to attain selected priorities, a State which is able to direct its investment to areas which are key to enhancing the country's competitive position, such as

infrastructure and basic public services including better education and health-care; a State which is prepared to transfer to private hands companies which may be better managed by them; a State, finally, in which civil servants rise to the demands of society for better services.

And all this has to be made at a time when democratic values and a strengthened civil society compound the demands for change. This transformation of the State must also be conducted within an economic context of fiscal discipline and austerity in public spending, in which the State has fewer financial resources.

This is no easy task. It requires a change of attitude and a determination to fight against vested interests in the public sector. But there is no alternative. In the case of Brazil, we have, in a nutshell, to rebuild the State if we are to stand any chance of managing successfully the transition from an inward-oriented development model to one in which our economy becomes integrated into the world trade and investment flows.

It may seem paradoxical that this reshaping of the State in no way conflicts with traditional ideals of the Left (and I am proud to be a founder and member of the Party that represents Social Democracy in Brazil). By reallocating its resources and its priorities to education and health in a country with sharp social contrasts such as Brazil, the new State will be contributing to something it failed to do in the past: to promote equal opportunity at a time when qualification and education are a pre-requisite not only for finding a job, but also for increasing the degree of social mobility.

Today, more than ever, long-cherished goals of the Left may be attained in conjunction with and because of our efforts to enhance national capabilities with a view to participating competitively in the world economy. In addition, this transformed State needs to be stronger in the discharge of its social duties and better prepared to regulate and control the newly-privatized activities.

The difficulties of this process of transition in the role of the State are felt everywhere and cannot be underestimated. The reform of the social security system in France and the hard negotiations for the approval of the US budget are illustrations of the obstacles Governments must overcome, basically because there are no immediate and clear-cut answers to the challenge of transition. Abandoning the traditional practices of the Welfare State does not imply putting aside the need for better living standards for our peoples.

2. Some political implications of economic globalization

From what I have said so far, one may be under the impression that the globalization process would respond only to market forces. From the perspective of both the allocation of financial resources and decisions concerning productive investment, the market is really a decisive factor. But we should avoid the mistake of drawing, from this fact, misleading conclusions.

The first such misleading conclusion would be to consider that seeing globalization as the result of market forces alone would exhaust the debate on the matter. This is not true. The framework within which the market operates is politically defined. The power game among nations is not absent. Neither is the possibility of economic co-operation among States. Foreign trade negotiations are still conducted through dialogue among States in fora created by them, in particular those concerning the definition of the rules in which competition occurs. Economic clout is a key factor in these negotiations, as well as in the settlement of bilateral trade disputes. In some cases, economic powers invoke their influence to circumvent the very multilateral disciplines they themselves have proposed. Subsidies in agriculture clearly illustrate this trend. On the other hand, the recent movements towards the creation of schemes of regional integration, which are a characteristic of the

nineties, are also initiatives with which Governments have tried to influence the direction of economic globalization.

The second dangerous conclusion would be to transform the market into a form of ideology, according to which everything that falls into line with market forces is good, positive, brings development, whereas every political decision meant to regulate competition forces is viewed as negative.

It is the precisely the recognition that there are "limits" to the market that enables us, developing countries, to act politically in defense of our national interests. But the forms of such action, of regulating the globalization process, vary among different developing countries. Whether we want it or not, economic globalization is a new international order. We must accent this with a sense of realism lest our actions be devoid of any effective impact. This does not imply political inertia, but a whole new perspective of how to act on the international stage.

We must also accept our differences. The South is not a single entity. Globalization has accelerated and deepened the differentiation among developing countries in terms of their capacity to take advantage of international investment and trade flows.

When I wrote my books on the dependency theory, the underlying hypothesis was that the international process of capitalism adversely affected conditions for development. It did not prevent development, but made it unbalanced and unjust. Many considered economic inward-orientation was a possible form of defense against the alternative of an international integration regarded as risky and dangerous. This view has changed. We have to admit that participation in the global economy can be positive, that the international system is not necessarily hostile. But we should work carefully to seize the opportunities. Successful integration into the global economy depends, on the one hand, on diplomatic articulation and adequate trade partnerships, and, on the other, on the individual homework of each developing country based on a democratically built consensus.

3. Globalization and marginalization

I would like now to turn to another consequence of globalization: the question of social inclusion and exclusion. My first remark is that globalization is giving rise to a new international division.

The cardinal points no longer satisfactorily explain the world. The East-West and North-South divisions were concepts my generation used to deal respectively with the political reality of the Cold War and the economic challenge of underdevelopment. The international situation of the mid-nineties is much more complex. The world today is divided according to those regions and countries that participate in and share the benefits of globalization and those which do not. The former are generally associated with the idea of progress, inprovement and wealth, the latter with exclusion, marginalization and misery.

It is true that globalization has produced a window of opportunity for more countries to join the mainstream of the world economy. The Asian tigers and even Japan are a case in point. They were able to take advantage of opportunities in the world economy by a mix ot policies which comprises, among others, developing a well-trained and skilful labor force, increasing substantially the domestic savings rate, and adopting export-oriented models based on selective intervention in certain sectors.

For other developing and more complex countries, including Brazil and India, integration into the global economy is being pursued at the cost of greater domestic adjustment and at a time of fierce

international competition. Our achievements are well known. I have no doubts that our two countries are succeeding in gradually reaping the fruits of the deeper relations they are establishing with the rest of the world. The same will apply to the so-called economies in transition, even though they are having to pay no small price to reform their economies from the centrally-planned model of the past to the free-market principles imposed by today's reality.

A question mark applies, however, to most small developing countries. Will they ever be capable of coping with the challenges of globalization? Are their peoples condemned by a perverse logic to live in absolute poverty, to rely on foreign aid in a world less willing and ill-prepared to provide it? I do recognize that the difficulties they have to overcome are enormous. Yet, I do not resign myself to accenting their fate as predetermined to failure, as if nothing could be done, as if the international community could live comfortably with indifference and inaction towards them. Marginalization perverts the good conscience of humankind.

But marginalization is by no means confined to those countries not yet integrated into the world economy. It grows inside otherwise prosperous countries. For globalization means competition founded on higher levels of productivity, that is to say, more output per unit of labor. Unemployment has therefore resulted from the very reasons that make an economy successfully competitive. The situation is particularly serious in Europe. Those who are laid off in rich countries may resort to social safety nets of different scopes. Some may be retrained to find a replacement job.

However, little can be done to alleviate the frustration of the young willing to enter the labor market without having been able to find a job. Hopelessness, drugs and alcohol abuse, family disruption are some of the problems brought about by unemployment and consequent marginalization. There is a sentiment of exclusion, a certain malaise in vast segments of the rich societies, fuelling violence and, in some cases, xenophobic attitudes.

How to deal with the complex problem of unemployment is a challenge to which practically all countries participating in the global economy are faced with. The answer to it is certainly not to be found in a reaction to globalization, by either closing the economies to trade with foreign partners, which can only aggravate the marginalization of a country, or introducing unnecessary rigidities in the regulatory framework of labor relations, which is a step that runs the risk of preventing rather than stimulating job creation.

Though job creation is hardly a direct responsibility of Governments, there is a wide range of possibilities for them to address the problem. The first and maybe more important measure Governments can take is to promote sustained growth by adopting adequate economic policies. The second measure would be to promote programs both by the official agencies and the private sector aimed at retraining workers laid off by sectors in which they can no longer find a suitable job.

A third step is to make the regulatory framework of labor more flexible so as to preserve jobs, by, for example, allowing companies and workers to negotiate freely a range as wide as possible of issues such as the number of working hours and vacation days, payment of hours exceeding the normal working day, etc. Flexibility of labor relations should also result in lesser costs for the hiring of workers. Finally, there are some official instruments which can be linked to expanding job creation such as financing by State banks and tax incentives.

In countries with large populations such as Brazil and India, consideration must also be given to the operation of the so-called informal economy as far as job creation is concerned. To what extent does the informal economy reduce jobs in the formal economy and to what extent does it offer

additional jobs? Better knowledge of this question is necessary for us to draw the right conclusions and take appropriate action.

III. CONCLUSION. THE SCOPE FOR INTERNATIONAL ACTION. THE ETHICS OF SOLIDARITY

Let me now conclude with some brief comments on what can be done by the international community to cope with the negative effects of economic globalization, which will influence our national options in the foreseeable future.

As I said, globalization has created exclusion of those poor countries which have not so far shared the fruits of the process. It has also created marginalization, inside those rich and developing countries integrated into the world economy. But it has also multiplied wealth, unleashing productive forces on an unprecedented scale. Shall we renounce to the positive elements of globalization, to the possibilities of wealth offered by it, and turn back the clock of History, admitting we could do so? The answer to this question is certainly negative.

How then can Governments and Heads of State act to mitigate the painful side-effects of marginalization at a time when the role of the State has changed and somewhat been reduced? Just as States can correct social imbalances internally, so it is possible to think of a group of States being capable of proposing ways to attenuate the social consequences of globalization. This is not simple. We are aware that problems today are global in nature, such as international capital volatility, drug-trafficking, protection of the environment, migration, etc.

The challenge is to make the transition from recognizing the existence of global problems to devising concrete instruments and establishing effective mobilization for change among all countries. Without having the pretension of offering a full answer to that question, may I suggest that a good beginning is for us to present proposals for change which can meet four conditions:

a) the first one is that proposal for change be universal, that they can build, through negotiation and example, some form of consensus of interests among States, rich and poor, developed and developing;
b) the second condition is that all proposals be feasible and do not exacerbate rivalries, that they be neither unrealistic nor naive;
c) thirdly, that proposals be capable of mobilizing those States and other actors which have a clear capacity to influence the negotiating process;
d) and the fourth condition would be that proposals incorporate an ethical content that makes them capable of overcoming the mystique of the market and the sheer power game.

It is time for us to try to re-instill the ethics of solidarity within the State dealings and, through them, to the whole of society. Governments cannot do everything. Nor can world leaders. Yet, because of the role they play, the example they can give, they can act as catalysts for change, for reintroducing ethical values at a time when such values are badly needed.

At the international level, the ethics of solidarity can lead to new utopias, albeit more modest ones, to fulfil the ideological vacuum left by the demise of the great utopias of the past. The ethics of solidarity should reintroduce in the international agenda the subject of co-operation for development within a new perspective, capable of combating indifference towards marginalization, exclusion, famine, and disease, which are at the root of migration and violence world-wide.

Internally, in each of our countries. the ethics of solidarity should be put at the service of creating new forms of partnership between society and the Government, of helping organize society through education in such a way that it becomes more self-reliant and less dependent on Governments with

fewer resources, of attaching added importance to community development and to nation-building. Citizens and above all the elites have a social responsibility they must exert if we are to live in a better world.

I end here my remarks knowing that, though being different by history and geography, India and Brazil share similar problems and challenges. Today I touched upon some of these. We will tackle them from different perspectives but looking for the same results: to work towards worldwide prosperity, to improve the living standards of our own peoples and to reduce the marginalization of their poorer segments. I can only hope that India and Brazil will succeed. And that they will be united and working together in the future.

REMARKS BY THE PRESIDENT
BILL CLINTON
TO THE THIRD ANNUAL DEMOCRATIC LOCAL COMMITMENT CONVERSATION
BALTIMORE CONVENTION CENTER
BALTIMORE, MARYLAND
14 JULY 1999

This is the third National Conversation about a talk that Al From and I have been having for nearly 15 years now. Today we can have a very different conversation than we had 15 years ago, or even half that long ago, because of the proven success of new Democratic ideas. When I first ran for President back in 1991, I asked for a change in our party, a change in our national leadership, a change in our country. The American people have been uncommonly good to me and to Hillary, to the Vice President, to Tipper, to our administration, and thanks to their support, we have changed all three things. The ideas of the men and women who are here today are rooted in our core values of opportunity, responsibility, and community. They have revitalized our party and revitalized our country.

We won the presidency in 1992 with new ideas based on those values, because the American people could see and feel the old ways weren't working. We won again in 1996 because, we turned those values and ideas into action. And they did work to get our country moving again, they did help real people.

Now, as we move into a new era and a new millennium, these ideas, as all of you well know, have spread around the world. They've helped center-left parties to take power in Great Britain and France and Germany and Italy and Brazil. They have sparked the kinds of debates and discussions that you have been having in virtually every country in the world where people take politics seriously. The Third Way has become the way of the future.

And when you hear our friends in the other party sort of use the same words in the same way, if imitation is the sincerest form of flattery, that, too, is something we should welcome.

I told the little story at the first because, rhetoric and reality are sometimes two different things, and it's better when they're not, when they are the same thing. But it shows you the grip that the idea of a dynamic center has on thoughtful people throughout the world. It shows you how desperately people want new ideas, experimentation, an end to bitter partisanship, a genuine spirit of working together. And wherever that exists, it is a good thing.

As we move into the Information Age, we really, as Democrats, have reclaimed the true legacy of Franklin Roosevelt, which is not a particular set of programs, but a real commitment to bold experimentation; to the idea that new times demand new approaches, and often a different kind of government.

America was ready to listen to that back in 1992. It's almost hard to believe now, and we may have to remind our fellow citizens in times to come just what it was like back then. How high the unemployment was; how stagnant the wages were; how steeply growing the inequality was; how fast the social conditions were worsening.

Then, the Democrats were seen too wedded to the programs of the past to make the necessary changes for today and tomorrow. The Republicans were too committed to the idea that gov was the cause of all of our problems, and neglect, therefore, was the right response.

They won election after election at the national level by sort of dividing our people and putting up cartoon caricatures of our Democrats – long-term future. And what I am trying to get the American people to focus on now, and the Congress, is that in the remaining days of this century and this millennium, we will either explicitly or implicitly make some very large decisions that will affect our country for a long time to come.

I think that we have shown by results that our Third Way is the right way for America, for our economy, and for our society. In the weeks to come, around the budget we will have a huge debate over great national priorities. We will have to make a choice that five or six years ago you never would have believed we'd be making, which is how are we going to use the fruits of our prosperity.

If somebody had told you six years ago, the biggest debate in Washington will be what to do with the surplus you would never have believed it. Now, I think the answer is to stick with the economic strategy that brought us to this great dance and to deal with the great challenges still before us.

So I gave the Congress a budget that will do big things – that will meet the challenge of the aging of America by saving and reforming Social Security and Medicare; that will do it in a way that will make this country debt free for the first time since 1835. That will raise educational standards and end social promotion, but provide for summer school, modern schools, and 100,000 more teachers and hooking up every classroom to the Internet by the year 2000. That will make America safer with even more community policing and more efforts to keep guns out of the hands of criminals. That will make America more livable with the Vice President's livability agenda. That will provide genuine tax relief to the people and the purposes who really need it at a price we can afford, without undermining our prosperity, including our new American markets initiative, designed to give Americans the same incentives to invest in the poor areas of America we give today to invest in the Caribbean and Latin America and Africa and Asia. I think that's a very important thing to do.

I might say all of you would have gotten a big kick seeing Al From and Jesse Jackson walking arm in arm across America last week. It was good for America. It was good for the Democratic Party. It was good for the people that lived in Appalachia and the Mississippi Delta, in East St. Louis.We went to Pine Ridge Indian Reservation in South Dakota. We went to South Phoenix. And we ended in LA. These are big things. These are big, big things. And we will decide, directly or indirectly, whether to embrace them. The decisions cannot be escaped.

You all know the basic elements of my plan. I want to use the bulk of the surplus to save Social Security. I want to set aside 50% of it to reform Medicare and to begin with a prescription drug benefit, which would have been in any program if it were to be designed today from the start. I want to provide substantial tax relief, $250 billion of it, targeted to help families save for retirement, to deal with child care and long-term care needs, to help to deal with some of our larger challenges including modernizing our schools, adjusting to the challenge of climate change, and as I said, investing in America's new markets.

If we do it the way I have proposed, this country will be out of debt in 2015. Now, I would like to tell you very briefly why I think that is a good idea. First of all, you all know we live in a global economy. Interest rates and capital availability are set in global markets. If a wealthy country like the United States is out of debt, what does it mean? It means interest rates will be lower; it means there will be more business investment; it will be more jobs; it will be higher incomes. It means that for ordinary citizens, their car payments, their house payments, their credit card payments, their student loan payments will be lower.

It means the next time there's a financial crisis in the world, we won't need to take money, and the needy, vulnerable countries will be able to get the money they need at lower interest rates, which means not only their people will be better off, but they will be better trading partners for us and their democracies will be more likely to whether the storms.

This is a progressive idea today, and we ought to stick with it. Now, I realize 16 months before an election the allure of "I've got a bigger tax cut than you do; come look at my tax cut", I mean, that's got a lot of appeal, you know. And it doesn't take very long to explain. You can put it in a five-second ad – "our tax cut is bigger than theirs." But I'd just like to remind the American people, number one, look at the results we have achieved in the last six and a half years by looking to the long run and doing the responsible thing. Number two, every ordinary American citizen, and virtually every wealthy American, will be better off over the long run with lower interest rates, a more stable economy, a more growing economy, than with a short-term tax cut. I'm not against a tax cut. We've got a good one in here. But if we don't fix Medicare and Social Security, and we let the baby boom generation retire, and worry about whether these systems are going to go haywire, and we impose on our children the burden of taking care of us when it is absolutely unnecessary, undermining their ability to raise our grandchildren, we will never forgive ourselves – just because there is an election in 16 months. It's wrong.

The Vice President and I had a meeting with the Republican and the Democratic leaders of Congress, and we told them that we wanted to work with them. And we have worked with them in the past, as I said, with welfare reform and the Balanced Budget Act. But we've got to stay on this new way. I think that on this issue they're still committed to their old ways.

The Republican leadership unveiled a tax plan that I believe could wreck our economy. It would certainly wreck our fiscal discipline. Let me explain what is wrong with their plan. Their tax plan would devote just about all of the surplus that doesn't come from Social Security taxes, all the non-Social Security surplus to a tax cut. First of all, if they did that it would leave no money for Medicare. Every responsible analyst of Medicare says there are just so many people drawing and so few people paying in – as the baby boomers retire, that will be twice as many people over 65 in 2030 as there are today – everybody says you've got to put some more money in. So there would be no money for that.

Secondly, it would require, as our economy grows, real cuts in education, defense, the environment, research, technology, the kinds of things that we have invested more in. We have almost doubled investment in education and technology, as we have shrunk the size of the government and gotten rid of the deficit and eliminated hundreds of programs. So it won't work.

The second big problem with it is that if you look at the next 10 years, not just the first 10 years – that is, the 10 years when the baby boomers will retire and when we ought to be paying off the debt, their tax cut will really be big – and it will put us back into debt.

So remember now, I'm not going to – I hope I will be one of the people just out there drawing my check, you know. I'll be out of here. But think about this – especially the younger people in this audience. In the second decade of the 21st century, just when the baby boomers start to retire, just when Social Security and Medicare begin to feel the crunch, just when we could be debt free for the first time since 1835 – at that very moment, their tax cut would swallow the surplus and make it impossible to meet our basic commitments.

I have asked the Treasury to report as soon as possible to me on what their tax cut costs in the second 10 years of this decade. We should not undo our fiscal discipline. We should not imperil our

prosperity. We should not undermine Medicare. We should not make big cuts in education, defense, research and technology, and the environment. I won't allow that sort of plan to become law. It wouldn't be right.

Now, again I say, we can have a tax cut, we ought to have a tax cut, but we ought to do it in the right way for the right reasons, and we ought to put first things first. We should save Social Security and Medicare, meet our responsibilities for the next century before we go off talking about the tax cut.

Some of this is basic arithmetic. We had years and years in the 1980s when people said there is no such thing as basic arithmetic. There is supply-side economics. And they said supply-side economics would dictate a huge recession after our '93 economic plan passed. But the American people don't have to guess any more.

We tried it their way, we tried it our way. There is evidence – and I'm telling you, I don't care if the election is next week, never mind next year; we have worked for too long to get this country out of the hole. We are moving in the right direction, and we must not compromise the future of America and the next generation just for the next election. It would be wrong, and I want you to help us get that message out there.

The same thing is true on crime. The DLC had a lot to do with our ideas about fighting crime. And you remember what they were: We wanted 100,000 police. We used to go – our DLC trips, we'd go to these places and we'd go look at these community policing operations that were already bringing crime down in cities in the early '90s. We wanted the Brady Bill, we wanted an assault weapons ban, we wanted targeted, tougher punishment and broad prevention programs for our young people – and the program is working.

The real choice, as the Vice President pointed out, is not between stronger punishment and better prevention; the real choice is to do both. But I hope the DLC will not give up its ideas on fighting crime just because we're at a 26-year low. Because if you're one of the victims, the crime's still too high.

We could make this country the safest big country in the world if we would do the right, sensible things to do it. I thought the Vice President put some great ideas forward. And that's what this election ought to be about. Even the commentators on the other side point out that so far, he's the only person who has actually said what he would do if the people gave him the job, which I think is a reasonably good idea to do.

You probably ought to tell people what you're going to do when you get the job, and then you would be more likely to do it. And I believe the central reason for the success that we have enjoyed is that we worked – Al and I and others and my folks at home, we worked for years to think about exactly what ought to be done. And so, if you look at what he said, we ought to apply reforms that are working in the private sector at many levels of government to revolutionize the justice system. We ought to take the next step on licensing people who own handguns to make sure that they're trained to use the guns and that they should have them, and that would solve all these loopholes, because if you had a bad background, you couldn't get a license, you couldn't own one.

This is not going to keep anybody from being a hunter or sportsman. This is not to undermine the fabric of life in America; it's going to make it safer. And this is a very serious issue, so I would urge you to keep up your interest not only in the economic issues, not only in the entitlement reforms, but also in the question of how we can make America the safest big country in the world.

When I was running in '92, we were just trying to get the crime rate down. Everybody thought it was going to go up forever. Now we know we can bring it down. I think we ought to commit ourselves to making America the safest big country in the world. When I was running in '92, everybody said we've just got to get the deficit down, got to try to balance the budget. Now, we can imagine making America debt-free. We can do things that are not imaginable at the moment if we will have good ideas and work on them in a disciplined way.

So I think that the other candidates ought to follow the Vice President's lead and tell us where they stand on these crime issues. And on the other issues as well. There will be clear choices here. Will we have common-sense gun laws, or government by the gun lobby? I'll never forget when I went to New Hampshire in 1996. Just for all you elected politicians who think you can't survive this stuff, they voted for me by one point in '92 and I was grateful, because they normally vote Republican. So my first meeting, we had a couple of hundred largely men in this audience in their plaid shirts, waiting more for deer season than the President's speech.

And so I told them, I said, you know, in '94, you be the Democrat Congressman up here, and you did it because you voted for the Brady Bill and the Crime Bill and the Assault Weapons Ban. And I want you to know he did that because I asked him to. So if you have, since 1994, experienced any inconvenience whatever in your hunting season, I want you to vote against me, too, because he did it for me. But if you haven't, they lied to you and you ought to get even.

In New Hampshire, our margin of victory went from one percent to 13%. You can do this. Tell the American people the truth about these things. Just go out and tell people the truth about these things. I feel the same way about welfare. I had to veto two bills that the Congress passed, because I thought they were too tough on kids. The took the guarantee of nutrition and health care benefits away from children.

After we put that back in, I believe the welfare reform bill was right because I thought we ought to require able-bodied people to work, and because letting the state have the money for the benefits was not a big deal since the states had radically different levels of benefits anyway. And remember – in our welfare reform bill, we left the states with the same amount of money they had in February of 1994 when the welfare rolls were at an all-time high, even after the rolls dropped, so that they could be free to put the money back into training, to child care, to transportation, to the things people need.

We've still got work to do to make sure that work pays. With the strong support of the DLC back in '93, we doubled the earned income tax credit. Then we raised the minimum wage. We put more into child care. But I want to do some other things. First of all, we are changing the rules so thousands of poor working families won't be denied food stamps as they are today just because they own a reliable car. We're going to change those rules, and we should be for them.

We're also going to get rid of some of the old reporting rules and launch a national campaign to make sure that working people know there is no indignity in taking public assistance to help feed their children if they're out there working 40 hours a week.

And finally, let me say I hope you will really give a lot of thought to the project that Al and I and others were on last week. How can we go across that bridge to the 21st century together? How can we bring the spark of enterprise and opportunity to every community? There are still a lot of people that haven't participated in this recovery, and a lot of places that we didn't visit last week. There are

still a lot of small- and medium-sized towns that lose just a factory, but have real trouble restructuring their economy.

We presented this New Markets Initiative which I said I think is very good because it will give the same incentives to people nationwide that they only have in the empowerment zones today to invest in those markets. But we need to do more. A fertile, fertile ground for DLC endeavors is involving everyone – every single American who is willing to work – in American enterprise. We can do that.

And let me just make one last point as we segue into the next part of the program. The DLC now takes a lot of justifiable pride in the fact that the ideas we have long championed are now being debated in Berlin or London or some other world capital. But that's not why we got into this.

We got into this to prove that politics had a positive purpose in the lives of ordinary citizens. And therefore, it is far more important for us what is happening in Sacramento or in countless other legislators in city halls across America. You are still on the front line of the battlefield of ideas. You must lead us forward.

I have taken enormous pride in the work of Lt. Governors like Cruz Bustamante and Kathleen Kennedy Townsend. I have taken enormous pride in watching mayors like Kirk Wilson in Austin and Don Cunningham in Bethlehem. I see my former colleagues in the Governor's Association continuing to do remarkable things and people in other state offices. Don't forget that.

I close with these words. Robert Kennedy, who I believe was trying to do something like what we've been doing when his life and career were cut short in 1968, said, "Idealism, high aspiration and deep conviction are not incompatible with the most practical and efficient of programs. There is no basic inconsistency between ideals and realistic possibility. No separation between the deepest desires of heart and mind and the rational application of human effort to human problem." That is a good statement of what we believe and what you were doing.

I thank you for your hard work, and I ask you to remember – you can celebrate our achievements all you want, but the American people hire us for tomorrow. Thank you and God bless you.

CONTRIBUTION OF
MASSIMO D'ALEMA
PRIME MINISTER OF ITALY

THE NEW DEMOCRATIC PROJECT [1]

The Left has continued to show a vitality and resilience even when it seemed unthinkable. The failure of free-market recipes in the countries of Eastern Europe and the birth of social-democratic forces guiding the tumultuous process of transformation is just one example. As it often happens, events have disproved many recent analyses, overturning what appeared to be the dominant forecasts about the changes of 1989 (of which we celebrated the tenth anniversary just days ago).

According to many, the Left would not have survived its defeats: the crisis of the welfare state in the West and the collapse of communism in Eastern Europe and Russia. Others held that it had simply exhausted its historical function, after having infused with its ideas a century which has witnessed the most extraordinary expansion of social rights. But, in the words of Norberto Bobbio, "as long as there are men whose political engagement is motivated by a profound sense of dissatisfaction and suffering at the injustices of contemporary society, they will keep alive the ideals that have characterized every variety of the Left for over a century of history".

Nowadays, perhaps more than ever before, the vitality of the Left depends essentially on its ability to reassert itself in a new form and to transform itself.

A creative capacity to project the future is all the more necessary. The Left is inextricably linked to its ability to re-invent itself and to renew its role as a force for change; to the capacity to intervene, to correct, adjust, regulate. At the core of the Left's identity, must be a concept of politics understood as the ability to accompany real social processes, governing them, developing projects that express a perspective of values and objectives, not an abstract social model.

What is the fundamental identity of this modern Left, which has apparently been deprived of the points of reference it had in the past? There are significant words, permanent values, that can help define the modern Left: equality, liberty. But when we say "equality" we must add: not sameness, not levelling. And when we say "liberty" we must specify: freedom from want and freedom to choose, within a framework of common rules. On these two great principles the Left expresses not only a powerful point of view but also an instinctive ideal belief.

But neither of these words "identifies" the modern Left as strongly as the word "democracy". The modern Left has been and must remain the force capable of devising and carrying out the compromise between capitalism and democracy, between the needs of the economy and those of political consensus. It is the force capable of "squaring the circle", using Ralf Dahrendorf's famous expression, between the production of wealth, social cohesion and consensus, and the maintenance of democracy. The Left must develop a democratic project that is not just responsive to events, but tries to transform social conflicts into opportunities for inclusion, consistently with the overall workings of society.

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[1] This text is a reworked and supplemented version of a series of points drawn from writings and speeches of the author in 1998 and 1999.

Nowadays this task requires a complete change in perspective. In the West, and especially in Italy, the strategy used by the Left when dealing with the political system has been to struggle in order to gain greater spaces for concertation and for political action. For too long it aimed at defending the spaces achieved, adopting a too defensive approach. The Left did not concentrate enough on the need to combine participation with decision; and now discovers that a viable political system, capable of making choices and carrying out decisions is perhaps more necessary than in the past.

THE DOMAIN OF POLITICS

Individual freedom, opportunity for all, economic growth, participation and decision belong to the domain of poltics. And politics is the domain of the Left, the field where the weaker parts of society and the market have always struggled and negotiated their gains and achievements. To be sure, politics must be redefined because its instruments, its channels of communication, its links with society have been severely weakened. Today the task of politics is to represent the complexity of contemporary society, weaving a pluralist fabric, reconstructing the routes that lead from complexity to decision and to synthesis. These paths must be organised, structured, and participatory; they must counter the authoritarian illusion of reducing complexity, but at the same time they must not simply cave in to various social pressures without selecting among needs, building proposals and projects.

The Left today has to learn how to represent those individuals who live in modernity and in a dense network of intermediate communities. This kind of social fabric is constituted by people whose identity is not class solidarity but the idea of belonging to a community. This idea lives first and foremost in the family, which remains the fundamental locus of affection and of interests even in contemporary societies; but it also thrives in voluntary associations, groups dedicated to working on single issues. These communities are the most effective liaison between civil society and the state, the best place to deal with composite, and at times conflicting, interests. By their very nature such associations are pluralist; and offer the possibility of designing a state no longer rigid and static.

This is part of the rethinking now undertaken by the European Left. And the Italian left shows it has moved in this direction in the development of a federalist plan for the reorganisation of the state based on the principle of subsidiarity. This plan goes beyond regional federalism and identifies cities as central actors: the "hundred cities" of Italy. This is the way to reorganise the public sphere, bringing it much closer and making it much more accessible to ordinary citizens, leaving behind the abstract statalism which made state action increasingly ineffective.

Nor need the Left fear that dose of *techné politiké*, necessarily connected to the exercise of political activity. Jacques Delors wrote that "There exists an art of politics, that strange mixture of analysis of reality, measurement of constraints, and the way to reach a solution that is not only valid but acceptable."

Likewise, the Left must measure itself with the problems of communication, if only because it must learn to communicate its message to millions of citizens whom the traditional channels no longer reach. If communication becomes a substitute for active, aware participation then, as Bobbio said, it can become inherently right-wing. But communication may also be a supplement, an additional element in a broader and more complex network of relations between individuals; not a telematic marketplace but a sphere of informed, critical participation. In this sense, communication may be an instrument of modern democracy.

THE NEW CHALLENGES FOR REFORMISM: A NEW INTERNATIONALISM

What practical challenges does a democratic project face nowadays? What are the possibilities of creating a new pact between growth and solidarity, between equality and new opportunities?

The first, though not only, fundamental question before the Left during this time of transitional *fin de siècle* is that as much the national state was the guarantor of a certain type of compromise between capitalist development, democracy and social rights, similarly today there is the need for a supranational dimension of politics to govern globalization. Globalization is not a monster; but neither is it a value as such. Rather, and quite simply, it is the condition in which we are living. And if governed, it may be an extraordinary opportunity for growth and to involve masses of men and women in a process of economic growth, assertion of identity, and increasing wealth.

The great problem for modern reformism is that globalization cannot be governed by a power that is not socially and institutionally accountable. It requires the formation of an international political order capable of regulating its expansion and its growth and of reconciling this great economic and financial process with the worldwide establishment of the values of democracy, individual and collective freedom, consistently with a fair division of opportunities, of people's chances for well-being and life. The first and foremost task is a firm dedication to the construction of the new Europe.

I am convinced that Europe is the main challenge for reformism that modern European socialism must carry forward. European political unity and the emergence of Europe as a global player within the framework of a new system of international relations are the most important choices that European reformism must make and in which it must lead the way. This is not a banal or self-evident assertion. European unity has not traditionally been an idea of the Left - historically, it arose under a different label. If anything, for many years the Left viewed the process of integration diffidently, as a potential threat to national social pacts and to the power of the national state to which the Left was for so long attached, generally considering it a bastion against a form of capitalism without rules and as the ultimate guarantor of social rights.

Europe is becoming a global actor, and this certainly constitutes a great responsibility. With the end of the Cold War, the birth of the single European currency and its accompanying political process are the first major political processes which lead towards overcoming an international scenario in which the United States is the only global player. It is easy to see, today, that the single European currency is a political event of fundamental importance. A somewhat dated polemical stance ("The currency is O.K., but then we'll need politics") expressed a right concern, but in the wrong way. The Euro is a great political event and I am convinced that already it is modifying the international situation.

The Euro urgently raises the issue of reforming the international monetary system and the institutions that govern the world economy. Alongside the dollar, the European currency will be an international reserve currency, producing a balance that will benefit the world economy. Among other things, the Euro will allow the poor and weak nations to diversify their reserves.

I believe that the reformist Left must work to make Europe, the European Union as such, a real protagonist on the international scene, not only with growing responsibilities in economic, financial and commercial matters but also by reinforcing the Common Foreign and Security Policy. In a word: the new culture of stability and openness must be viewed, on the international scale, in close connection with the idea of Europe as an active and united factor for global stability.

From the point of view of the European Left, these are key points on the agenda upon which convergence is possible; not only broad cultural convergence but practical projects to govern

globalization together with the democratic forces that on the other side of the Atlantic rule the United States. Crucial for global governance is the creation of a new institutional "architecture", that would include a revised role of the IMF and the G-8, and measures that must also touch on the United Nations system. In this connection, the proposal of the Socialist International to complement the UN Security Council with an Economic Security Council could be taken into account, a choice reflecting the need to involve in important decisions not only today's "great powers" but also tomorrow's. The key role of countries such as China and Brazil was forced onto the world's attention with the most recent international financial crisis. These emerging great powers must be associated with the key decisions of international economic policy, precisely because of their crucial role.

In short, I believe that the objective of reformists is not just to make Europe an active part of a reformed international system of governance, but also to progressively enlarge the sphere of this governmental function, involving the main emerging countries whose already growing role makes them indispensable. As an integrated region, Europe must support the development of a network of relations between regional institutions - the institutions of the major regions of the world - as a key to the governance of the international system.

The second area to develop in order to assert Europe's global role is the sphere of a Common Foreign and Security Policy. This field is marked by numerous and complex issues, amongst which the importance of national policies and the specific role of the great European powers that were among the victors in the Second World War and are permanent members of the UN Security Council. In the area of security there are major institutional issues as well, complicated by differences in institutional membership and affiliation (NATO, EU, WEU).

I think we need to work for simplification, starting from the integration of the Western European Union into the EU. But the main problems, as the Kosovo crisis revealed, are more basic: political will and military capability are more and more intertwined. A common foreign policy is unthinkable without an adequate military capability, and this raises the more general problem of a new defence model, relying on less "heavy" but more effective capabilities in the service of peace-keeping and peace-making and humanitarian missions, which are now essential features of European foreign policy. All this also means abandoning some of the traditional shibboleths of the Left while at the same time pursuing the active international promotion of a broader concept of security which needs to embrace the security and the human rights of the individual: "human" security and not just the security of national states.

Naturally this approach must be set in a framework of international legitimacy. There is a limit which I believe cannot be overstepped: these instruments for intervention must enjoy a strong international legitimation. The real dividing line, in fact, is not between interventionism and pacifism, which rejects the use of force even when it is indispensable to restore law and safeguard human rights, which must be the guiding values and principles of European foreign policy. The real discriminant is that the use of force for the defence of human rights must come within the framework which increasingly holds together will, capability, and international legitimacy. This requires the establishment, in the international law and the international relations of the new century, of a "right and duty" for humanitarian intervention, of which the premises are being founded today but still require definite criteria and rules.

As far as Italy is concerned, action in Bosnia, Albania and Kosovo, adhesion to the Schengen system, the rediscovery of its vocation as a bridge between Europe and the Mediterranean and between the West and the Balkans, its role in Europe, all testify the political importance and the

responsibilities Italy has undertaken and carried out honourably. Now we must go beyond this and work to make Europeans identify themselves as citizens of the same political community.

The idea of a common European citizenship grows together with the growth of common institutions. Institutional reform is thus an essential and vital prerequisite to the historic process of enlargement. Without institutional reform, we would risk the paralysis of the Union or slipping back to the old liberal idea of Europe as simply a free trade area, as a common market. Enlargement, in short, should not be considered a negative constraint on the advance of political Union. It should instead be seen as an essential positive incentive for tackling boldly the institutional reforms needed to make the European Union more transparent, more efficient, closer to its citizens, and more capable of making decisions. Raising the question of institutional reform also means relaunching one of the traditional causes of the Italian Left, heir to the country's legacy of pro-Europeanism.

European institutions legitimised by the citizens will be strong if European political parties and European political leadership are strong. Otherwise, it is very unlikely that the institutions will develop any real strength.

While I am convinced that the development in Italy of a great reformist, socialist and European force is our national interest and would strengthen ties between Italy and Europe, I am equally convinced that by no means this would conflict with a centre-left coalition.

Given its social and cultural ingredients, the centre-left today is the position from which Europe is governed. Of course, this is but a tendency towards unity; then come national realities, the weight of national traditions, the diverse degree of efficiency of national administrations. The differences remain, but I prefer to put the accent on the convergences. And the common factor, today, is our powerful collective commitment as Europeans united in the name of reform.

This is the framework in which I place the experience of Italy's Olive Tree coalition: overcoming time-worn and anachronistic divisions, we have succeeded in uniting in a single alliance the best political traditions in the history of our nation - Catholic, secular, environmentalist, and of the Left – without giving up individual identities. Rather, each puts its own wealth of history and experience at the service of a plan for national renewal and progress. We can consider this a contribution to an international ongoing effort but not a formula or a model, especially as other leaders have offered other equally worthy ideas in our common endeavour to trace out the new paths of democracy, freedom, and progress.

THE NEW CHALLENGES FOR REFORMISM: ECONOMIC GROWTH AND SOCIAL SOLIDARITY

Against the background of a new social-democratic and reformist Europe, as Italians we intend to view the complex processes of globalization with the maturity of a major and advanced nation that has acquired the full legitimacy to play a global role. The Italy of the 1990s has been a surprise to many. It has dug down within itself to find the strength to shed old ways, thanks in part to a new governing class produced by the renewal of politics prompted by the advent of a majority-oriented electoral system, to the direct election of mayors and of provincial and regional presidents, and to the reinforcement of political bipolarism. And this has also fostered a new culture of government. The country has new criteria for the administration of the state and its resources. New political customs have been consolidated, recovering rigour and seriousness, which are essential traits to compete in a contest that is no longer played out within the sheltered and reassuring confines of the nation, but throughout Europe and the entire world. This is why we are convinced that in these years we have written an important chapter in the history of Italy, a broadly shared achievement that is not the work of only one majority coalition.

Today, as Europeans and not just as Italians, we face the complicated relationship between economic growth and labour, a central theme for the Left throughout its history. Today, the question arises in the following terms: growth is determined by the radical transformation of the quality of labour, now that information and communication technology have transformed the model of production. There are those who argue that the outcome of this process will be one of "despair", since post-Fordist productive organisation tends to swallow up the worker, taking not just his labour power but his very soul. I disagree. I believe that this qualitative change in the way we work and in the organisation of labour can lead to a greater independence for working people and to more creative jobs. Which of the two outcomes prevails will depend on the ability of the Left to put the primary emphasis make on the individual and his/her know-how, as well as to improve working conditions, health and safety, room for individual freedom, and the prospects for self-fulfillment at work.

The challenge is further complicated in the case of Italy (but not, perhaps, only of Italy), by the profound social fracture produced over the decades by the crisis of the social security system. On the one hand we have those who have enjoyed the social protection of the welfare state: a curious jumble of parts of the labour movement, mature or traditional industries, broad strata of bureaucrats and professionals, the social security apparatus itself, and large enterprises that have benefited greatly from policies absorbing social shocks. This social bloc has been inexorably undermined by the crisis of the welfare state, and the process continues to this day. And on the other hand a bloc is emerging, composed of the more dynamic sectors of capitalism (small and medium-sized enterprises and new professions), but also of many young people and women who no longer benefit from the income redistribution mechanisms of the old welfare programmes. This is a new social bloc which does not identify with the old welfare system and which in many regards appears to be more dynamic and innovative.

If we allow this cleavage to persist and deepen, if we remain entrenched within the traditional welfare system, the Left is doomed to defeat. It is doomed practically and it is doomed culturally, because that old social bloc is based on a criterion of citizenship which, if we want to stand up for our values, we cannot accept. The typical citizen of the old welfare system is essentially only the employed, unionized and male bread-winner. This traditional pattern marginalizes - excludes - young people, women, the weaker groups, and also the new groups. The Left that we aspire to must design a system of social protection that is authentically inclusive, that truly and effectively defends the weakest.

We need a welfare state that invests more in its future and in the younger generation, that transfers resources to innovation and to training, that offers more opportunities, better life chances, perhaps also by reducing the extent of guarantees and security. Such a model must abandon the rigidities of the old "social-democratic" compromise - which in its subsidy-oriented Italian version displayed particularly degenerate features - and counter the brutal, competitive individualism of the free-marketeering culture with the project for a more open, mobile, flexible society in a framework of guaranteed rights and opportunities. We have to work for this if we do not want to be thrown back into a conservative position, albeit in the noblest sense of conservation.

Herein lies the importance of the connection between freeing ourselves from the ties that block our ability to compete, from the vested interests and entry barriers, and the promotion of a society of citizens aware of their rights, strong and capable enough in their dealings with the bureaucracy, and with a public administration finally at their service. It is unacceptable for the talent and skill of a young person to be mortified merely because he or she did not have the luck to be born in the right

family. Starting up a business, moving, traveling, studying abroad are all activities and choices that the state must foster and encourage, not prevent.

This is why a reform of the welfare state to make it more open to the weaker segments of society and less directed to particular groups and interests is the proper foundation for a fairer society with greater equity in relations between generations: a society less fenced in by its own fears. Because a society that is afraid of its potential and its possibilities, that neglects its most active and energetic forces, is a society that has lost drive, moral force and hope.

And this is why politics must establish the universal nature of certain rights and ensure that everyone is represented. Above all, however, political action must ensure that work is at the service of people and not the other way around. As our young people and women are fully aware, work time and living time are still organized around needs that no longer correspond to today's society. The thrust of our commitment must be, as it already is, to formulate a strategy focusing on the rearrangement of working time and living time in Italian society, to broaden access to the labour market, and to create the conditions for "re-employability" to be something more than an empty phrase. This is the only way to deal seriously with the issue of flexibility; and by "seriously", I mean conceiving flexibility not in opposition to but in observance of these rights. Labour should be rewarded, the system of taxes and benefits must be reshaped in favour of lower labour costs and higher wages.

Discussing flexibility does not mean that European governments propose dropping the programmes of social protection that have characterized the experience of our continent. On the contrary, it means that precisely in order to safeguard the objectives of social solidarity we need to overcome the elements of rigidity within our models of welfare, and that more flexible and efficient labour markets - but not only labour markets – are needed.

There are encouraging experiences in this field, such as those based on the idea of "welfare to work", allocating resources and financial incentives for entry or re-entry into the labour market rather than subsidizing joblessness. Obviously, "welfare to work" - like any other leading idea in political strategy - cannot be allowed to become an abstract concept, or a new ideology. Rather, it is a principle that must be tested in practice. Ideology is a vice, a bad habit from which we are finally freeing our political strategy, but we must do the same for our economic strategies. Too much of the debate on the future of the European social model rests on preconceived ideas and not on examination and observation of the actual trends of change.

While there is a definite awareness that economic growth does not automatically create employment, significant attention is also being paid to devising policies that can bring (or return) individuals to work. We are perfectly conscious of the need for appropriate combinations of instruments of social protection together with channels of mobility and opportunities for training, to blend flexibility with workers' rights, in order to make flexibility a chance for mobility and occupational enrichment, and hence for true inclusion.

For this to come about, however, there must be a system of social programmes that does not merely provide welfare benefits and engender inequalities, but that is active and accompanies people in their work careers. And this requires a high-quality and efficient public presence. Today, our commitment is to rethink, not to abandon, government action; to rethink it in terms of planning, providing guidelines, encouraging and stimulating, but certainly not in terms of direct government management. Indeed, in some respects better qualified government action goes hand-in-hand with just the kind of privatization that Italy has courageously undertaken in recent years. For

privatization - when accompanied by liberalization and the regulation of markets - does not mean eliminating the role of the state but changing its content.

The question is to regain a vision of government action that is not one of day-to-day administration and management, that is not intrusive but not timid or hesitant either. We must claim the proper role of the state, set the rules of the game, indicate its objectives; and use all the instruments legitimately at the disposal of government to pursue them in perfect transparency. The rest, certainly, is up to the markets. But one must not forget that the essential condition of respect for market prerogatives and the necessary independence of government action is the setting of clear strategic goals. Where the strategic outlook is lacking, government action eventually comes to serve only particular interests, however legitimate, and fails to attain its goals.

In this way, I believe, it is possible to support and foster new economic initiatives, more modern industrial aggregations and a new kind of cooperation between private parties and local government to carry out plans for economic development in the more backward areas.

We are fully aware that after years of sacrifice Italy in particular expects a new course of reform, growth and development. This is the challenge facing all modern societies everywhere around the world: how to achieve the true liberalization of society, of the economy, of the market, of access to professions, and to ensure that this is accompanied by greater social equity, to the extension of individual rights, widespread social participation that does not retreat into the corporatist defence of particular interests.

Europe has reached the world's highest synthesis of economic development, political democracy and social cohesion; now Europe must become a freer society, richer in human terms and more just. Today thirteen of the European Union's fifteen member states are governed by reformist coalitions of the Left or the centre-left, because only the synthesis of these cultural traditions, in my view, can combine the values of competition and equality.

This means first and foremost equality of opportunity and equal chances to live a decent, dignified life: the possibility of change in the course of a lifetime - changing jobs, cities, occupations - and of improving one's condition and status to keep up with personal talent, merit, and capacity. Only real equality of opportunity makes competition possible. Without the same rules for all contestants, victory inevitably goes to the strongest, the richest, the best-protected. Indeed, without a robust, broadly accepted social fabric, there can be no real competition.

It is not true, as someone has said, that "society does not exist". What is true is that forging an original relationship between the individual and society is difficult. We must lay the foundations for responsible citizenship, where the desire for security, well-being, and social protection goes together with an understanding of the problems of those who have less, who have nothing, who are not in a condition to improve. The idea of a society where a better standard of living for some does not entail the worsening of the life of others, but their assistance must prevail; and this assistance must take the form of true social solidarity instead of bureaucratic, statalist solidarity.

This is all the more relevant in Italy, with its immense resource of voluntary service in support of the community, both Catholic and secular, its growth of associations - the voluntary and non-profit sector. This is an extraordinary asset, a wealth of human engagement, participation and civic passion. Often better than traditional public intervention, these experiences generate efficient, effective solidarity that defuses conflicts and produces social harmony.

The end of the automatic equation "growth equals jobs" and the crisis of the old model of welfare force us to drop the economistic and merely quantitative view of the processes of social inclusion and exclusion. We can counter that vision with our own idea of a future of growing possibilities for civic life and more rewarding human relationships. The richer the growth of relations between individuals, the more the significance of living together in a community and in a nation.

IMAGINING THE WORLD

Within a growing Europe, Italy is a great nation still going through a period of uncertainty whose outcome will be decisive for its future. This is the real challenge facing all our citizens. In less time than it took, historically, to recognize ourselves as "Italians", we have to get used to calling ourselves "Europeans": European in the coins we use to buy our morning paper or coffee, European in the way we organize our work, our studies and our social mobility. European also, let us hope, in our ability not to forget our history but to make it a major resource in times of trouble; and European in our way of thinking, in the ability to blend the extraordinary imagination and creativity which have been among Italy's great contributions to the world together with a sense of state, of rules, of civic ethics - against the various forms of corporatist self-interest - which has had difficulties in establishing itself in our nation.

Today, I believe, it is possible to be confident, without making extravagant promises, and maintain that sincere humility which politics, even of the proudest kind, must never abandon. Giacomo Leopardi wrote: "I am tempted to laugh at this furor of political and legislative calculations and fancies" - our business as politicians - "and ask humbly if one can have the happiness of peoples without the happiness of individuals." Leopardi was right. Yet the happiness of individuals can never form part of a government programme. Nevertheless, politics and political action can help people be freer, have a better consciousness of themselves and of their rights. It can encourage men and women of talent to protect those who, for whatever reason or accident, fear that they will fall behind. Above all, politics must take the plunge and, ahead of the rest, begin to imagine the world as it will one day be.

For whatever time is given us, we will try to accompany and direct that imagination towards the goals of economic growth and cultural and social advance. We will try to bring to Europe the best qualities of our people, to capitalize on the resources of the Italians, on their energy and their eagerness to act. We will try to foster the rise of a new governing class in our country, a new social alliance. We will to provide the roots of a new public spirit, to give form and substance to a "new democratic project", in full awareness that for the Left, this is the moment of responsibility.

CONTRIBUTION DE MONSIEUR LIONEL JOSPIN
PREMIER MINISTRE
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Une des leçons de ce siècle, pour la social-démocratie, est qu'il n'est sans doute plus possible de la définir comme "système". Système capitaliste, système d'économie planifiée: aujourd'hui, penser et agir en terme de systèmes ne me paraît pas constituer un impératif. Définir à notre tour un nouveau système, non plus. Je ne sais plus ce que serait le socialisme en tant que système. Mais je sais ce que peut être le socialisme en tant qu'ensemble de valeurs, en tant que mouvement social, en tant que pratique politique. Plus qu'un système, la social-démocratie est une façon de réguler la société et de mettre l'économie de marché au service des hommes. Elle est une inspiration, un mode d'être, une façon d'agir, une référence constante à des valeurs à la fois démocratiques et sociales.

Ainsi, nous acceptons l'économie de marché car c'est la façon la plus efficace – à condition qu'elle soit régulée et encadrée – d'allouer les ressources, de stimuler l'initiative, de recompenser le travail et l'effort. En revanche, nous refusons "la société de marché", car si le marché produit des richesses, il ne produit en soi ni solidarité, ni valeurs, ni projet, ni sens. Parce que la société ne se résume pas à un échange de marchandises, le marché ne peut être son seul animateur. Nous ne sommes donc pas des "*libéraux de gauche*". Nous sommes des socialistes. Et être socialiste, c'est affirmer qu'il existe un primat du politique sur l'économique. C'est ce que j'ai fait, avec force, et à plusieurs reprises, depuis deux ans.

Avec cette conviction à l'esprit, je voudrais, dans les pages qui suivent, donner mon analyse de la situation actuelle de la social-démocratie européenne. Puis je présenterai le socialisme français, tourné vers la modernité.

I. LA SOCIAL-DEMOCRATIE EUROPEENNE EST PLURIELLE

1. La social-démocratie a traversé une période historique difficile

Si l'on se fie à l'expression du suffrage universel au cours des deux dernières années, c'est l'actualité de la social-démocratie et non sa crise qui nous frappe. Notre famille de pensée a connu des victoires en Italie, puis en Grande-Bretagne, en France et enfin en Allemagne. La social-démocratie est aujourd'hui au pouvoir dans la plupart des pays de l'Union.

Il n'en est pas moins vrai, si l'on regarde les choses avec un peu de recul, que la social-démocratie a traversé une période historique difficile. Elle puisait une part notable de son identité politique dans une double opposition: au communisme d'Etat soviétique, au capitalisme américain. Avec l'effondrement du monde bipolaire de la guerre froide, cette double opposition s'est évanouie.

En effet, le socialisme est né, puis s'est construit et développé contre le capitalisme de la société industrielle – celui de l'exploitation ouvrière massive et du monde des fabriques. Il incarnait la volonté de contrer – en tout cas de tempérer – un développement industriel capitaliste. Par la suite, des cassures au sein de ce socialisme se sont produites dans un certain nombre de pays, tant pour des raisoins propres à la lutte entre capitalisme et socialisme, qu'en raison des conflits existant entre nationalismes. La principale cassure fut bien sûr la révolution bolchevique de 1917 en Russie. Le socialisme démocratique a vu alors surgir un "*frère*" qui semblait plus puissant, plus déterminé, mieux adapté a une période historique extraordinairement violente et convulsive. Il accaparait un langage scientifique déduit du marxisme comme une doctrine, comportant l'assurance du dogme et de la vérité. Il s'adossait à la détermination d'une organisation totalement disciplinée. Face à lui, la

social-démocratie apparaissait molle et peu adaptée aux temps de crise. Elle a pourtant survécu avec la démocratie et le capitalisme. Peut-être, finalement, dans le capitalisme, alors que le communisme d'Etat s'effondrait, en tout cas en Europe. Cet "*entre-deux*" social-démocrate d'un demi-siècle n'a plus aucun sens aujourd'hui.

Mais la social-démocratie n'est pas qu'un moment historiquement ancré. Elle ne disparaît pas avec les conditions historiques qui l'ont aidée – indiscutablement – à se structurer. Plus fondamentalement, la social-dèmocratie se trouve tellement imbriquée dans la société industrielle et démocratique qu'il était naturel que la crise de l'une corresponde aux difficultés traversées par la seconde. La crise économique, avec l'affaissement du modèle fordiste de croissance. La crise sociale, avec les difficultés grandissantes de l'Etat-Providence. Une certaine crise idéologique enfin, puisque nos valeurs – en particulier l'égalité – se sont trouvées contestées et remises en cause par l'écho rencontré, au cours des deux dernières décennies, par l'idéologie libérale.

Dans les années 80, en effet, la droite semblait incarner une modernité – fut-elle rude, voire impitoyable pour les plus faibles – et une forme de radicalité. Aujourd'hui, ce dynamisme idéologique imprègne à nouveau la social-démocratie. Ses termes ne sont pas les mêmes selon qu'ils sont formulés par Tony Blair ou par d'autres, dont je suis.

Je pense que la crise de la social-démocratie est en partie derrière nous, les illusions de la vague libérale sont retombées. La social-démocratie a su renouveler ses dirigeants et a commencé de refonder son identité politique. Ce travail est loin d'être achevé, mais il est en cours et je suis confiant. Une partie de ce travail est menée à l'échelle européenne. Et c'est logique, car le socialisme est une idée européenne, née en Europe, façonnée par dès penseurs européens.

2. La social-démocratie doit continuer à se construire à l'échelle européenne

Les représentants des partis socialistes et sociaux-démocrates de l'Union se sont réunis à Vienne et à Milan. Ils ont défini puis adopté 21 engagements qui témoignent de cet effort de refondation. Notre projet embrasse:

- une Europe de l'emploi, donnant la priorité à la croissance, au développement des nouvelles technologies, agissant de façon ciblée sur les publics les plus touchés par le chômage;
- une Europe sociale. car c'est la vocation de l'Europe de conforter le modèle social sur lequel elle a bâti sa prospérité économique;
- une Europe démocratique, qui assure une égalité réelle entre les femmes et les hommes, qui lutte sans compromis contre le racisme et la xénophobie, dont les institutions soient un exemple de transparence, de responsabilité politique et de démocratie;
- une Europe forte, de sa diversité culturelle comme d'un modèle de développement économique durable qui respecte l'environnement. C'est-à-dire, aussi, une Europe parlant d'une même voix dans le monde, qu'il s'agisse de l'indispensable régulation du capitalisme mondial comme du maintien de la paix et de l'affirmation du droit dans un système multilatéral.

On retrouve, dans ce projet, toutes les valeurs qui sont à la source du socialisme; la citoyenneté, la justice sociale, la démocratie, la maîtrise de la destinée collective, la volonté de progrès – et de contrôle de ce progrès –, l'ouverture sur le monde – mais un monde multipolaire. Sur ce point, la logique démocratique qui existe au niveau national doit être projetée à l'échelle mondiale. Il ne peut pas y avoir une "*superpuissance*" imposant sa vision au monde. Les tentations unilatéralistes doivent être combattues. Non seulement parce qu'elles heurtent nos intérêts nationaux ou des intérêts européens, mais parce que elles ne sont pas compatibles avec une conception équilibrée du monde. Nous devons organiser un monde multipolaire. La régulation mondiale ne peut être définie que par des organismes émanant de la communauté internationale, fonctionnant selon des règles, et

dans lesquels chaque Etat est égal en droit.

Ainsi, ce Manifeste souligne que les Partis socialistes européens – contrairement a toutes les autres forces politiques – sont capables de définir 21 principes, 21 orientations, 21 propositions qui structurent leur approche de la construction européenne. C'est là un effort significatif en dépit, sans doute, du caractère quelque peu général du texte. Cela traduit également le fonctionnement démocratique des formations de gauche, à la différence des partis de droite. En France, en particulier, mais ailleurs aussi en Europe, soit la droite resté dirigée d'en haut, par un chef, dans une verticalité à sens unique; soit elle s'exprime dans une horizontalité désordonnée, par des partis que disperse la multiplicité des notables. A l'inverse, un mouvement de bas en haut et de haut en bas – alternatif – de formulation, de contrôle et de critique, caractéristique de la démocratie, se diffuse dans l'ensemble des partis de gauche. Plus largement, le Manifeste du PSE participe de notre habitude de l'échange et de notre internationalisme.

3. Chacune des forces sociales-démocrates est indissociable de sa propre réalité nationale

Les sociaux-démocrates seront d'autant plus forts qu'ils travailleront de concert à l'échelle européenne. Mais à une condition. Ils doivent comprendre que les réalités nationales, les histoires propres, les références idéologiques, les paysages politiques tels qu'ils sont constitués, doivent absolument être pris en compte et préservés. C'est là une des conclusions que je tirerai des débats en cours au sein de la social-démocratie européenne. Les spécificités nationales sont souvent négligées par les observateurs. Elles doivent toujours être prises en compte par les responsables politiques.

Par exemple, la Grande-Bretagne a toujours été plus "*mondialisée*" que la France. C'est elle qui a inventé le libre échange et l'a fait vivre – tout en sachant manier, quand ses intérêts l'exigeaient, la préférence impériale... La révolution thatchérienne a, sans doute, rogné des valeurs, des sensibilités qui subsistent en France. Accéder au pouvoir au sortir de l'expérience Thatcher n'a pas la même signification que gouverner après MM. Balladur et Juppé. Et puis, notre paysage politique est très différent. Que la majorité absolue revienne à un seul parti ou à une coalition de cinq formations, comme c'est le cas en France, définit des conditions politiques bien distinctes.

Dans ce sens, s'interroger sur "*la bonne voie*", ou choisir entré "*la voie blairienne*", "*la voie schröderienne*", "*la voie jospinienne*", ne me paraît pas avoir grand sens. De ce point de vue, je ne saurais pas très bien définir ce qu'est "*la troisiéme voie*". Si la "*troisième voie*" se situe entre le communisme et le capitalisme, alors elle n'est qu'une nouvelle appellation, propre aux Britanniques, du socialisme démocratique. Ce qui ne veut pas dire qu'en France nous pensons à l'identique. Si, en revanche, elle veut s'intercaler entre la social-démocratie et le libéralisme, alors je ne la reprends pas à mon compte. Là encore, "*l'entre-deux*" n'est pas nécessaire. Je crois, en réalité, que la "*troisième voie*" est la forme nationale qu'a pris, au Royaume-Uni, le travail de refondation théorique et politique entrepris par toutes les forces socialistes ou sociales-démocrates à travers l'Europe.

Pour leur part, les socialistes français ont traversé de façon singulière la crise de la social-démocratie européenne. En son sein, en effet, nous occupons une place particulière. Il n'y a jamais eu en France de parti de masse, sauf en terme d'électeurs. Il n'y pas eu chez nous de fusion avec le monde syndical et les syndicats sont faibles et divisés. Qui plus est, le Parti socialiste évolue dans un système institutionnel – la Cinquième République – où domine le présidentialisme, alors que la social-démocratie va souvent de pair avec le parlementarisme classique. Enfin, nous n'avons pas de tradition forte de négociation et de dialogue social. Et c'est pourquoi il faut travailler en ce sens. Nous formons ainsi une social-démocratie beaucoup plus "politique" que "sociale". Nous pouvons

connaître des succès électoraux de grande ampleur, puis des retombées très importantes, car nos assises sociologiques sont peut-être plus faibles qu'elles ne le sont ailleurs.

Longtemps cette situation a été ressentie par beaucoup comme une faiblesse, un handicap, une "*anomalie*" française. Mais cela nous a permis, peut-être, au moment où la social-démocratie est entrée dans la crise, d'être plus réactifs. De disposer d'une capacité de rebond plus forte. Nous étions peut-être moins solides, mais aussi moins "*lestés*". Je crois que nous en avons fait récemment la preuve. Après une défaite très sévère aux élections législatives de 1993, nous avons réussi à faire bonne figure à l'élection présidentielle de 1995, à reconstruire un parti unifié, à gagner des élections législatives anticipées en 1997, puis les élections régionales en 1998, puis les élections européennes du 13 juin 1999.

Je veux souligner que nous n'avons pas retrouvé seuls cette capacité d'entraînement. Nous avons rebondi grâce, en partie, à un système de coalition; la majorité plurielle, dans laquelle le Parti communiste et les Verts constituent des composantes essentielles, aux côtés du Parti radical de gauche et du Mouvement des citoyens. Ce concept de gauche plurielle rencontre la bienveillance des Français. Il me semble mieux adapté que le terme exclusif de social-démocratie. Et nous avons gouverné de façon nouvelle, à la fois fidèles à nos valeurs, respectueux de nos engagements et modernes dans notre approche et notre méthode. Naturellement, il n'y a pas de modèle "*jospinien*"; mais j'ai joué mon rôle dans ce moment très français de reconstruction politique de la gauche.

II. LE SOCIALISME FRANÇAIS EST TOURNE VERS LA MODERNITE

En France, depuis un peu plus de deux années, le gouvernement travaille à faire émerger une modernité maîtrisée. Nous disons oui à la modernité. Mais une modernité collectivement construite. Une modernité qui respecte les caractères de notre nation. Une modernité acceptée car acceptable par tous les citoyens. Elle se fonde sur:

- la maîtrise de la politique économique dans un monde globalisé;
- la lutte déterminée contre le chômage par la croissance. la réduction négociée du temps de travail à 35 heures par semaine et un vaste plan pour l'emploi des jeunes;
- la poursuite du progrès social, par exemple grâce à la loi contre les exclusions et à la couverture maladie universelle;
- la conquête de la modernité sociétale et politique.

Ce dernier point est important. La social-démocratie ne saurait se limiter à un néo-keynésianisme économique. Elle doit avancer sur le terrain – large – de la modernité. C'est ce que nous faisons. Nous organisons la parité femme-homme dans notre vie démocratique.

Nous réformons la Justice. Nous allons limiter le cumul des mandats et démocratiser la deuxième chambre. Grâce au PACS (Pacte civil de solidarité), nous allons reconnaître des droits administratifs et sociaux à tous les couples, quel que soit le sexe des individus qui le composent. Cette modernité est un élément essentiel de notre identité.

En France, malgré des insuffisances, des erreurs, des contradictions, il faut donc bien constater que le projet et le mouvement sont revenus à gauche. La droite francaise est incroyablement dépourvue de l'un comme de l'autre. Faute de pouvoir être présente dans le champ politique de façon efficace et unie, elle aurait pu pourtant défricher le champ de la proposition et des idées. Mais la pensée de la droite se contente de caricaturer la nôtre. La droite ne produit pas une pensée qui lui soit propre. Dans l'outrance et la mauvaise foi, elle se borne à se définir par rapport à notre pensée politique.

La rénovation de la pensée socialiste s'organise autour de trois convictions, qui sont autant de

principes d'actions:

- l'invention constante d'une juste articulation entre les fins et les moyens, qui permet un vrai réformisme;
- l'indispensable régulation du capitalisme a besoin du volontarisme de la puissance publique;
- il est possible de réunir les classes sociales autour de l'égalité des chances.

1. L'invention constante d'une juste articulation entre les fins et les moyens permet un vrai réformisme

Nos valeurs restent fondamentalement les mêmes: justice, liberté, maîtrise collective de notre destinée, épanouissement de l'individu sans négation des réalités collectives, volonté de progrès. Toutefois, nous devons servir ces idées par d'autres moyens que ceux que nous utilisions il y a quinze ans. Notre environnement a évolué. Et il faut s'habituer à ce qu'il change plus vite. C'est pourquoi nous devons rechercher la meilleure cohérence entre nos fins et nos moyens. Sans relâche.

En août 1998, lors de l'université d'été du Parti socialiste, à La Rochelle, je m'étais livré à une réflexion sur cette nouvelle cohérence. En particulier, je m'étais référé, pour en faire une critique, à deux slogans de l'histoire socialiste. L'un fut émis par Bernstein en 1902: "*la fin n'est rien, le mouvement est tout*". Je crois, pour ma part, que des références, des objectifs, donc des "*fins*" sont nécessaires. On ne peut se référer exclusivement au mouvement. L'autre est de tradition léniniste: *la "fin justifie les moyens"*. Il a conduit une partie de ce siècle au désastre.

Pour moi, le socialisme démocratique est, au contraire, l'invention constante d'une juste articulation entre les fins et les moyens. Aujourd'hui, ce sont nos valeurs qui fondent notre identité politique plus que les moyens necessaires pour les atteindre.

Pendant longtemps, on a défini le socialisme par l'appropriation collective des moyens de production. Cela n'a plus le même sens aujourd'hui. Ainsi, notre politique industrielle a dépassé la question de la nature de la propriété des moyens de production. On peut certes justifier l'appropriation publique dans un certain nombre de secteurs touchant soit à la sécurité nationale, soit à la nécessité de servir par le service public des objectifs ne pouvant être pris en compte par le marché. Mais la défense de l'intérêt national – notamment dans des industries de pointe ou stratégiques – et la lutte pour l'emploi peuvent justifier des alliances industrielles avec des entreprises privées françaises ou étrangères, en particulier européennes. Je n'entends pas bloquer ces alliances au nom de l'appropriation collective des moyens de production, c'est-à-dire de la majorité publique du capital. Si je le faisais, cela se retournerait contre nous, contre les salariés de ces entreprises et contre les Français. Car ces alliances sont justifiées aux plans politique et économique. Ce qui compte, pour moi, en l'occurrence, ce sont les fins de la politique industrielle que nous conduisons: l'emploi, la croissance, la puissance économique et industrielle de nos entreprises, la place de la France. Si défendre ces objectifs nécessite d'ouvrir le capital d'une entreprise publique, voire de la privatiser, alors nous y consentons. Cette démarche politique est forte et bien comprise par nos concitoyens parce que cohérente.

Dans ce champ comme dans d'autres, cette nouvelle cohérence, fondée sur une juste articulation des fins et des moyens, est notre façon de fonder un vrai réformisme moderne. Nous ne sommes plus obligés, pour justifier notre action, d'utiliser la phraséologie révolutionnaire ou même la métaphore de la rupture.

Pour autant, la réforme ne sonne pas le glas de l'utopie. Nous ne sommes pas des "*briseurs de rêves*". On peut rêver son avenir, tout en gardant les pieds sur terre et en voulant maîtriser son destin. Je veux être un constructeur d'utopies réalistes. Je n'oppose pas réforme et ambition. Parce

qu'il respecte les rythmes de notre société et qu'il incorpore une dimension – essentielle – de concertation, le réformisme est le moyen le plus efficace de traduire en actes un projet politique. De donner vie à nos convictions. Mais nous mettons la réforme au service de la transformation sociale. Dans ce sens, nous réhabilitons l'idée même de réforme, qui a été dévoyée par la droite. Pour celle-ci, réformer, c'est démanteler le service public, réduire la protection sociale, remettre en cause les acquis de décennies de progrès. Pour nous, au contraire, fidèles à notre histoire, la réforme reste synonyme de progrès. Elle est donc plus que jamais nécessaire aujourd'hui.

2. L'indispensable régulation du capitalisme appelle le volontarisme de l'Etat

Un grand historien français, Fernand Braudel, avait ramassé en un court essai des décennies de recherches sur "*la civilisation matérielle*". Il lui avait choisi pour titre *La dynamique du capitalisme.* Par sa souplesse, sa plasticité, le capitalisme est en effet une dynamique, une force. Mais c'est une force qui ne produit, par elle-même, ni direction, ni projet, ni sens – autant d'éléments indispensables à une société. Le capitalisme est une force qui va, mais qui ne sait pas où elle va.

Ce double trait du capitalisme est d'autant plus prononcé aujourd'hui que la financiarisation de l'économie et son "*informatisation*" – au sens de la circulation accélérée de l'information – ont introduit une rupture entre les mouvements financiers et les mouvements propres à la production ou aux réalités sociales. Les premiers semblent aller à la vitesse de la lumière. Les seconds vont, si j'ose dire, même s'ils vont encore moins vite, à la vitesse du son. Dans un cas, il y a une fluidité absolue et une instantanéité extrême. Dans l'autre, il y a une viscosité, une lenteur inévitable. Puisqu'il s'agit de réalités matérielles et sociales animées par des hommes. La différence entre ces deux rythmes est un élément technique fort de rupture et de désaccord. Les mouvements financiers vont trop vite par rapport au rythme réel de l'économie. C'est pourquoi il faut réguler cette financiarisation et redonner du sens à ces échanges. La production de richesses doit répondre à des finalités humaines.

Dans cette perspective, la crise financière qui a traversé le monde en septembre et octobre 1998 a au moins une conséquence positive. Elle a cassé la double prétention du libéralisme. La première, pour les libéraux optimistes, selon laquelle la libre organisation des forces du marché, y compris dans ses dimensions financières, était la meilleure façon de faire fonctionner l'économie mondiale. La seconde, pour les libéraux pessimistes, énonçant qu'il fallait subir cette mondialisation sans espérer la contrôler. La crise en Asie a souligné, au contraire, l'obligation d'un questionnement quant au modèle de développement choisi par certains pays. Elle a mis au grand jour la nécessité d'une régulation du capitalisme, afin que le système ne soit pas emporté par ses mécanismes – dits "*naturels*". L'idée d'une maîtrise collective de l'avenir, au plan national comme au plan international, a été reactualisée par la crise de l'automne.

Dans ce cadre, nous devons faire une distinction. Il y a, d'une part, le retour d'un capitalisme financier. Celui-ci veut nous ramener, dans un tout autre contexte, aux sources libérales du XIXème siècle, caractérisées par la volonté d'une fluidité complète des variables économiques: prix, taux d'intérêt, taux de change, mouvements des capitaux, voire des facteurs de production avec le phénomène des délocalisations. Et il y a, d'autre part, les dimensions technologique, culturelle et politique de la mondialisation. Celle-ci, contradictoirement, s'accompagne d'ailleurs d'une certaine fragmentation de l'espace avec la création de blocs économiques comme l'Union européenne ou l'ALENA. Elle provoque la résurgence de questions identitaires au sein de chacune des nations.

Face à ces questions, nous adoptons une démarche raisonnée, à la fois lucide et volontariste. Nous reconnaissons et assumons pleinement la mondialisation. Mais elle ne constitue pas, pour nous, une fatalité objective. Elle est elle-même une construction des hommes. Nous voulons produire une

régulation du capitalisme et de l'économie mondiale. Nous pensons que c'est en nous appuyant sur l'Europe – mieux: sur une Europe d'inspiration sociale-démocrate – que nous pourrons réussir cette régulation, que ce soit sur les terrains de la finance, du commerce ou de l'information. Nous devons nous battre pour redonner, par exemple, son rôle au F.M.I. Tel est le sens du mémorandum transmis, à l'automne dernier, à nos partenaires européens. Le gouvernement français a fait des propositions pour repenser l'architecture du système financier international autour des thèmes de l'efficacité, de la transparence, de la régulation prudentielle et de la responsabilisation des institutions multilatérales comme du secteur privé. Nous devons aussi combattre l'unilatéralisme au sein de l'O.M.C. Il nous faut créer des régulations dans les nouveaux reseaux comme Internet. Ainsi, nous pouvons peser sur la mondialisation et en maîtriser le cours au bénéfice de nos sociétés.

Dans le même temps, pour nous inscrire positivement dans ce mouvement, nous devons ne pas oublier la permanence de la Nation. Les questions politiques liées au thème de l'identité s'aiguisent sous l'effet de la globalisation et de la politique européenne. Aujourd'hui, savoir ce qu'est la France, ce qu'est la Nation, ce que veut dire, à l'intérieur de notre nation, vivre ensemble – selon quelles règles, quelles valeurs communes –, ce que peut être l'Europe, comment elle doit s'articuler avec la Nation: voilà des sujets que nous devons approfondir. Des réponses que nous y apportons et apporterons dépendront des victoires ou des défaites, tant sur le plan des idées que sur les plans politique et électoral.

Les spécificités, les caractéristiques de notre peuple, notre histoire propre, nos formes d'organisation, ne doivent pas être niées dans ce monde nouveau. Un bon exemple en est donné par le débat que nous avons eu, en France, sur la directive européenne relative à l'électricité. Cette directive nous obligeait à ouvrir ce secteur à la concurrence. Nous l'avons fait. Mais nous avons répondu à cette exigence en tenant compte d'une certaine réalité française. Réalité économique, avec le poids d'Electricité de France. Institutionnelle, avec l'idée d'un service public. Et réalité syndicale et politique, qui imposait de moduler cette transposition.

Ainsi, je veux échapper à l'alternative simpliste que l'on nous présente comme indépassable: l'immobilisme ou le fatalisme. Pour moi, le choix est clair. S'adapter à la réalité: oui. Se résigner à un modèle capitaliste prétendument naturel: non.

Cette adaptation maîtrisée à la réalité confère une responsabilité particulière à l'Etat. Sans se substituer aux autres acteurs de la société, l'Etat peut donner les impulsions nécessaires. Il est le seul à même, souvent, de lever les verrous archaïques qui bloquent les évolutions souhaitées par la société. Cette démarche, c'est ce que nous appelons le volontarisme.

Le volontarisme est nécessaire, au premier chef, dans la conduite de la politique économique. Nous avons fait – avec succès – le pari de la croissance avec un développement de la demande et la mise en oeuvre de politiques volontaristes: emplois jeunes, passage négocié aux 35 heures. Ainsi, nous avons contribué à la confiance des acteurs économiques et à la croissance. Celle-ci a atteint en 1998, avec 3,2%, le plus haut niveau depuis 1990. La France est devenue la locomotive de la croissance en Europe.

Ce volontarisme s'inscrit dans la modernité. C'est un équilibre coopèratif, n'opposant pas Etat et marché, qu'il faut rechercher. Une nouvelle alliance.

On décrit traditionnellement les sociaux-démocrates comme des redistributeurs. Et il est vrai que nous restons attachés aux principes de l'Etat-providence – même si, là aussi, des réformes sont nécessaires -, à la lutte contre les inégalités, aux mesures de protection des travailleurs. Mais cet attachement à la redistribution n'est pas exclusif.

Nous devons également nous préoccuper des conditions de la production. D'abord parce que la production précède et permet la redistribution. Avant de redistribuer les fruits de la croissance économique, il faut qu'il y ait croissance et donc production. De plus, la nouvelle donne du capitalisme mondial nous conduit à veiller à la compétitivité de notre appareil productif. C'est dans cet esprit que l'Etat s'engage dans une politique industrielle vigoureuse, par des restructurations et la constitution de groupes industriels de taille mondiale. Cette dimension de l'Etat me semble l'héritière du "*colbertisme*", dont elle montre qu'il ne doit pas disparaître puisqu'il garde une utilité dans un monde où l'investissement productif fait la différence. Cette dimension est adaptée à notre temps et donc ouverte sur le monde.

Ce faisant, nous retournons aux sources intellectuelles du socialisme. Saint-Simon et les saint-simoniens, les socialistes utopistes, dont Proudhon, et enfin Marx: tous les premiers socialistes ont en effet concentré leurs réflexions sur la production des richesses. Sur la façon la plus juste et la plus efficace de créer ces richesses. Ce n'est que plus tard – avec Keynes et Beveridge – que la redistribution est devenue le principal enjeu pour la gauche. Production, redistribution : aujourd'hui, nous devons tenir les deux bouts de la chaîne. L'impératif de solidarité qui est au coeur de la redistribution demeure. L'attention que nous portons à la production doit permettre de mieux le servir. C'est pourquoi nous avons renoué, je crois, avec deux autres conceptions de l'Etat. Celle de l'Etat investisseur et celle de l'Etat régalien.

La dimension de "*l'Etat-schumpétérien*" est en effet fondamentale. Au coeur de sa théorie de la croissance, l'économiste autrichien plaçait l'innovation et l'entrepreneur. Dans l'économie de marché de cette fin de siècle, marquée par une révolution technologique et une globalisation des échanges, l'innovation revient aussi à l'Etat.

- Un Etat stratège, qui cible son effort sur les sources à venir de croissance et donne les impulsions nécessaires. Ainsi, d'entrée de jeu, notre gouvernement a apporté un soutien essentiel au développement des nouvelles technologies de l'information et de la communication. Car leur essor, en France, ne se faisait pas spontanément. Les entreprises hésitaient à s'engager et notre pays creusait son retard. Par notre volontarisme. sans nous substituer aux acteurs en présence. nous avons facilité la production de nouveaux services, la création d'entreprises et donc d'emplois – selon un rythme élevé et qui va croissant.
- Un Etat investisseur, ensuite, assumant pleinement sa responsabilité dans l'amélioration des infrastructures, des équipements, des communications, de l'éducation, de la recherche – tout ce qui concourt à cette innovation et à la croissance.
- Un Etat "*facilitateur*", enfin, travaillant à la qualité de l'environnement des entreprises.

L'Etat régalien constitue une autre exigence. A la différence de la droite, qui porte une vision réductrice des missions régaliennes de l'Etat, nous pensons qu'au nombre de celles-ci figure la garantie du respect des règles nécessaires au bon fonctionnement de l'économie de marché. Nous y veillons concrètement en définissant des règles qui contribuent à l'efficacité de l'économie. En témoignent nos travaux sur les marchés des capitaux ou les tribunaux de commerce.

A travers la conjugaison de ces trois conceptions. nous permettons à l'Etat de rappeler que l'économie est avant tout au service de la collectivité humaine dans son ensemble.

3. Il est possible de réunir les classes sociales autour de l'égalité des chances

Etre socialiste, c'est bâtir une société plus juste. Etre socialiste, c'est donc s'efforcer de réduire les inégalités. Non les différences qui relèvent de la diversité individuelle des talents, mais les inégalités qui ont une dimension sociologique. Nous avons vocation à rendre la société moins dure

aux faibles et plus exigeante à l'égard des puissants.

L'Etat-providence y contribue. Alors qu'il traverse une crise, nous devons le réformer. Mais nous refusons de le démanteler.

L'Etat-providence est le fruit de combats anciens dans lesquels la gauche a eu la plus grande part. Cela marque notre conscience, ainsi qu'en témoigne l'utilisation du mot "*providence*", beaucoup plus fort que "*Welfare*". Ainsi s'exprime l'idée que le destin et la fatalité peuvent être modifiés, voire remplacés, par une incarnation humaine et collective qu'est l'Etat démocratique et social. S'il faut réformer cet Etat-providence, on ne peut le faire en rompant avec cette tradition.

L'Etat-providence a été ébranlé par le chômage de masse depuis deux décennies, par les mutations du travail – dans le sens d'une mobilité et d'une précarité plus grandes. D'autres phénomènes ont joué. Démographiques: l'allongement de la durée de la vie. Technologiques: le progrès des soins, et donc la hausse de leur coût. Idéologiques, aussi: une certaine crise de l'égalité, de plus en plus perçue comme un nivellement au détriment de la liberté – liberté qu'il nous faut aussi prendre en compte en tant que socialistes démocratiques.

Il faut donc être capables de faire évoluer l'Etat-providence en conjuguant volontarisme et concertation. C'est ce que nous faisons, par exemple, en matière de maîtrise des dépenses de santé. Nous essayons de réformer les structures: informatisation, mise en place de réseaux de soins, rationalisation de l'usage des médicaments. Mais aussi les dimensions contractuelles: consultation et recherche d'accords avec les acteurs du système de santé. De même, la couverture médicale universelle est le témoignage de notre volonté pratique de réduire les inégalités. Elle permettra à des millions de nos concitoyens de se soigner mieux et plus tôt.

Le même équilibre est nécessaire dans la réforme des retraites. Il faut à la fois préserver nos valeurs et ne pas nier les réalités. Défendre la retraite par répartition, notamment par un fonds de réserve, est indispensable: elle est le fondement de la cohésion nationale, *via* la solidarité entre les générations. Dans le même temps, nous menons une réflexion pour associer des formes d'épargne nouvelle à ce système – sans le déséquilibrer.

Par-delà l'Etat-providence, au plan économique et social, nous agissons pour l'emploi et contre la précarité. La loi de lutte contre les exclusions est un des textes phares du Gouvernement. Pour celles et ceux qui restent bien intégrés à la société mais qui connaissent des situations difficiles, les mesures de réforme fiscale que nous avons commencé de prendre vont toutes dans le sens d'une égalité plus grande. Elles amorcent un rééquilibrage nécessaire entre le capital et le travail.

Mais c'est contre toutes les facettes de l'inégalité que nous luttons. Pas seulement sa dimension sociale. Aujourd'hui, la social-démocratie doit se souvenir qu'elle s'est développée par rapport à la "*question sociale*" et, en même temps, doit être capable de la dépasser. Il faut prendre en compte des inégalités nouvelles. Inégalités dans le profit tiré des grands services publics – éducation, culture. Inégalités par rapport à la sécurité. Inègalitès géographiques – d'où l'importance de notre politique d'aménagement du territoire. Nous devons agir avec un effort particulier quand se cumulent des inégalités de revenu et de patrimoine avec des inégalités dans l'accès au logement, a la santé, à l'information, à l'exercice de la citoyenneté, ou encore avec l'inégalité entre les sexes. Cette prise en compte globale de l'inégalité appelle une politique qui dépasse le ressort traditionnel de la seule redistribution. Si la fiscalité et l'Etat-providence permettent, *ex post,* de tendre vers une égalité plus grande, c'est *ex ante* que nous devons prévenir l'aggravation de l'inégalité – selon une seule et même exigence: réaliser l'égalité des chances.

Autour de cette exigence, nous devons rassembler les couches moyennes et les "*laissés-pour-compte*". Le Parti socialiste est un parti interclassiste. Notre base sociologique n'est ni homogène ni étroite; elle a connu renouvellement et extension. C'est pourquoi nous devons trouver le meilleur arbitrage entre couches sociales. Celles qui se satisfont plutôt de la société actuelle et ne veulent pas être pénalisées par le "*coût*" d'un surcroît d'égalité. Celles pour qui la notion d'égalité et son approfondissement concret sont fondamentaux. C'est un débat philosophique et politique très important. La réponse des socialistes est, selon moi, de "*réconcilier*" les classes moyennes et populaires dont les intérêts peuvent être différents et parfois divergents. Et de les faire progresser de front.

Nous devons à la fois nous appuyer sur les forces motrices de la société et prendre en compte les problèmes des forces *"exclues"*. Notre politique doit faire le maximum pour réintroduire dans le processus productif – et dans le mécanisme d'identification qui l'accompagne – les forces qui peuvent se sentir exclues et se laisser abuser par des discours démagogiques, par la politique du bouc-émissaire, par l'extrême-droite. Nous ne faisons pas notre deuil de cette situation d'exclusion. Notre politique vise la réintégration de tous au coeur de la société. C'est là le sens profond du "*pacte républicain*" que nous avons passé avec les Français. Et c'est dans cette perspective que nous conduisons une politique de sécurité s'appuyant sur la prévention, l'éducation et, lorsqu'il le faut, sur la sanction, pour permettre à tous nos concitoyens de mener une vie sûre. La sécurité est un droit, l'insecurité est une injustice sociale de plus.

Quant aux classes moyennes, une partie d'entre elles comprend que l'ultralibèralisme économique les menace. Elle n'est donc pas automatiquement gagnée à la droite. D'abord pour des raisons liées à son mode de vie et aux moeurs, la gauche lui apparaissant comme plus moderne. Mais aussi parce que la précarité peut toucher les cadres, qui approuvent le thème de la régulation. De même, les créateurs ou les dirigeants de petites et moyennes entreprises se rendent compte que la gauche résout des problèmes que la droite ne savait pas traiter en matière de politique industrielle. Les entrepreneurs réalisent que la gauche s'intéresse à la création d'entreprise, à l'innovation, à la prise de risque, à la simplification administrative. Nous devons donc fonder une nouvelle alliance de classes, conforme à notre base sociologique et aux intérêts du pays.

REDE
VON BUNDESKANZLER GERHARD SCHRÖDER
BEIM PROGNOS ZUNKUNFTSFORUM 1999
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BASEL

POLITIK ZWISCHEN KRISENMANAGEMENT UND GESTALTUNGSAUFGABE

I.
Die Frage nach der Gestaltungskraft von Politik wird gestellt, seit es Politik gibt.

Sie ist oft verneint worden – im wirtschaftspolitischen Bereich zum Beispiel vom reinen Marktliberalismus.

Die beste Politik sei gar keine Politik, ist ein geflügeltes Wort aus dieser Ecke.

Sicherlich: Wer so denkt, der vermeidet den grundlegenden Fehler jeder Planwirtschaft, die an eine umfassende Gestaltungskraft der Politik glaubt.

Doch der Preis dafür ist hoch, zu hoch. Denn am Ende einer Politik des bedingungslosen Laissez-faire steht eine kalte, unsolidarische Gesellschaft. Eine Gesellschaft, in der nur das Faustrecht des Stärkeren zählt.

Unterm Strich gehen beide Sichtweisen, die der ohnmächtigen und die der allmächtigen Politik, an den Realitäten einer menschlichen Gesellschaft vorbei.

Richtig ist: Wohlverstandene Politik kann Wirtschaft und Gesellschaft formen, kann Entwicklungslinien vorzeichnen und leistet damit weit mehr als Krisenmanagement – so wichtig dies in manchen Situationen ist und immer bleiben wird.

Für eine solche Politik ist dreierlei notwendig:

- Erstens: Klare Ziele, die Richtung und Orientierung geben. Denn Zukunft gestalten kann nur, wer eine Vorstellung von der Zukunft hat.
- Zweitens: Gespür für das Terrain, das es zu bearbeiten gilt. Denn nur wer künftige Entwicklungen frühzeitig erkennt, kann gegebenenfalls mit Erfolg eingreifen.
- Drittens: Konsensfindung, um Kräfte zu bündeln, Blockaden abzubauen und der Zersplitterung von Interessen entgegenzuwirken.

Politik, die dies beherzigt, bewältigt den schmalen Grat zwischen "Krisen-management und Gestaltungsaufgabe".

Ich freue mich darüber, heute beim Zukunftsforum 1999 der Prognos AG zu diesem Thema sprechen zu können.

Denn dieser Ort, hier bei der international renommierten Prognos AG in Basel, ist wie wenige andere für den Dialog zwischen Wissenschaft und Politik geeignet.

Auch in der Praxis werden Grenzen hier am Oberrhein überwunden. In der sogenannten RegioTriRhena arbeiten Städte wir Basel, Mulhouse, Colmar und Freiburg eng und erfolgreich zusammen.

II.

Die Sozialdemokratie als gesellschaftliche Bewegung hat sich immer durch eine besondere visionäre Kraft ausgezeichnet.

Und damit hatte sie auch immer eine besondere Gestaltungskompetenz.

Ich will hier nicht über Gebühr mit historischen Beispielen aufwarten.

Aber die Frage, ob wir ohne Willy Brandts Ostpolitik heute die deutsche Vereinigung hätten, ist mehr als berechtigt.

Und es ist auch klar, dass die Väter der Europäischen Währungsunion, wie etwa Francois Mitterrand oder Helmut Schmidt, ihren Anteil daran haben, dass der Euro heute Wirklichkeit ist.

Wieviel Skepsis ist diesen Vordenkern zu ihrer Zeit entgegengeschlagen?

Und doch haben sie mit ihrem Mut, Unkonventionelles zu denken, Türen geöffnet und neue Wege aufgezeigt.

Dieser Mut ist auch heute eine unverzichtbare Grundlage von Politik.

Denn die Menschen brauchen Wegmarken, die ihnen im rasch voranschreitenden Strukturwandel die Richtung weisen:

- Sie wollen wissen, wie ihre Arbeits-plätze bei global zusammenwachsenden Märkten gesichert werden können.
- Sie fragen danach, wie die Umweltpolitik globale Umweltrisiken mindern und die natürlichen Lebensgrundlagen auch morgen sichern kann.
- Sie möchten Klarheit darüber, wie sie die Auswirkungen des technischen Fort-schritts auf ihre Arbeitswelt im Prozess eines lebenslangen Lernens für sich nutzen können.

Dies alles sind letztlich nur verschiedene Ausdrucksformen für ein und dieselbe Frage. Es ist die Frage nach der Gestaltungsfähigkeit der Politik in einer Welt, die sich immer rascher wandelt.

III.

Besonders einschneidend ist dieser Wandel in den Bereichen, deren Anpassungstempo von der internationalen Arbeitsteilung diktiert wird.

Es ist wahr: Die Weltwirtschaft ist ein "System kommunizierender Röhren":
Kurt Tucholsky drückte dies (schon 1931) auf seine Weise aus, indem er sagte "Was die Weltwirtschaft angeht, so ist sie verflochten".

Einige Zahlen mögen die rasante Entwicklung der Weltwirtschaft verdeutlichen:

- Der weltweite Warenhandel ist seit den fünfziger Jahren etwa doppelt so rasch gewachsen wie die Warenproduktion.
- Die weltweiten Direktinvestitionsströme haben sich seit 1980 etwa verzehnfacht.
- Der weltweite Devisenhandel schlägt alle Rekorde. Er erreicht heute ein geschätztes Volumen von rund 1,6 Billionen US-Dollar täglich - etwa das dreifache vom Ende der 80er Jahre.

Dass angesichts dieser engen Verflechtungen und wechselseitigen Abhängigkeiten Krisenerscheinungen in einzelnen Ländern auf der ganzen Welt Auswirkungen haben können, ist daher nicht verwunderlich.

Ich erinnere hier nur an die Finanzkrisen der 90er Jahre in Asien, Lateinamerika und Russland.

Sie haben gezeigt, dass es eine Hierarchie der Märkte gibt, derzufolge Turbulenzen an den Märkten für Finanzaktiva letztendlich auf die Gütermärkte und von diesen auf die Arbeitsmärkte sich auswirken können.

Die Folgen dieser Krisen, die über den Export auch das Wachstumstempo in den Industrieländern gedämpft haben, waren jedenfalls deutlich spürbar - gerade auch in der besonders exportorientierten deutschen Wirtschaft.

Spürbar sind aber auch die positiven Wirkungen des Krisensmanagements, das dazu beitragen konnte, die Märkte zu beruhigen.

Wichtiger als Krisenmanagement ist jedoch Krisenprävention:

- Es gilt, die Transparenz an den internationalen Finanzmärkten weiter zu erhöhen.
- Es gilt, auf eine engere Kooperation der Aufsichtsbehörden hinzuwirken, um Instabilitäten frühzeitig zu erkennen.
- Es gilt, mit einem hohen Maß an realwirtschaftlicher Konvergenz den Gleichlauf der Volkswirtschaften im Gefüge der Weltwirtschaft zu erleichtern.

Ein wichtiger Schritt hin zur Erreichung dieser Ziele ist mit der Einrichtung des "Stabilitätsforums" getan worden.

Dieses Forum ist zwar kein "Radarsystem", das mit vollautomatischer Präzision Fehlentwicklungen sichtbar machen könnte.

Aber es trägt dazu bei, die internationale Abstimmung auf den Gebieten der Kontrolle und Regulierung der Finanzmärkte zu verbessern.

So können systemimmanente Risiken abgebaut und Erwartungen stabilisiert werden.

Der private Finanzsektor muss hierzu natürlich auch einen Beitrag leisten und verantwortlich handeln.

Was wir von Seiten des Staates im Interesse einer beschäftigungs- und wohlstandsfördernden internationalen Arbeitsteilung aber tun sollten, ist klar: Wir müssen die internationalen Kapitalmärkte auch künftig so wirken lassen, dass Finanzmittel weltweit ungehindert dorthin fließen können, wo sie gebraucht werden.

Wir werden auch weiterhin für den freien Waren- und Dienstleistungshandel im weltwirtschaftlichen Rahmen eintreten.

Der nächste Meilenstein auf diesem Weg ist die WTO-Ministerkonferenz in Seattle im kommenden Dezember.

Die Bundesregierung hat sich im Rahmen ihrer EU- und G8-Präsidentschaften energisch für die neue Welthandels-Runde stark gemacht.

Inzwischen gibt es große Übereinstimmung unter den westlichen Partnern, aber auch mit weiten Teilen der Entwicklungsländer, über den künftigen Kurs der Handelspolitik.

Wir wollen in Seattle den Startschuß geben für Verhandlungen über eine weitere Liberalisierung des Welthandels.

Dabei geht es nicht nur um die "klassischen" Themen, wie etwa Industriezölle, Agrar und Dienstleistungen. Auch über die Schnittstellen zwischen Handel und Wettbewerb, Investitionen, Sozialstandards, Umwelt- sowie Verbraucherschutz wird verhandelt.

Ich bin überzeugt, dass am Ende des Prozesses, den wir in Seattle anstossen wollen, mehr Wohlstand, mehr Wachstum und vor allem mehr Arbeitsplätze für alle Welthandelspartner stehen werden.

IV.

Gerade die Verbesserung der Beschäftigungssituation ist unser wichtigstes Anliegen in der Wirtschaftspolitik.

Die Auffassungen darüber, wie dies zu schaffen ist, gehen auseinander.

Arbeit ist genug da, aber man kann sie nicht bezahlen, sagen die einen.

Der "Arbeitsgesellschaft gehe die Arbeit aus", deswegen könne nur Umverteilung des Beschäftigungsvolumens weiterhelfen, sagen die anderen.

Vermutlich steckt in beiden Sichtweisen ein Körnchen Wahrheit.

Aber akademische Debatten allein helfen uns bei der Lösung unserer schwierigen Aufgabe, mehr Arbeitsplätze zu schaffen, nicht weiter.

Worauf es ankommt, ist eine Umsetzung nicht nur vereinzelter, sondern aller Maßnahmen, die den Beschäftigungspfad auf ein höheres Niveau heben.

Dies ist mehr als der Staat leisten kann, denn er beeinflusst nur einen Teil der beschäftigungsrelevanten Faktoren.

Deshalb haben wir in Deutschland mit dem Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit ein Forum für den beschäftigungspolitischen Konsens geschaffen.

Dieser Konsens wird langfristig um so produktiver wirken, je mehr es uns gelingt, in den Bündnisgesprächen "Vertrauenskapital" als Grundlage für kooperatives und zielorientiertes Handeln zu bilden.

Um so erfreulicher ist es, dass auf allen Ebenen des Bündnisprozesses – nicht nur in den Spitzengesprächen – ein Klima der zielorientierten Sacharbeit und des Vertrauens entstanden ist.

Damit sind realistische Erfolgschancen gegeben für einen Prozeß, in dem Wirtschaft, Gewerkschaften und Politik Bedingungen vorfinden, die es ihnen erleichtern, ihrer jeweiligen Verantwortung entsprechend zu handeln:

- Wenn die Wirtschaft mit mittel- bis längerfristig beschäftigungsorientierten Tarifabschlüssen und einem investitionsfreundlichen Steuer- und Sozialsystem rechnen kann, wird sie auch mehr Arbeitsplätze schaffen.
- Wenn die Gewerkschaften darauf vertrauen können, daß Zugeständnisse bei den Löhnen zu mehr Beschäftigung führen, dann sind sie eher zu einer moderaten Lohnpolitik bereit.

Wichtige Schritte hin zu einer solchen, auf gegenseitigem Vertrauen fussenden Erfolgsperspektive haben wir getan.

Bei unserem letzten Spitzengespräch am 6 Juli 1999 haben wir wichtige Erfolge erzielt:

- Die Wirtschaft hat sich bereit erklärt, über den Ausgleich des demografisch bedingten Bedarfs hinaus insgesamt 10.000 zusätzliche Ausbildungsplätze zur Verfügung zu stellen.
- Der Deutsche Gewerkschaftsbund und die Bundesvereinigung der Deutschen Arbeitgeberverbände haben mit ihrer gemeinsamen Erklärung zur Tarifpolitik Türen zu mehr Beschäftigung aufgestossen.

Damit ist es im Bündnis gelungen, "traditionelle" Positionen auch einmal in neuem Lichte zu bewerten.

Der beschäftigungspolitische Erfolg, den wir uns alle wünschen, wird jedoch letztendlich davon abhängen, wie die Tarifpartner diese Übereinkunft in ihrer Autonomie konkret auslegen.

Denn einerseits beeinflussen die Arbeitskosten die Nachfrage der Firmen nach Arbeit und auch ihre Fähigkeit, im Strukturwandel wettbewerbsfähig zu bleiben.

Und andererseits fordern die Gewerkschaften nach Jahren mit Reallohnverlusten einen höheren Anteil am erarbeiteten Wohlstand.

An diesen Erfolgen werden wir in unserem nächsten Spitzengespräch, das im Herbst stattfinden wird, anknüpfen.

V.

Was kann, was muss Politik tun, damit die Unternehmen im Strukturwandel wettbewerbsfähig bleiben und Arbeitsplätze sichern können?

Natürlich kann die Wirtschafts- und Finanzpolitik nicht nur den Bedürfnissen einzelner Firmen und Branchen entgegenkommen.

Dies würde den Wettbewerb verzerren, der als Motor für Wachstum und Beschäftigung unersetzlich ist.

Karl Schiller und Ludwig Erhard – beide hätten damit ihre Probleme.

Denn die Wirtschaft eines Landes ist nun einmal vielschichtiger als das Beziehungsgeflecht von einzelnen Unternehmen.

Aber wer wollte bestreiten, dass die Wirtschafts- und Finanzpolitik den Rahmen so setzen muss, dass Unternehmen und Haushalte sich produktiv entwickeln können?

Und wer wollte bestreiten, dass es letztendlich darum geht, die Balance zwischen Angebots- und Nachfragepolitik zu halten?

Unser Leitfaden ist es, das "Beste aus beiden Welten" - aus Angebots- und Nachfragepolitik – zu einer produktiven Synthese zusammenzuführen.

Hier setzt die Politik der Bundesregierung an. Wir haben seit Amtsantritt ein enormes Tempo vorgelegt und die von der Vorgängerregierung viel zu lange verschleppten Reformen endlich angepackt.

Um ein Mehr an sozialer Gerechtigkeit herbeizuführen, haben wir Familien und Durchschnittsverdiener steuerlich entlastet.

Für eine Familie mit zwei Kindern macht es schon einen großen Unterschied, ob pro Jahr ein vierstelliger Betrag mehr oder weniger im Portemonnaie verbleibt.

In diesem Jahr sind es 1.200 DM, in 2000 und 2001 schon 2.200 DM und ab 2002 sogar 3.000 DM, um die das Nettoeinkommen einer Durchschnittsfamilie zunimmt.

Dies ist gleichzeitig ein Impuls, der die Kaufkraft der privaten Haushalte stärkt.

Aber neben diese nachfrageseitige Stimulierung muss ein angebotspolitischer Anstoß treten durch die Entlastung von Unternehmen und die Konsolidierung des Bundeshaushalts (Zukunftsprogramm 2000).

Beides ist von zentraler Bedeutung, um die Erwartungen der Investoren weiter zu verbessern.

Denn je höher die öffentliche Verschuldung ist, desto eher drosseln die Unternehmen ihre Investitionstätigkeit, weil sie damit rechnen, dass der Staat die Steuern erhöht, um seinen Zinsendienst zu finanzieren.

Eine dauerhafte Schlagseite bei der Staatsverschuldung wirkt deshalb wie ein "schleichendes Gift" – so haben es die Wirtschaftsweisen formuliert.

Wir werden dieses Gift neutralisieren und dem Prinzip der finanzpolitischen Nachhaltigkeit wieder mehr Geltung verschaffen.

Hierzu werden wir die von der Vorgängerregierung übernommene ausserordentlich hohe Zins-Steuerquote im Bund von rund 22 Prozent mit unserem Konsolidierungskurs zurückzuführen.

Denn bei ungebremster Entwicklung birgt diese hohe Zinsbelastung die Gefahr haushaltspolitischer "Schneeballeffekte".

Hohe Zinslasten könnten dann hohe Defizite bewirken in einem Prozess, der sich aufschaukelt.

Um dieses Krisen-Szenario von morgen zu verhindern, muss Politik heute gestaltend eingreifen.

Wir tun dies, indem wir zügig Kurs nehmen auf unser Einsparziel von 30 Milliarden DM im kommenden Jahr bzw. 50 Milliarden DM in 2001.

Und unser Ziel für die nächste Legislaturperiode ist ein Haushalt, der ohne Nettoneuverschuldung auskommt.

Damit entlasten wir den Kapitalmarkt, tragen zu dauerhaft niedrigen Zinsen bei – und zwar nicht nur in Deutschland, sondern in der gesamten Euro-Zone – und stärken das Vertrauen der Investoren in den Standort Deutschland.

Dass dabei noch Raum für eine Senkung der Steuerbelastung für Unternehmen bleibt, ist schon eine Leistung.

Auf rund 35 Prozent einschließlich Gewerbesteuer werden wir die Sätze zurückführen.

Mit diesem kraftvollen Schritt entlasten wir die Unternehmen um rund 8 Milliarden DM – zusätzlich zur Nettoentlastung des Mittelstandes in einer Größenordnung von 5,5 Milliarden DM durch das Steuerentlastungsgesetz 1999 bis 2002.

Warum tun wir das? Aus dem einzigen Grund, um die Voraussetzungen für beschäftigungsfördernde Investitionen zu schaffen und sozialen Ausgleich organisieren zu können.

Deutschland wird künftig im internationalen Vergleich auf eine attraktive Position im unteren Drittel der Unternehmensteuersätze vorrücken.

Dies charakterisiert übrigens eines der wichtigsten Merkmale eines funktionsfähigen Benchmarking-Prozesses.

Von den Besten lernen ist nur der erste Schritt. Er muß durch Verbesserungen der eigenen Position im zweiten Schritt vervollständigt werden.

Mit der Unternehmensteuerreform schaffen wir dies und geben damit ein zusätzliches wichtiges Signal an die internationalen Investoren.

Sie bevorzugen Regionen, die nicht nur eine leistungsfähige Infrastruktur bieten, sondern auch steuerlich wettbewerbsfähig sind.

Das eine, die leistungsfähige Infrastruktur, besitzt Deutschland ohne Frage. Wir haben gut ausgebaute Verkehrs- und Kommunikationsnetze, ausgezeichnet qualifizierte und hochmotivierte Arbeitskräfte und eingespielte Beziehungen zwischen den Tarifpartnern.

Das andere, die steuerliche Wettbewerbsfähigkeit, werden – und müssen – wir mit unserem steuer- und finanzpolitischen Kurs noch verbessern.

Die Märkte spüren unsere Entschlossenheit auch in dieser Frage.

Unternehmen und Haushalte haben ihre Erwartungen positiver eingestellt als noch vor Jahresfrist.

Inzwischen deuten alle Frühindikatoren – Unternehmensbefragungen ebenso wie der Anstieg der Auftragseingänge insbesondere aus dem Ausland – darauf hin, dass das Wachstumstempo der deutschen Wirtschaft in den nächsten Monaten und im nächsten Jahr merklich anziehen wird.

Deshalb ist unsere Erwartung eines Wachstums von 2,5 Prozent für das kommende Jahr gut fundiert. Immer mehr Experten halten mittlerweile sogar einen Wachstumspfad von 3 Prozent für das Jahr 2000 für realistisch.

Diese günstige konjunkturelle Perspektive zeigt, dass wir auf dem richtigen Weg sind, dass wir mit unserer Standfestigkeit die Grundlage für mehr Effizienz und wirtschaftliche Dynamik legen.

VI.

Diese Effizienz und Dynamik wollen wir auch auf einem anderen Feld der politischen Zukunftsgestaltung nutzen.

Ich spreche von unseren sozialen Sicherungssystemen als Eckpfeilern der Sozialen Marktwirtschaft.

Sie müssen dauerhaft die Funktionen erfüllen können, für die sie da sind: Schutz vor Armut und Chancengleichheit für alle.

Um diese Ziele dauerhaft zu erreichen, sind grundlegende Reformen notwendig.

Die demografische Entwicklung, die Veränderung in den Erwerbsbiografien der Menschen, die Arbeitskostensituation und der harte internationale Wettbewerb – dies sind Tatsachen, die wir nicht ignorieren können.

Es bleibt letztendlich dabei: Sozialer Ausgleich muss sein! Der Schutz der Schwächsten muß selbstverständlich bleiben, ohne den Staat und die Leistungskraft der Wirtschaft zu überfordern.

Der Staat darf nicht gängeln und bevormunden.Er muß Anreize geben und die Menschen ermutigen, sich selbst zu helfen, wo sie es können.

Dies ist der Grund dafür, dass die Renten in den kommenden beiden Jahren steigen, aber nur in Höhe der Preissteigerungsrate.

Denen, die dies kritisieren, sage ich: Unter der letzten Bundesregierung hat es für die Rentner schlechtere Jahre gegeben. Von 1995 bis 1998 sind die Renten in Westdeutschland sogar real geschrumpft.

Aber die Anpassungen der nächsten zwei Jahre im Rentensystem sind gar nicht der entscheidende Punkt bei der Rentenreform.

Wichtiger noch ist die längerfristige Perspektive, die wir eröffnen, indem wir eine kapitalgedeckte, freiwillige Zusatzversorgung einführen.

Auch deswegen bin ich sicher, dass die Menschen Verständnis für unser Rentenkonzept aufbringen werden.

Denn sie sehen, dass wir mit der Zusammenführung von sozial-, steuer- und umweltpolitischen Komponenten in der Ökosteuer einen Erfolg erzielt haben.

Seit dem 1 April dieses Jahres sind die Beiträge zur gesetzlichen Rentenversicherung um 0,8 Prozent-Punkte gesenkt worden.

Dass diese Entlastung weiter gehen muss, um mehr Arbeitsplätze zu schaffen, daran kann überhaupt kein Zweifel bestehen. Die nächsten Stufen der Ökosteuerreform werden folgen stetig, kalkulierbar und behutsam.

VII.

Politiker haben schon immer erfahren müssen, dass es schwierig ist, es allen recht zu machen.

Wir erleben dies gerade wieder in Deutschland.

Aber die Bundesregierung tritt unbeirrt für ihr Leitbild von mehr sozialer Gerechtigkeit auf der Basis einer leistungsfähigen Ökonomie ein.

Und ich habe keinen Zweifel: Wir werden im Ergebnis Erfolg haben, weil wir vorausschauend handeln, mit klaren Zielen vor Augen und festem Grund unter den Füssen