

***COUNCIL OF EUROPE FIFTIETH ANNIVERSARY
CONFERENCE***

***“Market-oriented society, democracy, citizenship and solidarity:
an area of confrontation?”***

p r o c e e d i n g

Strasbourg, 31 May-1 June 1999

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I. OPENING SESSION

Chair: **Mrs Pozza Tasca**, Member of the Committee on Parliamentary and Public Relations of the Parliamentary Assembly of the Council of Europe (PACE).

“On behalf of Lord Russell-Johnston, President of the Council of Europe Parliamentary Assembly, it is both an honour and a pleasure for me to welcome a group of participants that is so representative of civil society. I would particularly like to welcome those who have come a long way, that is, from India, Americas and Africa.

The conference that brings us together today is part of the celebrations to mark the 50th anniversary of our organisation. After 50 years every institution has a duty to take stock of the past and to make plans for the future. This stocktaking is especially important in view of the Council of Europe’s lightning expansion over the past ten years. Having gradually covered half of Europe in the first forty years of its existence, a decade later it now covers almost the whole continent, with forty-one member states. It is the only pan-European organisation.

The main focus of its action has not changed: promoting and upholding the rule of law, human rights and pluralist democracy. This was its *raison d’être* when it was set up in 1949, and remains so today. The nature of threats to democracy has changed, showing that it is still an ongoing challenge, despite the progress made in establishing democracy, emancipating citizens and making different forms of participation available to them.

Democracy, which is one of the keywords for your conference, now has to contend with distortions of concepts which are theoretically part of the same ideological family.

Let us take the example of free enterprise in the economic sector, the establishment of a climate conducive to business development and reduced state intervention, which ought to give rise to widespread prosperity and consequently to the emergence of various forms of freedom. Yet some of the reports to be presented at this conference deplore excesses in these developments, without necessarily challenging the principles underpinning them.

We shall therefore have to discuss these issues and their impact on social cohesion and the operation of democracy.

In my view, the advantage of this conference is that as well as generating debate on ideas, it highlights practical experiences presented as aspects of a policy able to reconcile competition and solidarity between individuals. It is true that we shall not be together for very long, but the preparations for the conference and the quality of its participants should make it possible to lay the ground for the development of a new society based on a fresh form of humanism.

Before I finish, I wish to emphasise the role played by the Liaison Committee of NGOs enjoying Consultative Status with the Council of Europe in the preparation of this conference, and to thank all those who answered our invitation by being here today. Many thanks also to the European Movement, which contributed to discussions about the conference programme and involved its network of associations, which serves as a forum for civil society and is widely represented in the Assembly Chamber today.

I also wish to express warm thanks to our partners, their contributions have made it possible to increase the media impact of the proceedings of this conference, whose objectives strike at the very heart of the future of our societies. Lastly, many thanks to the Mayor of Strasbourg, Mr Roland Ries, who took an interest in this event from the outset and enlisted the practical support of the Communauté Urbaine de Strasbourg. We shall have the pleasure of hearing his address this evening before the friendship dinner he is holding for you.

I would now like to open the proceedings by calling upon Mr Rifkin to introduce the general theme.”

I. GENERAL THEME

Chair: **Mrs Elisa Pozza Tasca**, Member of the Committee on Parliamentary and Public Relations of the PACE

Expert: **Mr Jeremy Rifkin**, Author of “End of Work“, President of the Foundation “Economic Trends”, USA

Speakers:
Mr Felice Scalvini, President of the European Confederation of Workers' Co-operatives, Social Co-operatives and Participative Enterprises
Mr John Langmore, Director for Social Policy and Development at the United Nations
Mr Alexandre Nikolaevich Yakovlev, Member of the Academy of Sciences, President of the Foundation "Democracy", Russia

Moderator: **Mr Paul Staes**, Senator, Member of the Committee on Parliamentary and Public Relations of the PACE and Chairman of the Organising Committee of the Conference, Belgium

Rapporteur: **Mrs Dominique Méda**, Specialist in the philosophy of economy, Author of “Qu’est-ce que la richesse?”, France

DEBATE

Mr Rifkin spoke of the fundamental transformation the global economy was undergoing as a result of information technology: computers and biotechnology were opening up a new age. The use of sophisticated computers to study genes, for example, was the basis of biotechnology. The paradigm was changing; there was a shift from slowness to speed, and the nature of the social contract would also change. In the twenty-first century, the century of the information and life sciences revolutions, the nature of work would change and that change would be as profound as the one which had marked the transition from agricultural to industrial societies, except that it would not take place over several centuries but in less than half a century.

In the United States, which had been an agricultural country, only 2.5% of the population now worked in agriculture; the number of manual workers had declined from 33% to 17% of the workforce in thirty years. The US Steel Corporation’s 20,000 workers were producing more steel than 180,000 had twenty years ago. In ten years, only 12% would be employed on the factory floor and the disappearance of blue-collar workers, ie the workerless factory, was forecast for 2020. It had to be accepted that the cheapest employee would never be cheaper than the technology that would replace him. In the old days workers who lost their jobs could become white-collar workers; today, with the technological revolution in the service sector, we were moving towards virtual, network, societies.

During the industrial revolution, as soon as one sector became mechanised, another emerged in response to new needs: this was also happening with the information and life sciences revolutions except that, even if the skills of the workforce were improved as

politicians were suggesting, there would not be enough jobs for everyone: the industrial revolution had required mass labour, the information and life sciences revolutions, by producing new services, did not provide openings for everyone. Software had already been developed which could do what lawyers and accountants had done only a short time ago. Medical software would soon replace the family doctor. And these were only the first steps of the information society.

Hence the diagnosis Mr Rifkin set out in his book *The End of Work* - a title considered ludicrous at the time since the United States had put many people back to work, reducing unemployment considerably. But how? As in 1927-28, by giving credit free rein: as in the 1930s, saving was now negative in the United States. Had the 1929 crash been forgotten?

A structural revolution was under way: the industrial revolution had ended slave labour; the information and life sciences revolutions would abolish mass labour.

We should be delighted to have technologies able to produce goods and services for the whole planet with a reduced labour force but, in the absence of a social, cultural and political vision, this ultimate victory of capitalism was causing anxiety.

For the time being, one could only observe the social fracture: 20% of people were doing well or very well - one only had to think of the 256 richest people in the world, including Bill Gates who received 40% of the income of Americans. The remaining 80% ran the risk of gradual marginalisation.

What was to be done with the people whom the economy needed less and less? How were the fruits of the information and life sciences revolutions to be shared out?

The market would not provide enough jobs, the state would not be able to employ many people. Society had to be seen as consisting of three sectors: the market, with its capital, the state, with public capital, and the third sector with its social capital. (One could add a fourth, rapidly developing, sector, the underground economy, and undeclared work.) The third sector consisted of social services, health care, education, research, religion, art, and the voluntary sector. How long could a country survive the disappearance of the third sector? Two or three days, perhaps. It would be more accurate to call it the first sector.

Historical anthropology showed that social capital preceded the establishment of market and state. The collapse of the communist societies could be explained by the lack of social capital: it was confidence that created the market, not the reverse. Civil society alone was capable of creating the confidence without which neither market nor government could survive.

The ex-colonies were not defining their identity and continued to rely on subsidies and international aid; a third sector that united to create a coherent force would radically change the political landscape.

The new politics of the twenty-first century was the politics of culture, which was beginning to assert itself and becoming the new centre, between the market on the right and government on the left.

The third sector had to be boosted, because civilisation and employment depended upon it. Some of the profits generated by information and life science technologies should be used to finance quality jobs for young people who would no longer be employable by market or state.

In the past, the best jobs had been linked to the market; in future they would be replaced by binary processes: machines would do things better and more cheaply. Now, however, many low-scale jobs in the third sector were far too sophisticated to be done by machines: they required human investment - for example, a kindergarten assistant responsible for training 25 brains - as we know that neurone connectors are complete by the age of five. Mr Rifkin suggested to the managing directors he met that they should take a week's holiday to work as kindergarten assistants: they would see which was the more demanding job and whether kindergarten assistants should not be given a managing director's salary.

The jobs of the twenty-first century would concern civil society: these were the ones machines would not be able to do.

What might the role of nation-states be? As products of the industrial revolution they responded to the need to ensure sufficient political unity to manage markets. Today, trade was becoming globalised, was freeing itself from geographic space to enter cyberspace. Governments and local authorities would have to forge partnerships with the third sector in order to have sufficient weight vis-à-vis large multinationals. World trade had to have a counterbalance: geographically based authorities.

In the twenty-first century governments would have to work with the third sector and NGOs to draw up a new policy. If the community existed, the market would develop from it. If the community did not flourish, neither would market or government. The essential was to restore culture and foster the vitality of the third sector. Furthermore, NGOs should not be called non-governmental organisations as though they were an appendix of government, when in fact they were agents of development. (*Applause*)

The Chairperson thanked the speaker for his paper and his call for the beginning of a new era. The resurgence of a tyranny he had condemned also concerned the parliamentarians present in carrying out their duties in civil and political society.

She also thanked him for stressing the role of teachers. The ability to understand the importance of young people required a new enthusiasm.

Mr SCALVINI said that the organisation he represented had a membership of 1.2 million worker-entrepreneurs - this was how people working in co-operatives were described - in 6,000 businesses in 18 European countries, not only the European Union.

He also represented Italian Social Co-operation, which brought together 5,000 companies created some twelve years ago and 100,000 workers, 20,000 of them volunteers, which was growing in the service and social aid sectors.

He was also *member-chairman* of a small rehabilitation co-operative in a small town near Lake Garda which gave work to prisoners. He mentioned this to show that he was not a researcher, but a social entrepreneur. An entrepreneur always wanted his ideas to be put into practice. In this respect, he agreed with most of Mr Rifkin's speech.

European experience confirmed the image of three sectors: market, government, other establishments. The third sector was constantly developing, it promoted new forms of organisation, was involved in social initiatives and very active in the environmental field. Every day new associations, new co-operatives, new NGOs, trying to give themselves their own legal and organisational framework were appearing.

With respect to what Mr Rifkin had said, from his point of view, the speaker had the impression that it was in the economic field that things were changing. At a time when Europe was suffering from a serious shortage of jobs, the jobs created by the entire third sector organisations were increasing by 1.5 to 2% every year. In addition to a salary, they offered a response, a new way of living and working, respecting abilities, autonomy and choices of working hours. They were therefore more meaningful than traditional jobs.

The movement was favoured by the falling cost of technology, which was becoming accessible to those with little money but great potential for initiative. The third sector used much technology previously restricted to the public sector and large companies. From this point of view it was a very positive phenomenon.

The essential questions now were How to develop a genuine political and social project? How to develop the third sector as a whole? How to remedy its excessive fragmentation and its leaders' lack of an overview? Without a major project it would never be able to play its proper role in developing a solidarity pact for the benefit of everyone.

Italy had set out on this road with the creation of the National Forum of Third Sector Organisations, which in its three-year existence had already concluded an outline agreement with the Italian Government.

This sector also had to be made completely independent of the public sector. Too often, talking about NGOs amounted to talking about a sector which was in fact dependent with respect to its sources of funding. Greater independence meant greater ability to act and operate on markets. The third sector should redefine its relations with state and market by increasingly affirming its autonomy.

Furthermore, while social capital was produced in the third sector, there needed to be serious investment in human capital. In too many fields excessive emphasis was placed upon the need for financial capital which, for the purposes of strengthening management, organisational and forward planning capacities, was now more abundant than human capital. Experience showed that such investment was not only necessary but also productive. It was therefore necessary to improve training, cultural exchanges, and transfer of skills and knowledge management techniques. (*Applause*)

The Chairperson thanked the speaker and said she was delighted he had talked about his experience with European countries which were not members of the European Union because it was with this greater Europe, the Europe of the future, that the Council of Europe was concerned.

He had also been right to stress the need for investment in human resources, working hours and improving the quality of leisure time.

Mr LANGMORE found two recently published articles particularly interesting. In the first, Keynes's biographer said that the markets governing the planet amounted to a world government. The second, published in the *New York Times*, emphasised that while after the second world war Churchill's notion of the Iron Curtain was very widespread, it was now without any doubt the idea of American financial hegemony that was dominant.

Deregulation and globalisation had accentuated the phenomenon and those who held capital now managed the world. Interest rate changes now determined consumption. As a result, services that were important for people were no longer provided and social welfare measures were threatened.

Yet it had not been possible to avoid the Asian financial crisis because of the effects of the credit squeeze imposed on those economies.

Eighty per cent of workers in the United States earned little more than they had done twenty years earlier, inequality had increased and only the rich benefited from prosperity. Many sections of the population, and also entire countries, were now marginalised. Liberalisation was therefore less a panacea than an illusion.

While in-depth reforms and changes in mentality were needed, the search for stability made people very complacent. Concentration was not favourable to debate. Where there was a soft consensus, major decisions were postponed and only market imperatives seemed legitimate. All that counted was balancing the budget - the idea of service was completely forgotten and disappeared from public action. When the political no longer took precedence over the economic, many other major principles were abandoned.

The responsibilities of all sections of society should therefore be broadened. Government, senior management and unions should get to work. It was necessary to revive the social dialogue, intensify citizens' participation, increase transparency, and foster innovation. The government should act as a regulator between market and society. Companies should respect consumers and the environment, not only their shareholders. It was also necessary to re-establish social solidarity and satisfy needs, as the UN advocated.

In order for the necessary reforms to take place, financial markets had to serve the economy rather than dominate it. The problem was not that globalisation was going too far, but that policy was not going far enough. In an interdependent world it was more than ever necessary to take into account the public good of the whole planet.

The vulnerability of the financial world could be reduced by guaranteeing more transparency, strengthening controls, which was done through major agreements about investments, including the Tobin tax, for example, cancelling the debt of the LDCs and rescheduling that of other developing countries.

Such were the ideas expressed at the Social Summit. The number of heads of government who had taken part gave grounds for optimism. Now the new social contract negotiated at Copenhagen had to be implemented. The follow-up conference to be held in Geneva next year would be an opportunity for further initiatives. There would be hard bargaining.

There were many ways of making people co-operate so that societies would be free and prosperous. Getting down to work would bring about renewed hope. (*Applause*)

The Chairperson thanked Mr Langmore and recalled that on the occasion of its fiftieth anniversary the Council of Europe had, on the initiative of Mr Mignon, Chairman of the Committee on Parliamentary and Public Relations of the Parliamentary Assembly, held the Youth Assembly, during which the debt had been much discussed.

Mr YAKOVLEV said that in Russia there was in fact no civil society, nor an effective market economy and that, while Mr Rifkin's paper was very instructive, it was certainly not relevant to that country. Similarly, what had been said about social confidence was heart-warming, but such confidence did not exist in Russia, where there was, on the contrary, a terrible gulf between people and government. The clumsy wagon of Russian democracy was dragging the ruins of the old house behind it. It would take a long time to build a new one with large windows open on the world. Poverty had to be overcome and the remains of the psychopathic bolshevism that had prospered under the dictatorship and still lived in people's hearts had to be eliminated.

It was true that the communist impeachment putsch had just failed, but the Duma was still communist and governments were following each other in swift succession, all failing in their attempts to find a social consensus and take a different path. The reformist orientation remained, however, even if the transition was painfully slow. Information and elections were free, but during interminable meetings the communists accused democracy of every evil, as in the time of *perestroika*. The government was still using the old methods and the terror of the Plan had given way to the terrorism of the bureaucracy. It was unprofitable for new companies crippled by taxes to produce goods. As for civil society, it had not progressed one iota since 1986.

These blockages were above all due to the total absence of land reform. Without private ownership of land it was impossible to move forward. Moreover, judicial reform had not been completed, as the communist and anti-communist bureaucracy had little interest in the rule of law. Furthermore, the excessive militarisation of the Soviet economy persisted. Reforms with respect to managerial autonomy were making little progress as central government did not wish to delegate anything.

It was clear that bureaucracy could stifle democracy. Furthermore, the spirit of the Cold War was still widespread, not only in the preservation of the infrastructure of military confrontation and NATO threats, but above all among a number of chauvinistic nationalists

who were close to gaining power. It was true that after so many years of mutual distrust it was difficult to establish a relationship of trust, but one might think one had returned to the period before Reagan and Gorbachev. Moreover, how could one forget the Yugoslav tragedy in which West and East were equally responsible since to the former bombing was nothing, and to the latter, genocide in Kosovo was not very much? The savage bombing could not be reconciled with protecting human rights; the dead had only one right: to be buried.

Despite all these weaknesses, it was absolutely impossible to go back to the past: any such attempt might destroy the nation, but this did not mean that anyone knew where the country was going. If fragile social stability made it possible to move towards something, it was not yet known towards what. As for confidence in western aid, it hardly seemed justified.

The transition from one social structure to another had taken place without violent revolt, and this was a great first for Russia, but now everything was again unpredictable. The Russians had often made mistakes, but they had kept the essential thing, the democratic orientation of their country. It was this that gave hope of a better, rich, prosperous Russia in which power would be wielded by civil institutions and a civil society. (*Applause*)

The Chairperson thanked Mr Yakovlev for his courageous analysis of the situation in his country: the preconditions for the development of civil society did not yet seem to have emerged, but change at local level encouraged some optimism.

Mr STAES, moderator, recalled that the Parliamentary Assembly of the Council of Europe had just published a report on the future of the Council which placed civil society centre stage.

What was to be done in the future with the millions of people without jobs? Were they going to be helped to kill time without making use of it? Were our societies not mature enough to provide answers to these human questions?

Whether they came from the floor or via the Internet, the questions could be summarised as follows: What is culture? Is the third sector identical in Europe and the United States? Can the third sector become a political force without ceasing to be a social movement? What might be the respective roles of the third sector and politicians?

Mr RIFKIN defined the third sector as all cultural institutions, all human groupings based neither on the demands of the market nor on those of government: in short, citizenship. Culture was the most important link: without it there would be no third sector, nor any market or state either. Neo-conservatives, neo-liberals and libertarians who did not understand that the market does not come before, but after, the community were mistaken.

A smooth-running world market was needed, but if confidence disappeared, so would social capital; the world market needed strong regional cultures.

The third sector was similar in the United States and Europe. The only difference lay in the Catholic tradition of some countries: it was when the generations of the 1940s and '50s turned away from the Church in Italy, Spain, Brazil and the Philippines that the third sector had developed: the secularisation of the Church's teachings (do good, help your neighbour) had led to the proliferation of NGOs.

How could the voluntary sector become a political force and remain independent? In the preface to the French edition of *The End of Work*, Michel Rocard said that political parties had played their part badly. What counted were people, the cultural life of a country, which alone made it possible to institute a policy of sharing.

The third sector had to be politicised, become an ally of government; it had to unite in order to be able to negotiate with market and state - otherwise it would remain an appendage of governments.

With respect to third sector policy, the discussion was more advanced in Italy; in the United States discussion had barely started. Political parties had to reposition themselves on the centre-left or centre-right with activists from the third sector, the community and culture.

Mrs BUKHARINA (*member of the NGO Assembly of Belarus, to which 20% of NGOs belong*) regretted that no parliamentarian from her country sat in the Council of Europe since Belarus still fell too far short of European standards.

She would like the third sector in her country to be able co-operate with those of European countries in order to speed up the political and economic reforms necessary for entry into Europe.

Mr COURTNEY (*Observer of the Holy See*) asked Mr Rifkin to clarify his call for NGOs to redefine their role. And to begin with, was it not necessary to rename them, as their name seemed too pejorative?

Mr BRUNI (*University of Padua*) thought that the third sector was part of the market, just as the market needed confidence if the economy was to develop: economists had already been aware of this in the eighteenth century.

It was too limiting to reduce relations between individuals to the third sector alone: entrepreneurs had always created social capital; the social economy went beyond the third sector. The proposed classification was too restrictive.

Mr BEAUFILS (*IAF*) explained why his association, which fought prostitution, was interested in the conference. The damage caused by the market economy doomed millions of children to become victims of the sex market and sex tourism. In addition to taking care of the victims of this form of modern slavery, the message had to be got across that paying to have sexual relations with a human being was a nonsense, the opposite of the personal development a loving relationship could bring.

Human beings needed to develop meaningful relationships, becoming enriched by their differences and never sinking into boredom, as their creative ability was infinite.

Mr STAES, *moderator*, asked speakers not to make declarations of principle.

Mr RIFKIN returned to the relationship between third sector and governments: the aim was gradually to form an international political force which would make governments budge if they remained inactive.

It was NGOs that had first drawn attention to the consequences of the revolution in the life sciences: genetically modified organisms, cloning, etc.

What should their new name be? “Non-profit organisation” was one possibility but had too fiscal a connotation. “Voluntary organisation” clearly expressed the idea of a free service rendered to society.

Regarding the relationship between third sector and market, it was interesting to note the change at the World Bank, which had in the past injected capital into the market to create a prosperous economy, then a prosperous community, and was now talking about social development and working with NGOs and civil society to develop the market. This was the right method: when civil society was strong, demand appeared and the market was created spontaneously: if it was created from nothing by subsidies, it collapsed for want of a social base.

Social capital was the opposite of market capital: in the latter, according to Adam Smith’s theory, the entrepreneur defended his interests and, as a by-product, the public good; in the former, it was the opposite: by contributing to general well-being, the individual maximised his own. Both were needed: they were in a sense two sides of the individual: egotism and altruism.

The example of prostitution could be compared with the increasing trend of the economy to sell human experiences (travel, etc): capital was supplanting everything, including cultural experience. Making culture a commodity, buying (selling) a real experience, led to the ruin of culture, the very basis of society and, consequently, of markets.

If there was too much deregulation, if culture became a commodity, one of the three legs would disappear and the stool would collapse. The question was how government and third sector could stand up to a market which turned everything into merchandise.

Mr SCALVINI said that, although it was premature to put forward a single definition of the third sector, the social economy, the caring economy, he wished to introduce the new term, “social enterprise”, which would be extremely useful at a time when many third sector enterprises were taking on a dimension that should stimulate thought about the problems of organisation and production, and the idea of added value. Unlike traditional enterprises, they did not simply want to produce, but also to take into account social and environmental ties in

order to maximise the social function and pursue social objectives such as combating prostitution, pollution, etc. And they wanted to do so not as associations, but as enterprises.

One could share Professor Rifkin's views on human capital. Human capital had to develop through a better system of relations, a better distribution of the economy. If the economy was to serve humanity, men and women had to use it for altruistic ends. This was why the third sector had to spread through society so that economic phenomena were rationally managed by trying to reconcile individual and social interests, instead of blindly following Adam Smith's definition.

Mr STAES, *moderator*, offered another question: How could the role of the social sectors in the United States and Europe be compared?

Mr SCALVINI saw only a few cultural and religious differences. Furthermore, in Europe, states and governments played a greater role, whereas in the United States large foundations were the instruments of financial support in the third sector. In Italy, the local authorities funded many organisations, some regions by up to 80% or 90%, which affected the associations' independence.

Mr LANGMORE thought it very relevant to discuss the term "NGO". Perhaps the idea of "community services" could be chosen, ie at the service of communities. "Civil society" was also a good general expression.

Mr HANCOCK (*United Kingdom*) protested against the introduction of a kind of quiz, when there should be a real debate.

Mr Rifkin had made his speech so often he knew it by heart. He was very skilful, but he asked questions instead of providing the answers expected of him.

Why educate someone? How could the members of a community be motivated?

NGOs had nothing to do with church attendance. The Council of Europe favoured NGOs because they strengthened the work of national parliamentarians. They were proliferating because there were ever more frustrations in the world.

Another question: who was going to pay? It should be made clear that policy was largely based on money. It was not surprising that in the United Kingdom and, above all, the United States, where one needed a great deal of money to get elected, very few parliamentarians were from the community movement. Who had the money, if not those who had the power?

The British people thought that unemployment benefit should be financed from taxation. Their Prime Minister advocated a third way incarnated by Bill Clinton, but no one had ever explained to the people how this third way was to be financed, and fiscal policy was still the one inherited from Thatcher and Major.

Mr Yakovlev had made a very courageous speech. Having recently run a seminar in the Duma about strengthening the democratic process, the speaker was convinced that most of the ex-communist countries had moved very fast and done more in ten years than western countries had done in decades. They should therefore be encouraged.

Lastly, it was to be regretted that the conference was falling into the technology trap by answering questions asked via the Internet before dealing with those asked by people who had made the effort to come and attend the conference. Believing that this was the way of the future meant that the lessons of the past had not been learned. (*Applause*)

Mrs WEBER (*International Food First Information Action Network*) thought there was no justification for strengthening the third sector so that markets would operate better if the latter did not give people work. How could this be justified to future generations?

Mr Rifkin was probably used to speaking to businessmen, but the market was only of interest to ordinary citizens if it gave them work

Mr RIFKIN replied that he spent only some of his time with businessmen.

Education was probably the major issue facing our societies.

In the United States, every school now had its own cyberspace, as though there were no other possibility. While it was a good thing that young people were learning to surf, there was a great risk of doing them a disservice because the market would not need all of them. Preparing all young people for comparatively scarce knowledge-based jobs was therefore not good. It would be better to promote civil, civic education.

Furthermore, it was clear that young people learned better if teaching was immediate, direct, integrated in the community. Did one learn zoology better in a sterile classroom or in contact with ecological associations? This went for all disciplines; abstract teaching was not adapted to the market.

The most important part of education, its primary function, was to prepare young people to shoulder their responsibilities to their fellow-citizens, to live with them. It was a movement that was fast developing in the United States.

Wandering in virtual worlds was not harmful in itself, but when ten hours a day were spent on it, those worlds become reality *full stop*. The sole antidote was active participation by young people in community life.

Why defend the market if it did not provide jobs? The market we were familiar with, where one sells one's labour in order to live had existed for only two centuries. In the next century capitalism would continue to play an essential role, but it would no longer be alone. If the market played its part well in the production of goods and services, the rest of humanity would be free to perform more important tasks, including social ones.

Who would pay? Until recently, the third sector had successfully financed itself. Sports and civic associations and the churches had not stretched out begging-bowls to governments in order to exist, quite simply because people had the social capital necessary to lead them.

Solutions were possible. France was taking an interest in the idea of a social currency making it possible to exchange social skills. During a seminar with the Finnish President and his ministers, it had been regarded as impossible to increase further a tax burden that was already 48%. But was not the real question the best use of existing tax revenue by eliminating certain kinds of waste?

Similarly, in the United States the question had to be asked whether it was better to spend so much money on prisons - 2% of the American labour force was now behind bars - or channel current revenue into creating a new network that responded better to the needs of the twenty-first century. A major debate was clearly needed.

Mr STAES, moderator, read out a question addressed to Mr Yakovlev: Could civil society save Russia, invent a different policy, help economic development?

Mr ELO (PACE, Finland) wished to point out that, while taxes were high in Finland, they were not the highest in Europe.

He asked about the role of the Duma in Russia: he was surprised the President was able to dismiss a minister without Parliament having any say. Was Mr Yakovlev in favour of strengthening the powers of the Duma at the President's expense?

Mr YAKOVLEV admitted that theoretically civil society could contribute to economic development, but there was no civil society in Russia, which had been governed by individuals, not the law, for a thousand years. The state had to be rebuilt first, electoral procedures and relations within the Federation reviewed, etc. Local autonomy had a role to play but those in power did not want to delegate it to local authorities.

It was nevertheless to be hoped that civil society would gradually be built from the bottom upwards.

A member of the committee which drew up the Constitution and a partisan of parliamentary democracy, Mr Yakovlev had approved a form of presidential system for fear that the leftist opposition, which held the majority in the Duma, would block reforms until a majority favourable to the rule of law and democracy emerged.

The President could dismiss a minister; everything depended on his relations with the Duma, which had made a mistake when it tried to dismiss him.

Mr STAES, moderator, passed on a question on the possibility of NGOs being independent of governments and another on the relationship between the political and socio-economic chapters of UN programmes.

Mr LANGMORE (*UN*) pointed out that it was logical that the service sector should develop when industry and agriculture declined: the more resources were available, the more was spent on services. In the United States, services already provided 70% of jobs. Some services could be provided by non-profit bodies but most had to be paid for - or were only apparently free because they were financed by taxes or contributions.

With respect to the independence of NGOs, it had to be accepted that the non-commercial sector lost its independence once it needed substantial funding. Governmental and non-governmental bodies were now moving closer.

The UN funded UNESCO, UNICEF and the UNDP - this was the social wing of its work - whose orientations were set by all the countries: it was the communities themselves that set the objectives; these strategies needed to be implemented by global institutions.

Mr STAES, moderator, put to Mr Rifkin a question about the future and the role of young people.

Mrs QUESTER-SEMEON (*Les Humains Associés*) asked about the role of women: Were we moving towards co-operation rather than competition?

Mr WIELOWIESKI (*PACE, Poland*), parliamentarian and former adviser to Solidarnosc, stressed that citizenship, ie the ability of citizens to be involved in the decisions concerning them and society as a whole, was the necessary basis on which to meet the challenges of today's world. It was active, responsible behaviour, to which the Pope had referred more than twenty years ago, notably during a visit to Latin America. It was in this sense that he had described citizenship as the main criterion of progress. But what was to be done if people refused to be active? This was a problem Erich Fromm had dealt with in his book *Escape from Freedom*. In the countries in transition the population was often passive because the traditions of social activity had been broken by the communist system and people escaped into individualism.

In order to meet the challenge one had to turn to education, as Mr Rifkin had said. Three methods were indicated: providing models, giving people a chance to take part in concrete citizenship experiences from school onwards, anticipating collective awareness in order to awaken everyone's abilities. This was how young people could be encouraged to adopt active, responsible behaviour.

Without these three methods of educating young people, the third sector would not be developed quickly enough to enter post-industrial society.

Mr STAES, moderator, passed on a question about the reality of increasing global wealth in relation to social and environmental problems, and another about the place of the Third World.

Mr MORENO (*parliamentarian, Ecuador*) called for global solidarity. His country devoted half its budget to repaying its external debt and borrowed from the IMF to finance educational and social programmes. A veritable revolution was needed within the country in order to eliminate corruption and impose ethical behaviour, without which social solidarity was impossible.

Mr Rifkin was putting forward a new vision of society that enabled globalisation to result in social progress. How could the gap between wealth and poverty be reduced on a global scale?

Mr RIFKIN stressed that women had been the pioneers of the third sector. They were already preferred to men at intermediate level on the job market. In the future they would provide leadership in the third sector, which would become the centre of a new policy. A new wave of feminism would restore culture.

From the point of view of ecology, the Rio summit had stimulated debate about a different approach to lifestyles in the interests of sustainable development.

As long as individuals sold their labour on the market in the old forms, their identity would be expressed through their capacity to consume. Conversely, the longer a person spent in the third sector - either paid or as a volunteer - the more interesting his life would become. Consumption should not be a substitute for social relationships. Young people had to be prepared to spend more time in the third sector than on the market: this was the key to sustainable development.

Social capital used fewer natural resources than market capital and public capital; it enabled a more sustainable way of life to be developed. The role of education was fundamental. Young people were still being told that their identity depended on their ability to acquire the skills demanded by the market: did this give them a reason for living? The primary responsibility of human beings was to discover the value of life, relationships with others, reasons for being on the planet. If they discovered these values, young people would be self-confident and able to enter both the job market and social and political life.

Cultural diversity was necessary: monoculture meant losing millions of years of cultural development and humanisation. If we took this path, we would be moving, not towards a renaissance but towards the collapse of civilisation.

Mr Rifkin concluded by hoping politicians and members of the third sector would succeed in their enterprise. (*Applause*)

Mr STAES, *moderator*, replied to a question about the role the Council of Europe could play in the conflict between the market and democracy by referring to the report published at the beginning of the year by the Parliamentary Assembly.

Mrs MEDA, *rapporteur*, thought the debate had opened up a broad field of enquiry and put forward some important ideas. It had also provided an initial response: yes, there could be an

area of confrontation conducive to the development of a strong third sector which looked after social needs that were at present unsatisfied. This sector already existed, and it had even been suggested that it might be financed by a tax on the wealth created by the new technologies or the Tobin tax.

The speakers had also agreed about the urgent need for, and the importance of, NGO involvement, but they had not indicated how its greater development might be fostered.

The rapporteur regretted that, with respect to new types of citizenship, more interest had not been shown in ways of bringing about greater citizen involvement in defining a way of living together, on the model of the neighbourhood committees in France and “time of cities” in Italy. Thought should also have been given to how to co-ordinate the work of associations pursuing specific interests with local communities of citizens.

Discussion of new types of social enterprises often came up against the reluctance of the state, which did not want to lose its prerogatives, and the market, which feared competition. Work on the transition therefore had to continue and looking for ways of developing the third sector could be a powerful instrument in the reform of the other two sectors, state and market. (*Applause*)

The session rose at 12.15 pm.

The session reconvened at 1.40 pm.

III. THEME I: PUBLIC INSTITUTIONS AND CIVIL SOCIETY: HOW CAN WE IMPROVE PARTICIPATORY DEMOCRACY AND ACTIVE INVOLVEMENT OF CITIZENS?

Chair: **Mr Andrzej Wielowieyski**, Deputy, Member of the Committee on Parliamentary and Public Relations of PACE, Poland

Expert: **Mrs Susan George**, Economist specialising in globalisation issues and North-South relations, Writer, USA/France

Speakers:
Sir Sydney Chapman, Member of the Committee on Parliamentary and Public of PACE, United Kingdom
Mr Erhard Eppler, Former Minister, Germany
Mr Dirk Jarré, International Council on Social Welfare

Journalist: **Mr Joachim Vannahme**, "Die Zeit", Germany

Moderator: **Mr Andreas Gross**, Member of the Committee on Parliamentary and Public Relations of the PACE, Switzerland

Rapporteur: **Mr Daniel Zielinski**, President of the European Help Centre for Non-Profit Organisations

The Chairman stressed that the challenges in this area, in particular the confrontation between competitive society and caring society, were no less great than those of the revolution in the workplace.

Citizens' passivity and low level of participation in public life were threatening the democratic balance and Europe's projects. It was therefore particularly important to examine the subject in greater depth. The expert who would enable the conference to do so was Mrs Susan George.

Mrs GEORGE (*Expert*) wished the Council of Europe a happy anniversary and quoted an alas forgotten researcher, Polanyi, who in 1944 declared that "allowing the market mechanism to be sole director of the fate of human beings and their natural environment ... would result in the demolition of society". Polanyi would have been horrified by the expression "market-oriented society" and considered it a contradiction in terms and contrary to the concepts of democracy, citizenship and solidarity, since no market should be allowed to dictate political and social terms to the whole of society.

Yet today the welfare state was under attack from all sides, political and multinationals and financial groups increasingly took economic decisions, and the vote of speculators was prevailing over that of the citizens.

This was why it was necessary to ensure that the market stayed in its rightful place, to reaffirm the essential role of the public good and the democratic nation-state, and to enlarge the concept and scope of “responsible citizenship” to encompass the international sphere.

Fifty years ago the state was something self-evident. At that time, all the countries of Europe were trying to put in place mechanisms that would guarantee the public good, and those policies had on the whole been effective. Life expectancy had risen steadily, at the same time as the standard of living, education, health, housing and employment had improved during a period of prosperity. Without idealising social democracy or the achievements of the welfare state, one could still say that they had reduced economic disparities, diminished the stresses and anxieties of daily life and improved national cohesion without diminishing individual freedoms - quite the contrary. A glance at the popular press of the day showed that people had been concerned about the future, often asking how society would be able to cope with so much plenty and leisure. Encouraged by the decolonisation process, many people also believed that the gap between rich and poor could be substantially reduced between the nations of North and South.

But unfortunately the link between citizens and state had weakened, markets and neo-liberals now walked hand-in-hand and the North-South divide was wider. The richest 20% monopolised 85% of global wealth and the poorest 20% had only crumbs.

The financial markets had launched a frontal cultural attack in a veritable crusade to reduce social democracy in the world. Billions had been spent on convincing people that markets always did better than states. This had mobilised an élite composed of major multinational businessmen, a few senior bureaucrats and representatives of the Bretton Woods institutions - the “Wall Street-Treasury complex” Jagdish Bhagwati had described.

The agenda of this international minority led by the United States was economic growth through free markets, free trade, free movement of capital and free investment, deregulation and downgrading of the role of the state, combined with wholesale privatisation, the opposite of the Keynesian or social-democratic paradigm. Social equity, environmental protection and health figured nowhere among its concerns.

This destruction of the welfare state had had catastrophic repercussions in the United Kingdom and the United States. In the South, whole states had been destroyed by speculative bubbles. The crises in Korea, Russia and Mexico had thrown millions of people into the street simply for the benefit of a few people who divided the spoils among themselves.

According to the *Herald Tribune*, Germany came only 24th on the Davos scale of world competitiveness because it guaranteed only a 12% return on investment, as against 20% in the United States.

As a result preference was given to competitiveness, the state's propensity to provide maximum return on capital within its borders; to flexibility of the labour force, the state's propensity to sacrifice the hard-won gains of its own working class in order to be more competitive; to privatisation of public assets, the state's propensity to alienate or surrender the product of decades of work by thousands of people and transfer it to major shareholders; and

to deregulation, the state's propensity to give up its sovereignty for the benefit of transnational corporations and financial market operators.

In order to foster a new democratic citizenship in the world, institutions had to be completely reformed, particularly the IMF and the WTO. As for the MAI, it was an attempt that had been thwarted at the last minute by a movement, the mobilisation of civil society. It was an attempt to guarantee the wholly deregulated circulation of money, goods and investment.

In view of the fact that the multinationals dictated most of their behaviour to governments, was it realistic to imagine citizens acting as a counterbalance? The situation did not encourage optimism, since globalisation combined with neo-liberalism had obliterated a large part of the opposition, states having abdicated much of their sovereignty in favour of institutions that were neither transparent nor democratic. None the less, there were still things that could be done, but one had to be clear that no one willingly gave up power: it had to be seized, probably not by violence but by putting the market back in its place through specific means such as taxing capital movements.

The state also had to be reminded that it had to shoulder its responsibilities. If it allowed the market to act freely, money would be monopolised by a minority and the majority would be marginalised, with the risk of social turmoil. Without advocating mounting the barricades or reverting to Soviet communism, which had proved repressive and inefficient, there had to be a return to the notion of the public good, in particular in education and health, where the third sector had a special role to play. Politicians had to ensure social cohesion and give communities a common project.

The Canadian Parliament had voted for the Tobin tax because it realised that 40 billion a year would be enough to redress the balance between countries.

Citizens at least had weight of numbers on their side. Although they lacked the means for immediate action, they had ideas and must organise in order to counterbalance the markets.

The Chairman thought that Mrs George was right to emphasise the major challenges presented by the globalisation of markets and speculation and the need to seek new balances and counterbalances. But how was this to be achieved when people had lost confidence in states and those who embodied them, had little interest in European institutions and disliked political parties? How were numbers to be translated into structural effectiveness?

Sir Sidney CHAPMAN (*PACE, United Kingdom*) said he had been irritated by Mrs George's report.

As someone in favour of privatisation who did not regard himself as a neo-liberal but as a pragmatic politician, and as a former minister under Mrs Thatcher and Mr Major, he criticised Mrs George for an erroneous view of what had happened in the United Kingdom

between 1979 and 1997¹. The OECD had found that the privatisation programme had been accompanied by a considerable rise in the productivity of service providers, to the consumer's benefit: previously prices had risen every year; now they were falling, while the quality of services was improving thanks to monitoring by regulatory bodies.

There were some significant figures. In 1979 nationalised companies had been losing 500 million francs a week; in 1997, after privatisation, they brought the state 600 million a week.

Mrs George had deplored a wholesale attack on the unions, yet few people had been in any doubt that they were too powerful and Mr Kinnock himself had admitted that this had probably contributed to the Conservative victory. While formerly the unions had been able to hold the country hostage, thanks to Mrs Thatcher and Mr Major the number of strikes had fallen and labour flexibility had increased the number of jobs: the unemployment rate was 7% in the United Kingdom, compared with an average of 10.7% in the European Union. Mrs George criticised the lessening of the tax burden on the rich. It was true that the top rate of tax had been reduced to 49%, but the increase in the number of high taxpayers had boosted tax revenue, while two million households were exempt from taxation, and the number of people paying wealth tax had risen from 800,000 to two million.

In 1997 the average British family earned 1,000 francs more a month than in 1973.

Mrs George spoke of "sharp cuts in welfare spending", though public expenditure on health and education had increased steadily.

Mrs George wrote that "by 1996 one person in four, and one child in three, was officially considered poor. The physical reality of roll-back is millions of people who cannot afford to heat their homes in winter, who must put a coin in the meter before they can have electricity or water, who do not own a warm waterproof coat, who do not have access to fresh foods".

In fact, the average income of the poorest people had increased by 50%, their spending by 40%. Three-quarters of the poorest people had central heating in 1996, compared with 40% in 1979.

How many households had to put a coin in the electricity meter? Sir Sidney had asked the question in Parliament: only 661 out of 24 million English, Welsh and Scottish households. Mr Major agreed that electricity should be cut only as a very last resort: in the year before privatisation 80,000 homes had been deprived of electricity in this way as against 1,000 at the end of Mr Major's Government.

In fact, the years 1979-97 had been prosperous ones for the British people. The unions understood that they had to yield to the rules of democracy; growth had been stronger, employment had been maintained better than in the other countries of Europe, social expenditure had increased enormously thanks to the country's greater wealth resulting from greater efficiency in the privatised companies.

¹ See Mrs George's report (AS/Parl/Conf99 – 5)

Mrs George quoted figures selectively. What was poverty? An income lower than the national average? But if that income increased, there would be more poor people although they would have greater resources! Between 1979 and 1997, half of average income rose from 450 francs a week to 840 francs: the situation of the poorest (and the richest) had therefore improved. It was better to earn 840 francs and pay 150 francs in tax than 450 francs and pay less tax. And the Labour Government had not altered taxation.

The Chairman thanked Sir Sidney for clarifying past British social policy, but was awaiting proposals about the future.

Mr EPPLER said that, unlike Sir Sidney, he had been strengthened in his beliefs rather than irritated by Mrs George's remarks, recalling Polanyi's warning against a society in which the market alone determined people's lives. Powerful interests had been at work to see that neo-liberalism gained cultural hegemony, assisted by the implosion of the communist system. There was a tendency to believe that the opposite of what was wrong was right: as the communists had failed in substituting politics for the market, the idea had arisen of substituting the market for politics. Why not privatise and leave to the market what was badly managed by politics?

It was politics, not the market that had been discredited in the twentieth century, which had been an age of catastrophes, because politics had sought to dominate totally, in totalitarian fashion, every area of existence. The pendulum was now swinging back. The market was filling the void left by discredited politics. But the pendulum would not stop there: when the market turned into merchandise things that should not be, there would be resistance, at least in Europe. If, for example, security became a commodity some people could not afford, Europeans, unlike Americans perhaps, would not accept it.

The market had nothing to do with morality: its only value was money. Politics was not always moral but could be judged according to moral criteria. A politician who pursued only his own interest could lose his job; no morality could prevail against the market. If the market replaced politics, morality would disappear - hence the churches' strong opposition to neo-liberalism. Mr Rifkin had talked about a three-legged stool: he was right but, in the final analysis, it was a matter of the tension between the market and policy because policy was implemented in the state and civil society. Politics began where people came together as citizens to live together as they wished. No civil society could replace the executive and the legislature, but these could not resist the forces of the global market unless they were based on a civil society that responded to needs the market could not satisfy. The human needs for justice, security, protection and solidarity were often voiced in civil society before they were perceived by parliament and government.

Old and new social movements also derived from civil society: unions, churches, ecological movements. In the United States - as Tocqueville had observed 150 years ago - there were numerous associations with a membership of almost a million-and-a-half people. This was probably why the United States had so successfully withstood twenty years of neo-liberalism. In Russia, where the third leg was missing, there was a danger that the stool would fall over and organised crime would replace civil society.

The rebirth of politics began in civil society. Attention therefore had to be paid to all points of contact between civil society and state institutions in order to translate certain initiatives into law.

Referenda in some towns and regions had the merit of stimulating public debate and making it interesting, even in a region ruled by the same party for fifty years. The people's decision was a good way of concluding a debate. There were plenty of objections to referenda. What would have happened if one had been held in Germany about adopting the euro? Government and parliament, majority and opposition would have had to discuss the subject of European unification and the single currency with the people. Referenda reduced the gap between governments and governed, strengthened politics vis-à-vis the market. If a parliamentary majority decided to abandon nuclear energy, the nuclear lobby would find it more difficult to accept than if a majority of the electorate expressed its will through a vote.

European democracy drew on the tension between the rational use of market capital and the human needs the market could not satisfy. One of these poles was now weakened. Hence the need for a revival, a return to politics in nation-states over the next two decades - including at local level - and in Europe.

In a global market, the size and economic power of the European Union had a better chance than nation-states of conducting politics, of placing the market in a social and economic framework.

He hoped it would seize the opportunity.

The Chairman thanked the speaker and hoped that politics would return strengthened to every level of public action, and not only through referenda.

Mr JARRE said he wished to concentrate on the session's main theme, in particular "Public institutions and civil society: how can we improve participatory democracy and active involvement of citizens?"

He began by quoting a key passage from Jean-Jacques Rousseau's famous *Social Contract* and stressed the central theme of his written contribution: that what European society especially needed today was a new political culture - a new social contract for the future to which the main forces in society had agreed so that an effective solution to society's current problems could be found and a political culture for the new century could be developed.

This required, above all, an open and honest political debate between all members of society on present and future political arrangements and systems according to the rules of transparency and mutual respect. The ultimate goal of this dialogue should be to enable the three pillars of any democratic society - the state, the market and civil society - to negotiate a new definition of their respective roles and responsibilities, and come to a mutual understanding on a political project to manage society's future.

For this to happen, it was vital that everyone shared the belief that man was not only acted upon by democracy but was also an active participant in it, and that citizens' participation was both the goal of any democratic system and the measure of its success. Such wide participation was inconceivable independently of the values of justice, equality and

solidarity. Furthermore, the inclusion of dialogue and interaction with citizens in decision-making processes and in the implementation of decisions had to be legally established and institutionalised in a manner that did more than pay lip service to citizens' right to full participation and was not restricted to general principles that could not, in practice, be taken advantage of or implemented.

Public debate about democracy, even if it was difficult and controversial, had to be stepped up at all levels of society. Citizens and their organisations had to be confident that they were part of the democratic system and that their opinions counted all the time and not just every four or five years during elections.

This public debate had to be centred on, among other things, the question of who should assume which public office and at what level. When responsibilities were hazy and overlapped, or when everyone appeared have responsibility, in actual fact no-one did. Clarity of responsibilities was the best weapon against a tendency to "muddle through", against improper influence and against all forms of corruption.

This was the basis of the argument for a strong, responsible and reliable state that concentrated on those tasks which were essential in a democratic society, that were in the general interest, and that the other partners, the market and civil society, could not perform. The state should also exert a moderating influence to bring about necessary changes in, and modernisation of, society and economic conditions.

Citizens needed a democratic state that worked well and that had a specific range of enforceable laws, because individuals could assert their rights neither through the market nor through NGOs. Political decisions had to remain in the hands of elected democratic representatives who, in principle, were accountable for what they did as well as for what they did not do, and could even be removed from office through elections.

Present political debate often resembled a sort of media chat show with few practical consequences. If the aim of politics was to grasp the different trends in society in order to reach the collective decisions needed to solve present and future problems jointly, political debate had to be pragmatic and action-oriented. It was a serious danger to political culture when words became disconnected from action.

The development of society could not be entrusted to politicians alone. In order to achieve participatory democracy, the organisations of civil society, NGOs, had to be fully recognised. They should be seen not as relaying government policy, but as partners in political negotiation who shared responsibilities while preserving their sovereignty and autonomy of decision and action.

The oversimplifications of "political correctness" had to be resisted. The unconventional approaches, inventive solutions and visionary concepts that NGOs constantly contributed to political debate should be welcomed and even encouraged.

It was therefore important to devise a more flexible and encompassing political architecture that added new vistas to the traditional two-domain scheme of state and market. The gap between *homo politicus* and *homo economicus* had to be narrowed and political debate had to take on board the whole range of citizens' realities and aspirations, accept the interconnection of political, civil, economic, social and cultural factors in everyday life, and reach new compromises between social and economic concerns.

NGOs could act as societal sensors and early-warning systems. Their growing involvement in the political debate made it possible to identify more clearly the objectives, goals and priorities of political action. Their expertise and applied intelligence improved the qualitative approach to problems and enabled politics to recognise and solve conflicts and problems by reconciling the different trends present in open and dynamic societies. Greater involvement of civil society fostered transparency and prevented powerful, selfish economic players or all-powerful bureaucrats having excessive influence.

If citizens' competencies were clearly recognised and their views sought, they would identify with the political system, be encouraged to develop responsible political attitudes and esteem politics more. Their individual and collective involvement should therefore be fostered through appropriate structures and procedures as well as adequate legal, fiscal, financial and educational measures.

People hated the idea of companies, politicians and government departments taking decisions geared to their own selfish interests, or making expensive mistakes and then expecting the taxpayer to foot the bill. This simply reinforced the belief that people were totally dependent on government with no possibility of exercising control. In the interests of society as a whole, obsolete or cumbersome procedures had to be eliminated, and politicians and civil servants encouraged to take a clear, critical look at their own action. New ways of calling politicians to account and monitoring political decisions had to be sought.

"Good governance", as a system of close co-operation between the components of society and with characteristically intensive participation of civil society, required unrestricted access to information, for parliamentarians as well as others. It was very often NGOs that drew parliamentarians' attention to issues. They were more inventive in obtaining information, sometimes by extremely surprising or even roundabout means. Such methods would not be necessary in an open, genuinely democratic society. (*Applause*)

Mr VANHAMME wondered whether it was appropriate to be so categorical about the weakness of the state and the power of the markets in Europe. The financial market was still very regulated, it was based on law and confidence. The weakness of the state was real with respect to international financial affairs, but did not the weight of the state budget and its influence on everyone's lives need to be looked at more closely?

The question of how to act as a counterbalance had been raised, but what sort of reinforcement was really wanted? The presence and vigour of the NGOs hardly encouraged

pessimism about grassroots democracy. And was democracy on a larger scale, which until now had been that of nations, not becoming European? Was there not a need, between the former, almost direct form of democracy, and the latter, often considered blocked and weakened, for a new institutional project alongside the social contract that had already been mentioned?

Mrs GEORGE considered that in a global market, questions of the power of the market and the weakness of the state arose in broadly the same terms in the United States and Europe. Although European markets were more regulated, the capital in circulation came from the same source, essentially American, British and Japanese pension funds, so the objective was the same: to get the best return. Just as in the past there had been a transition from agricultural capital to industrial capital, the latter was now giving way to financial capital. People who wanted to form a company were caught in the same stranglehold as governments, since they had no means of curbing the power of global capital.

In fact, governments had more powers than they pretended: was it not amazing that some states had been prepared to sign the MAI, which would have deprived them of a huge portion of their sovereignty without giving them any advantage at all in return? And, their attitude to the WTO had been the same. In the latter case European Commissioner Leon Brittan had tried to obtain a decision within three years on the grounds that there was no other choice, that it was a package, so we had to eat beef containing hormones and GMOs, for example.

With respect to the idea of a counterbalance, it was obvious that we were very far short of an international democracy, although a large number of decisions were taken at that level. The great problem was how to invent that democracy. States had to be encouraged to work with us in order to set up transparent, responsible institutions accountable to citizens.

As for the NGOs, they were creative but lacked resources, particularly as they were facing increasingly technical subjects. For example, they had had to learn everything about the MAI and Seattle. Parliamentarians were also working in terrible conditions: they could not know everything about technical issues although, under cover of technicity, attempts were being made to introduce highly political measures. Helping NGOs and citizens' movements to master all that would therefore be a very useful undertaking.

Mr JARRE regretted that so much time was being devoted to markets when the subject was not markets but improving participatory democracy and active involvement of the citizen. Everyone present who represented (civil) society should offer comments and perceptions and not be content to ask questions.

The social contract was a political project which included every aspect of social reality. But in a globalised society there could be no such contract at national or even European level; it had to be global, even if it had to be supplemented by a European constitutional scheme that society would increasingly demand.

Mr GROSS, *moderator*, said a great number of questions addressed to Mrs George had arrived by Internet. He chose three:

- Was there a limit beyond which market-oriented society would collapse?
- Was there an ideal balance between the public and private sectors?
- After deregulation, were we moving towards renewed regulation?

Mrs GEORGE refused to enter into an argument with Sir Sidney Chapman, who had based his criticism on only a few lines of her report. She stood by the figures a friend in Oxford had given her: in 32% of families with children there was no one working full-time; 12 million people whose income was less than half the national average could be considered poor, etc.

Did the market have limits? No, because the present system did not set any. If it continued to generate profits by eliminating ever more workers who were considered too expensive, it would ultimately collapse in a bloodbath. Was this a dramatic overstatement? In any case we had to avoid reaching that point.

Was there an ideal balance between the public and private sectors? Each society had to find it by organising a dialogue between the representatives of the people, civil society and the private sector. Mr Eppler was unfortunately right. The European Union was still more of a bank than a society involved in dialogue. During the next European summit in Cologne we had to make our voices heard.

Deregulation was a misleading word because regulations were made, and therefore unmade, every day. But they had been laid down by accountable authorities. Deregulation was now another name for flexibility that sought to force everyone to work for a minimum wage - as in the United Kingdom, where wages were low and working hours long. She addressed this observation to Sir Sidney Chapman.

Mr GOUZAR (*Marc Bloch University, France*) asked Mrs George what she meant by “putting the market in its place” and whether she thought regionalisation could help tame globalisation.

Sir Sidney Chapman, a former member of British Conservative governments, had endeavoured to present a positive account of their action. Was he really aware of the difference between the nominal value and the real value of wages? Setting aside the figures, there were enormous imbalances in his country: most activity was concentrated in London and a little in the south; the Liverpool area was a disaster with 25% unemployment. In London itself, flexibility and insecurity were wreaking havoc. American firms established there prohibited unions, gave only 15 days’ annual leave and made people work as much as 13 hours a day.

Following on from what Mrs George had said, instead of deregulation was it not better to speak of social and political deconstruction? How could the general interest, represented by the state, be reconciled with the private interest of companies? There was a territorial logic of the state, whereas firms were organised in global networks.

Mrs MacPHEDRAN (*Canada-Ukraine Partnership, Canada*) welcomed the leading role of women in the third sector, as mentioned by Mr Rifkin, and asked Mrs George how a balance could be achieved in view of the under-representation of women in the market and government bodies.

MR VEKEMANS (*Eurofedop, Belgium*) observed that Sir Sidney Chapman had argued in favour of what the NGOs were fighting against a civilisation of yuppies. The unions were too powerful? Why had he not talked about tax evasion? The workers paid their taxes but the people who earned most still asked them to moderate their demands. Figures could be made to say anything.

Sir Sidney CHAPMAN explained that he had wanted to submit a paper in reply to Mrs George but he had been asked to sit on the panel instead.

Being neither a philosopher nor a thinker, he reacted as a simple politician. Of course, figures were like bikinis: they hid a great deal. Nevertheless, even the Labour Party had acknowledged that the unions were too powerful during the terrible winter of 1979 when rubbish piled up in the streets. After all, Mrs Thatcher had not been elected by the wave of a magic wand, and for the first time in the country's history the same party had won four consecutive elections.

There were pockets of poverty in the country and in London itself because of the decline of shipbuilding, heavy industry, etc. The government had not been inactive but had made efforts to create jobs.

The globalisation of markets weakened the state. Mrs George was right, but this was limited in the United Kingdom by regulatory bodies.

Democracy required a consensus, a compromise between partners and, for politicians, it included being answerable to voters.

At international level, the European Union gave reason for hope but most of its directives were resisted.

Mrs GEORGE explained what she meant by "putting the market in its place". The market did many things better than the state, as the collapse of the USSR had demonstrated, but limits had to be placed on it. Companies had responsibilities not only to their shareholders but also to the people they employed and the country in which they operated: they employed staff whose training had cost them nothing, who went to work by road and rail on infrastructures they had not financed, etc.

A return of 12% might be considered sufficient, the rest going to a solidarity fund.

The gap between North and South had to be reduced too: Europe could not live in splendid isolation in a world in which five-sixths of the population lived in poverty. International capital might be taxed so as to reduce the gap.

Regionalisation and the efforts of individuals working together could act as a brake on globalisation, but this was not enough: co-operation was needed at local and international level.

The balance between the sexes was less a problem of education than of further training for women. Mrs George explained that she herself had taken a diploma every ten years in order to have time to bring up her children. She had succeeded only because university education was free in France; she would not have been able to afford to do so in the United States. She was the fortunate product of two cultures: she had been born in the United States and benefited from the efforts of French taxpayers.

She told Mr Vekemans that after a long decline the unions were making a come-back, and now had 6 million members in the United Kingdom.

The increasing number of young people also delighted her in her audiences.

Mr Gross, moderator, passed on the following question to Mr Eppler: How do you react to this passage in one of the reports under discussion: “governments unwilling to sacrifice their public institutions to private interests are labelled ‘backward’”?

He added a question of his own: Should one not trust the opportunism of politicians? If they are afraid of losing everything, they are prepared to give up part.

Mr EPPLER answered that from the neo-liberal point of view everything that did not free the market was regarded as backward. It was dangerous for a politician today to say that his task was not to free the market of political constraints: this could lead to his resignation. Mr Eppler asked for the second question to be reworded.

Mr GROSS, moderator, said that it concerned the division of power to which the executive would have to consent vis-à-vis international institutions: for fear of losing everything, politicians would give up some of their power. Did such pressure actually exist?

Mr EPPLER replied that it was the market that exerted this pressure, because politicians understood that the return of politics could not take place at national level. They gave way to Europe where they thought they could find more freedom, but it was the market that exerted pressure.

Mr GROSS, moderator, passed on further questions to the conference.

What could NGOs in the West do to help NGOs in the East and the development of civil society in the ex-communist countries? How could the continuing weakness of NGOs and civil society, even after the fall of communism, be explained? How could the Ukrainian and Polish Parliaments help to strengthen them?

The Chairman replied that western NGOs were richer financially, more experienced and more dynamic; it was above all by passing their experience on that they could help. When he had been a union adviser he himself had learned everything from his western colleagues. But there were areas in which the countries in transition could be more energetic, so glaring were the needs.

The Chairman was delighted to have saved several NGOs by helping them solve their problems and put an end to waste in his capacity as vice-chairman of the budget committee of his parliament. The system of controls thus created had brought very useful discipline to this sector. Public finances should be managed honestly, wisely and rigorously.

Furthermore, it should be noted that the turnout at the most recent elections in Poland had been almost 63%, as compared to less than 40% at the first election following the transition because people were not at that time convinced their vote was useful.

It was far more difficult to create Europe with tens of millions of voters than with a few hundred technocrats.

In both Poland and Ukraine, former communist countries where society had been dismantled and uprooted and was individualistic, it was essential for the initiative to be taken by parliament.

The Chairman concluded by thanking all those who had contributed to the debate on this theme.

IV. THEME 2: BETWEEN A MARKET-BASED AND A CARING SOCIETY: WHAT KIND OF SOCIALLY RESPONSIBLE ECONOMY DO WE WANT?

Chair: **Mrs Elena Poptodorova**, Deputy, Member of the Committee on Culture and Education of PACE, Bulgaria

Expert: **Mr Riccardo Petrella**, Professor at the Catholic University of Louvain (Belgium), Counsellor at the European Commission

Speakers:
Mrs Chiara Lubich, Doctor Honoris Causa in Sociology at the University of Lublin (Poland), Winner of the 1998 European Human Rights Prize of the Council of Europe, Italy
Mrs Bodil Maal, Adviser to the Women's Bank Network in Norway
Mr Daniel Janssen, Chairman of the Board of Directors of Solvay S.A., Belgium
Mr James Tobin, Nobel Prize Winner in Economy, USA

Journalist: **Mr Peter Martin**, "Financial Times", United Kingdom

Moderator: **Mr Borut Pahor**, Deputy, Member of the Committee on Parliamentary and Public Relations Committee of the PACE, Slovenia

Rapporteur: **Mr Mikko Elo**, Vice-Chairman of the Committee on Economic Affairs and Development of the PACE, Finland

Debate

The Chairperson said that the conference was broaching one of the most important matters, of importance also to the future of the welfare state, and that ideas and even answers were expected from speakers.

Mr PETRELLA said he stood somewhere between the commercial society, of which he was not in favour, and the caring society, and that the global economy had become less and less socially responsible in the political as much as in the economic, environmental and cultural fields, and that it was now responsible only to its shareholders and, sometimes, consumers. This was so much the case that even the Davos Summit of summits had asked how globalisation could be rendered responsible.

He was in favour of a global social contract as a move towards global welfare.

How could one accept that 1.4 billion people - 3.5 billion 20 years hence - did not have access to drinking water? How could one accept that 1.7 billion people - more than 3 billion 20 years hence - did not have proper housing? How could one accept that 2.7 billion people were living on an income of less than \$2 a day?

Today, the richest 20% in the world owned 86% of the wealth and accounted for 88% of world consumption. In 2020 these proportions might reach 93 to 94% of wealth and 95% of consumption. This was an impossible present and an unacceptable future.

The first step towards global welfare was to delegitimise the underlying principles of the present economy, the political choices of the ruling classes and the prevailing cultural values.

Yes, total liberalisation of the market, the deregulation of society, total privatisation of human activities, competitiveness as the basic principle of global relations, maximum return on investment, the trend to a standardised global culture, all these had to be outlawed. All of them had been shown to flout the principles that our societies were proud of and were so well summed up in the device engraved on the façade of every town hall in France - “Liberté, Egalité, Fraternité”. So we had to change our own attitudes, move towards delegitimation and give ourselves other priorities such as the universal right to life and universal access to water.

Was it not scandalous that religious forces tolerated the fact that so many people had no drinking water and did not open their doors to them? Was it not scandalous that the political parties accepted the fact that so many people were living on less than \$2 a day? Were they waiting for the 2.7 billion to rise to 4 billion?

It was now necessary to rethink the role of technological innovation in the creation and distribution of wealth. It was wrong to say that work was a thing of the past - there were 1.2 billion unemployed people in the world - it was wrong to say that technology was going to replace everything. If one sought to extend capacity in goods and services in response to individual and collective needs, innovation would not be a killer but a source of enrichment and would broaden the range of solutions.

Education had become a huge machine for selecting the best, whose abilities and qualifications were most directly profitable to companies in their search for competitiveness on the market. But its role was not to produce profitable human resources but citizens, to teach people to greet other people instead of trying to push them out of the way and find one of the increasingly scarce jobs before they did.

If the global social contract was not to be merely an empty formula, power had to be taken away from finance; it had to be disarmed so that we stopped making everything subservient to it, so that it once again became an instrument for financing human developments. The financial bubble was now the great hot-air balloon, and the real economy the little basket beneath it.

In order to change all that, the speaker had made nine concrete, realistic proposals in his written report; but the first question was who could bring about these changes, who could make an irresponsible economy responsible, who could see to it that in future no one would live on less than \$2, no one would be without shelter, no one would be without work.

It was an illusion to imagine this would happen quietly, via a technocratic consensus following meetings of committees of experts. It was thanks to our great-grandparents who had

fought for them in the nineteenth century that democracy and solidarity had come about, that citizenship had become a reality. This was no longer the case, and that was why we had to renew social, political and cultural struggles, of course by democratic means, by strengthening parliaments and forms of participatory democracy. But it was indeed a struggle that was coming, because governments never gave good things away: the people always had to win them. (*Applause*)

The Chairperson believed Mr Petrella had clearly shown the unsustainability of global capitalism in its present form, as well as the state's abdication and the supremacy of the private sphere. He had also rightly mentioned the responsibilities of churches, parties and the education system. If the global social contract was a goal, we were still very far from attaining it.

Mrs LUBICH thanked the Council of Europe for inviting her to this important conference to present a new type of economic practice known as the economy of communion, a specific experiment in economy based on solidarity which had developed in the context of the Focolare movement.

Every conception of the economy was the expression of a particular culture, the reflection of a particular vision of the world. In recent decades a way of life had been quietly spreading in many countries that was the expression of a new culture specific to the Focolare movement, among others, which was based on Christianity and animated by a new spirituality, both personal and collective, the spirituality of unity. It was now present in 182 countries and comprised a great majority of Catholics but also Christians from 300 different churches, members of the principal religions, as well as men and women with no particular religious beliefs who shared many of the movement's values. It also offered a new way to live the various aspects of social life.

The movement's vision of the world was of a universal brotherhood in which people sought to contribute towards a more unified world. For this reason, everyone was asked to practice with determination what is called love, Christian love, or, for those who belong to other faiths: benevolence, which meant wanting the good of others. It was present also in men and women who did not have any particular affiliation who also instinctively built relationships with others. Every person naturally possessed a culture more inclined to giving than to having, precisely because all persons were inclined to love their fellow human beings.

The culture of giving typical of the Focolare movement had been translated into practical terms through a communion of goods among all the members and through social works, some very substantial ones. If this love became mutual it gave rise to solidarity, a solidarity which could be kept alive only by suppressing one's selfishness, by overcoming difficulties. And it was this solidarity, always placed at the heart of every human activity, including economic activity, that characterised the lifestyle which four and a half million people sought to practise daily and had now spread far beyond the movement.

This lifestyle led to living politics in a new way and was already bearing its first fruits in cities as well as on the parliamentary level, to the point of applying the principle of "loving the other person's country as we love our own".

After more than 50 years' this way of life had given rise to the economy of communion project. The idea had emerged during a meeting with the Sao Paulo community in 1991, from the heart of a nation where there was dramatic suffering due to the social contrast between the very wealthy few and millions who were extremely poor. Poverty was also present among a few thousand of the 250,000 adherents of the movement in that country, and what was already being shared through the communion of goods was not enough to meet their needs. This had led to the idea of increasing the amount of money put into communion by setting up business enterprises that would be entrusted to competent people capable of making them work efficiently and profitably. Part of the profits would be reinvested in the businesses, part would be used to help those in need, thus making it possible for them to live with a little more dignity until they could find a job, or offering them a job in these same businesses. Finally, part of the profits would be used to develop structures for forming men and women who desired to base their lives on the culture of giving, "new men and women", because without new people it was not possible to build a new society.

The idea of the economy of communion had been received with enthusiasm, not only in Brazil and Latin America, but also in Europe and other parts of the world. New firms had been established, while others had changed their management practices to join the project. Six hundred and fifty four enterprises had now joined, including 91 micro-businesses, in various economic sectors in more than 30 countries. An example was the Kabayan Filipino rural bank, which in five years had advanced from 123rd place to 3rd place for the number of deposits and had weathered the Asian financial storm the previous year thanks to the atmosphere of trust created within the firm and around it. Twenty-three entrepreneurs from Solingen in Germany had built a development finance company, Solidar Capital, aimed at setting up and developing new productive activities in the countries of Eastern Europe, in the Middle East and in Latin America. In Liguria, the Roberto Tassano Consortium of Social Co-operatives had been started and now operated a variety of community services, linked with local industrial firms. It now had some 420 associates, and had been described as an "incubator enterprise".

The experience of the economy of communion aligned it with the many individual and collective initiatives which had attempted and were attempting to give economics a human face.

While the firms operated in a market economy, they proposed as the very rationale of their existence to make economic activity a place of encounter, a place of communion, between those who had goods and economic opportunities and those who did not, among all those involved in different ways in the activity itself.

While it was true that the economy was frequently the very factor that built barriers between social classes, these firms were committed instead to setting aside part of their profits in order to meet the most urgent needs of people in economic difficulties; to promoting within one's own business as well as with consumers, suppliers, competitors, local and international communities, public administration, relationships of mutual openness and trust, always with an eye towards the common good; to living and spreading a culture of giving, of peace and legality, of respect for the environment, inside and outside the firm.

The project proposed models of economic activities inspired by concepts of gratuity, solidarity and concern for the least privileged as well as profit-making businesses, a profit which was pooled communally. Those who promoted industries of the economy of communion felt they had a profound relationship with one another and knew they were part of

a broader network. Those who were in need and received part of the profits were not looked upon as persons who were “assisted” but as an essential part of the project, since they gave something too: their needs. They also lived the culture of giving. Many of them gave up receiving help as soon as they achieved a minimum of financial independence.

How could companies so sensitive to the needs of all the people they dealt with and the good of society survive in the market? The spirit that animated them helped them to overcome the internal conflicts which paralysed many human organisations. Furthermore, their ways of doing business inspired trust and esteem on the part of clients, suppliers and investors. The businesses also left room for God’s intervention in their economic activities, and every time one went against the trend He intervened with unexpected income, a good deal, an offer of collaboration, an idea for a new product.

It was in this form that the economy of communion had caught the attention of economists, sociologists and philosophers, some seeing in it a new key for understanding social relationships which might be a contribution to the efforts to move beyond the individualistic conception prevailing in mainstream economics. (*Applause*)

The Chairwoman concluded from this presentation that, believers or not, we had to learn not to be extremist in either our judgements or our actions. This was the prime duty of every man and woman.

Mrs MAAL explained how she had taken inspiration from the Grameen Bank, which she had discovered in Bangladesh, to create a Women’s Bank in two fishing villages in Northern Norway in 1992.

The basic principles of the Women’s Bank were simple. The women formed support groups of five: before receiving a loan they had to understand the rules and regulations and sign an agreement in front of the others.

Each group elected a leader; the positions rotated. Each group managed a fund of about 25,000 ecus; the first two to receive loans were the ones with the most developed plan or who were most in need. The group decided on arrangements for repayment, which had to be completed within three years.

The idea was to develop a gradual learning process.

It was managed from the bottom upwards, the women being treated as subjects, unlike traditional top-down management in which women were treated as objects.

Access to the bank was easy as it was geographically and socially close to the women.

It helped create small businesses. In the group the women could present and refine their projects, and use their knowledge and creativity; they were empowered, which was not the case in discussions with officials.

The women began by taking out small loans for small projects in order to learn: one step at a time. With ordinary banks it was not possible to choose one's rate of growth; choices and decisions were imposed.

Many women wanted to combine several activities in accordance with tradition in the rural areas of Norway: crafts and tourism, part-time work at school and a part-time job weaving, etc. Similarly, many of them who were bringing up children or caring for old people only wanted to work part time. The Women's Bank enabled them to do so. It also allowed the whole group to benefit from the experience of the women who had made a success of their business.

Peer pressure encouraged the women to support each other.

Through the Women's Bank system, it was possible to develop product-lines and co-operate in buying and selling.

The management and organisational experience gained in the groups made the women politically active in their community.

In short, this flexible model responded to the changes in women's needs and lives. The groups gave them money, support, training, initiation to the market and leadership experience.

This model meant a democratisation of the economy; if well managed, the money could benefit a large number of women.

Since 1992 85 groups had been formed in 54 of the 430 districts of Norway. A network had been created to co-ordinate training and information.

There had been thirty-six projects wholly controlled by the members of the groups concerned.

Women's banks were an alternative to the international financial system, which was becoming increasingly distant from ordinary people, making the poor poorer and the rich richer.

Mrs Maal concluded by saying that several women who were displaying some of their products accompanied her.

The Chairperson, as Deputy Chair of the PACE Committee on Equal Opportunities for Men and Women, invited Mrs Maal to contact the committee in order to share her experience with it, as their objectives were the same.

Mr JANSSEN began by noting the increased competition facing companies and the increased instability of workers' jobs. Responsibility for this lay with the new information technologies, which were transforming the nature of industry and services, and globalisation, which was the result of the liberation of capital, the removal of barriers to trade and the conversion of the ex-communist countries to the market economy. Companies no longer stayed within the confines

of the 180 countries: each exploited the comparative advantages of countries; national protection was no longer possible, it was inconceivable that the process could be reversed.

These changes had to be given a human face through solidarity - social security systems reduced the impact of unemployment, illness, early retirement and retirement. Training and information, which were unfortunately too scarce, could prepare citizens for the changes.

Large companies were also making efforts in this direction, and new information technologies would help them in their training and information initiatives.

Co-operation was needed at company headquarters, in the regions, in the country and at continental level. Social dialogue, which was comparatively easy in Europe, the United States and Japan, was much more difficult in the rest of the world.

The countries of Europe had to help other countries set up machinery for social solidarity and social negotiation: industrial agreements, social security, collective bargaining, the judicial system, the legislative system and anti-corruption arrangements. These were the keys to globalisation and a market economy allowing humanly acceptable prosperity.

There was another task for European countries confronted with the tragedy of unemployment: they had to remedy a fundamental defect in the system. Social contributions were a burden on labour costs, except in the United Kingdom, Ireland and Denmark. Taxing a rare commodity like labour was to condemn it to oblivion.

If this excessive taxation, which had been imposed for the purposes of social generosity, was changed, work would once more become an economic factor.

It was possible to reconcile globalisation and social solidarity - Mr Janssen, who had believed all his life in the reconciliation of the market economy and social needs, was profoundly convinced of this. (*Applause*)

The Chairperson thanked Mr Janssen, and said that establishing a new global social contract was of concern to everyone.

While many associations combating poverty thought the Tobin tax would be very useful, she herself had to confess her ignorance: she did not know exactly what this tax was.

She gave the floor to Mr Tobin, who had been unable to come to Strasbourg and spoke via a videoconference link.

Mr TOBIN (*by videoconference link*) recalled that it was in 1972 that he had suggested introducing the tax, which since then had acquired some popularity but had never been seriously considered in his own country, the United States.

The developed economies of the democratic countries could be described as mixed economies. They were market economies in which most transactions involving goods, services, natural resources and labour were voluntary purchases and sales. They were also

capitalist economies in the sense that most non-human means of production were privately owned and the owners took the relevant decisions. But democratic governments had a full say in these decisions and activities. They also owned many production companies and provided goods and services to the public. Despite recent waves of privatisation, governments' weight in the economy remained substantial. Conversely, there had never been a democratic country in which the government was omnipresent and the private market stifled.

The opposition between state and market was therefore much exaggerated. All states were greatly involved in the economy and this was also true of the emerging economies.

To claim, as some right-wing ideologues did, that the victory of the West in the Cold War was the victory of economic liberalism was ridiculous: it was the victory of democracy and the mixed economies.

Many people believed the capitalist market could appear overnight, that it was enough to destroy the state, but things did not happen like that. Smoothly running public institutions were required if the market itself was to work. A great deal of time was needed for a market to reach a level of development comparable to that in the west. But it was also a mistake to believe that only command economies worked: they were also to a great extent market economies.

Markets came in endless varieties, from the one in the village square to the centres from which oil was distributed throughout the world. In some markets prices were the result of a direct bargain between buyer and seller, in others they were set by only a few major producers.

Where they operated, markets were remarkable social tools, but could true social harmony prevail without someone managing and governing? Markets channelled products to the people who wanted to buy them but had to be based on contracts. Buyers and sellers had to be well informed and there should be no monopolistic barriers to trade.

Furthermore, it was often people who did not take part in transactions who criticised them. For example, although the fertilisers used in agriculture ended up in lakes and polluted recreational areas whose users were therefore concerned, the market did not reflect those users' interests in any way. Although people were increasingly aware of damage to the environment and the cost of protecting it, it was still impossible for them to intervene on the markets to do anything about it.

While the role of the state had diminished over the last twenty years or so, problems had arisen because independent companies were unable to manage certain situations without government intervention.

Mr Petrella had referred to the power of the three institutions of world capitalism - market, enterprise and capital - but these institutions were not monolithic: there was no single world governing body for these institutions, and to a great extent markets, enterprise and capital disciplined themselves by competition.

In an effective democracy it was possible to make the economic world understand that there was a wish to see certain values prevail and prevent the richest people having too much power and dominating government.

The speaker did not believe that successful capitalism meant severe inequality, nor that the welfare state was incapable of achieving prosperity, full employment and a rising standard of living. It was wrong to believe as the right did that one could not have everything and that the economy would collapse if the poor were assisted too much. But it was also impossible for a democratic capitalist society to establish a complete welfare state.

Globalisation sought to enable transactions at planetary level to take place without government intervention by doing everything necessary to that end without obeying any rules whatsoever. Such a system had existed before 1914 when the countries, admittedly fewer in number than today, which applied the gold standard traded without any state interference. After the Second World War considerable work had been done under United States leadership to establish new institutions to deal with money and trade at global level. The Bretton Woods treaty established the IMF and the World Bank, prior to the creation of GATT, in order to remove obstacles to trade and encourage multilateral trade.

The problems and crises since then had, however, dampened enthusiasm somewhat, especially since mistakes had also been made in the IMF's search for complete currency convertibility. Latin America and Asia had had great difficulty in keeping pace with the rate of development of the advanced countries, and even France and Italy had been forced to introduce a system of exchange controls for a time.

In 1972 Mr Tobin had therefore suggested introducing a tax on currency exchange transactions in order to make them less volatile and encourage market operators to think more about long-term considerations and stop speculating on the immediate future. Foreign exchange transactions, which had reached 2 billion billion a day, very quickly fell to their starting-level. They were therefore in no sense real investments but simply speculative transactions.

The tax would be imposed on every transaction involving currency conversion. Although it would be very low - 0.1 to 0.2% - it would be aimed only at speculation, not productive investment.

Some capital movements from the developed to the developing countries were beneficial because they fostered technological development and resulted in increased wages. Why should the developing countries be in the grip of the dollar or the euro? Why should they be subject to the same interest rates in Tokyo and Montreal? What advantage did this give them in a unified monetary system? The proposed tax would enable them to access different rates.

The tax was not one on wealth itself and would have no effect on the distribution of wealth, which was the source of most of the inequalities condemned during the conference.

Although application of the tax would require international agreements, this did not make it an international tax. Each country would collect it and decide on its use. Although its inventor would like some of the money to be used for development and education, he had not suggested that it be collected for the benefit of the UN or any other institution.

At a time when the major OECD countries seemed prepared to move towards reform of the financial system, the Tobin tax was not incompatible with the other measures that Mr Petrella seemed to prefer.

Mr Petrella was right to be disappointed in the results of the global economy, but the performance of Europe and Japan had been so poor in the last twenty years mainly because their monetary and fiscal policies had been incredibly incompetent. The growth achieved in the United States proved the success of the route it had taken.

In the 1930s after the Great Depression, when American unemployment reached 25%, it had been easy, especially for Marxists, to predict that capitalism was doomed by irreparable structural flaws. Keynes showed that the correct diagnosis and prescription were far simpler, and experience after the second world war had borne him out.

History had hiccupped and Europe and Japan had failed, while the United States had managed to restore full employment without unleashing the predicted inflationary consequences.

He had personally heard announcements of the end of human capital several times, and was not pessimistic: more would always be needed. It was unlikely that the miracles of the new technologies would result in the end of work. Sound policy should make it possible to put a lot of people to work. It was shameful to regard work-sharing as the solution to unemployment.

The free trade we had known since the end of the Second World War had been positive. It would not be a good thing if the countries of Latin America and Asia renounced world trade and returned to protectionism. The countries that had experienced growth in recent decades were those that had been open and fostered free trade and exchange.

Korea, where per capita income had risen from a few hundred dollars to more than \$10,000, was an example of this.

The Chairperson was extremely sorry to have to interrupt Professor Tobin, but the conference had only limited time.

Mr TOBIN replied that in fact he had said all he had to say. He simply added that the idea of a new social contract put forward by Mr Petrella was a good one, but how could it be brought about? The richest had to help the poorest, therefore nation-states had to transfer some of their wealth to the poor countries. Even then, the money received by those countries still had to be used wisely for the benefit of the needy.

Some Asian countries, those that had been called the tigers, had done well, unlike densely populated India that had followed a different course. It was up to the governments of the countries concerned to see that things changed. (*Applause*)

Mr MARTIN (*Financial Times, United Kingdom*) wondered whether the title of the theme was not based on a false opposition, since in many countries the market economy had improved people's lot and given them better social services. The question was not whether the market was good or bad, but whether the policy followed was good or bad, whether leaders served the general interest or thought only of their own interests.

Why were Mrs Lubich's and Mrs Maal's examples decried, marginalised or presented as being in opposition to the market economy when in fact they applied its principles?

Mr GUI (*New Humanity, Italy*) agreed that the economy of communion, which had been presented as an alternative to the market economy, was in fact complementary to it. It had to be understood that when one was a businessman one had other responsibilities: a spiritual dimension was needed. A company was not simply a tool with which to get rich - and incidentally give work to a few people - but the site of an experience between human beings. Profits had to be shared with those who needed them most - the least privileged.

Therefore there was no opposition, but rather a dialectical relationship. People were at the heart of the philosophy of the economy of communion: the company worked for people. The individual developed by having enough to live on but, above all, by being active, being part of a network of human, spiritual relationships. People needed to be at peace with themselves.

Mr PETRELLA observed that the dichotomy between market and state was always put forward by those who were opposed to public intervention; over the last thirty years, for example, by the opponents of the welfare state. Its supporters, on the other hand, believed the market economy was a useful tool. Progressives had never rejected the market.

Mr Martin should not rewrite history. Who had launched the slogans Less government, better government, and More market, better market? Today many people were opposed to a market which claimed to be absolute. Marketist, please be modest! Why was a system like the Focolare one marginalised? Because the prevailing system marginalised it. For twenty years we had been bombarded, particularly in the pages of the *Financial Times*, with the great innovations of deregulation, pension funds and risk funds, and now it had been realised that the real innovation was micro-credit for the poor! Having ridiculed it, the World Bank was appropriating and advocating it. The facts had to be stated. (*Applause*)

Mr MARTIN challenged this: from the outset the *Financial Times* had written about the Grameen Bank and micro-credit, which it considered interesting. The attack was pointless and unjust.

Mr PETRELLA assured the conference that he was not criticising the *Financial Times*, but the prevailing system which had always underestimated the role of banks for the poor and overestimated the financial instruments it considered modern. No one could deny that.

Mrs MAAL said that the creation of women's banks, like banks for the poor, was a way for many people to resist marginalisation, to keep their heads above water. In Norway they were trying to create jobs by every possible means where capitalism was destroying them.

Mr PAHOR, moderator, passed a question to Mr Petrella about the reform of the Bretton Woods institutions. Should states give up some of their powers?

Mr PETRELLA believed financial markets had to be regulated, and wanted people to stop talking and act instead. He proposed that a world conference on economic and financial security be held in order to put an end to the volatility of markets, currencies and exchange rates. The Tobin tax was one of 9 measures he recommended in his report. Everything had to be done through negotiation, with the aim of establishing a world authority to ensure people's security, a sort of security council in the economic and financial fields. National economies should no longer be destabilised by capital movements that obeyed only the logic of maximising assets. A pluralistic, flexible, decentralised institution was needed, responsible for the governance of world finance and the world economy. Nothing could be done against a cyclone, but economic typhoons which ran contrary to the interests of peoples could not be tolerated. (*Applause*)

Mr PAHOR, moderator, passed on a question from Argentina, where the economy of communion had been well received: was it really an innovation or neo-liberalism in social clothing?

Mr FERRUCCI (*New Humanity, Italy*) replied that the economy of communion was based on a conception of man as a being made to give. The economy of communion was part of the market, which was a means, not an end; neo-liberalism led to an impasse. For example, in Bolivia, from where Mr Ferrucci had just returned, the gulf between rich and poor had led to guerrilla warfare against the state. Now that the Marxist model no longer counterbalanced the liberal model, more caring conceptions had a chance of being accepted by civil society. Everyone was motivated by personal interest, but this did not mean they should forget public well-being.

The economy was not a war, but a commitment to move society forward.

Mr PAHOR, moderator, passed to Mr Tobin a question about his opinion of the economy of communion and sharing.

Mr TOBIN said that the market economy and free enterprise did not prevent those who wished to form co-operatives from doing so, and results showed that such initiatives should not only be permitted but promoted.

Mr Petrella had spoken of a new international body, but the IMF, the World Bank and the WTO already existed and they could be used, on condition they were reformed in order to

improve their efficiency and strengthen confidence in them. Furthermore, the IMF's resources were far too limited in relation to the problems. But what was the point of re-inventing the wheel?

Mr PAHOR, *moderator*, offered another question: there were at present a great many left-wing governments in the European Union, was that conducive to the implementation of social policy?

Mr ELO, *rapporteur*, saw this question as one of the major issues of the European elections on 13 June.

It was clear to him as a Finnish social democrat that leftist governments were promoting a more social Europe. It was, however, difficult to identify the difference exactly, particularly as the leftist governments themselves conducted various policies.

Mr MORENO (*Parliamentarian, Ecuador*) said that in Latin America, as in developing countries elsewhere, there was a monopoly of the financial system. The market was not, therefore, an image, it controlled the global economy and globalisation therefore posed problems on that scale. In Ecuador the banking and financial system had almost gone bankrupt, with the loss of half the banks.

So the market did not necessarily create a strong economy. It would therefore be desirable to promote an economy very far from the capitalist logic, on the model of the Indians of the Andes. But was that really compatible with the global market?

Mr TOBIN said he did not know Ecuador well, and emphasised the problem of the external debt contracted with private lenders and repayment difficulties linked to the present economic situation. In the absence of international agreements on the subject, the burden of repayment weakened the currency, particularly as the state was itself indebted, and it was difficult to achieve a moratorium or even rescheduling.

Proposals had been made for example the introduction of a lender of last resort able to reduce the debt or even eliminate it if the difficulties were too great. It would be helpful to hold a conference to solve certain problems inherent in the international financial system and give debt a prominent place on the agenda. This would make it possible to avoid some bankruptcies, including in the lending countries. It would also be possible to provide for fixed-rate loans. On the other hand, it was difficult to imagine the remission of all debts.

Mr PAHOR, *moderator*, read another question: should the fact that the welfare state had been weakened since the fall of communism be regarded as a coincidence?

Mr PETRELLA recalled that during the Cold War the western countries had also developed the welfare state in order to show how effective they were in building a just, caring economy. They had done so, however, in various forms, while the Soviet Union would not accept any variation in its system. As early as the 1970s people had stopped believing there was a real alternative and the first attacks were made on the welfare state, the mixed economy and the redistribution of wealth. The welfare state was then dismantled as the Soviet system fell apart. This was how the simultaneity was to be explained.

Mr JANSSEN did not see any connection between the two. The fall of communism was a real change, whereas it was because they believed the role of the welfare state was excessive that Mrs Thatcher and Mr Reagan had attacked it as early as 1980, not in 1989.

In the communist countries, ownership of the means of production by private individuals was forbidden on Marxist-Leninist grounds. The upheaval of the early 1990s had had effects on the economies of China, Latin America and others, as well as on Russia and the ex-communist countries. The movement towards privatisation reached deep into the economic world.

Mr ELO, *rapporteur*, thought that, even though there was no scientific evidence of a correlation, the western countries had for a while been afraid of competition from the socialist model. In Finland in the 1980s even the conservatives had referred to the social market economy; since then, the word “social” had disappeared from their vocabulary. The fall of the Wall seemed to have encouraged market forces and the conservatives to dismantle the social services.

Mr VEIGEL (Germany) strongly objected to Mr Petrella’s refusal to recognise the merits of the classic economy: he had brushed liberalism aside despite the fact that trade had many advantages.

Could Mr Tobin explain why economists found it so difficult to get across to ordinary people?

Mr PETRELLA denied that trade was good or bad in itself. It was good if it increased general welfare, bad if it was based on unequal relationships with the sole purpose of the strongest winning. Setting up somewhere because “human resources” were cheaper, raw materials were more accessible and there was a buyer’s market was to accept a logic of unequal trade. If regulation was entrusted to capital movements alone, that was a bad thing that deserved to be swept away.

If trade was regulated and aimed at increasing general well-being, one could only be in favour of it. This was not the case at present and Mr Petrella called on those present to fight that situation.

Mr TOBIN believed that trade was a good thing and benefited those who engaged in it. But there were also problems to which economists paid great attention.

It was not a question of being Manichaeian, but of seeing that the market played its role in the democratic state: it should not be destroyed, but used for democracy.

Were economists misunderstood? Mr Tobin had spent his life teaching economics. He was quite prepared to admit that economists often tended to think they had the answer to everything.

Mrs MOULAS (*Social worker, France*) thought that what was new about the economy of communion was the fact that it did not stand in opposition to the market economy and asserted its faith in man's ability to give social relationships priority. Where could it be seen in operation?

Mr PETRELLA returned to Mr Tobin's agreement with the idea of the global social contract, accompanied by the question of how it was to be achieved. It would be a long process combining negotiation and struggle. It would take twenty or thirty years and would involve enhancing the status of representative political institutions, starting with parliaments, which were now discredited because societies' agendas were no longer set in parliament but on the markets.

There was a need to fight as the NGOs had in recent years with respect to ecology, for example: they had experience of social struggle and were instruments of change. There was a need for global social struggle in order to achieve the global social contract. (*Applause*)

The Chairperson thanked Mr Tobin for the time he had given the conference (*applause*), and all the participants.

Statement by Mr Ries, Mayor of Strasbourg

Mr RIES was honoured to have been invited by the Council of Europe and spoke of his support to boost the organisation's influence in Europe and beyond. The conference was not intended as a counterweight to Davos but sought to offer an alternative to the prevailing ultra-liberalism.

In comparison with the distinguished speakers, a mayor, even one of a major city, was only a generalist pursuing caring development for his conurbation as the only guarantee of urban equality, as Mrs Trautmann had pointed out. In France, however, the communes had no economic power: it was the state that made the major decisions concerning development and the regions went along with them. Just as globalisation was reducing states' room for manoeuvre, the influence of towns was declining still further.

Yet companies closing or relocating, and the mayor being called in, predated globalisation and between the wars had led to the appearance of "municipal socialism"; this

had been very strong in Strasbourg, with the creation of industrial and commercial departments which had bequeathed a tradition of local services. Municipal interventionism now took different forms within the framework of its own powers: development aid, deploying assets that were attractive to companies; caring development through intercommunality and a transport policy, symbolised by the tramway, that enabled everyone to circulate throughout the conurbation; support for job integration enterprises by giving them access to major building-sites - the European Parliament, the tramway, etc; job creation for young people in order to provide the population with new services; a project to create an incubator enterprise. In the tradition of municipal socialism, the municipal authorities were developing a popular education programme to make knowledge and culture available to all.

Free cyber-centres had been opened in neighbourhoods so that people could be initiated in the new information and communications technologies.

These were some of the things the City of Strasbourg and the urban community had done and which illustrated political action at the service of development and solidarity. It was a little like squaring the circle, but without a utopia no progress was possible (*Applause*)

The Chairperson wished Mr Ries every success in his duties as mayor of a city which was, to her, already the capital of Europe. (*Applause*)

The session rose at 6.40 pm.

V. THEME 3: POLITICAL CULTURE AND CITIZENSHIP IN THE 21ST CENTURY: TOWARDS A NEW SOCIAL CONTRACT

Chair: **Mr Andrzej Wielowieyski**, Deputy, Member of the Committee on Parliamentary and Public Relations of the PACE, Poland

Introductory statement: **Mr Ion Caramitru**, Minister of Culture, Romania

Speakers: **Mrs Maria Nowak**, President of ADIE² and Adviser at the World Bank, France

Journalist: **Mr Bernard Cassen**, "Le Monde Diplomatique", France

Moderator: **Mr Fernando Peirera Marques**, Member of the Committee on Parliamentary and Public Relations of the PACE, Portugal

Rapporteur: **Mr Pier Virgilio Dastoli**, Secretary General of the European Movement

Debate

Mr CARAMITRU reminded the conference that he had submitted a written report. He wished to stress the special characteristic of European countries, namely: their culture. That culture alone could prevent war; it had inspired the non-violent anti-communist revolution: the people had celebrated it with flowers in their hands.

He then recounted the memories of a boy born in 1942, who was 3 years old at the end of the war. What would have happened if the Americans and the British had not handed half of Europe over to the communists, if Churchill had not written of Romania on the corner of a tablecloth for Stalin's attention: "90% for you, 10% for us"? There would have been no Iron Curtain; no Berlin Wall; everything would have been different - More's Utopia would have come about: women giving birth without pain and so forth.

As everyone knew, things had happened differently: at Yalta, Romania had been handed over to the Soviet Union. King Michael I had abdicated and emigrated; the government, supported by Soviet tanks, had imposed the terror of the single party; the intelligentsia had been reduced to silence; with scientific socialism and dialectical materialism, culture had embarked on the path of socialist realism; the Orthodox Church had become an instrument of government, the ministers of other religions had been imprisoned; there had not been a single family without one of its members in prison; the accused had had to prove their innocence and those prosecuting them to establish their guilt. Twenty million people had lived in fear in a rich, beautiful country open to the sea, with centuries-old traditions, a country which made sacrifices to defend Christianity and support the western renaissance.

2. ADIE: Association pour le droit à l'initiative économique (Association for the Right to Economic Initiative)

That had been the situation when the young boy had started school. At that time, people had still hoped that the civilised world would do something and, as at the time of the Ottoman conquest, some had sought refuge in the mountains, waiting for the Americans, British, French, Italians, Dutch, Belgians, Australians - why not E.T.? - to arrive.

On the eve of the twenty-first century, it was to be hoped that Europe would give all its peoples reasons for living: culture preserved identities and gave countries which had been cut off from Europe in the past the means of rejoining it: this was the first stage.

Transylvania, which was the subject of a Council of Europe pilot programme entitled "Europe, a Common Heritage", had for 800 years provided an example of interethnic, multicultural cohabitation: and it was this prospect of cohabitation throughout the continent that was offered today.

No other word had such resonance in Europe. Its peoples were expecting a better, more just, more human life. It was the promise of Paradise, the Elysian Fields. The creation of the euro was making this promise credible and heralding in a new continental way of life.

After the war, France and Germany, with their traditions, had managed to come together to build Europe upon the material and spiritual ruins. But Europe could not be reduced to a real or proposed economic area, a military alliance, a certain geographic area. Europe could not be reduced to the centre of Europe. This dominance could perhaps be explained by the fact that the centre was often used as a synonym of stability and security. Eurocentrism was historically and politically wrong and discriminatory. Why should the European spirit be less present in Portugal than in France or Germany? Why should humanism be less present in the small countries than in the big one? Was not the reverse rather the case?

Europe, which was a continent and not the whole world, had demonstrated a certain modesty over the centuries by recognising the contribution of other cultures: it was this that should help define the democratic Europe of the twenty-first century, a Europe of peoples in which there was a dialogue between the universal and the particular. It was not the Europe of the euro, but the continent that was enriched by all particularities and all the cultures, as if by an elixir of life.

It was possible to speak about political culture, European citizenship and a new social contract. Might Europe be the home for whose maintenance and embellishment every individual felt responsible, so as to pass it on as a precious inheritance to future generations. (*Applause*)

Mrs NOWAK stressed that the information revolution lay at the root of globalisation, but globalisation was lop-sided. It did not allow the free circulation of all the means of production, such as labour, whereas in the nineteenth century the Bretons, Irish, etc who could not find enough to eat at home were able to go and conquer the Americas. Globalisation produced excluded people who were second-class citizens in a two-tier economy.

The first requirement for European citizenship in the twenty-first century was the elimination of exclusion, which was creating a sort of apartheid in Eastern Europe on the ruins of state farms and nationalised industries, and in poor neighbourhoods in Western

Europe. We could not have, on one side, prosperous citizens who governed and, on the other, people without rights or duties, whose only prospect was social assistance, little black market jobs or, worse, violence and drugs. “Living with one’s back to the wall is a dog’s life,” said Albert Camus. In the long run, the revolt of the excluded and the fear of the rich could lead only to the resurgence of the fascist ideologies which had bloodied, and still bloodied, the twentieth century.

Yet those same communication technologies now made it possible to create small production and service units, possibly networked, which would be the paradigm for economic organisation in the twenty-first century. It was already possible to channel capital, not only between markets throughout the world, but also towards the struggling areas and people in Europe.

Social assistance that eased the consequences of the profit-based economy reduced people to dependence. The welfare state could therefore have negative effects on employment and people's sense of responsibility.

A new type of social contract needed to be defined, half-way between liberalism and socialism, based on the caring market economy, ie on initiative, solidarity and justice.

There were already concrete examples of this namely, “community credit” and “micro-credit”.

Experience of community credit went back to the Raiffeisen movement of the last century and, more recently, the micro-credit movement, one of the best-known examples of which was the Grameen Bank in Bangladesh, had been transposed to Europe.

- In France, micro-credit had been adapted by ADIE (Association pour le Droit à l’Initiative Economique - Association for the Right to Economic Initiative) which, like its clients, had started without a penny and financed almost 6,000 businesses created by the unemployed and people on low incomes.

Knowledge transfer went with capital transfer. Many banks now delegated to ADIE all financial and social intermediation with a clientèle of excluded people, the excess costs in terms of assistance being borne by local authorities, the state and the European Social Fund.

- A World Bank-funded programme that began in Albania in 1992 had created village development funds managed by elected village representatives. Sixteen thousand loans averaging 400 euros had been made, and these had contributed to the self-sufficiency of small farms created on the ruins of the co-operatives. The system had survived the pyramid fund crisis and was now being transformed into a mutualist financial institution. Micro-credit had gradually extended to the towns, enabling unemployed people to create micro-enterprises.

- In Bosnia, the Local Initiatives Project, launched with the World Bank funding, had helped displaced persons and demobilised soldiers rebuild their lives once the Dayton Agreement had been signed. In 3 years, 18,000 loans had been given and 25,000 jobs created.

- In Poland, a rural micro-credit programme was being prepared to combat poverty and create non-agricultural jobs, at the same time facilitating the modernisation of farms, before Poland joined the European Union.

A Micro-Finance Centre has been established in Warsaw to back up the rapidly proliferating micro-credit programmes in Central and Eastern Europe.

In addition to their immediate effect of creating jobs at a cost far lower than the annual cost of unemployment, these programmes were revealing the remarkable potential for initiative of the people assisted, who were usually treated as objects rather than subjects of employment policies and who now, thanks to loans, were recovering their autonomy and dignity.

Forty years of dependency and isolation had not killed the spirit of enterprise of former state farm workers in Albania. A 1,500 euro loan had enabled them to set up a car repair workshop, buying old Mercedes cars as a source of spare parts. The refugee women from Srebrenica who had lost their husbands or fathers had found renewed hope by setting up small shops or renting a plot of land so as to grow and sell vegetables. In France, the long-term unemployed might become letter-writers or meals-on-wheels providers, while young unemployed people in Poland were embarking on the adventure of agrotourism, renting out bicycles and dreaming of going on to create a tourist resort. All the projects, which no bureaucrat would ever have dreamed of, resulted from the coming together of creative skills, often acquired through hardship, and the needs of the local market. The spirit of enterprise had nothing to do with educational level. Ten per cent of those concerned in France could hardly read or write.

Solidarity was reappearing in local communities. Village credit funds in Albania had restored village solidarity, which had been destroyed by the co-operatives and state farms. All loans were guaranteed by the community and the repayment rate was nearly 100%.

In France, ADIE had mobilised 300 volunteers from the world of business and finance to help micro-entrepreneurs. Experience was shared and mutual self-help given in new business groups.

Once the excluded became visible and were able to enter into dialogue with the state which had ignored them, it became possible to achieve greater justice. In Sarajevo as in Paris, people had had to fight to get the idea that one can create a job with 1,000 or 3,000 euros accepted.

Once they had emerged from dependency, men and women were citizens in the full sense. From being dependent, they became creators of wealth. They were able to organise, use the new communication technologies to, for example, set up a virtual union on the Internet and make proposals to government.

The instrument of these social changes was money and its substitute, credit, because it gave renewed hope to men and women who had been locked in anguish and suffering, victims of “economic cleansing”. The word “credit” derived from *credere* to “believe”. By having confidence in the excluded, credit enabled them to regain confidence in themselves. It was reforging the social link in problem neighbourhoods, decentralising decision-making and privatising the economy from the bottom upwards in the post-socialist countries.

What conclusion was to be drawn from this? The need to review traditional mentalities. In the great debate between “unbridled” liberalism and “state” socialism, the caring market economy offered a new way which reconciled Turgot, an advocate of “let them be”, Proudhon, the utopian socialist and founder of the People’s Bank, and even Karl Marx,

since access to credit for the poorest people placed capital and labour in the same hands, at once abolishing the class struggle and allowing the development of popular capitalism. At a time when the financial bubble was bursting, it was right to remember that only the real economy created wealth and that local development serving human beings helped them better withstand the pain of globalisation.

This mental revolution meant leaving the now illusory shelter of paid employment in order to put job creation before defending workers' interests. Labour Day could symbolically become Labour and Employment Day, as many French voluntary organisations had suggested this year.

Curiously, the Universal Declaration of Human Rights, whose fiftieth anniversary had just been celebrated, mentioned paid employment - but said nothing about self-employment, although three-quarters of humanity lived by it, and it had every chance of again becoming an important type of work in the next century. In order to be effective, the right of economic initiative presupposed access to capital and a more favourable institutional environment. This right must be affirmed.

Citizenship was also the social link, the *sine qua non* of combating exclusion. Paying compulsory taxes did not absolve one from coming to the assistance of people in danger. The state could not give people in difficulty personal support or that financial leg-up or token of friendship which was sometimes enough to help a person break out from the spiral of exclusion. Voluntary organisations did these things, but every individual must also help his neighbour.

Democracy could not do without either active citizens or a cohesive civil society. Such citizenship was not utopian if the economic and financial instruments used to generate profit were used to construct it. The economy was simply a tool to serve policy. The Council of Europe, as a guarantor of democracy and human rights, could play an important role by persuading the European Union to remove the regulatory obstacles to the development of self-employment and put in place financial mechanisms to foster the spread of micro-credit among the excluded. (*Applause*)

Mr CASSEN (*Le Monde Diplomatique, France*) said that Mrs Nowak had explained that the reconstruction of citizenship in each country required an end to "economic cleansing", a concept which would enjoy great success. She had also shown the huge potential that existed among the groups people were blind to, ie the excluded. She had suggested a new approach through a different type of individual and local development.

Mr Caramitru had extended this call for social reconstruction in every country to the whole of Europe, of which he presented a sometimes lyrical, sometimes idealised, image. Europe was the ideal area over which linguistic and cultural pluralism extended and where every culture, every country, counted as one. Mr Caramitru had rightly protested against the idea that there were first-class and second-class countries, just as so often there were first-class and second-class citizens.

The initiatives Mrs Nowak had called for did not only concern Eastern Europe. Exclusion was alas present throughout the continent.

Mr Caramitru hoped that European construction would not be a pretext for the perpetuation of certain types of ostracism. Transylvania, where there was no ethnic or cultural cleansing, was a good reference. Every national culture had to be recognised as an integral part of European culture and a means of towards universality.

It was difficult to define European citizenship, but Mr Caramitru had shown that it was through mutual respect between cultures that it might be constructed, overcoming nationalist obstacles in order to safeguarded economic integration.

Mr PEREIRA MARQUES, *moderator*, suggested dealing with the questions which had arrived by Internet.

The first was addressed to Mr Cassen. Should not a fourth, lesser, power be added to market, company and capital - the media, which forced politicians to match their decisions to the demands of the day, on pain of electoral defeat?

Mr CASSEN replied that this assumed that the media were totally independent of political and economic power. We knew that, in fact, the vast majority of media were manipulated by economic interests and were therefore simply the spokesmen of markets, companies and capital. Furthermore, while politicians' agendas appeared to be dictated by the media, the orders in fact came from higher up. Sometimes the media emphasised one subject or another in order to attract an audience, but their autonomy was an illusion.

Mrs POPTODOROVA (*PACE, Bulgaria*) said she was a native of Sofia, Bulgaria and Europe, and proud to be all these things. Was there a conflict between the three identities or could they co-exist harmoniously and so make it possible to move towards a European citizenship or even identity? The Council of Europe was at present working on these concepts.

What was the correlation between citizenship and identity? The conflicts in the Balkans demonstrated the problems posed by the relationship between citizenship and sovereignty. It was to be hoped that a new concept of the nation would prevail. National identity was a rather defensive concept.

A great effort of legal definition had to be made for European citizenship to become a social concept, ie a feeling of existence shared by all Europeans. It was particularly difficult to make progress in that direction in the least favoured European countries. That was why the social contract had to be emphasised as a means of achieving this goal and enabling day-to-day solidarity to function.

Mr PEREIRA MARQUES, *moderator*, thought the questions received about European identity might be linked to what Mrs Poptodovora had said.

As Europe's territorial borders remained controversial, which countries now qualified for the term "European culture"? Were their neighbours likely to join this group?

Would juxtaposing national rationales and European culture that considered Europe to be a single unit make it possible to found a true European citizenship?

Was culture an area of discord or a Noah's Ark on which the nations of Europe could travel together in the twenty-first century?

Mr CARAMITRU pointed out that many questions related to the same subject: to be, or not to be, European.

When speaking about culture, a definition had to be found which covered talent, creativity and the ability to contribute to the flowering of national genius.

To what extent did Brancusi, Ionesco, Enescu and Mircea Eliade belong to Romania? Was Shakespeare more English than universal?

God had sprinkled drops of genius on some people so that they would create cultural links to unite us all.

When Shakespeare was performed in Romania he became familiar and therefore Romanian. When one spoke a foreign language, one went to the heart of the culture to which it was linked. Performing Molière or Ionesco in French came to the same thing.

It was precisely to make all contact impossible that Europe had been cut in two by the Iron Curtain. But culture had found other means of communication. In order to stage plays, a coded language had been used, understandable only to those who came to see them. It was thinking in the same way that defined European citizenship. Standard of living and wealth had nothing to do with it.

The social contract was essential for ensuring the cohesion necessary for a common market and way of life.

The speaker was Romanian, the previous one Bulgarian; therefore they were neighbours. For a long time the Romanians had regarded the Black Sea as their friendliest neighbour, but that had been at a time when freedom of speech was curtailed. Today every country equally had to make its contribution to European culture, and priority had to be given to what we had in common.

Over the last ten years or so, the growth of educational exchanges had enabled great many Romanian pupils to do brilliantly. Every child who had received a good education spoke two languages. Mr Caramitru had himself had to work and make sacrifices so that his son could have private philosophy, mathematics and physics lessons four times a week and so have the best possible education because, in a competitive world, children had to outperform their peers.

Lastly, it was often said that American culture was the richest in the world, but it had to be remembered that famous American films had been made by Czechs, Hungarians and Romanians, that American music owed much to the Russians, and so on.

Mr CASSEN did not think European citizenship would fall from the heavens; it had to be constructed through political will. It would come about in particular through mutual knowledge, and not only among students. Many islands of European identity were under construction, but the archipelago remained very scattered. Had the same effort been deployed to construct this identity as to fulfil the Maastricht convergence criteria?

As long as European citizens did not feel they were citizens of their own countries, it would be vain to talk about a European citizenship that went hand-in-hand with sovereignty and the ability to influence one's own destiny. Unfortunately, European summits never mentioned this type of European construction, which should be an essential topic of debate for all those who believed Europe should not be simply a market or a currency. (*Applause*)

Mr PEREIRA MARQUES, *moderator*, asked Mrs Nowak, on behalf of an Internet questioner, whether the fact that she had only given examples of projects in Eastern Europe showed that the countries of the South were being ignored.

Mr VEKEMANS (*EUROFEDOP, Belgium*) enquired whether Mrs Nowak thought the social ethic could be introduced into the rationale of the market. What might be the role of NGOs in this framework?

Mr KERN (*CEFODE, ATTAC, France*) recalled that Mr Motchane had examined the dangers of the spread of micro-credit in the April issue of *Le Monde Diplomatique*. Projects that were over-ambitious in terms of the number of clients and the amounts committed might in fact shatter the link of solidarity instead of strengthening it, for example through mutual guarantees.

Furthermore, were not abdication by the state and the public sector to the private sector - albeit composed of NGOs - together with high interest rates, turning the poor into new customers?

Mr GREENE (*The Prague Post*) stressed that all rights had an inherent cost. For example, freedom of speech required courts to defend it. The same was true of the right to economic initiative. Where did the money for this right come from?

Mrs NOWAK replied that she had talked about micro-credit in Europe because that was what she thought the subject was, but it was developing far more quickly and easily in the Third World where labour was largely informal, social solidarity stronger, and client numbers greater. The economy undergoing restructuring in Eastern Europe was also fertile ground, since the margin of freedom was greater and the social protection system less developed.

In France, people on minimum integration benefit received 2,500 francs per month and had social cover. When they decided to become self-employed they immediately lost all that and also had to pay very heavy social contributions from the outset.

Micro-credit was very successful in the South, where there were now almost 10 million clients out of a global target of 100 million by 2010.

NGOs were ahead of other institutions, closer to the ground and social innovation. They did not defend vested interests as did unions and employers' organisations.

It was striking to see the extent to which the judgments made by the least favoured people about the future, politics and the economy were more accurate than those of politicians'.

For instance, after the Dayton Agreement in Bosnia, the government believed that the big factories were going to be rebuilt, while the people who had lost their jobs as a result of their closing-down, knew very well that it was all over, that they had to look for other solutions.

The strength of the micro-credit approach was that it was not based on charity but on authorising economic and financial mechanisms for a social purpose. CGAP, the initiator of international moneylenders in favour of micro-credit, brought together various financial backers under the aegis of the World Bank, although the latter had not actually invented the system. Whether the money came from the World Bank or elsewhere, the mechanisms were the same.

It was true that human rights had a cost, but the right of economic initiative cost far less than social aid. In the developing countries, where it was easier to have high interest rates and small projects were very profitable, micro-credit operators were becoming financial institutions in their own right. Things were far more difficult in western countries. For example, in France the top lending rate was 11%, voluntary organisations did not have the grant loans and social charges were very high. It was therefore impossible to cover the costs of micro-credit without changing the regulatory context.

Social integration and job creation were infinitely cheaper than unemployment. Passive unemployment aid had to be reduced and active employment aid had to be increased. *(Applause)*

Mr CASSEN did not deny the success of micro-credit but feared what the recent UNCTAD conference in Lyon had revealed, namely its take-over by the World Bank, although this was the institution whose structural adjustment programmes had driven many countries into poverty. It was to be feared that support to micro-credit for development would dissuade states from continuing to allocate public aid to development, which was now in free fall. *(Applause)*

Mrs NOWAK did not believe that micro-credit solved all the problems of development (education, health, infrastructure, etc); nor should it justify a fall in public aid to development, although the latter was not always well directed, either by the donors or the beneficiary countries.

As for a take-over by the World Bank, if that great financial institution was converting to a micro-economic, humanist approach, so much the better. CGAP joined a group of experts whose members included the founder of the Grameen Bank and Mrs Nowak.

It was obvious that a financial institution did not exist solely to lend to the poor, and that in a broader strategy, combating poverty improved its image. Nevertheless, one should not be completely negative about the conversion of the World Bank. It was true that private interests had heavily marked the UNCTAD meeting in Lyon. Some Latin American micro-credit banks with a 25% yield had been seen to be moving closer to American pension funds, which were starting to find that gambling on poverty was a good investment! This was where care was needed: a micro-credit bank had to cover its costs - that was a guarantee for its customers - but if it charged excessive interest rates in order to make profits it was going too far.

Mr PETRELLA stressed that European citizenship had to be constructed: it was not being constructed well and it would not be constructed at all if the gospel of competitiveness continued to prevail. If Europe was being built in order to make nations, regions, etc more competitive, talk about European citizenship was just hot air: a single market was being created, not a European union. If the ideology of competitiveness was accepted, no social contract would be possible: this was pulling wool over people's eyes.

The more talk there was of competitiveness and social contract, the less attention was given to people. What was the use of trying to send one's children to the best school? What about solidarity?

Why was there no talk of state power, democracy, sovereignty or independence?

What were governments, political parties and union bureaucracies for? These were all questions of political culture. (*Applause*)

Mr KHROL (*Real Estate Association, Belarus*) said he was delighted to have been invited to the conference, and hoped Belarus would be helped to build an authentic democracy and a state governed by the rule of law. He was prepared to co-operate with the PACE in order to improve national legislation.

The constitutional crisis in Belarus in 1996 had deprived the country of its special guest status at the Council of Europe. That did not help democracy: deprived of contact with their colleagues in the Council of Europe, Belarusian parliamentarians were having difficulty building a state governed by the rule of law.

Did Belarus belong to the European cultural area? If it did, how could co-operation with Europe be improved?

Miss JUNGER, followed by **Mr RAMEY**, on behalf of *the City of Strasbourg Youth Council*, reported on its work relating to democracy and solidarity, the value most widely shared by young people.

Being a young elected representative developed responsibility through voting and learning to manage projects, respecting binding regulations and the opinions of others. Being a responsible citizen meant sharing and working in the general interest.

The young people on the Council sought a legal response from parliamentarians and backing from NGOs.

They were calling for a “European Youth Association” to be set up in the 41 member states of the Council of Europe in order to satisfy young people’s desire for autonomy and make them responsible persons. The association, which would be open to young people of 14 and over and entirely run by them, would also take an interest in issues other than those directly concerning young people.

Formed with an adult adviser-trainer, each national association would sign a charter with a standard educational content designed to provide instruction in civics and living and working together.

The adviser-trainer would help the young people to take themselves in hand and win their autonomy.

The European Youth Association would provide opportunities of taking an active part in civic life, school and professional life, for the young workers and apprentices who were its members. It would give them practical (decision-making, budget and project management) moral, legal and financial responsibilities.

In order to attain this ambitious goal, why not arrange one hour's compulsory European civics training each month from the age of 12 in every Council of Europe country? This was in any case the request of the young people of the Strasbourg Youth Council, who hoped to obtain the backing of those taking part in the conference. (*Applause*)

Mr PEREIRA MARQUES, *moderator*, passed on a question about the right of economic initiative, now limited to certain geographical and social categories: How could this be changed so as to apply the principle of “preference to the citizen”?

Mrs JAN (*Inclusion Internationale, France*), speaking on behalf of the *Ligue internationale des associations de handicapés mentaux*, asked that each human being be recognised as a citizen able to contribute something to society.

Perhaps social action made people less responsible; perhaps the spirit of enterprise did not depend on the level of instruction or education, but the fact remained that not everyone could have it.

Mrs NICHELE (*Incontro fra i popoli, Italy*) wondered whether the changed attitude of the World Bank, mentioned earlier, which had in the past given aid whose repayment necessitated digging deep into social budgets and was now backing micro-credit and adult training, was window-dressing or the expression of a fundamental new political choice: had it not first created the problem, before trying to solve it?

Mr WIELOWIEYSKI (*PACE, Poland*) thought that a precondition for affirming a European identity was acceptance of other people, recognising their difference: it was a sign of maturity and responsibility. In his written report Mr Caramitru had shown the role culture played in totalitarian countries; culture was now helping to combat passivity; it was the ideal instrument for helping create a European identity.

Young people had to be offered concrete measures, given a chance to meet and work together. The young people on the Strasbourg Youth Council could pass on their experience to young people in the CEECs.

Mr Wielowieyski contrasted the appalling challenge of the ethnic struggles in southern Europe with the example of Poland which, after experiencing ethnic cleansing, had managed to co-operate peacefully with Germans and Ukrainians in the economic sphere. The founding fathers of Europe had been right to believe that economic co-operation was needed if peoples were to begin tolerating each other, and then liking each other. (*Applause*)

Mrs BAAL expressed fears about micro-credit: more and more emphasis was being placed on the financial aspects, less and less on the essential social dimension: poor people had to be involved, but it seemed that the NGOs in developing countries were tending to transform youth banks into mini credit establishments.

Mr DREYFUS-SCHMIDT (*PACE, France*) said that this rich debate contained several intersecting debates; but if one kept to the theme of political culture and European citizenship, a distinction had to be drawn between culture and political culture. When Mr Caramitru had seen *Hamlet* in Romania, Shakespeare had become universal, not European. This was true of every country in the world: American culture was not only films made by Europeans, but also Faulkner and Hemingway, for example. We knew the cultures close to us better, but every country in the world had its culture. It was not its culture that would create Europe's identity, but its political culture. We were now seeing small countries fighting each other: a large grouping had to be formed. The Council of Europe's European Convention was already bringing about a *rapprochement*, but we had to move towards a European constitution. This was the real subject that should be debated.

Several experiments and initiatives had been presented, that of the young people of Strasbourg, for example: it was up to ministers of culture to move things forward. What had to be avoided was everyone arguing for his own small world: people should see themselves as part of political culture as a whole, not of culture as such, which remained national. (*Applause*)

Mrs NOWAK thought that if public opinion supported such actions, ways could be found to give access to all categories of citizens. That support did not yet exist, as people did not believe in small businesses (although 93% of French businesses had fewer than 10 employees) or that the unemployed, regarded as dependent once and for all, had a real capacity for initiative.

When, without a penny in her pocket, she had founded ADIE with two friends, she had set herself the objective of financing all those who were in difficulty. This was possible,

but far from easy. In order to extend the initiative to Europe as a whole, networks had to be formed and the European Union, states and social partners had to be lobbied.

She was not saying that micro-credit would solve every problem, including those of people with disabilities. She thought everyone had to give their best; encouraging this would be a huge success. People with disabilities had to be offered work they could do and still enjoy strong social protection.

It was true that the emphasis when speaking of micro-credit, was more often placed on financial autonomy than on the target population. It was desirable that when combating poverty more attention be paid to the latter and not only to the continuing financial soundness of institutions.

Talking about using economic and financial instruments to create citizenship and a political culture, which could not exist when people were wholly rejected by society and the economy, did not in any way mean that democratic institutions and sovereignty should not be discussed.

Mr CASSEN wanted a reply to the question: "If competition cannot and should not be the basis of the European Union, what will its driving-force be?" Competition was now indeed the essential, the only, principle on which the European Court of Justice based its decisions.

Europe had a long history of conflict and the aim of unification was to bring about a centrifugal movement through common policies. But today most European policies were exacerbating conflicts between states and regions, in total contradiction with the very principle of the community. The guiding principles should, on the contrary, be cohesion, co-operation and solidarity.

It was not a question of eliminating competition but "all-out competition". Nothing could be built without questioning some of the ostensible freedoms at the heart of the treaties, such as free movement of capital and investments which, if were they were not subject to social, health and ecological clauses, could be very dangerous. There would never be a European community unless all the treaties were revised. (*Applause*)

The Chairman wanted to tell young people, whose commitment was very encouraging and positive, that a few weeks earlier the Parliamentary Assembly had for the first time held a Youth Assembly, on the occasion of the fiftieth anniversary of the Council of Europe. The work had been organised round three themes - economy, culture and participatory democracy - and the debate on the current situation in Kosovo had been full of lessons for the adult parliamentarians who had just held their own debate.

The message conveyed by the young people had been well received and, as Chairman of the Committee on Parliamentary and Public Relations, he had no intention of its remaining a dead letter but would use it to convince his colleagues of the need to perpetuate the Youth Assembly.

Of course, criteria had to be set regarding the composition of delegations in order to remedy the disparities observed this time, but the committee was going to reflect on the matter, make proposals, inform the Committee of Ministers and national parliaments, and circulate the report of the first Assembly.

He concluded by congratulating the young people on their spirit of responsibility, assuring them that as long as he chaired the committee, he would always give priority to young people. (*Applause*)

Mr PEREIRA MARQUES, *moderator*, passed on several Internet questions:

“Political culture” or “culture” and “politics”: what was the relationship between these terms?

Could equality of opportunity for all European citizens, respect for cultural differences, and a genuine multi-cultural society be included in educational curricula? How could students throughout Europe be involved in this democratic process?

Did we have the right to speak of European citizenship in the twenty-first century when a great many pupils in France could not even read properly?

Were the ever-increasing dominance of English as an international means of communication, and the resultant standardisation threatening Europe’s cultural diversity?

Was the “linguistic cleansing” brought about in recent years by English a threat to Europe’s linguistic diversity?

Mr GLAVAN (*PACE, Romania*), congratulated his eminent fellow-countryman on his speech. There had been much talk of the two poles, state and market, but believed it would be more appropriate to adopt the image of a stool resting, among other things, on civil society, which included culture, or even a chair whose fourth leg would be the third sector.

In the light of the dynamics of change in Europe, what were the chances of culture and education occupying the places they deserved in society?

Mr POPESCU (*PACE, Ukraine*) congratulated Mr Caramitru on his remarkable paper. He was Romanian himself since he belonged to the Romanian minority, Ukrainian because that was his nationality, and European because Ukraine was a member of the Council of Europe. The Romanian minority had been integrated in Ukraine while preserving its ethnic and linguistic identity. The previous week the Ukrainian Parliament had received the Romanian President for the first time since the thaw in relations between the two countries. On that occasion it had been decided to establish a multi-ethnic, multi-cultural university like the one that already existed in Transylvania. Mr Caramitru might perhaps comment on this.

Mr STAES (*PACE, Belgium*) thought that, while a great deal had been said about a social contract for the next century, it would probably be better to talk about a contract for society. The talk about sustainable development referred to economic, social and ecological aspects: were not the cultural and ethical dimensions missing - not to mention codes of conduct, since everyone had to develop one? Yes, culture could be the fourth leg.

For years there had been fierce debate about the need to protect tropical forests and prohibit the use of certain varieties of wood: was it not paradoxical that this meeting was being held beneath tropical wood panelling?

Mr REBELLATO (*Incontro fra i Popoli, Italy*) hoped he had misunderstood Mr Caramitru when he had said he wanted his children to be better than others. It would be better to teach them to respect others.

In his region of south-eastern Italy, decentralised co-operation schemes were implemented to support projects for Romania. But when the Wall had fallen, the European Union had cut funding. What did Romania now expect of the West: credits, technology transfers or assistance in enhancing its culture and its own civil society?

Mr SANDKUHLER (*European Council of National Associations of Independent Schools*) agreed with Mr Caramitru's idea, although it was difficult to define culture and Europe was now essentially commercial.

As between centralisation and private initiatives, private initiatives in culture, particularly by young people, had great difficulty in obtaining funding.

In addition, governments throughout Europe were cutting the funding of denominational schools, though they made a very important contribution to European culture.

How could less emphasis be placed on trade and more on culture in its social and ethical dimensions?

Mr POTTAKIS (*PACE, Greece*) stressed that market and state functioned according to logical rules, while the third sector was based on culture which was more a matter of feelings, emotions, art and dreams. Had not the time come to centre our lives, education systems, relationships and behaviour more on feelings than on logic? Did not the development of the third sector open up new prospects for a more balanced life?

Furthermore, Europeans, whose history was essentially based on wars, often thought that civilisation was a European invention and greatly underestimated the contribution of other, earlier, civilisations. Such prejudices were unfortunately transmitted by educational systems, and textbooks placed great emphasis on wars. We obviously did not talk enough about peace.

Another shortcoming of history was that men were favoured and women considered a negligible quantity.

The time had therefore come to rewrite the history of Europe in such a way as to include the contribution of other civilisations and emphasise peace and sexual equality. The development of the third sector, based on citizens' participation, should facilitate this.

Mr CARAMITRU agreed that the history of the last fifty years should be rewritten: we knew more about the age of Shakespeare, who was certainly a universal author, but *Hamlet* was set in Denmark because of censorship; Gulliver's being portrayed as a giant was a metaphor. The sources of political culture were to be found in works of art.

With respect to his children, he said he had mentioned them in order to show what some parents had done under communism: prepare their children for better days by saving and going without holidays in order to give them a better education.

As Mr Cassen had stressed, European identity remained an abstract concept. Every country had to decide for itself its destiny within the framework of Europe.

Mr Caramitru shared Mr Petrella's idea of defining the regions in transition that wished to join Europe on the economic level, but at the same time work had to be done on cultural, national and European identity.

Mr Khrol had demonstrated in his speech that, like others, his country had been in Europe for a long time. What was to be done? Let him submit some plans.

It was difficult to define culture and create a sort of cultural common market, so everyone used metaphors.

Why not take inspiration from Thomas More's *Utopia* by trying give it practical expression? Was culture a concrete notion or simply a literary reference? As we would never read every book, we could also rely on sensitivity, emotion and the language that defined national identity. When one translated, people understood each other. The first step towards European identity might be to translate literature into every language - and to use sign language in the meantime.

Was there any hope that the conflict in Kosovo would be the last ethnic conflict in Europe? More than two million Hungarians lived in Romania: propaganda by a madman or a group of fanatics would be enough to spark off conflict.

The Romanian authorities were doing their best to prevent this through cultural policy and diplomacy, filling the void to create a European identity.

Hungarians in Romania, had associations, theatres, radio stations and a television channel; they were represented in Parliament and the Hungarian party was a member of the coalition government. So Romania was an example of inter-ethnic stability.

In the town of Sibiu - formerly Hermannstadt - in Transylvania, Romanians, Hungarians and Saxons had lived peacefully together for three centuries: another example for

Europe. A mediaeval heritage restoration programme was to be launched with the backing of the Council of Europe.

There were plans to build a conference centre between Timisoara and Yugoslavia, in a region that was a European crossroads, with the participation of all the neighbouring countries.

Romania had set itself a huge cultural programme. For example, it had negotiated a \$5 million loan from the World Bank to restore public monuments, including the open-air Brancusi exhibition.

As for the relationship between culture as a concept, and multi-cultural as the cultural identity of several groups, contact between people began by recognising others and their goodwill. This was the key to defining a European cultural identity.

The dominance of English was a recent phenomenon: the younger generation certainly learned it easily. The government was going to amend the law on broadcasting to set quotas for European productions; French and German would have more space, but there was none the less a reality to which one had to adjust.

Mr Popescu had suggested adding a fourth leg to the stool - culture. It was already playing a significant role, but times were hard in the ex-communist countries. Romania had a law on sponsorship and planned to establish funds for publishing and the cinema, but that was not enough. When the recession was over, these countries would be able to allocate more resources to culture.

Mr Caramitru agreed with Mr Staes about speaking of a contract for society rather than a social contract, on condition that all societies agreed with each other.

Was the road to Europe primarily commercial rather than artistic? Miracles could none the less happen: bridges could be built in the artistic field.

In Romania, for example, projects had been mounted with French and British theatre companies, an International Book Fair had been organised, with France the guest of honour; the Hungarian Book Fair had just opened, giving Mr Caramitru the opportunity to meet his Hungarian counterpart and sign a protocol on restoring the heritage and building a conference centre; he was meeting his Slovak counterpart the following week.

Through such co-operation every country was playing a part in constructing a European identity. If this activity was not just a matter of logic, it helped all concerned to remain human beings. (*Applause*)

The session rose at 12.10 pm.

The session resumed at 1.35 pm.

VI. CONCLUSIONS

Chair: **Mr Andrzej Wielowieyski**, Deputy, Member of the Committee on Parliamentary and Public Relations of the PACE, France

Conclusions on Theme 1: Presentation by **Mr Daniel Zielinski**

Conclusions on Theme 2: Presentation by **Mr Mikko Elo**

Conclusions on Theme 3: Presentation by **Mr Pier Virgilio Dastoli**

General conclusions by **Mrs Dominique Méda**, Specialist in the philosophy of economy, Author of “Qu’est-ce que la richesse?”, France

Moderator: **Mr Paul Staes**, Senator, Member of the Committee on Parliamentary and Public Relations of the PACE and Chairman of the Organising Committee of the Conference, Belgium

Debate

Conclusions on theme 1

Mr ZIELINSKI, *rapporteur*, emphasised the difficulty of reflecting all the concerns expressed during the debate and, still more, in the 1,000 messages received via Internet, which showed how much interest there was in the subject.

We were seeking a new equilibrium which gave responsibility for, and the coherence of, society neither to the authoritarian, technocratic state alone, nor to ultra-liberal market forces alone, two approaches which had shown their limitations. Because the historical, economic and social conditions were right, the welfare state had brought about a period of prosperity in the post-war period. As Mr Eppler said, a state of tension between the market and human needs such as human rights and security should probably be preserved. If tension slackened it was because “politics” had weakened, the market tended to fill the gap, resulting in imbalance and a loss of confidence on the part of citizens. Consequently neither the “state alone” nor the “market alone” should be favoured. At a time when the welfare state was in retreat as it no longer had the resources to discharge all the tasks it had set itself, the functions and responsibilities of each party had to be rethought and the basis of a balanced society rediscovered.

Could we speak, as Mr Eppler had done, of the pendulum swinging back? This would mean that new solutions could not be found, that we must always retrace our steps. Should we not rather consider that the context of historical, cultural, economic and social development now meant looking for a **new balance**?

That balance rested on the tripod that had been mentioned: market, public institutions, third sector. Each of these had to redefine its tasks and responsibilities. The third sector was

constantly seeking solutions to the problems confronting society and sought to promote fundamental values such as democracy and citizenship. The NGOs were agencies of social cohesion where citizens could take initiatives and responsibilities, thus becoming players. They were schools of citizenship. By respecting their operating rules, the third sector was becoming a school of democracy, a junction between individual and collective.

The primacy of the human being over money, together with voluntary work, the spirit of innovation in the economic and social fields, above all solidarity, mutual self-help and combating exclusion, were the fundamental values of the third sector. Its increasing importance throughout Europe - a study the rapporteur had conducted for the Parliamentary Assembly had counted some 3 million associations and 100,000 foundations in the 41 member states - showed that its role and the relevance of its responses to the present needs of society were now widely recognised.

The third sector, voluntary associations, were therefore excellent societal sensors, very useful intermediaries and spokespeople at time of disillusionment with politics.

With respect to its responsibility for social cohesion, the state should return to the notion of “public welfare” and therefore strengthen the third sector, enabling citizens to take responsibility so that they would then pursue the common interest, a value all the more difficult to defend since every day throughout Europe the market economy emphasised individual success and profit. The state also had to see that the market did not, for strictly productivist reasons, try to restrict participation by citizens. Each had to rethink its own responsibilities in what had been called the “new social contract”.

What instruments would strengthen participatory democracy, the essential complement of representative democracy?

Firstly, an appropriate legal framework that was easy to understand and use. The legislative framework and quality and number of NGOs often reflected the political culture of a country.

Secondly, tax incentives. Donations and bequests should be encouraged, and the activities of the voluntary associations taxed lightly in order to enable them to develop. Some people had suggested taxing capital, particularly international financial markets, in order to promote global solidarity.

Another instrument was promoting the idea of common interest and welfare, encouraging citizens, and above all the young, to take responsibility in the third sector. A veritable revolution of attitudes was needed in some central and eastern European countries. In this context, contact between NGOs and state, on the one hand, and the education world on the other, was paramount.

In addition, citizens had to have their trust restored. Donations to NGOs had fallen by 11% in France in 1998 when the funds of a cancer research charity had been embezzled. At the same time, people were prepared to devote more voluntary time to more local, less distant, initiatives which enabled them to assess the impact of their commitment.

In the face of disillusionment with politics, it had to be made easier for citizens to take part in debate and they had to be given practical means of overseeing what politicians did. Being a citizen meant having access to information, understanding, exercising critical viewpoint, acting. Dirk Jarré had shown that confidence returned when the state was strong, responsible and reliable, when it was really governed by the rule of law which citizens helped to establish.

As Susan George had clearly shown, in the face of globalisation, the concept of citizenship had to be broadened to the international sphere and global organisation of the third sector promoted. The Council of Europe and its NGOs had a special role to play in this.

Mr Eppler considered that the European Union had a better chance of working towards the new social contract than nation states. The principle of subsidiarity should give this new competence to the Union. Mr Vanhamme thought that the contract should be part of a more comprehensive approach, for example incorporated in a European constitution.

The third sector had shown itself to be a vitally important social player without which, according to Mr Rifkin, a state would not survive a single day. But it could also be an efficient economic player.

Faced with unprecedented challenges, states and organisations of states such as the European Union and the Council of Europe should look for ways, including institutional ways, of bringing about the full development of those organisations, and take all necessary measures in the fields of education, law and taxation. But the NGOs themselves had challenges to meet, particularly in preventing abuses by working completely transparently so as to earn full public recognition.

The third sector was gaining citizens' confidence because they were both its subject and its object. The NGOs were putting people back at the centre of the debate. Through exchanges and meetings they were also helping to build a genuine European citizenship. Much still had to be done to strengthen co-operation and links, to get to know and understand each other, as Kosovo showed, but this would be the foundation of a truly caring Europe. (*Applause*)

Conclusions on theme 2

Mr ELO, *rapporteur*, said that the debate had concentrated on the type of responsible economy we wanted to introduce. He was himself a social-democrat and had always argued for a just and fair society, but how was it to be defined? How was it to be achieved? What was worth doing?

In many developed countries people were wondering how such a society could be preserved, in a far less favourable context, at the level reached in the 1960s, '70s and '80s.

The Parliamentary Assembly of the Council of Europe defended human rights, democracy and economic liberalism, the market economy. Yesterday Mr Tobin had seemed to prefer the term "mixed economy". The state did still undeniably play a major role - 25 to 30% of Finland's GDP still came from completely or partly state-owned companies.

What types of democracy and market economy were we talking about? Who set the priorities - politicians or the market? It was increasingly the latter that determined where investment would go and what jobs would be created. It was also trying to dictate education, health and social protection policies.

In view of this, Mr Eppler had talked of a return of politics, and the rapporteur was convinced that the political process had to be increasingly returned to centre stage. It was indeed the task of voters and the parliamentarians they elected to take decisions, including those about the market. This was essential in order to ensure democratic stability and prevent the social and economic dumping which were gaining the upper hand wherever democracy did not prevail. This was why capitalistic groups favoured countries where legislation was least coercive, where the labour force was cheapest, and which were also the least democratic. It was not by chance that the recent financial crisis had erupted in Asia, Latin America and Russia.

One had to be realistic: the power of the market could not be crushed, nor was it even possible to lessen the effects of its omnipotence, unless politics returned to centre stage and confidence was re-established. Citizens had to be convinced of this absolute necessity.

Turnout was likely to be very low at the forthcoming European elections because people believed they were of no importance, that the European Parliament had no power, although it had far more than previously, and that voting for one candidate or another made no difference. This legitimate reaction should lead politicians to think about how they perceived their own activity. Of course things were going to change, but for the time being the gap between promises and the reality of action was too wide and the necessary credibility of politicians could not bridge it.

Politicians should aim to guarantee social protection and quality of life to all citizens, not to an élite. A democratically elected parliament was answerable to voters, while market forces had no responsibility to them. It was only in democratic countries that leaders were answerable for their action, yet the involvement of citizens was declining steadily. In the United States the people who did not vote were as numerous as those who did. Any increase in abstentionism would be very serious, as it would call into question the foundations of democracy and increase still further the gap between the élite and the rest; only the best educated who understood the issues continued to vote.

Europe now had to refuse to go down the path of competitiveness by lowering standards.

The Chairman thanked Mr Elo for his interesting report, which underlined the idea of solidarity in economic and social life. Was it possible to talk of the return to politics? Caution was needed; the preconditions for real choice had to be preserved.

Conclusions on theme 3

Mr DASTOLI, rapporteur, speaking on behalf of the European Movement and the Permanent Forum of Civil Society, was glad to have taken part in preparing the conference. Theme 3 dealt with three concepts: political culture, European citizenship and a new contract for society, all of which were very difficult to define.

A contract for society inevitably recalled the definition of the social contract formulated by Jean-Jacques Rousseau: a form of association which protected each associate, in which each individual submitted to the group but obeyed only himself.

Culture, which the Romanian Minister of Culture had discussed, was a universal value, but Europe, despite the negative episodes in its history such as the Crusades, had developed a culture of democracy and solidarity which were two fundamental aspects of political culture.

It had not been possible to define a European identity - its nature, geographic area, ways of deepening it. The question of European citizenship and the role of civil society were connected with it. Mr Staes had suggested making the tripartite model described by Mr Rifkin (state/market/third sector) a quadripartite model by adding culture: the two approaches were not contradictory.

Mrs Nowak had shown that the experience of micro-credit straddled two fields: it was an economic means of overcoming social exclusion, of abolishing second-class citizenship.

Mr Cassen had returned to the question of the nature and instruments of democracy. On the previous day Mrs George had called for the invention of international democracy. This was what the federalists had wanted after the second world war; they wanted to move beyond relations between states, to advance from diplomacy to democracy, by following the royal road of federalism. Mr Cassen had called for a redefinition of European institutions, accompanied by a constitutional process. It was in this context that the question of the social contract arose.

The chamber in which this conference was being held was the cradle of European democracy, since until now it had housed the Council of Europe and the European Parliament. Representative democracy none the less needed to be accompanied by participatory democracy: this was how European citizenship might emerge with a new contract for society.

The conference had suggested some avenues; Mr Dastoli invited the Permanent Forum of Civil Society to examine the matter further in order to clarify the role of the third sector.

If there was a return to politics, there was a return to the social player - civil society, to use Alain Touraine's term. If civil society was not mobilised, international democracy would not be constructed. This was an appeal to work for the future. (*Applause*)

General conclusions

Mrs MEDA, *general rapporteur*,

“It is my onerous task and great honour to offer a general summary and the most faithful possible report on the contributions we have heard over the last two days, an exercise very difficult in itself, and made even more so by the need to follow my three predecessors.

Let me first draw attention to the importance of our coming together today and the symbolic nature of this event: firstly, because in a society where everything is urgent and what counts is the velocity of circulation of information, goods and capital, we have chosen to call a halt and take a step back from the irrational headlong pursuit of immediate and total globalisation; we have chosen to examine the balance sheet before going any further and, suiting actions to words, exchange ideas and convictions about what sort of society we want. Also symbolic is the fact that it is the Parliamentary Assembly of the Council of Europe, of this greater Europe in which we are investing all our hopes, that has taken the initiative of debating the issue of how far it is possible for the market and solidarity to coexist, and has decided to do this with those organisations, the NGOs, which we have agreed must become full participants in political life.

Over these two days the market society, or at least a radical, imperialist and repugnant version of that society, has been put on trial, to enable us to identify with greater precision the proper place to give to the market.

In other words, in reply to the general question of this meeting: is there currently or can there be without a major reform an area of common ground – and thus of debate and mutual recognition – between this radical version of the market society and the concepts of citizenship, democracy and solidarity, we have, in my view, clearly answered "no". In practice, we have demonstrated, in particular through the contributions of Riccardo Petrella and Susan Georges, but also those of James Tobin, John Langmore, Dirk Jarré and Erhard Eppler, that left to itself the market society, particularly when it is buttressed by over-simplified or radical arguments, is, as Polanyi has told us and Susan Georges recalled, a contradiction in terms, a process that knows no limits, in so far as it is based precisely on transforming without distinction land, labour, social relationships and human beings into simple capital whose sole purpose is its continuous expansion.

I would like to spend a short time considering this notion of market society and the task of deconstructing it, which we have undertaken in three phases:

* In the notion of market-oriented society, there is firstly that of market economy.

As we have seen, particularly yesterday afternoon, underlying the market economy is the belief that the market is the best method of allocating wealth and constantly increasing innovation. Susan Georges and Riccardo Petrella have shown that this is not a neutral idea, resulting from rigorous analysis, but very much a belief, an ideology, with its supporting institutions, lobbies and interests. Above all, though, with the aid of Jeremy Rifkin and the majority of yesterday's speakers, they were able to draw up an initial balance sheet of a

market economy, left to itself with no counterbalance. After 20 years the model has not kept its promises. We were promised wealthier societies; what we find are societies whose GDP is perhaps greater, where trade is possibly more intensive and the average per-capita income is higher, as Sir Sydney Chapman and Peter Martin have pointed out, but also societies more divided in two, more unequal and torn apart, and whose overall social well-being has not therefore increased. This process has been accompanied by any number of harmful effects: increasing poverty, which includes the working poor (where it is no longer profitable to work, which is very serious, even from the standpoint of neo-classical economics), the undermining of the institutions of the welfare state, the withdrawal and privatisation of public services, increased violence, anti-social behaviour and growing inequality, not only between poor and rich countries but also within very developed countries, as is shown by the poverty indicator in rich countries developed by the UNDP and extensively discussed in the 98 report.

I have been struck by the large number of speakers evoking the image of a society split into two parts, quoting the figures of 20 and 80%, which are also the ones used by Martin and Schumann in "The Global Trap", which shows that the wealth that the market has undoubtedly enabled us to accumulate has not been equally shared. We have therefore received evidence that the market is not, or has not been for the last twenty years, the best means of distributing wealth.

* However, we have taken matters further: we have challenged the very notion of a market society, and called for limits to be placed on it. Firstly, because we have rejected the idea that the so-called self-regulating nature of the market would lead to social order and at the same time the radical view that our social life could become a body of capital purely designed to reproduce itself. We have challenged the modern theories of management or education and the transformation of everything into capital from which value should be permanently extracted, even – according to certain management theories – ourselves, when they speak about human capital or "myself incorporated" and call for individuals' lives to be reduced to demonstrating a return on investment.

* Finally, and for me this is one of the major lessons of these two days, we have clearly indicated that if we reject a "pure" market-oriented society it is precisely because we are infinitely attached to the very notion of society, that is – and many speakers have used the term – the idea of community, from the smallest to the greatest, in other words living communities of persons linked by history and culture, as we said this morning, but also and above all by rights and duties and by political institutions. This is of course why the expression market-oriented society has been rejected on a number of occasions: social relationships cannot be reduced to market ones; society, whether it be the local community of a particular town, society as represented by the nation state or a future European society, is not simply a juxtaposition of individuals exchanging goods – individuals with no history, no attachments and no context. The social relationship is firstly a political relationship, a relationship of belonging to a political community, which is the basis for the solidarity between its members and thus also of the legitimacy of raising duties and taxes, redistributing incomes, offering mutual and other forms of protection and generally sharing out resources. To consider that individuals are not attached to anything, as the neo-classical economic theory claims, and that they can exist without belonging to a community, and to refuse to recognise

that individuals are always already members of a society in which they participate, is basically to refuse to want to have anything at all in common with others and to run the risk of relapsing into atomisation, infinite regression and solipsism.

This is what threatens us today. Firms no longer want to pay for anyone other than their employees, whose numbers they are in any case constantly trying to reduce, the rich no longer wish to pay for the poor, there are constant attempts to separate the insurance and solidarity elements in social protection schemes and to create made-to-measure protection for single individuals, so that everyone can be sure of getting a good return on their investment and only having to pay for their own risks - and certainly not those incurred by others such as the poor, the unemployed and the sick, indeed all those with whom they consider they have nothing in common. The pure market-oriented society is therefore a rejection not only of politics (which serve no purpose since the economy dictates social laws based on the contribution-recompense relationship) but also of others, to whom nothing binds us. As we have shown during these two days, the market-oriented society is the rejection of joint allegiance, of difference, of alliances and of sharing with persons other than oneself; it represents atomisation, Leibnitzian monads closed off from one another and a visceral rejection of common allegiances, society and the community.

What we have therefore highlighted over these two days is the radical inadequacy of the market society as a political horizon and a foundation for genuine democracy.

However, we have certainly not confined our activities to deconstruction. We have also produced the outline of the sort of society we seek. What form does it take?

I think I can summarise our ideas by saying that we have sought a synthesis, a third stage, beyond those of *Gesellschaft* – society created by and for the market – and *Gemeinschaft* – the overbearing community that fails to respect the individual. We are looking towards a society where the market has a role, but one that is limited and circumscribed, used as a instrument that is overseen by political and social institutions.

A number of proposals have been made about how the market should be put in its proper place, and these I believe had strong majority support:

- putting a stop to the damage caused by excessively volatile financial capital movements, by urgently convening an international conference which would establish all necessary measures to regulate this market and ensure peoples' economic security;

- establishing a world regulatory authority;

- imposing a tax, of 0,1 or 0,2% according to James Tobin, or 0,5% according to Riccardo Petrella, to limit purely speculative capital movements;

- eliminating tax havens and harmonising European taxes to avoid dumping;

- democratising, reforming and increasing the transparency of international institutions such as the IMF, the World Bank and the WTO;

- identifying the goods and services that must continue to be provided by the state or be the direct responsibility of bodies supervised by the state, to ensure equal access for all, and recognising that fundamental assets such as water and more generally the environment and the natural heritage are essentially public goods;

- establishing tools for redistributing wealth, such as a tax on high technology businesses, as suggested by Jeremy Rifkin.

This is how the market should be domesticated and put back into its proper place.

We then expressed the hope that certainly the nation states, but also and above all a stable political and social Europe, would constitute areas of stability where it would again be possible to develop ambitious social, cultural and educational policies, collective agreements negotiated by strong trade unions and structured industrial policies with a high added value that were not subject to short-term profit criteria. Again, we wanted limits to be imposed, so that the debate would no longer centre on all-out economic war, competition and competitiveness as the driving forces of society and we could then give serious long-term consideration to such issues as employment and incomes policies.

Above all, though, we indicated how we wanted to make this society, which is our society, more democratic, and ensure that not just the market and the state but also civil society had a say in these major issues.

We have identified two main approaches, which are not mutually exclusive but rather complementary: those of participation through associations and direct participation. I must emphasise that the two are not incompatible, despite the "ban" on associations imposed by Rousseau, who has long been held in regard in France and who criticised both representative democracy and associations as preventing citizens from establishing the general will through discussion and reflection. This was the origin of the 1791 French Law dissolving the corporations, known as the "Le Chapelier Law".

We have therefore seen NGOs and more generally the third sector as a way of strengthening our democracy, and even of giving it a fresh impetus, by transforming our method of production to a more social form based on real social needs, in which social utility takes precedence over economic utility and by operating through a dense network of social relations.

In our view, voluntary associations, co-operatives and NGOs are best suited to identifying the needs and aspirations of the population at large and of bringing them to the attention of and having them recognised by governments, thus acting as genuine social mediators between the general public and the traditional representative and decision-making bodies. However, they are also significant training grounds for learning about and exercising citizenship and its attendant responsibilities. We wavered, without always reaching a conclusion, between civil society's productive and political dimensions. The former was illustrated by Jeremy Rifkin, who spoke about a reservoir of jobs, of social capital and of new social needs provided by and met from the third sector, or Mrs Lubich, Mrs Maal and Mrs Novak, who described experiments in production where users and producers operated in close

proximity. It was also noted that if the third sector was to be promoted as a genuine alternative to our current method of working, this would have to be accompanied – as a sort of quid pro quo - by a major reform of the other two pillars of our society: the market and the state, which would certainly necessitate a refocusing of the state's activities in its key areas of responsibility, with the identification of a social public order, the development of general structural policies and the introduction of regulatory and supervisory machinery, and a redefinition of business enterprise and of the consequences of its involvement in particular communities, particularly regarding its social responsibilities.

We have drawn attention to the current importance of the third sector and said that it should make itself politically and financially independent of governments (we criticised the very term non-governmental organisations) but at the same time be recognised as a full partner in future political negotiations and decision making. There was also the danger that the third sector would become ghettoised.

However, we have also discussed ways of increasing citizens' direct participation in decisions that concern them, in other words of encouraging the development of genuine political action that goes beyond simply casting a vote every two years, which is not easy to accept in a society where politics has become a profession.

It is essential to increase participation at the most local level, via neighbourhood councils, the sort of politics practised in the era of the Italian city states and referendums, but also in national and European political decision making. We must establish a vibrant form of European citizenship. There is a need for more information, a review of administrative and parliamentary procedures that prevent citizens from understanding the issues at stake, and an increase in the powers of parliaments. Much time was given over this morning to discussing the preconditions for developing European citizenship: understanding our common values, accepting our differences and achieving mutual understanding and recognition through the culture, languages and history of others.

We have laid great stress on two points which are the corollary of those I have just referred to but which I believe to be very important: citizens have to be responsible, fully adult and autonomous persons, as Kant said in the age of enlightenment, and one of the main tasks of our democratic society is to supply all the elements necessary – economic security, in particular, and roots in the democratic community – for citizens to become "subjects" in the philosophical sense.

Nevertheless, we have made it clear that the goal pursued by our society is not primarily that of economic development – even if this is very important – but what the UNDP (United Nations Development Programme) and others have called human development, that is a form of economic and social development that reflects certain constraints and places human beings at the heart of its activities, and also the development of all the potentialities that characterise human beings and all their roles, be it as citizens, workers, educators, parents, friends or consumers.

We have therefore acknowledged – and this is important – the multiple nature of the tasks that we have to fulfil and of the values that motivate us, which necessitates continuous negotiations and compromises between citizens, firms, trade unions and all the institutions representing special interests.

I think therefore that we have demonstrated that a society's wealth cannot be restricted to the size of its GDP, the volume of its trade or the rate of turnover of its capital. A wealthy society is first and foremost a close-knit society, where there is a strong sentiment of joint allegiance, where there is a well-organised public domain in which the different objectives sought can be properly debated, where citizens have the time to take part seriously in this debate and where a range of specific indicators, such as those – income distribution, education standards, state of health, male-female equality and poverty – suggested by the UNDP³, is used to monitor changes in wealth from year to year.

If a wealthy society is one where income is evenly distributed, the state of health and education standards of all the population are constantly improving, equality between women and men is a reality, everyone has full entitlement to all the goods and services necessary for living in dignity, the right to suitable employment is properly applied, and there is a universally guaranteed right of access to a range of political, productive, cultural and family activities that all contribute to individual and social well-being, then the objective we seek, and which will enable us to reconcile democracy and the market, is not globalisation, a purely operational concept devoid of content, but civilisation, viewed as the ongoing process of individuals' and societies' development and enhancement through ever more wide-ranging means, and not simply their transformation into a form of capital. By this I mean that one of the main points to emerge today is that the objective of continuously improving the world, which we have set ourselves for the last two centuries, is not achieved simply by increasing trade, production and consumption, but also by developing and disseminating culture, education and health, producing works of art, weaving strong social bonds and establishing ever-more varied forms of political participation and more and more developed forms of political institution. As Kant said in his *"Idee zu einer allgemeinen Geschichte in weltbürgerlicher Absicht"*, the essential problem for the human species is the achievement of a civil society administering the law in a universal fashion.

All this contributes just as much as economic development to increasing social well-being. This morning's speakers made this very clear. We should collaborate in identifying the elements of this social well-being, which is in itself a genuinely political task which necessitates a revision of all our traditional indicators and of how we conceive matters. To determine what constitutes wealth is a highly critical task.

In conclusion, I would say that over these two days we have shown that what is most important is the long-term future of our societies, and in particular the forthcoming European society, the achievement of well-knit communities and the maintenance of social bonds, which Greek dramatists made the subject of song in the cradle of our civilisation. What they identified as the most precious possession was the grouping of villages into communities and thus the emergence of the city, or polis, the only artificial, and profoundly cultural, form invented by man to defy time and provide a barrier to dissolution and war.”

³ Ref. World report on human development

The Chairman thanked the speaker for her analysis of the state of our societies that had shown that the major problem was still how to make genuine progress.

Mr STAES, *moderator*, wished to address the young people in the audience, who were, in fact, the real guests of honour at the conference. They probably thought that what had been said was very complex - perhaps they had found it incomprehensible - but it concerned their future far more than that of the participants.

Mrs Méda had combined competence, intelligence, knowledge and conviction. Her conclusions would be published with the proceedings as a whole.

While Mr Staes had much sympathy with the Internet as a means of communication, he intended to give priority to questions from those who were physically present in the room. He proposed to “warm up” with two questions: why were politicians so disenchanted with NGOs? Furthermore, the latter were demanding the right to play their part, take their responsibilities in society, but were they also ready to discharge the corresponding duties by way of a code of conduct within the framework of direct democracy?

Mr TABOURET (*Centro Internazionale di studi sul disegno urbano, France*) had a question about the relationship link between social work and NGO initiatives, on the one hand, and political decision-making, on the other. How could a citizen, a group, an NGO, influence real events, the process of transforming and constructing society? This was done both through campaigns to put pressure on governments, in the form of boycotts, and by developing and monitoring actual projects of varying scope, from local initiatives to responsibilities on a planetary scale, in the framework of the Rio and Habitat Conferences, for example.

The democratic construction dreamed of for the new social contract required systematic subsidiarity and resources. Depending on decisions taken in Brussels was very cumbersome and slow. Decentralisation of support for NGOs would therefore be highly desirable.

Mr KASEMETS (*Estonian Association of Sociologists, Estonia*) suggested that, in order to improve communication between political institutions and society, the Internet should be used more for the purposes of civic dialogue about draft legislation and explanatory memoranda, as the players in civil society needed to be better informed in order to play a real part. Informal referenda could also be held on the Internet before parliamentary debates. Techniques should also be developed for giving civil society a greater role in parliamentary and decision-making procedures.

Mr ZIELENSKI, *rappporteur*, pointed out that some countries had codes of conduct and even codes of professional ethics, for NGOs which received donations from the public. In Poland, the Forum for Non-Governmental Initiatives had even introduced a competition on the transparency of organisations. Thorough-going work was being carried out almost everywhere, for example by the International Red Cross, which had great need of public recognition. In Bulgaria, the Coalition 2000 plan brought together civil servants and senior

company and NGO executives to find ways of combating corruption. A regrouping of NGOs of the Council of Europe “Civil Society in the New Europe” had submitted an initial report on the subject.

Subsidiarity had until now been freely interpreted. States did not necessarily apply it. A consultative body had been formed in the framework of the European Union, but there was as yet no real dialogue with NGOs. The European statute on associations was still awaited, since 1987.

The Council of Europe, on the other hand, had launched a real dialogue with NGOs with consultative status on the drafting of conventions and charters. However, there had been some loss of momentum in the last two or three years and there was now a need to re-examine ways of working together and raising the awareness of parliamentarians. The NGOs could also make efforts themselves. Setting quality objectives would facilitate dialogue.

Mrs MOULAS (*Social worker, France*) wished to revert to the economy of communion project, which was innovative insofar as it was not opposed to the market economy, but showed great faith in the ability of human beings to give social ties priority. Politicians would probably look at this hopeful idea, but were there places in Europe where this approach was being applied?

Mr ELO, rapporteur, pointed out that all European countries were involved in the market economy to a greater or lesser degree. The market had triumphed during the 1990s but, as this conference proved, the wind was changing. The sooner the change it was bringing came about, the better it would be for Europe.

Mrs LUBICH thought the market economy was very interesting, but the people who advocated the economy of communion and sharing wanted everyone involved in any way in business - as workers, employers or consumers - to have relationships of trust, love and benevolence. Everyone had to feel involved and supportive. For the rest, a visit to one of the centres, a list of which could be provided on request, was enough to convince one of the community spirit reigning there, like that within a family or a group of friends.

Mr ERASMUS (*Universac Esperanto Association*) wanted to say a few words about the morning's theme and regretted that preference had been given to people using the Internet, while the persons actually attending had been forgotten.

A great deal had been said about the role of civil society, but what practical measures should the Liaison Committee take?

The European Parliament's recent report on linguistic problems favoured an independent linguistic policy for European integration. Like the European Union, the Council of Europe advocated cultural and linguistic diversity and saw language as a factor in identity. But if we did not take care, English would invade our lives more and more. Neither civil society nor politicians could accept a situation in which there was one first-class language and other, second-class, languages.

Another problem was that in the Council of Europe, as elsewhere, politicians found it extremely difficult to listen. Mr Elo, for example, had not submitted a report, but spoken personally: the discussion that had actually taken place could not be recognised in what he had said. Mr Erasmus had had the same experience on several occasions. Similarly, when he had sent comments to the Council of Europe, they had been acknowledged, but he had never received any feedback. There really was a great deal to be done to improve the Council of Europe's relations with the outside world.

Mr DASTOLI, *rapporteur*, said he would take full account of the remarks that had just been made.

Mr STAES *moderator*, said that he, as a parliamentarian, frequently received no answer to his questions.

Mr CAFFIN (*OIEC*) wanted to react to Mr Staes's provocative remark that NGOs had not fully shouldered their responsibilities.

NGOs often felt like ambulancemen arriving to take the wounded from the trenches. Was it not preferable to end the economic war that was leaving so many wounded and desperate people in its wake? It was at least necessary constantly to condemn it and not give in to fatalism. The NGOs were doing what they could, but how, for example, could one properly carry out any educational project when one knew that the young people one was dealing with would be the next victims of the war?

Mr STAES, *moderator*, wanted a reply to his own question: why did politicians dislike NGOs?

Mrs MEDA, *general rapporteur*, replied that they generally disliked whatever prevented them from taking decisions very quickly. A minister's life, for example, was so fast-moving he never had time to stand back.

Furthermore, in the framework of parliamentary procedures, it was increasingly difficult for ordinary people to follow what was happening because issues were more and more technical.

Taking time to inform oneself and consult people was usually considered a waste of time. The most urgent matters were attended to first and cabinets, ministers and politicians were locked into this state of constant urgency.

We had to move on from talking about economic warfare, deconstruct the ideology that underlay it and form a stable area - political and social Europe - in which it could no longer be perpetuated.

Mr ZIELINSKI, *rapporteur*, saw in the phrase "*je t'aime, moi non plus*" ("I love you, nor do I") an illustration of the relations between the NGOs and political authorities. As long as the

former merely provided the community with services that others could not provide, all was for the best. But in the last twenty years NGOs had been working in spheres of common interest such as disability and exclusion, and their opinions on these subjects was radically different from that of governments. The latter had been reduced to seeking the support of certain NGOs, even to creating them themselves, which hardly improved relations.

The Chairman, seated between a member of parliament and a senator, frankly admitted that initiatives taken by NGOs were often of little electoral advantage, and were therefore rarely taken up by politicians.

Mr MORENO (*parliamentarian, Ecuador*) hoped that the solidarity discussed during the conference, would not remain a theoretical idea but go hand-in-hand with the market economy: it should be of benefit to everyone, Latin America, for example. Europe, which was examining its conscience in order to prepare for the future, should bear in mind the development of the whole planet: a new world legal order was needed as a counterbalance to the market-oriented society. Solidarity should have no frontiers. Mr Moreno also regretted that his wife had not been allowed to enter France.

Solidarity between human beings must find expression at every level - intellectual, cultural, political and economic. It was the only way to embark on the third millennium while giving hope to the younger generations.

Mr DASTOLI, *rapporteur*, did not believe that democracy and solidarity stopped at the frontiers of Europe: European construction was a first step towards international economic and political democracy. For this purpose, an international democratic authority needed to be set up through an in-depth reform of the UN.

Civil society had already had the opportunity of involvement at international level. At some summits - Rio, Copenhagen, Beijing - its mobilisation had been greater than that of the institutions. The women's alternative summit at Beijing was sufficient illustration. This indeed represented the return of the social player.

Politicians acted during brief electoral periods and in the limited forum of their region or nation; the market had a short-term view which had now broadened to the whole world. Only civil society could take a long-term view and act beyond frontiers.

Mr PEREIRA MARQUES (*PACE, Portugal*) was worried about the values - or non-values - of the dominant market ideology: everything that produced, not citizens but passive consumers; everything that encouraged, not solidarity but competition. The extreme example was the laundering of dirty money. The people Jean Ziegler referred to as "the lords of crime" looked exactly the same from the outside as other yuppies and managers. Should we speak of a fourth or a fifth sector? What was its real importance?

How could the contradiction between a European identity and the resurgence of the impulses of ethnic identities be resolved? We were witnessing the retribalisation of Europe at

the same time as its reconstruction in the European Union. What seemed important at the end of this conference was to devise projects, ensure citizens' participation and involve NGOs. We had to fight for ideas, have more ideology, so that politics in its most valid expression dominated the economy and the marketplace. (*Applause*)

Mrs MEDA, *general rapporteur*, wanted economics to be subjected to a ruthless critique, because it was a carrier of prejudice. Was it surprising that morality was absent, if Walras could say that things were useful insofar as they served some purpose, including murder? A great deal needed rethinking here. (*Applause*)

Mr WIELOWIEYSKI, while not denying the scandals of neo-liberalism - for example, the billions of people without housing or jobs - asked that care be taken not to kill western democracy. Were not some people quick to condemn satanic figures - in the past, the Rothschilds and the 200 families, today Soros and Camdessus? Capital was everyone; no doubt companies had duties, but it was their profitability, therefore their profits, that created common wealth. Pensioners, for example: the situation of the elderly in Poland depended on social insurance funds managed according to capitalist principles. So it was not simply a struggle against demons, but a way of questioning one's own ideas.

The goal was to achieve a caring economy and a caring society. The problems encountered today could not be imputed to a few demons. Excessive privatisation could be damaging, but if there was none, companies devoured public money in the form of subsidies. Mr Tobin wanted institutions to be better run, but it was the institutions of democracy that were in question.

Mrs Méda believed that social needs should prevail over economic needs, but it was public money - which was sacred - that paid for them: without extreme discipline and total honesty, the damage to civil society as a whole would be enormous.

Mrs McPHEDRAN (*Canada/Ukraine Partnership, York University, Canada*) said she would like to understand why politicians were losing credibility, as the opinion polls showed.

Furthermore, could not the Council of Europe work in constant liaison with NGOs so as to throw light on the questions it discussed?

Mr STAES, *moderator*, thought politicians were responsible for their own loss of credibility because they were no longer capable of clearly distinguishing between the general interest and special interests, but the public, who wanted politicians to do their bidding, were defending their special interests too.

Mr ZIELINSKI, *rapporteur*, explained that the Council of Europe gave consultative status to some four hundred NGOs, which co-ordinated their work within a Liaison Committee which could itself make proposals. Groupings were organised around a dozen themes, experiences were exchanged, avenues of debate then submitted to the Council's committees. This resulted in a two-way exchange between the Council and the NGOs.

Mr KERN (*CEFODE, France*) asked Mrs Méda whether there was not some ambiguity in speaking of a market-oriented society: should a distinction not be drawn between the market, which was useful for production, and also civil society, and the financial markets which operated a dictatorship?

As for the community that had been referred to, how did she define it? A distinction at least had to be drawn between what communitarianism might suggest, ie the dislocation of state and nation as national community, and the nation as a community of associations and citizens.

Mrs MEDA, *general rapporteur*, agreed that some terms were used haphazardly and appropriated by some institutions to simplify issues.

To define the community, one had to go back to Tönnies, who distinguished between *Gesellschaft*, as a sphere of market exchanges, and *Gemeinschaft*, developed from German philosophy, as a well-knit community in which the individual did not exist. A third term had now to be used, which was not communitarianism but political community - a society, in Rousseau's sense, based on the will of the people of which it was composed. *Gemeinschaft* did not respect the individual: it was on this that the neo-liberals based their defence of individual freedom.

Mrs de PLANARD (*New Humanity, France*) asked Mrs Lubich what the new culture connected with the economy of communion was, and whether it could influence the construction of Europe.

Mrs LUBICH said that a brotherhood had been created in the world based on Christian love and finding people who shared it. They were then joined by people from other religions who all observed the dictum "Do unto others as you would be done by". This rule was very suitable for Christians, but other religions also practised compassion and benevolence. From this was born a culture of giving which enabled people to develop, and this culture itself created a new people, in an atmosphere of brotherhood. Its members were first and foremost brothers and sisters and only then politicians, artists, philosophers, etc - all fields in which brotherhood could be exercised.

Mrs de PLANARD (*New Humanity, France*) wondered whether the economy of communion could influence the development of a united Europe.

Mrs LUBICH was sure it could, as the people of Europe, where Christianity had been born before spreading to other continents, were particularly sensitive to the idea of brotherhood and the fact that the culture of giving enabled new lives to blossom.

Mr FERRUCCI (*New Humanity, Italy*) described himself as a businessmen in the computing field who had joined the economy of communion. He was the president of New Humanity, which had consultative observer status at the United Nations and was present in some sixty countries.

A congress of economists and businessmen held at the United Nations in New York recently had declared itself in favour of the Tobin tax and examined the technical means of implementing it. Many people claimed it was impossible because of the existence of tax havens, but it had been proved that there was a system of compensation between banks which made it possible to monitor all capital movements.

The tax could be an insurance against bank failures caused by George Soros. It would also make it possible to reduce international debt, which would be an act of justice.

Canada had declared itself in favour of the tax, which was also supported by the Dutch Socialist Party. Implementing it would be a practical means of curbing neo-liberalism and giving democracy its rightful power.

Mrs SAIANI (*European Parents Association*) regretted the fact that at no time during the conclusions had she heard the word “listen”, though citizens could only participate if they were listened to and the Council of Europe should therefore listen, particularly to parents, who had enormous responsibilities.

It was true that even in schools parents could not make themselves heard or have proper contacts with teaching staff. In Italy the law encouraged parents to take part in the life of the school, but this remained a dead letter although they had a great many interesting ideas to contribute.

The idea that NGOs might be the third leg was a good one, but would it not be better for them to be the sole means of developing participation?

If future changes were to be as shattering as Mr Rifkin had predicted, parents had to be prepared to guide their children in different ways. She would therefore report to parents what had been said during the conference. There was still a great deal to be done if parents were to be true partners of change in the educational world.

A great many ideas had been put forward, but parents were now waiting for concrete progress.

Mr ALBIN (*European Council of Police Unions*) said he represented 18 police unions in 16 countries, ie a total of 240,000 police officers, and that he was speaking as a citizen, policeman and union member. In his opinion the economy raised more problems than it solved.

Excluded, marginalised and weakened people lived in the shadow of our societies; they did not have the same rights as other people. Exclusion was economic, psychological and spiritual, and in the final analysis there were a great many excluded people.

Before trying to strengthen citizenship, should we not give effect to the notion of the citizen’s conscience?

The huge increase in major crime and mafia-type activity was a veritable catastrophe for democracy. What was one to think about the increase in petty crime and the dangerous intensification of the resulting feeling of insecurity? What was one to think about the richer

and more advanced societies whose only response was a failure to recognise employment, and the lack of any dignity in daily life, which led to the catastrophic situations that then had to be tackled?

People talked about the “European area”, but did they know there were tax havens within it? It was not necessary to go as far as the Cayman Islands, you just had to get in your car. These were the true cankers on the body of citizenship. (*Applause*)

Mr STAES, *moderator*, passed on several questions asked via the Internet.

What type of international status could be established for NGOs? According to what fundamental principles?

In many European Union countries there were restrictions on the involvement of foreigners in NGOs. Did this not contravene community law, at least with respect to nationals of other member states?

What about the idea of introducing a tax to finance NGOs? Did such a tax already exist in some countries? How was the revenue to be divided among the NGOs?

A supra-national statute for NGOs would be a very useful instrument for enabling them to work on a European scale. But such a statute also raised many problems for the financial auditing of NGOs and verification of work actually carried out. What sort of controls should therefore be introduced?

Mr ZIELINSKI, *rapporteur*, thought that the representative of parents’ associations was right, but while the conference mainly provided food for thought, its work also included a number of practical avenues along which it would be possible to proceed in the future. For example, in order to strengthen links with schools, mini-associations would make children aware of responsibilities and community life at a very early age. Experiments were being conducted in France and Ukraine and contact could be made by the Internet.

With respect to the legal status of NGOs, unification on a European scale was impossible for the time being as national systems of legislation varied so much, especially where taxation was concerned, and this sometimes meant going through local associations in order to operate in a neighbouring country.

Two instruments did, however, exist. The first was Convention No. 124 of the Council of Europe on the Recognition of the Legal personality of International Non-Governmental Organisations. But, of the 41 member states, only 9 had ratified it as yet and 8 others had signed it. This showed the time lost since 1986. The Liaison Committee, NGOs and parliamentarians had to join forces to put pressure on governments. The relevant texts were available on the Council of Europe website.

The second instrument was the European Parliament report on a European statute for associations, which sought to enable NGOs to work together and have legal personality.

But these documents were now blocked, and it was not possible to speak of institutional recognition of the day-to-day work of NGOs at European level.

On the other hand, people knew very well how to use voluntary bodies.

Proposals had been made to expand the voluntary sector. There was a need, among other things, to simplify registration procedures and free NGOs from administrative shackles. In some countries it cost as much as \$250 to form an association. Many countries were trying to alleviate the tax burden on them. In Hungary it was planned to abolish the tax on donations. In the Czech Republic a proportion of the receipts from national lotteries was allocated to them.

With respect to the involvement of foreigners, there again, national regulations varied. Theoretically, European law prevailed over domestic law in the European Union and there were simple appeal procedures enabling citizens to enforce their rights.

It was, however, obvious that internationalisation could facilitate money-laundering. The NGOs themselves therefore had to work in complete transparency and, without waiting for government intervention, introduce effective audit machinery. Those that had consultative status with the Council of Europe had to provide regular reports and each year a number of them lost that status. (*Applause*)

Mr STAES, *moderator*, passed on several questions

- about the role of the European Movement,
- about the possibility of putting in place a European social policy with a majority of left-wing governments,
- about the priorities for creating European identity,
- about the usefulness of requiring politicians to continue working while their term of office ran, so that they kept in touch with reality.

Mr DASTOLI, *rapporteur*, said that the European Movement, which had been founded at the same time as the Council of Europe, had always worked for the development of European citizenship and democracy. It was in favour of participatory democracy. It had accordingly turned to NGOs to establish a Permanent Forum of Civil Society, which had been active during the preparation of the Amsterdam Treaty, and with a view to future institutional reforms. It had launched the idea of a constitutional pact for Europe. It did not, however, restrict its sights to the European Union alone.

With respect to social affairs, subsidiarity should go hand-in-hand with solidarity: a federal, decentralised, caring Europe was needed which did not distribute assistance but shared out wealth.

There was a majority of left-wing governments, but they were divided among themselves: “Action for employment in Europe: a confidence pact” would be adopted at Cologne with much hesitation and equivocation. The adoption of a social policy would depend on the action of civil society and the next European Parliament.

In order to achieve a European identity we had to give ourselves the means, meaning a European government, encourage constitutional patriotism in the sense of Jürgen Habermas, and develop participatory democracy.

Mr METSOLA (*European Democratic Students*) thought it was pointless to wallow in illusions: NGOs would never be given powers simply because they asked for them. People who had power guarded it jealously. Therefore people who asked for concrete action had to be told to stop demanding power and seize it.

The conference was supposed to be one for parliamentarians and NGOs, but very few of the former were present and some people had said they were not very familiar with NGOs.

Talking about participatory democracy now necessarily led one to talk about the Internet. It was to be hoped that things would gradually be put in place over the next ten years. In Finland, local consultations were already held on the Internet, enabling citizens to let political decision-makers know what they thought.

Mr HOUSSA (*Association pour la paix, Marches européennes contre le chômage, la précarité et les exclusions, Belgium*) offered his reply to the question “Why do politicians dislike NGOs?” First, because the former worked on an emergency basis, as Dominique Méda had pointed out. Secondly, because they refused any serious questioning of their use of an Orwellian “Newspeak”, producing such things as the “major economic orientations of the European Commission”. No ordinary person, and very few parliamentarians, understood what was meant. Thirdly, because NGOs were voices of change which said “No” to such neo-liberal truisms as “the Tobin tax is impossible”, notwithstanding the fact that Canada, the Netherlands and Finland had approved the principle, or “employers” contributions must be reduced”, a theme that had been the subject here of special pleading by Mr Janssen, of whom the best that could be said was that he was cruelly lacking in theoretical references. Who would pay for the resultant losses to social protection? He had not had an answer.

The NGOs were also being asked to observe a code of conduct, but there was already an incredible degree of contractualisation in relations between NGOs and the governments that funded them. Could this be seen as anything other than the effects of a process of “commercialisation” of social relations? Moving towards such a code also required total transparency in the procedures for requesting and allocating subsidies - contrary to the practices of the Commission - as well as in providing NGOs with the means they actually needed.

In this regard, it was surprising that the NGOs wishing to apply the regulations drawn up by the UNDP should be accused of extremism or utopianism - they were in direct touch with reality, if only the political will would follow.

Mr STAES, moderator, said that he had spent four years of his life in Strasbourg in the European Parliament and the Parliamentary Assembly of the Council of Europe. There must not be confrontation between them, but it had to be recognised that with 41 countries present, nearly all European countries were members of the Council of Europe.

In closing the conference, he wished to thank all the participants, particularly the members of the panels, and MM La Porta and Kochersperger, who had done an extraordinary job, and congratulate the moderator, who had managed the debate extraordinarily well. (*Applause*)

The Chairman associated himself with the thanks and recalled that the conference had tried to define the difficult balance between the three players in democratic society: market, state and civil society. This was a challenge for Europe and a responsibility to the whole world. (*Applause*)

The session rose at 4.45 pm

V. REPORTS

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General Theme: Market-oriented society, democracy, citizenship and solidarity: an area of confrontation?

*Work, Social Capital, and the Rebirth of the Civil Society:
A Blueprint for a New Third Sector Politics*

by Mr Jeremy Rifkin, **President of the Foundation
on Economic Trends, Washington, DC**

The global economy is undergoing a fundamental transformation in the nature of work brought on by the new technologies of the Information and Biotech revolutions. These profound technological and economic changes are going to force every country to rethink their long held assumptions about the nature of politics if they are to adjust to the radical new world being readied for the 21st century. In the new era, the traditional political spectrum of marketplace vs government is likely to be replaced by the notion of a three-legged political stool with the marketplace, government, and civil sectors each acting as a check and balance against the other in a new kind of tripartite politics. The new political paradigm is going to have far reaching consequences, reshaping our very ideas of citizenship in the coming century.

The revolutionary changes in technology and work are already laying the groundwork for this historic shift in the exercise of political power. Sophisticated computers, robotics, telecommunications, gene splicing, and other Information Age technologies are fast replacing human beings in virtually every industry. Nowhere is this trend more apparent than in the manufacturing sector. The number of factory workers in the United States declined from 33 percent of the workforce to under 17 percent in the past 30 years, even as American companies continued to increase production and output, maintaining our country's position as the number one manufacturing power in the world.

For most of the 1980s it was fashionable to blame the loss of manufacturing on foreign competition and cheap labor markets abroad. In some industries, especially the garment trade and electronics, that has been the case. Recently, however, economists have begun to revise their views in light of new in-depth studies of the manufacturing sector. Economists Paul R. Krugman of MIT and Robert L. Lawrence of Harvard University, suggest, on the basis of extensive data, that "the concern, widely voiced during the 1950s and 1960s, that industrial workers would lose their jobs because of automation, is closer to the truth than the current preoccupation with a presumed loss of manufacturing jobs because of foreign competition."

Automated technologies have been reducing the need for human labor in every manufacturing category. Within 10 years, less than 12 percent of the American workforce will be on the factory floor, and by the year 2020, less than 2 percent of the entire global workforce will likely still be engaged in factory work. Over the next quarter century, we will see the virtual elimination of the blue collar, mass assembly line worker from the production process.

Until recently, economists and politicians assumed that displaced factory workers would find new job opportunities in the service sector. Now, however, the service sector is also beginning to automate, eliminating vast numbers of white collar workers in the process. In banking, insurance, and the wholesale and retail sectors, companies are deconstructing. They are eliminating layer after layer of management and infrastructure, replacing the traditional corporate pyramid and mass white collar workforces with small, highly skilled professional work teams, using state of the art software and telecommunication technologies. Even those companies that continue to use large numbers of white collar workers have changed the conditions of employment, transferring workers from permanent jobs to "just-in-time" employment, including leased, temporary, and contingent work, in an effort to reduce wage and benefit packages, cut labor costs, and increase profit margins.

Acknowledging that both the manufacturing and service sector are quickly reengineering their infrastructures and automating their production processes, many mainstream economists and politicians have turned to the emerging knowledge sector,

pinning their hopes on new job opportunities along the information superhighway and in cyberspace. While the "knowledge sector" will create many new jobs, they will likely be too few to absorb the millions of workers displaced by the new technologies. That's because the knowledge sector is, by nature, an elite workforce and not a mass workforce. Engineers, highly skilled technicians, computer programmers, scientists, and professionals will never be needed in "mass" numbers to produce goods and services in the Information Age. Indeed, the shift from mass to elite labor forces is what distinguishes work in the Information Age from that of the Industrial Age.

With near workerless factories and virtual companies already looming on the horizon, every nation will have to grapple with the question of what to do with the millions of people whose labor is needed less, or not at all, in an ever more automated global economy.

The reality is that the world is polarizing into two potentially irreconcilable forces -- on one side, an information elite that controls and manages the high-tech global economy; and on the other, a growing number of marginalized or permanently displaced workers who have few prospects and little hope for meaningful employment in an increasingly automated world.

While our political leaders have embraced the Information Age, extolling the virtues of cyberspace and virtual reality, they have, for the most part, steadfastly refused to address the equally important question of how to ensure that the dramatic productivity gains of the new high-tech global economy will be shared broadly among every segment of the population. Up to now, those productivity gains have been used primarily to enhance corporate profit, to the exclusive benefit of stockholders, top corporate managers and the emerging elite of high-tech knowledge workers. If the trend continues, chances are that the widening gap between the haves and have nots is only going to lead to greater social unrest and more crime and violence in every country. Millions of middle and working class people, caught in the middle and worried over their own eroding economic fortunes, including loss of job security and falling real wages, are going to become easy prey for the nascent fascist rhetoric of the extreme right. The politics of scapegoating is already gaining political currency in many countries, as ultra right wing politicians blame ethnic minorities, illegal aliens and immigrants, cheap labor abroad, and the "international banking conspiracy" for the deepening economic malaise.

The antidote to the politics of paranoia and hate is an open and sober discussion of the underlying technological and economic forces that are leading to increase productivity on the one hand, and a diminishing need for mass human labor, on the other. That discussion needs to be accompanied by a bold new social vision that can speak directly to the challenges facing us in the new economic era. In short, we need to begin thinking seriously about what a radically different world might look like in an era when less human labor is needed to produce the goods and services of an ever more automated global economy.

In the past, when new technologies dramatically increased productivity -- for example in the 1920s when oil, electricity, and the assembly line replaced coal and steam powered plants -- workers sought after a share of the productivity gains and organized collectively to demand a shorter work week and better pay and benefits. Today, however, instead of shortening the workweek, employers are shortening the workforce -- effectively preventing millions of workers from enjoying the benefits of the new technology revolution.

We are past due for a debate in every country on shortening the work week to 30 hours by the year 2005, to accommodate the new reality of the emerging Information Age economy. New laborsaving technologies, after all, are supposed to free us for greater leisure, not less pay and growing underemployment and unemployment.

Of course, employers will argue that shortening the workweek and sharing the productivity gains with their workers will be too costly and threaten their ability to compete both domestically and abroad. That need not be so.

France and Italy have passed legislation to reduce the workweek from 39 to 35 hours without loss of pay. The governments have agreed to provide generous tax credits to the companies to ease the change and make sure they remain competitive in a tight global economy. While the governments will lose tax revenue on the front side, economists argue that they will make up the difference on the backside. At a reduced workweek, more people will be working. Fewer people will be on welfare. And the new workers will have purchasing power and be taxpayers, all of which will benefit employers, the national economies, and the government.

For many, the prospect that employers might seriously entertain the notion of sharing the productivity gains with workers, in the form of shorter work weeks and better pay and benefits, seems far fetched. Still, there are other powerful forces at work that increase the likelihood of a new accommodation between management and the workforce. To begin with, while reducing the labor component in the production process often translates into short-term gains for each company, in the aggregate, employers are beginning to see a troubling decline in consumer purchasing power. As more and more workers are placed in temporary, part-time, and contingent employment and experience a decline in wages, purchasing power diminishes. Even those workers with permanent jobs find their wages falling in the midst of rising gains in productivity. The quickened pace of corporate re-engineering, technological displacement, and declining income can be seen in stagnant inventories and sluggish growth, which in turn, sets off new rounds of re-engineering, technology displacement, and wage cuts, continuing to fuel the downward drift in consumption.

The second Achilles heel for employers in the emerging Information Age -- and one never talked about -- is the effect on capital accumulation when vast numbers of employees are reduced to contingent or temporary work and part-time assignments, or let go altogether, so that employers can avoid paying out benefits -- especially pension fund benefits. As it turns out, pension funds, now worth over 7 trillion, keep much of the capitalist system afloat. For more than 40 years, the pension funds of millions of workers have served as a forced savings pool that has financed capital investments. Workers' pension funds account for 74 percent of net individual savings in the U.S., and own more than one-third of all corporate stock and nearly 40 per cent of all corporate bonds. Pension assets exceed the assets of commercial banks and make up nearly one-third of the total financial assets of the U.S. economy.

If companies continue to marginalize their work forces and let large numbers of employees go, to make room for corporate re-engineering and the new automated Information Age technologies, the capitalist system will slowly collapse in on itself as it is drained of the pension funds necessary for new capital investments.

A steady loss of consumer purchasing power and a decline in workers' pension fund capital are likely to have a far more significant impact on the long term health of the global economy than all of the much ballyhooed concern over national debts and budget deficits. It is very much in the interest of corporate management to begin seriously thinking about constructive ways to share the vast productivity gains of the Information Age with their employees if they want to insure both an adequate stream of purchasing power and sufficient investment capital in the years ahead.

Of course, even an "enlightened" management is unlikely to heed the warning signals of a faltering economy without pressure being brought to bear from both inside and outside the companies. The 30-hour workweek ought to become a rallying cry for millions of

workers. Shorter workweeks, more leisure, and better pay and benefits were the bench marks for measuring the success of the Industrial Age in the past century. We should demand no less of the Information Age in the coming century.

Even with a much-reduced workweek, there may not be enough work for everyone in the high-tech market place in the 21st Century. For that reason, every nation is going to have to address the problem of finding alternative forms of work for the millions of people who are no longer needed to produce the goods and services of an increasingly automated market economy.

Up to now, the marketplace and government have been looked to, almost exclusively, for solutions to the growing economic crisis facing the country. Today, with the formal economy less able to provide permanent jobs for the millions of working people in search of employment and with governments retreating from their traditional role of employer of last resort, the nations civil society -- the Third Sector-- may be the best hope for absorbing the millions of displaced workers cast off by corporate and government re-engineering.

The first thing to understand about the Third Sector—the cultural sphere- is that it is the primordial sector. Throughout history, human beings have always established social communities first. They develop rules of social exchange, embed their members in complex reciprocal relationships, and build up social trust. Only when these relationships, and the trust that is built from them, are firm can communities enter into commercial trade and set up markets for exchange. That's because markets, by their very nature, deplete trust. The old adage "caveat emptor" – let the buyer beware – is as true today as it was at the time of the Roman markets more than 2000 years ago. The point is that markets are secondary rather than primary institutions. They are derivative in nature and exist only as long as there is enough social trust in place to assure the terms of trade. European and American businesses learned this lesson the hard way, in the aftermath of the fall of the Soviet Empire. Companies rushed in to set up shop, anxious to establish trade in the former communist territory. Many of the businesses failed, because there was not enough social trust – sometimes referred to as social capital – in place to guarantee trade. The communists had eliminated the third sector, the many cultural institutions that create social trust and allow markets to function. The result is that business agreements were difficult and even impossible to arrange and commercial contracts, when they were entered into, were often unenforceable and not worth the paper they were written on.

In the West, we have come to take the third sector for granted, often not realizing the critical role it plays in establishing social trust and making markets and trade possible. The cultural institutions of a society, its church's, secular institutions, civic associations, fraternal organizations, sports clubs, art groups, non-governmental organizations and the like are the well spring of social trust. Because they exist, they make markets possible. In communities and countries that have a strong, well-developed third sector, capitalist markets thrive. Where the third sector is weak, capitalist markets are more precarious and less successful. Indeed, if the third sector in the United States, for example, were to disappear overnight, its unlikely the capitalist marketplace – or for that matter, even government – would survive a fortnight. Although some neo-liberals and neo-conservatives and most libertarians continue to believe that healthy economies create vibrant communities, in fact, the reverse is more often the case. A strong community is a prerequisite for creating a healthy economy because it alone produces social trust.

Interestingly, international lending institutions like the World Bank are just beginning to understand the relationship between culture and commerce. For decades, these institutions have funded expensive economic development projects in emerging countries in the belief that by creating a strong economy, they could help foster social development. After years of only mixed success and many failed attempts, they have begun to shift their priorities to

funding social development projects first, understanding that strong communities – a vibrant culture – are a prerequisite for economic development, not a beneficiary of it.

The Third Sector cuts a wide swath through society. Nonprofit activities run the gamut from social services to health care, education and research, the arts, fraternal and civic organizations, religion, and advocacy. In the U.S., for example, there are currently more than 1,400,000 nonprofit organizations in the United States with total combined assets of more than \$500 billion. The expenditures of America's Third Sector organizations exceed the gross national product of all but seven nations in the world. The Third Sector already contributes more than 6 per cent of the GNP and is responsible for 10.5 per cent of the total national employment. More people are employed in Third Sector organizations than work in the construction, electronics, transportation, or textile and apparel industries.

For more than 200 years, Third Sector activity has shaped the American experience. The nation's first schools and colleges, its hospitals, social service organizations, fraternal orders, women's clubs, youth organizations, civil rights groups, social justice organizations, conservation and environmental protection groups, animal welfare organizations, theaters, orchestras, art galleries, libraries, museums, civic associations, community development organizations, neighborhood advisory councils, volunteer fire departments, and civilian security patrols are all creatures of the Third Sector.

Today, Third Sector organizations serve people in neighborhoods and communities around the world. Their reach and scope often eclipse both the private and public sector, touching and affecting the lives of citizens, often more profoundly than the forces of the marketplace or the agencies and bureaucracies of government.

The opportunity now exists to create millions of new jobs in the civil society. Freeing up the labor and talent of men and women no longer needed in the market and government sectors to create social capital in neighborhoods and communities will cost money. Taxing a percentage of the wealth generated by the new high-tech, network-based economy and redirecting it into the neighborhoods and communities of each country and to the creation of jobs and the re-building of the social commons, provides a powerful new social vision and a strong countervailing force to the more impersonal forces of the global marketplace.

Re-envisioning work, however, requires that we rethink our notion of the body politic. While politicians traditionally divide society into a polar spectrum running from the marketplace, on one side, to the government, on the other, it is more accurate to think of the society as a three-legged stool made up of the market sector, government sector, and civil sector. The first leg creates market capital, the second leg creates public capital, and the third leg creates social capital. Of the three legs, the oldest and most important, but least acknowledged, is the Third Sector.

In the old scheme of things, finding the proper balance between the market and government dominated political discussion. In the new scheme, finding a balance between the market, government, and civil sector becomes paramount. Thinking of society as creating three types of capital -- market capital, public capital, and social capital -- opens up new possibilities for reconceptualizing both the social contract and the meaning of work in the coming era.

It should be noted that in the 1980s President Reagan emphasized the importance of the civil society. The Reagan forces realized, early on, the potential symbolic and emotional power of Third Sector images and used them to their advantage, building a Republican mandate in the 1980s. In both the Reagan and Bush White House, Third Sector themes were continually manipulated in a cynical effort to mask a free market agenda. "Returning the government to the people" became a convenient euphemism to push for de-regulation of industry, fewer corporate taxes, and cutbacks in social services and entitlement programs for

the working poor and those trapped below the poverty line. In the end, the civil society was seriously compromised and undermined by the very political forces who professed to be its leading champions and advocates.

The key to a genuine attempt to recast the political landscape will depend on the political will to increase the clout and elevate the profile of the civil society, in every country, making it an equal player with both the marketplace and government. The point is, the Third Sector needs to become a powerful political force that can make demands on both the market and government sectors to pump some of the vast financial gains of the new Information Age economy into the creation of social capital and the restoration of the civil life of every country.

The potential for a new third force in political life exists but has not yet been galvanized into a mainstream social movement. That's because, up to now, the millions of people who either volunteer or work in this sector have not seen themselves as part of a potentially powerful constituency -- one that, if politicized, could help reshape the national agenda. While third Sector participants come from every race and ethnic background, and from every class and walk of life, they share the belief in the importance of service to the community and the creation of social capital. If that powerful shared value can be transformed into a sense of common purpose and identity, we could redraw the political map in every country. Mobilizing these millions of people into a broad based social movement that can make tough demands on both the market and public sectors will be the critical test of the new politics of social capital.

The wild card in the new political dynamic is government. We need recall that nation states are a creature of the industrial era. Capitalism required political institutions large enough to oversee and secure broad geographical markets. Now that commerce is moving from the Industrial Age to the Information Age and from geography to cyberspace, spatially bound nation states suddenly find themselves increasingly irrelevant and without a clearly defined mission.

In the new world that's emerging, government is likely to play a much-reduced role in the affairs of commerce and a far greater role with the Third Sector. Together, these two geographically bound sectors can begin to exert tremendous political pressure on corporations, forcing some of the gains of the new global commerce back into the communities.

There is much to be gained from the shift in political perspective away from the old polar model of market versus government to the new tripartite model of market, government, and civil sectors. The new schema provides an arena to mobilize broad public support for restoring the community life in every country. In the old dynamic, the community was shunted to the margins of political debate. It had little or no place in the political dialogue over how much government versus how much marketplace. In the new model, the civil society becomes the middle kingdom between market and government, and the most important leg of the political stool. The success of society is measured as much by its ability to create social capital as market and public capital.

Taxing a portion of the productivity gains of the new cyberspace economy and allocating those funds to the creation of jobs and infrastructure in the social economy is essential to reverse the downward spiral of working people. Focusing on the creation of social capital rather than the continued expenditure of public capital puts the challenge and responsibility for community development directly in the hands of the groups affected. Most non-profit fraternal, civic, social, and advocacy organizations are created by people who live in the community and are, therefore, far more accountable to the neighborhoods they serve. The creation and expenditure of social capital builds self-determination and sustainability and

offers an alternative to the continued reliance on government-run welfare programs which create a syndrome of dependency.

Organized labor's hopes also rest, in part, on the emergence of the Third Sector as a new social force. Unions are finding it harder to recruit workers in the new Information Age economy. Organizing at the point of production becomes difficult, and often impossible, when dealing with temporary, leased, contingent, and part time workers and a growing number of telecommuters. At the same time, the strike is becoming increasingly irrelevant in an age of automated production processes. Joining with Third Sector organizations -- service, fraternal, civic, and advocacy -- to exert a collective "geographic" pressure on management to share some of the gains of cyberspace with workers and local communities is labor's best hope for success in the new era.

Women have long been the mainstay of the civil society, volunteering their time to create the social capital of the country. Their contribution has gone unrecognized, in part, because the political importance of social capital has gone largely unheralded. While the newly emerging Information Age economy is going to mean a fundamental shift in gender roles, with more women working in the marketplace and more men at home and in the community, women are still likely to remain the primary advocates of social capital because of their long-standing relationship to this sector. A second feminist wave grounded in the politics of social capital and the restoration of the civil life of the country, could help create a new third force in politics over the next decade.

Environmentalists also have much to gain from elevating the role of the Third Sector and making social capital equal in importance to market and public capital. The environmental community is currently involved in a debate on how to convince consumers to simplify their lifestyles in order to preserve the earth's dwindling resources and promote a sustainable economy. Unfortunately, as long as most peoples' primary identity is with the marketplace, the values of expanded production and unlimited consumption will continue to influence personal behavior. On the other hand, it is likely that the more time people spend in the Third Sector, both as paid employees and volunteers, the less consumer oriented they become -- not because they consciously think about their obligations to the planet, but, rather, because personal relationships and community bonds replace shopping as a life fulfilling experience.

Of the three forms of capital, social capital is the most environmentally benign. Unlike market or public capital, which use large amounts of the earth's resources, social capital uses relatively few resources, relying almost exclusively on the few thousand calories of energy each person requires to maintain a healthy mind and body. The point to emphasize is that the primary resource that makes up social capital is human energy extended to others to create a social good.

The ever deepening problem of rising productivity in the face of declining wages and vanishing jobs is likely to be one of the defining issues in every country in the years ahead as the global economy makes the tumultuous transition out of the Industrial Age and into the Information Age . The growing social unrest and increasing political destabilization arising from this historic shift in the way the world does work is forcing activists, of every stripe and persuasion, as well as politicians and political parties, to search for a "radical new center" that speaks to the concerns and aspirations of a majority of the electorate. The conventional political discussion continues to take place along the polar spectrum of marketplace versus government -- a playing field that becomes increasingly limited in addressing the magnitude of the challenges and opportunities that exist in this new age. Redirecting the political debate to a tripartite model with the civil society in the center between the market and government spheres, fundamentally changes the nature of political discourse, opening up the possibility of

re-envisioning the body politic, the economy and the nature of work and society in wholly new ways in the coming century.

Jeremy Rifkin is the author of fourteen books including-- *The End of Work: The Decline of the Global Labor Force and the Dawn of the Post-Market Era* and *The Biotech Century: Harnessing the Gene and Remaking the World*. He is president of the Foundation on Economic Trends in Washington, D.C.

**Theme 1: Public institutions and civil society:
How can we improve participatory democracy and active
involvement of citizens?**

by Mrs Susan George, Economist specialising in globalisation
issues and North-South relations, Writer, USA/France

INTRODUCTION: THE DEMOCRATIC VISION OF KARL POLANYI

In 1944, the philosopher-historian-anthropologist-economist Karl Polanyi published his masterwork, The Great Transformation. A fierce critic of the market-based "disembedded" society created by the industrial revolution in England, Polanyi declared, "To allow the market mechanism to be sole director of the fate of human beings and their natural environment ...would result in the demolition of society". Polanyi was convinced, however, that the danger was past; such a demolition of society could no longer occur in the post-war world. History was taking a turn for the better: "Within the nations we are witnessing a development under which the economic system ceases to lay down the law to society and the primacy of society over that system is secured".¹

Polanyi's observations could be a template for the title of this portion of the Council of Europe Conference on "Market Society, Democracy, Citizenship and Solidarity: A Confrontational Space?" He would have reacted immediately: the "market society" is a contradiction in terms and antithetical to democracy, citizenship and solidarity. He would also have been appalled that it should have become necessary to reaffirm this point in the final year of the 20th century.

Indeed, though Polanyi's diagnosis was and remains accurate, his historical optimism was misplaced. The institutions of the post-war European Welfare State which he believed definitive are today under serious threat. The taxation-redistribution mechanism upon which modern social democracies have traditionally depended has been terminally disrupted by the internationalisation of capital and income which escape the territorial and fiscal reach of national authorities. Nor can political control be exercised over Transnational Corporations [TNCs] or international financial markets. The "votes" of speculators, who continually evaluate national economic and social policies, now outweigh the votes of citizens. Polanyi's nightmare scenario of the "market mechanism [as] sole director of the fate of human beings and their natural environment" has returned with a vengeance.

This paper will try briefly to explain why the social democratic Welfare State model is gravely endangered and will argue that, as Polanyi foresaw, this evolution can indeed lead to the "demolition of society" unless citizens and their governments act politically in order to:

- confine the market to its rightful place;
- reaffirm the essential role of the public good and the democratic nation-state;
- enlarge the concept and the scope of "responsible citizenship" to encompass the international sphere.

THE WELFARE STATE: PUBLIC GOOD OR PUBLIC ENEMY?

The Council of Europe, whose half century we celebrate at this Conference, was born at a propitious time for democracy. New or rejuvenated public institutions were being created through scores of redistributive measures--health services, social security, stronger labour laws and legal protection for trade unions, retirement benefits for the aged, guaranteed prices for farmers, low-cost housing, public transport, subsidised cultural activities, nationalised energy and utilities--all these and many other similar policies were the bread and butter of the

¹. Karl Polanyi, The Great Transformation, original edition, New York, Rinehart and Co. 1944; Beacon Press, Boston 1957, quotes pp. 73 and 251

post-War agenda. The International Bank for Reconstruction and Development [now the World Bank] and especially the Marshall Plan allowed Europe to get back on its feet and become once more the most important trading partner of the United States.

These policies proved, on the whole, successful. Life expectancies rose steadily along with standards of living, children were better educated, people were healthier, elders could count on a dignified end to their lives. Without idealising social democracy or the achievements of the Welfare State, one can still affirm that they reduced economic disparities, diminished the stress and anxieties of daily life and improved national cohesion without diminishing individual freedoms--quite the contrary. A glance at the popular press of the day shows that if people were concerned about the future, it was often to ask how society would be able to cope with so much abundance and leisure.

Encouraged by the decolonisation process, many people also believed that, little by little, similar policies would prevail in what was later to be called Third World; it seemed that the rich-poor gap could be substantially reduced between nations of "North" and "South" just as the Welfare State was reducing the gap within them. Such aspirations seemed quite reasonable at the time.

Why, then, has **neo-liberalism**, the term we will use here as shorthand for the set of policies placing the market mechanism at the epicentre of economic, political and social life, once more gained the upper hand? Why does the socially "disembedded" model Polanyi believed was gone for good now dominate national as well as international institutions? Why have economic disparities vastly increased inside the prosperous industrialised countries at the same time the North-South gap has become a chasm?

The answer may lie partly in the natural wear and tear of policies in effect for decades. Contradictions, inadequacies and poor adaptation of institutions to new circumstances are bound to arise, but these alone cannot explain the success of neo-liberalism. Nor is the collapse of the Soviet Union a sufficient reason to enforce policies that are throwbacks to those of the nineteenth century, even though the absence of an alternative model, however flawed, undoubtedly strengthened the hand of neo-liberals.

The anti-worker, anti-social policies we witness in country after country do seem to be the result of a conscious effort to reverse the gains of the past half-century. Lest this statement appear to partake of "conspiracy theory", let us cite the Swedish economist then working for Lehman Brothers, London, who, asked if a stringent austerity budget voted by a newly elected Swedish social democratic government "was enough", replied that it was a "step in the right direction" but that it was "not nearly enough". Indeed, he declared, "people must understand that **global financial markets are on a religious crusade to roll back social democracy around the world**".²

². Cited in Manfred Bienefeld, "Can finance be controlled?", paper for the Bangkok Conference on Economic Sovereignty in a Globalising World, Focus on the Global South, Chulalongkorn University, 23-26 March 1999. I am grateful to Professor Bienefeld for sending me the original source of this quote: the Swedish economist Keld Holm, then working for Lehman Brothers, was cited in "Around the Globe", Toronto Globe and Mail, 16 January 1995.

HOW TO "ROLL BACK" SOCIAL DEMOCRACY"

I have argued in detail elsewhere³ that much of the reason for neo-liberalism's dominant position today can be traced to the remarkable intellectual cohesion of its supporters and their willingness to pay hundreds of millions of dollars in pursuit of cultural hegemony in the fully Gramscian sense of the term. In Gramsci's reference to Machiavelli, the "Modern Prince" establishes hegemony through a slow changing of people's consciousness during a period of "passive revolution". By "hegemony", Gramsci meant that, without the use of force, one class has succeeded in persuading all the others to accept its own moral, political and cultural values.⁴

In our own time, this successful class is international in composition and in scope. Its representative institutions are Transnational Corporations [TNCs], large private financial institutions, foundations and "think-tanks" and, in the public sphere, bodies like the World Bank, the International Monetary Fund and the World Trade Organisation. The leading role of the United States in furthering the interests of these private sector actors has been characterised by the celebrated Columbia University Professor of Economics Jagdish Bhagwati as the "Wall Street-Treasury Complex"[on the model of President Eisenhower's military-industrial complex].⁵ Professor John Williamson, then of the Institute of International Economics, preferred to call it the "Washington Consensus".⁶

The agenda of this international minority led by the United States--whether one chooses to call it a Complex or a Consensus--was economic growth through free markets, free trade, free capital movement and free investment; deregulation and downgrading of the role of the state combined with wholesale privatisation of public services--in a word, the opposite of the Keynesian or social democratic paradigm. Social equity, much less environmental health, figured nowhere among its concerns.

As the Lehman Bros. banker said so candidly, the goal of this international class has always been to "roll back" the post-war Welfare State and to destroy the public institutions which underpin it. The "religious crusade" he referred to has grown from a small, unpopular sect with virtually no influence [clustered around Friedrich von Hayek and Milton Friedman at the University of Chicago in the early 1950s] to become a worldwide orthodox faith with its own doctrine, priesthood, law-giving institutions and hell for sinners who dare to contest the revealed truth. For example, Oskar Lafontaine, the ex-German finance minister whom the Financial Times called an "unreconstructed Keynesian", was consigned to this hell for daring to propose higher taxes on corporations and tax cuts for ordinary families.

³. Susan George, "How to Win the War of Ideas: Lessons from the Gramscian Right", Dissent [New York], Summer 1997

⁴. Antonio Gramsci, Prison Notebooks ["Quaderni del Carcere"]; extracts as translated and commented by James Joll, Gramsci, Fontana Modern Masters Series, London 1977, pp.99ff

⁵. Jagdish Bhagwati, "The Capital Myth", Foreign Affairs, Vol 77 No.3, May-June 1998

⁶. John Williamson articulated the concept of the "Washington Consensus" in various papers for the Institute of International Economics in 1989-1990, notably "The Progress of Policy Reform in Latin America", Policy Analyses in International Economics, IIE, Washington, D.C. January 1990

ROLL-BACK IN BRITAIN...

Still, ideological power without political power is of little use. Although the intellectual and ideological groundwork had been prepared well before, the neo-liberal era really begins with the election of Margaret Thatcher in 1979. Readily proclaiming her allegiance to Hayek and the Chicago School, she undertook the "roll-back" revolution in Britain through massive privatisations⁷, a concerted assault on the trade unions, lower taxes for the rich and higher

⁷. Although privatisation cannot be made central to this Report, the subject deserves a special place in any discussion of public institutions and civil society. Here is a brief one:

Until recently, all developed capitalist countries, particularly in Europe, prided themselves on their public services. Confusing public services with some sort of "socialism" is to misunderstand their nature: they are compatible with capitalist economies because they constitute what economists call "natural monopolies". A natural monopoly exists when the minimum size to guarantee maximum economic efficiency is equal to the actual size of the market. In other words, a company has to attain a certain size in order to realise maximum efficiency through economies of scale and thus provide the best possible service at the lowest possible cost to the consumer. Public services also require very large investment outlays at the beginning--like railroad tracks or power grids--which do not encourage competition. Despite the obvious advantages of public services for the community, neo-liberals define anything public as ipso facto "inefficient".

What happens when a natural monopoly is privatised? Quite normally and naturally, the new capitalist owners tend to impose monopoly prices on the public, while richly remunerating themselves. Classical economists call this outcome "structural market failure" because prices are higher than they ought to be and service to the consumer is almost always below the optimum. In order to prevent structural market failures, until the mid-1980s, the capitalist countries of Europe almost universally entrusted the post office, telecomms, electricity, gas, railways, metros, air transport and usually other services like water, rubbish collection, etc. to state-owned monopolies. The USA is the big exception, perhaps because it is geographically too big to favour natural monopolies.

In any event, Margaret Thatcher set out to change all that. As an added bonus, she could also use privatisation to break the power of the trade unions. By destroying the public sector where unions were strongest, she was able to weaken them drastically. Thus between 1979 and 1994, the number of jobs in the public sector in Britain was reduced from over 7 million to 5 million, a drop of 29 percent. Virtually all the jobs eliminated were unionised jobs. Since private sector employment was stagnant during those fifteen years, the overall reduction in the number of British jobs came to 1.7 million, a drop of 7% compared to 1979. To neo-liberals, fewer workers is always better than more because workers impinge on shareholder value.

The other effects of privatisation were also predictable and predicted. The managers of the newly privatised enterprises, often exactly the same people as before, doubled or tripled their own salaries. The government used taxpayer money to wipe out debts and recapitalise firms before putting them on the market--for example, the water authority got £5 billion of debt relief plus £1.6 billion ["the green dowry"] to make the bride more attractive to prospective buyers. A lot of Public Relations fuss was made about how small stockholders would have a stake in these companies--and in fact 9 million British subjects did buy shares--but half of them invested less than £1000 and most of them sold their shares as soon as they could cash in on the instant profits.

From the British example, one can see that the point of privatisation is neither economic efficiency nor improved services to the consumer but simply to transfer wealth from the public purse to private hands. In Britain and elsewhere, the overwhelming majority of privatised company shares now belong to major financial institutions and very large investors. The employees of British Telecom, for example, bought only 1 percent of the shares, those of British Aerospace 1.3 percent, etc. Prior to Ms Thatcher's arrival, much of the public sector in Britain was profitable. Consequently, in 1984, public companies contributed over 7 billion pounds to the treasury. That money is no longer available for the public budget but is going to private shareholders. Service in the privatised industries is now often disastrous. The Financial Times has reported an invasion of rats in the Yorkshire Water system and anyone who has survived taking Thames trains in Britain knows that "private" does not necessarily mean "clean, convenient and punctual".

Exactly the same mechanisms have been at work throughout the world. In Britain, the Adam Smith Institute was the intellectual partner for creating the privatisation ideology. USAID and the World Bank have also used Adam Smith experts and have pushed the privatisation doctrine in the South. By 1991 the Bank had already made 114

ones for the poor, plus sharp cuts in welfare spending and investment in public goods like health, education and housing.

In pre-Thatcher Britain, about one person in ten was classed as living below the poverty line, not a perfect record but honourable as nations go and in any case far better than Britain's in the pre-War period. Twenty years later, by 1996, one person in four, and one child in three, was officially considered poor. The physical reality of roll-back is millions of people who cannot afford to heat their homes in winter, who must put a coin in the meter before they can have electricity or water, who do not own a warm waterproof coat, who do not have access to fresh foods.⁸

Thanks to Thatcher-Major tax policies, during the 1980s, the top one percent of taxpayers received 29 percent of all the tax reduction benefits, with the result that a single person earning half the average salary found his or her taxes had increased by 7 percent, whereas a single person earning ten times the average salary received a 21% tax reduction. The cumulative impact of Tory "reforms" was to reduce the incomes of the poor by 18 percent between 1979 and 1996.⁹

IN THE UNITED STATES...

One can cite similar evidence for the Reagan years in the United States. Kevin Phillips, a Republican analyst and former aid to President Nixon, charted the drastic changes in American income distribution that occurred between 1977 and 1988. During this decade, the top 10 percent of American families increased their average family income by 16 percent, the top 5 percent increased theirs by 23 percent, but the extremely well-off top 1 percent of American families could thank Reagan for a 50 percent increase--their revenues went from an affluent \$270,000 to a heady \$405,000.

As for poorer Americans, the bottom 80 percent all lost something; true to the rule, the lower they were on the scale, the more they lost. The bottom 10 percent of Americans reached the nadir: according to Phillip's figures, they lost 15% of their already meagre incomes: from an already rock-bottom average of \$4,113 annually, they dropped to an inhuman \$3,504.¹⁰ Expressed another way, in 1977, the top 1 percent of American families had average incomes 65 times as great as those of the bottom 10 percent. A decade later, the top 1 percent was 115 times better off than the bottom decile.

...AND IN THE WORLD AT LARGE

Britain and the United States are among the most unequal of the developed countries, but virtually all countries have seen inequalities increase over the past twenty years due to neo-liberal policies. In 1997, UNCTAD published evidence based on some 2600 separate studies

loans to speed the process, and every year its Global Development Finance report lists hundreds of privatisations carried out in the Bank's borrowing countries.

⁸. Annual Report of the Child Poverty Action Group, London, 1996

⁹. Marc Suzman, "Poor have seen incomes fall 18% since 1979", Financial Times, 17 April 1996

¹⁰. Kevin Phillips, The Politics of Rich and Poor, Random House, New York 1990, Table I, p.17. Such policies were largely elaborated by the conservative Heritage Foundation, the principle think-tank of the Reagan administration and still an important force in American politics.

of income inequalities, impoverishment and the "hollowing out" of the middle classes. The UNCTAD team documents these trends in dozens of widely differing societies, including China, Russia and the other former Socialist countries.¹¹ Policies similar to those of Thatcher/Reagan have been imposed internationally throughout the South and in the former Soviet Union and its satellites under the guise of structural adjustment policies [SAPs] designed by the International Monetary Fund and the World Bank.

The theoretical and ideological justification for redistribution of wealth to the best- as opposed to the worst-off is as follows: increased incomes for the rich and higher returns to capital will lead to more investment, more efficient allocation of resources and will consequently provide more employment and greater welfare for everyone. Rich people's money is thus assumed to have a higher "multiplier effect" than poor people's. In reality, people at the top end of the scale already have most of the goods they need; they contribute relatively little to the national or local economies. The bulk of their wealth [technically known as "savings"] heads straight for financial markets, with much of it placed in purely speculative financial instruments.

If income is redistributed instead towards the bottom 80 percent of society, it is almost all used for current consumption and consequently contributes to the local and national economies and to employment. [For this reason, some economists have recommended paying salaries above a certain figure in depreciable currency which cannot be saved or invested but must be spent on tangible goods and services within a defined period, usually a year after issue.]

WHY UPWARD DISTRIBUTION OF WEALTH LEADS TO FINANCIAL CRISIS

According to the Bank for International Settlements [BIS], industrialised country "institutional investors" [pension funds, insurance companies and investment companies] in 1995 were in command of more than \$21.000.000.000.000 [\$21 thousand billion or \$21 trillion] worth of financial assets, half of them American.¹² This astonishing figure does not include the assets of international commercial banks; to place it in perspective, it is equivalent to more than three-quarters of Gross World Product or to \$3500 for every person alive today.

These assets are volatile. If money managers detect financial instability or mismanagement in any investment arena, they will exit at the stroke of a computer key, displaying what the BIS refers to as "herding" behaviour. A mere one percent of their equity holdings is "equivalent to a 27% share of market capitalisation in emerging Asian economies and a share of over 66% of Latin American equity markets".¹³

Because of their comparative weight, very small shifts in these giant portfolios can cause turmoil in small, vulnerable markets; and even in larger ones. Let us not forget George Soros' coup against the British pound, nor the fact that in 1992-93 the Banque de France lost the totality of its reserves in a vain attempt to defend the parity of the franc. No one should be surprised at the kinds of financial crises we have since witnessed in Mexico, Russia, Asia or

¹¹. United Nations Conference on Trade and Development, [UNCTAD], Trade and Development Report, New York and Geneva 1997, Chapter 3

¹². Bank for International Settlements, 68th Annual Report, Basle, 8 June 1998, Table "Institutional Investors in a Global Perspective 1995", p.84

¹³. BIS, *idem*, p.90

Brazil. There will be others in future. As a result, and with the added disadvantage of the IMF's "credit crunch" measures, tens of thousands of small enterprises have failed in these countries and tens of millions of workers have lost their jobs.

INTERNATIONAL FINANCE AND THE HOSTAGE STATE

Financial managers demand maximum returns on their capital and will move wherever these returns are highest. Nations, regions and firms are all placed in competition to attract their investments, making it far more difficult for governments to regulate their own economies. A whole new--and deceptive--vocabulary has sprung up in the past decade based on the exorbitant demands of capital for the highest possible remuneration. Even "investment" does no longer mean what it sounds like: depending on the year, two-thirds to three-quarters of all "investment" is actually devoted to mergers and acquisitions which invariably result in massive job losses. So-called "portfolio investment" is notoriously unstable: as one currency trader put it, "For me, 'long term' means ten minutes".

In the same vein,

--"Competitiveness" means a government's willingness to organise the national space in order to provide maximum return to capital;

--"Flexibility" of the labour force means a government's willingness to sacrifice the hard-won gains of its own working class [wages, benefits, decent working conditions] in order to be more "competitive" [see above];

--"Privatisation" of public assets means a government's willingness to alienate or surrender the product of decades of work by thousands of people, transferring it to large private shareholders;

--"Deregulation" means a government's willingness to give up its sovereignty for the benefit of transnational corporations and financial market operators.

Governments unwilling to sacrifice their public institutions to private interests are labeled "backward" or worse: thus Germany is accused of "a preference for the status quo which puts the brakes on adaptation to the globalised economy" and Mr Schroeder is faulted because he has never explained how he proposes to "lift Germany from its position in 24th place in the World Economic Forum global competitiveness rankings or improve the average return on investments by companies from 12 percent to the United States' level of 20 percent."¹⁴

This statement, typical of what one may read in the press every day, is significant for several reasons:

--"A preference for the status quo" means hanging on to social protection and redistributive Welfare State measures rather than caving in to the demands of transnational corporations and financial firms. This is clearly a sign of backwardness.

--The statement assumes that a private body, in this case the World Economic Forum [the Davos group] made up of the top representatives of international capital, should be arbiter and rank nations according to the returns they are willing to provide to capital;

¹⁴. John Vinocur, ["News Analysis"], "Germany faces uncertain course to modernisation", International Herald Tribune, 13-14 March 1999

--An average 12 percent return on corporate capital, which Germany is still providing despite its "preference for the status quo" is woefully inadequate. A 12 percent return only merits 24th place in the Davos rankings, whereas 20 percent is available in the United States and elsewhere.

--Some people still foolishly assume that a company is "profitable" so long as it is not making a loss. Such beliefs are here revealed not merely as naive but as heretical, as Messrs Lafontaine, Schroeder and others ought to recognise.

When shareholders have received their 20 percent--why not 25 or 30 percent?--they can see if anything is left over for employees, for the community in which the firm happens to be based or for a fiscal contribution to the state budget.

This is the real meaning of neo-liberal globalisation and the roll-back of social democracy: governments once capable of protecting their own citizens are now called upon to sacrifice their sovereignty and their citizens to the interests of maximum shareholder value. Public, national institutions which stand in the way of this goal must be abandoned, demolished or, in more polite terms, "deregulated".

INTERNATIONAL INSTITUTIONS IN THE SERVICE OF NEO-LIBERALISM

"Deregulation" applies only to national institutions. No system, including a "free-market" system can exist without rules and internationally, new rules are being made every day by global institutions whose mission is to codify and entrench the three fundamental freedoms of neo-liberalism:

- freedom of capital circulation
- freedom of trade in goods and services
- freedom of investment

The **International Monetary Fund** is the principle international institution concerned with freedom of capital circulation. It has been strengthened enormously over the past twenty years, principally through the debt crisis and the mechanism of conditionalities attached to its structural adjustment loans. From its initial mandate of balance of payments support, the IMF has become the quasi-universal arbiter of "sound" economic policies. The Fund has also recently attempted to modify, for the first time, its 1944 Articles of Agreement in such a way that member countries would be obliged to liberalise their capital accounts and could no longer prevent the entry or exit of capital of any provenance or for any duration.¹⁵

The **World Trade Organisation**, established in January 1995 at the end of the long and laborious GATT negotiations, has taken charge of free trade in goods and services. It has far more powers in this regard than GATT had; for example its [non-transparent] Dispute Resolution Mechanism is binding on all members and without appeal. In the name of greater liberalisation, WTO panels have, so far, consistently ruled against environmental restrictions

¹⁵.See in particular Stanley Fischer, IMF Deputy Managing Director, "Capital Account Liberalization and the Role of the IMF", World Bank/IMF Annual General Meeting, Hong Kong, September 1997, in IMF Survey, Vol.26 no.19, 20 October 1997 and "Seminar Discusses the Orderly Path to Capital Account Liberalization", IMF Survey, Vol. 27, no.6, 23 March 1998 I and D

to trade and the Organisation has determined that all matters relating to labour protection should be taken to the ILO which has not made a binding decision in living memory.

At its Third Ministerial meeting [Seattle, November-December 1999] the WTO is scheduled to extend its jurisdiction to agriculture and services and to revisit the Intellectual Property Agreement [TRIPS]. At present, several of its most powerful members, including the European Commission, are attempting to add investment, competition policy, government procurement and electronic commerce to the Seattle agenda. The whole package [including agriculture, services and TRIPs] would be called the "Millennium Round". As of this writing, the Millennium Round, however desirable some may find it, has no legal status whatsoever.¹⁶

It is worth noting that at least one-third of all international "trade" consists in intra-firm transactions between different branches of the same Transnational Corporation or between the head office and its affiliates and cannot be considered in any normal sense of the word "national" trade.¹⁷ Some sources claim that a further third of world trade takes place between different TNCs. In any case, the trade regime as developed by the WTO is clearly biased in their favour.

The **Multilateral Agreement on Investment** [MAI] was an initial and nearly successful attempt to make binding and universal rules to liberalise investments. Thanks to citizens' efforts in many countries, this Agreement failed after three years of negotiations at the OECD. The MAI would have included not just Foreign Direct Investment but also Portfolio Equity Investment, natural resources, real estate including farmland, intellectual and cultural property. The imposed investment regime would have been that of "right of establishment" as opposed to "permission of establishment"; the principles of National Treatment and Most Favoured Nation would have applied and no area was to be excluded save that of the police and national defense. The MAI further outlawed all "performance requirements" and its dispute resolution mechanism was based on investor versus state lawsuits [state versus investor was not allowed] and it defined expropriation broadly so as to include future, as-yet-unearned profits. This free-standing, top-down treaty would have given all rights to corporations, all obligations to governments and no rights at all to citizens. Although it has failed temporarily, it is likely to resurface at the WTO Third Ministerial as part of the Millennium Round under the heading of "investment" [see supra].

The common denominator of all these international institutions is not only their mandate to establish the maximum degree of liberalisation in their several areas but also their lack of transparency and of democratic accountability. In the neo-liberal world view, because the market should dictate its rules to society and not the contrary, democracy is an encumbrance. The task of these international institutions is not to be accountable to any citizenry but to smooth the way and write appropriate rules for the optimum functioning of transnational corporations and financial investors.

CORPORATE PENETRATION OF PUBLIC INSTITUTIONS

Such a view is confirmed by the increasing penetration of international institutions, including the United Nations and its specialised agencies, by the lobbying arm of transnational

¹⁶. See the joint statement of European Commissioner Sir Leon Brittain and the Japanese Minister for Trade and Industry declaring their support for this agenda, European Commission press RElease, 7 January 1999.

¹⁷. United Nations, World Investment Report 1995, p.103

corporations. Without entering into a detailed discussion of this phenomenon, one can still cite several instances.

--The **European Roundtable of Industrialists** has been deeply involved in the definition of European Union policies [Presidents of 45 European TNCs, HQ and staff in Bruxelles, actively lobbying since the early 1980s].¹⁸

--The **World Business Council for Sustainable Development** played a substantial agenda-setting role at the UNCSTED [Rio] Conference and continues successfully to impose the view that corporations are capable of self-regulation [in this case where environmental protection is concerned] so do not need to be regulated by external bodies.

--The **Geneva Business Dialogue**, promoted by Helmut Maucher, President of Nestlé and of the **International Chamber of Commerce** has been given the blessing of Kofi Annan. This Dialogue brings together top executives and international civil servants of the UN and agencies like the World Bank, IMF and WTO with the aim of increasing "mutual understanding between business leaders and international organisations". The Geneva Business Declaration [September 1998] stated that:

"A more substantive involvement of business must be part of the reform [of the UN]. Here, the International Chamber of Commerce has confirmed and strengthened its position as THE voice of business through a close working relationship with the WTO and constructive consultations with the UN Secretary General and the heads of UN agencies".

--UNCTAD has its "**Partners for Development**" programme with business and, more important, the UNDP is stressing the **Private Sector Development Programme** in which partner corporations will implement development projects and be allowed to use the UN logo. As the Administrator of UNDP says to his staff in an internal memo encouraging them to "reach out to the corporate sector", "The Secretary General [Kofi Annan] has made clear that he welcomes efforts of the United Nations system to work with corporations".¹⁹

--Finally, the little-known **Transatlantic Business Dialogue [TABD]** was established in 1995 to set the agenda for the New Transatlantic Marketplace, recently rechristened the Transatlantic Economic Partnership [TEP, between the United States and Europe]. The TABD, made up of the highest echelons of business leaders from both sides of the Atlantic meets annually with major international figures. In between these large gatherings, its various committees pilot the actual work of the TEP, particularly the series of Mutual Recognition Agreements between the US and the EU. These Agreements are designed to ensure that any product which can be sold on one side of the Atlantic can automatically be sold as well on the other. President Clinton has said, "I want to especially thank the Transatlantic Business Dialogue for their leadership in these [mutual recognition] agreements".²⁰ His Secretary of Commerce concurred: "The TABD said it was important; we heard them and acted."²¹

¹⁸.Corporate European Observatory, Europe, Inc. : Dangerous Liaisons between EU Institutions and Industry, Amsterdam, 1997 [ceo@xs4all.nl]. This excellent Report makes clear that the Union of Industrial and Employers' Confederation of Europe [UNICE] has virtually the same agenda as the ERT: both are "making special efforts to prevent ...new elements which might endanger its competitive agenda....such as the integration of environmental and social concerns". [p.46]

¹⁹. Memorandum from UNDP Administrator James Gustave Speth to Regional Bureau Directors, UNDP, 15 June 1998

One of the chief Mutual Recognition Agreements concerns food products, including such hotly disputed issues as hormone-fed beef, genetically modified crops and the like, which few Europeans want to eat. The US Under-Secretary of Commerce for International Trade has noted, "Unfortunately, the European Union, which is a major market for US foods, feed ingredients and other agricultural products, has a slow and unpredictable process for approving new US agricultural products developed through advanced biotechnology".²² The TABD and the TEP are expected to supersede these "slow and unpredictable" processes.

WHAT PLACE FOR PARTICIPATORY DEMOCRACY AND RESPONSIBLE CITIZENSHIP?

It may seem all too true that neo-liberal globalisation has managed to close off most of the escape routes, that the capacity [and often the will] of individual states to control their own affairs has been seriously eroded, that non-transparent, unaccountable international institutions have assumed a far greater political role than formerly. What, then, are the prospects for citizens and for democracy? Are these prospects really as bleak as they may first appear? As stated at the outset, the answers to these questions will depend on THE capacity of citizens and their governments to

- confine the market to its rightful place;
- reaffirm the essential role of the democratic nation-state;
- enlarge the concept and the scope of "citizenship" to encompass the international sphere.

The author of this paper is aware that many of the following remarks are likely to appear both heretical and utopian. That is no reason for not fulfilling her contract.

CONFINING THE MARKET TO ITS RIGHTFUL PLACE

The market has its place and its space, but must not occupy all the places or spaces of society. It performs many functions well--no one wants to have an argument over the price every time they buy a loaf of bread or a cup of coffee--but should not be asked to do what it cannot do, in particular define our social relations. As Polanyi so eloquently explained, the market left to itself will move wealth upwards, exclude untold numbers from its benefits and increase social disparities and tensions to the breaking point.

Nor does anyone want a "State Socialist" system along the lines of the failed Soviet Union which was both intolerably repressive and grossly inefficient. The State should not, with few exceptions, be involved in the actual production of goods and services. But natural monopolies should be recognised as rightfully belonging to the public sphere and privatisation should not be allowed to take on religious or doctrinal overtones. There is no reason that vital sectors of national economies should be opened to private capital which has no interest in the destiny of this or that nation. In particular, when the "20 percent rule" of return on capital

²⁰.President Bill Clinton, News Briefing, 16 December 1996.

²¹. US Secretary of Commerce William M. Daley, US Department of Commerce Press Release: "US and EU Reach Agreement on Mutual Recognition of Product Testing and Approval Requirements", 13 June 1997

²².David Aaron, Testimony to the House Ways and Means Committee, 28 July 1998

prevails, there is little leeway for a credible industrial, employment or public service policy. [See note 7 for more detailed remarks on privatisation].

Some hopeful signs among citizens in this area include the revolt of European consumers against genetically modified organisms and the corporate takeover of farming and the food supply. In many countries, workers have rallied to the defense of public services [and have been ridiculed as retrograde or interested solely in the defense of narrow, specialised interests]. The support of the French public for the long transport strikes in the winter of 1995, despite great personal inconvenience and government efforts to discredit the strikers, was a remarkable testimony of their attachment to the public sector.

REAFFIRMING THE ESSENTIAL ROLE OF THE DEMOCRATIC NATION STATE

"In recent years, there has been a trend toward democracy and market economies. That has lessened the role of government, which is something business people tend to be in favor of. But the other side of the coin is that somebody has to take governments' place, and business seems to me to be a logical entity to do it".David Rockefeller²³

Despite the best efforts of the private sector and of international institutions to downgrade them, states still have more power than they often appear willing to recognise. A great puzzle for the citizen-activists who fought against the Multilateral Agreement on Investment [MAI] was the willingness of OECD governments to relinquish a huge portion of their national sovereignty while receiving no discernible advantages in exchange. Need one subscribe to the Marx-Engels view of the state as the "executive committee in charge of managing the affairs of the bourgeoisie" to explain such a surrender?

One can argue, rather, that the modern state is so complex and full of internal contradictions that the right hand often does not know what the left hand is doing. In the case of the MAI, beyond finance ministries and treasuries, there was no knowledge of the proposed agreement in other ministries--much less among parliamentarians. In an age when highly political measures are presented as purely technical [cf. the Mutual Recognition Agreements of the TEP] a new "democratic division of labour" is required. Monitoring the implications of corporate-inspired proposals is a task citizens have so far had to undertake on their own. Governments ought to set up special bodies to examine these proposals for international agreements, open to citizen participation. Let us not forget the prudent wisdom of the father of modern capitalism, Adam Smith, who judiciously reminds us,

"The interest of dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public.... The proposal of any new law or regulation which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have upon many occasions, both deceived and oppressed it."²⁴

²³. David Rockefeller, "New Rules of the Game: Looking for New Leadership", Newsweek, 1 February 1999

Two hundred years later, there is no reason to suppose that "this order of men" cares any more about the interest of the public today than they did then. They do not want to incur any costs which might detract from "shareholder value". Among these costs are taxes, which transnational operators of all kinds make an art of avoiding.

The dilemma for governments is to maintain or institute welfare and social democratic protection for their citizens at the same time their tax base is fading away. Wealthier citizens manage to place their revenues offshore and corporate entities often escape taxation altogether. In 1998, the United States federal government expected to collect only 12 percent of total revenues from corporate taxes. Three-quarters of foreign firms registered in the United States pay no taxes at all.²⁵

Corporate taxes as a proportion of European government incomes have also drastically diminished²⁶, with the result that these governments understandably try to keep their revenues stable through all available means. More often than not, this means taxing whatever incomes, consumption and savings are local and immobile as opposed to international and footloose. This will ultimately be a losing game for governments and their citizens, unless international capital can be taxed. Many proposals for taxes on transnational corporations and financial transactions have been suggested.²⁷

An encouraging sign is the 23 March 1999 vote of the Canadian Parliament in favour of a "Tobin Tax". This resolution obliges the government to bring the subject to the attention of the 1999 G-7 meeting in Cologne. Citizens must press their governments to cooperate in instituting such taxes. Just as an income tax was at the top of the political agenda a century ago, so today no task is more urgent than gaining a hold over transnational capital. Only nation-states can protect their own people; only nation states can, together, seek out the material means to do so.

ENLARGING THE SCOPE OF "CITIZENSHIP" TO ENCOMPASS THE INTERNATIONAL SPHERE

One must understand that the neo-liberal order has been deliberately created by people with a purpose. When one grasps that this vast experiment is not the result of a natural, immutable force like gravity but a totally artificial construct, then one can also recognise that what some people have created, other people can change. For this to happen, citizens must link across borders and sharpen their transnational response to the transnational threat.

The twin tasks of greatest urgency are to reduce inequalities within and between nations. Suppose that international taxation could be instituted: a substantial part of it ought to be

²⁴. Adam Smith, The Wealth of Nations, Book One, Chapter XI, Conclusion, p. 358-359 in the Penguin [Pelican Classics] Edition

²⁵. Janice Shields, Institute for Business Research and Tax Watch, "Taxing Overseas investements", Foreign Policy in Focus, Vol.3 no.1, January 1998

²⁶. See "That European Effect", The Economist, 5 April 1997

²⁷. For example, Howard M. Wachtel, "Trois taxes globales pour maîtriser la spéculation", Le Monde Diplomatique, Octobre 1998; Susan George, "A la Racine du Mal", Le Monde Diplomatique, janvier 1999, le numéro 42 de Manière de Voir Anatomie de la crise financière, novembre-décembre 1998, various articles; the platform of the French Association ATTAC.

devoted to reducing and eventually closing the North-South gap. The good news is that, at least according to the UNDP, a tiny fraction, an infinitesimal proportion of the money moving on financial markets every day could provide a decent life to every person on earth, supply universal health and education, clean up the environment and prevent further destruction to the planet. The UNDP calls for a paltry \$40 billion a year. This is not merely solidarity but good sense--otherwise instabilities and ecological ruin will drag everyone down together.

Finally, international institutions must be democratised. A coalition of international activists only yesterday obliged the neo-liberal establishment to abandon, at least temporarily, its project to liberalise all investment through the MAI. The surprise victory of its opponents infuriated the supporters of corporate rule and demonstrates that well organised, international citizen networks can win battles.

Citizens have the numbers on their side: there are far more of them than of those who profit from the neo-liberal game. Citizens have shown that they have ideas as well, and given the chance can invent solutions to their problems. Neo-liberal ideas, on the other hand, are being called increasingly into question as the crisis deepens. What citizens lack, so far, is international organisation and unity; obstacles which in the age of advanced technology can be overcome. Responsible citizenship today means finding the synergies in each other's struggles, across borders, so that numerical force and the power of democratic ideas become overwhelming. Let us hope that Europe and Europeans will be in the forefront of this effort.

Theme 1: Public Institutions and Civil Society: How Can we Improve Participatory Democracy and Active Involvement of Citizens?

Contribution

by Mr Dirk Jarré,
International Council on Social Welfare (ICSW)

Theme number 1 of this parliamentarians - NGOs conference, namely „Public institutions and civil society: How can we improve participatory democracy and active involvement of citizens“ seems, at a glance, to be both innocent and pragmatic. Innocent because no one would disagree with the fact that in a true democracy, public institutions, i.e. the State in its various structural elements and at different levels, need a certain degree of participation and involvement of the citizen in order to be legitimate and to function properly. And pragmatic because we probably all support the idea that we should look for better ways and means to enable and encourage people to contribute more consciously and effectively to the democratic system.

However, in the political discourse, and in the reality of political practice, there is much controversial discussion and open as well as hidden conflict around important questions such as: „how should the citizen participate and be involved?“, „in which areas of politics and at which level?“ and „with how much influence and with which degree of responsibility“ that all this should happen.

Crucial questions indeed. But before I start to study them closer and to discuss the issue in its various facets, I would like to share with you some rather interesting news.

A most significant and probably very important event took place just a couple of weeks ago in Berlin. Joschka Fischer, Minister for Foreign Affairs of the Federal Republic of Germany, opened the inaugural session of the „Forum for Global Issues“, which he, himself, had initiated in order to promote and facilitate an open discussion on new kinds of co-operation between the State and civil society in matters of foreign policy!

Amazing, even flabbergasting, considering that foreign relations have always been considered as one of the most exclusive and closed shop domains of State responsibilities with an elitist civil service. However, Minister Fischer argues that today, through the effects of globalization and other external as well as internal factors, domestic and foreign policy have to tackle a totally new set of questions and challenges which are increasingly beyond the scope of action of nation states. Issues like human rights, the fight against poverty, protection of the environment, organised crime, terrorism, drugs, conflict prevention and peace keeping, just to mention a few examples, definitely require more global and comprehensive approaches and solutions resulting from dialogue between the State and other important components of a democratic system, namely civil society.

At the same conference in Berlin, the Secretary-General of the United Nations, Kofi Annan, addressed the topic „*For an Ever greater Partnership with Civil Society*“ before an audience composed of representatives of various German government departments, research institutes, national and international NGOs as well as the media. Let me quote:

„I would like to start by applauding Minister Fischer for his support of the „NGO revolution“. As I can assure you from my own experience at the United Nations, not all Governments are eager to promote the involvement or even the existence of NGOs. After all, the *raison d'être* of many NGOs is to put pressure on Governments and „hold their feet to the fire“.

But recent years have proven that participation is the only way forward. Recognising this is the mark of the confident Government and the progressive politician.

In the United Nations a few decades ago, Governments were virtually the sole players. Of course, NGOs helped found the United Nations and are mentioned in the Charter.

(...) And NGOs have a long and proud history of fighting against tyranny, and providing humanitarian assistance to the victims of conflict and natural disaster.

But it is only since the Earth Summit in 1992 that civil society groups have really made their mark on global society. You have played a key role at world conferences on such vital issues as human rights, population, poverty and women's rights. (...)

The Nobel committee has recognised this work, awarding its peace prize to NGOs, church and academic groups and others. But NGOs have also come in for a less welcome sort of recognition: you have been denied access to meetings and information; your representatives have been harassed, jailed and exiled; tortured and murdered. It is also your credit that such acts have failed to deter you from your chosen causes.

The United Nations is opening its doors much more widely to civil society. Through funding and other assistance, we are also promoting the emergence of NGOs in developing countries. (...)" And so on.

And Kofi Annan concluded by saying:

„NGOs have helped give life to the idea of an international community, an idea that is often questioned and mocked. The international community is, admittedly, a work in progress. And the State is not disappearing or ceding authority. But we have entered an era of ever greater partnership, and there are few limits to what civil society can achieve. I look forward to testing those boundaries with you in the years ahead:“

A strong and clear message indeed from the Secretary-General of the United Nations. Do we hear, in this high house, the same kind of straight forward and committed statements from the representatives of the Council of Europe or from distinguished delegates of member states?

Well, some politicians at European level would argue that we cannot really compare the global with the regional level considering that the United Nations' reflections and action are of such a remote and abstract nature that they do not really matter for the realities of politics and people. To me this seems to be a totally inadmissible argument when we remember German Minister Fischer's initiative which I mentioned earlier, and when we think about the relationship between the State and non-governmental organisations in our democracies at the lowest level, by which I mean between local authorities and associations or other organisations of people.

At this level, the „polis“, where the citizens have the most experience of the State and its action, no politically aware person would contest the importance of the intensive involvement of civil society in public affairs and in politics. Quite the contrary, local authorities strongly argue that they would be seriously handicapped in their decision making processes and in providing adequate services to people without a close and continuous relationship with civil society organisations. So, why should the same not be true for the other levels: in the national context as well as in regional intergovernmental structures like the Council of Europe?

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Let me remind us of some catchwords or 'catching ideas' of Minister Fischer and Secretary-General Annan like: „new ways of co-operation between State and society“, „dialogue and open discussion between State and civil society“, „NGO revolution“, „NGOs play a vital

role“, „promote the involvement of NGOs“, „participation is the only way forward“, „access to meetings and information“, „opening doors much more widely to NGOs“, etc. - to mention but a few of the most significant ones.

What does this all mean? What is the real development and message behind these statements? Does the use of these words, which may seem like provocation to Governments and civil servants but which translate old convictions and requests of civil society organisations, indicate a change of paradigm in the heads of high ranking politicians? What is the actual situation in European society and which important developments can we identify? Does our old fashioned democracy of industrialised Western Nation States - determined by somewhat inherited notions of State hierarchy and the predominant ideology of market competition - evolve towards a „New Deal“, a new „Social Contract“, in the sense of Jean-Jacques Rousseau, which strengthens the notion of participation and co-operation in European political culture?

There is no doubt: we certainly face a deep crisis in European society and even world-wide. The increasing globalization of science, technology and of the economy has significantly reduced the ability of national and regional politics to act independently and efficiently. An office of the United Nations has lately identified no less than 14.300 problems which are either of a global nature or have been created or aggravated by unsolved global problems. At the same time, a rapidly increasing number of regional and international non-governmental organisations (some sources estimate that there are more than 60.000) act globally in areas which they have chosen themselves and which constitute a list of deficits of present intergovernmental and international politics.

Governments recognise more and more readily that their potential to act politically, to influence developments by political initiatives and to shape the future by conceiving and implementing long-term strategies, has been substantially eroded. It becomes clear that the State and society at large still operate with structures and institutions which can no longer cope effectively with the new requirements of globalization and the effects of the information society. One of the consequences is that the State seems to retreat and abstain in many essential areas and leaves the way open to the more flexible and achievement oriented market forces or to the so-called ‘third sector’ by downsizing and by applying drastic measures of deregulation, privatisation and liberalisation.

There is certainly nothing wrong when politicians reflect on the role of the State and come to the sensible conclusion that it should concentrate on guaranteeing certain fundamental rights to citizens and equal access to basic and commonly needed facilities, services and opportunities. At the same time there is growing general agreement that the State should refrain as much as possible from directly providing goods and services. This function of a provider can be left easily to market forces or, in many cases, also to the third sector, in other words to not-for-profit organisations.

However, it is important to acknowledge that to abstain from conceiving policies and acting politically on the grounds of societal values and convictions is not in itself a reasonable programme nor an adequate strategy to overcome the present problems our society is facing. It rather translates a high degree of helplessness and leads to the dangerous situation of a wrong, inverted order of priorities and dependencies. A wrong order where economics, with their particular interests, dominate politics more and more and where politics begin to transform, and even distort, ethics. Such a constellation constitutes an eminent threat to democracy, it endangers both the State and the citizen.

In the context of this conference of parliamentarians and NGO representatives, today's reflections are all about how to make sure that European democracy continues to follow the right order of priorities and dependencies: where ethics determine politics and politics direct economics in the interest of the whole of society.

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Without going too deeply into theoretical or political concepts and theories, we probably all share the conviction that modern Western democracies should be based on a structural and functional „trinity“ composed of (a) the State with its notions of hierarchy and equality, (b) the market with its notions of competition and freedom, and (c) the third sector with its notions of co-operation and solidarity.

It is interesting to note that we seem to believe that both the State and the market are the really important pillars of society and that our future depends mainly on their strength and effective operation. The third sector, on the other hand, is mostly considered as a kind of hybrid form of organisation between State and market - mainly compensating for the respective functional or integrative deficits of one or both of the other sectors. Current terminology clearly indicates uneasiness with this third sector and defines it more by what it is not than what it really is. Thus, it seems to be composed primarily of “non-governmental organisations“ and „not-for-profit organisations“. The State and the market often have an ambivalent or even suspicious attitude towards this third sector - and vice versa!

However, it is important to recognise that the third pillar of democratic society is an „independent“ sector which operates in its own right and according to its own values, principles and patterns. If we recognise that the third sector represents the structural emanation of civil society then history simply tells us that it already existed, in various forms of societal co-ordination and joint action, before the State was established.

But with the State intervening more and more in the lives of citizens, through all sorts of detailed regulations and fiscal measures, and with the market determining more and more the life styles and living conditions of people, it is becoming both more difficult and more important for civil society to redefine its role in society and to gain new recognition of its importance as an essential structural and political element of democratic society.

People are social beings and thus have a vital need for strong relationships, at various levels, which are based on shared values and convictions. Thus, civil society organisations are highly relevant both to the individual and to societal cohesion. They offer frameworks of reference and a feeling of „home“ to the citizen, as President Václav Hável once put it.

This is all the more relevant when we consider that the degree of identification between the individual and the State, on the one hand, and the individual and the market, on the other, is rather low. And citizens become increasingly suspicious with respect to the abilities of the State and the market to resolve essential current and future problems of society. The fact that an increasing number of citizens believe that the State and the market are even an essential part of these problems is very dangerous indeed for our democracy. This may lead to a more generalised abstention from politics (non participation in elections and public debates) or, even worse, to animosity towards the democratic system itself by adherence to extremist and even anti-democratic forces. That definitely creates a serious problem of legitimacy for the State and the whole political system.

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We have already discussed briefly some megatrends which deeply influence and change politics and society. Modern science and technology create totally new opportunities - and also greater disparities in opportunities. They bring about globalization of many fields of politics and of most market activities. At the same time the development of the information society results in a new awareness of global issues, provides stunning possibilities for communication and offers powerful tools to influence people world-wide.

But our understanding of democracy and the corresponding systems, infrastructures and rules has evolved within the specific framework of Nation States. Globalisation of essential political areas and many important market sectors leaves people with the general feeling that the old political structures and policies have become outdated, inadequate and impotent. Most politicians seem to keep too conservative an attitude, looking backward, only reacting to problems and lacking ideas.

The State recognises its growing inability to tackle adequately many important issues and to resolve societal and economic problems at national level. The solution to this dilemma seems to lie in those magic words: downsizing of public structures, deregulation, privatisation and lean State. These concepts are acclaimed by private enterprises which become, themselves, increasingly multinationals and global players determining more and more the scope, the intensity and the limitations of State decisions and action. Taken to the extreme, private business would not totally reject the idea that the State could become an enterprise which belongs to the market actors, and that national public issues and structures would only be considered as important and receive funding when needed and wanted by business. Thus the erosion of the traditional concept of the State progresses rapidly. We may tend to commit the error of taking the leftovers of the political system for the essence of the power game and the appearance for the reality. Wishful thinking, I would say! The shift of power in our society is undeniable.

Let's face it: already today we have national parliaments, governments, ministries and huge public administrations which still carry political and technical „responsibilities“ - but these responsibilities become increasingly void of competencies and disconnected from power. Other actors, and especially internationally operating business conglomerates, have gained in weight.

At the same time the noticeable trend towards a most unhealthy fusion of State, parliament and political parties does not help matters. Increasingly the State finances, with the consent of parliament, the political parties and their respective apparatus, while membership of these parties drops and, consequently, membership fees and donations. Political analysts already claim that the State has become the prey of the political parties!

Some may say „Well, that's the way the cookie crumbles“. But to let things develop this way is to play with fire and to jeopardise democracy!

Among the important political issues of today we find the question „Which problems can still be solved by the State through national politics?“ As to local concerns we may not wish the State to interfere too much. And the international problems are either in the hands of supranational structures or they seem to be without solution. So, what is left for the State? Or in other words: Do we still need a State? Was Karl Marx right when he predicted that the State would disappear one day when its tasks and responsibilities had been eroded from top and bottom? And if we say 'yes, we still need the State', then what for?

As far as I am concerned, the real issue is not whether we need more or less State but more so, exactly what do we need the State for! We need the State for fundamental and undeniable responsibilities which none of the other two components of society - the market and civil society - can fully assume, namely to guarantee human rights, the rule of law, freedom, equality, social justice, and democratic procedure. But we also need the State for other important areas, such as to look after the economic welfare of society, for the protection of the environment and gender equality and equity, just to name a few.

It is perfectly justified and most sensible to admit that there are many tasks for society which the State cannot at all or cannot any longer fulfil, and that other actors can perform better, quicker, cheaper, more effectively, with more innovative ideas and which better meet citizens' realities. Thus the State can concentrate its efforts on the essential responsibilities and regain its ability to act politically.

In order to do this successfully, States need the co-operation of the other two basic sectors of democratic society: market forces and civil society organisations. Let me expand on some of the details which are important for the nature and perception of the latter, civil society actors, or more precisely for our purposes: non-governmental organisations, NGOs.

NGOs reflect social tendencies or even movements in democratic society. They are the loudspeakers of the needs and aspirations, hopes and fears of people. They encourage solidarity and act on patterns of co-operation. Their functions are manifold: they may provide services, organise and represent interests, they may offer alternative political and social approaches to unsolved issues, they may play an innovative role, bring about social change, raise public awareness of problems and initiate public debates, they may help to integrate individuals into society and political processes, be actors in organising communities and they may also play a decisive role in making or keeping society democratic.

In this sense, the issue is definitely not whether they are more or less market oriented or whether they engage in profit-making activities or not. The State, and especially local authorities, quite 'naturally' perform all sorts of economic tasks and make benefits without being questioned too much. And it also does not really matter whether NGOs act exclusively for the general good, are altruistic, act 'only' out of self-interest or defend the particular concerns of a specific client group. After all, advocacy is not meant to reflect in every detail the true and complete reality of a society! The fact that NGOs are mainly single issue oriented does not constitute a negative feature in itself. On the contrary, it allows them to be more focused in their approach and concentrate their means of action.

What is important, in the first place, is that such social networks are not State organised but the result of citizens' voluntary interaction and efforts. People engaged in these networks develop a very high degree of identification, based on shared values and convictions, and experience an intense feeling of ownership. They consider these organisations as truly theirs - which is not at all the same as an individual's relationship with the State and the market.

The second important aspect is that they reflect, through their large range of organisations, the colourful plurality of issues, concerns and opinions in society. And this capacity to collectively mirror the diversity in society is the key to a healthy and progressive democracy. NGOs are somewhat complementary to political parties which, in order to cover the many societal realities, need to have both multidimensional approaches and the capacity to integrate diverging interests and positions ... in one structure.

Some political parties may dream of how nice and simple it would be to be (perhaps again) a single issue oriented NGO with a high degree of identification and solidarity amongst its members. As we know, many of them come from these origins! At that time it was their main objective to generate information and public awareness to create pressure in order to remind governments and market actors of their social and environmental responsibilities. Now their situation is different and they themselves have to face unpleasant NGO criticism and have to put up with their energetic and time consuming habit of discussing values and principles but not always finding very pragmatic solutions.

It is certainly true that NGOs are often better in unearthing problems in society and the shortcomings of politics rather than in solving them. This is in itself not a bad thing. I would even argue that this is precisely their essential role. In my understanding it can become very dangerous for civil society organisations when they start to solve problems with answers which conform to the system. In a way the same is true when they act on behalf of the State in a purely subsidiary fashion and carry out tasks which the State delegates to them, and also when they provide specific services to the citizen which, for democratic reasons, should be the responsibility of public authorities.

This may, and in fact does, easily lead to a system of corporatism in society where NGOs are unduly dependent on the State both financially and in respect to their activities and programmes. This dependence automatically and unavoidably hampers an NGO's independence and capacity to unveil the State's insufficiencies and to criticise courageously its shortcomings. It restricts the NGO's potential to play its role of guardian and watchdog, to forcefully advocate for the interests of its members or clients and to exercise its power to mobilise public opinion, thus creating awareness and pressure.

NGOs easily become part of the establishment and quasi public structures (called QUANGOs) when they are legally too tied to and financially dependent on the State. This may have the advantage of a higher degree of acceptance by politicians, the administration and the public - and that may be very nice. But, and this is more serious, the logical consequence will be that they drop out of the independent and dynamic societal infrastructure and rapidly lose their courage, fantasy and civil society potential. From then on, their main preoccupations may become how can they get or maintain public recognition, when will they receive the next State contract or subsidy, and how can they guarantee the security of jobs and the continuity of their services or programmes.

Many politicians, and often also the media and the public, raise pointed questions about the legitimacy of NGOs, about their representativity, their financing and their independence. They suspect that NGOs exercise somewhat uncontrolled or even illegitimate power on decision making processes. For me this is not at all the right approach to the issue, which has much to do with power and discrimination. Many decisions and action of public administrations are not at all based on democratic procedures nor can they be monitored by democratic control organs. And hardly anyone would ask for a democratic justification of the interventions of powerful economic lobby groups. They just push their particular interests - and that's it!

But when citizens organise themselves to promote their specific ideas, to defend their cause or goal, to voice the needs of those who cannot speak for themselves or even to argue for common concerns, politicians, civil servants, and even the powerful market actors, are quick to question the legitimacy of such actions and to criticise what they feel to be undemocratic intervention.

Such discriminatory attitudes and the ensuing procedures demonstrate that the classic political instruments are still hierarchy, law, money and power - and this constitutes a real danger for democracy and its development. The State will itself lose more of its legitimacy and citizens will lose their remaining confidence in the State. In European society the process is already in full swing!

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Now, what can we do to bring about a better relationship between public institutions and civil society? How can we improve participatory democracy and encourage the active involvement of citizens? This is exactly the theme of this session.

One reads in a report entitled „Europe: a continental design“ of the Committee on Parliamentary and Public Relations of the Parliamentary Assembly of the Council of Europe, dated December 1998, that:

„The public authorities have a duty to encourage social commitment on the part of individuals and associations, particularly in a society where the authorities have less and less influence over the traditional private sector. This is a most appropriate field for the Council of Europe and one where it can recommend all sorts of initiatives and principles, especially in relation to tax, in order to maintain the balance between consumption and social rights. That forms part of the new social contract which is sought for future society and which is fully in keeping with the Council of Europe’s objectives and identity. Non-governmental organisations have a key role to play there“.

Interesting indeed! Social commitment of individuals and associations is required - not political engagement. Tax measures seem to be particularly recommended - not new, inventive and courageous ways and means of participation and power sharing. Is that the new Social Contract for the Europe of the 21st century?

The Political Affairs Committee of the Council of Europe states in another report of December 1998 on the „European political project“:

„The (Parliamentary) Assembly considers that the Council of Europe and the European Union are the main institutions to carry forward the European political project, which includes the two processes of European co-operation and integration. It underlines the importance of people’s participation in these processes as an essential element of transparency and democratic legitimacy.

Accordingly, the Assembly calls for a greater involvement of citizens and elected people’s representatives in the decision-making processes concerning European co-operation and integration, both at pan-European and national levels“.

To conclude later in the report and the draft resolution:

„The lack of legitimacy is regarded as one of the main reasons why people do not get involved in the European process. Setting up means to exert influence on pan-European institutions could increase the confidence of the public. The European organisations and institutions should be more open to governmental organisations, trans-national networking, pressure groups etc. Further, emphasis must be on

democratisation of international organisations in order to create a basis for public confidence.“

And:

„Public support for the European political project cannot be automatically assumed. It should be considered as an objective to be achieved through the proper identification of citizen’s genuine needs and interests and through regular, accessible and comprehensive information on all aspects of the European political project.“

Does that ring a bell? This powerful analysis and the straight forward recommendations are certainly not only perfectly true for the European institutions but also have great significance at national level.

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But again the same question: How can we improve participatory democracy and encourage the active involvement of citizens? Obviously I do not have the definitive answer to this. However I shall try to make a number of suggestions for further discussion of the issue.

Jean-Jacques Rousseau writes in his classic „The Social Contract“:

„It is men that make a state. (...) Only the general will can direct the powers of the state in accordance with the purpose for which it was established, which is the common good.“

And then:

„The difficulty as it relates to my subject (the social pact) may be defined in the following terms: ‘Find a form of association which will defend and protect, with the whole of its joint strength, the person and property of each associate, and under which each of them, uniting himself to all, will obey himself alone, and remain free as before.’ This is the fundamental problem to which the social contract gives the answer.“

First of all, I agree entirely with the idea that a new Social Contract is needed for the European political culture.

This requires an open and fair public dialogue on our present and future political systems and arrangements. This dialogue should be characterised by greater transparency of procedures and closer communication between all the societal actors. The ultimate goal would be to negotiate between the three columns of democratic society - the State, the market and civil society - a new understanding of respective roles and responsibilities and to agree mutually on this.

A basic element of this understanding must be the shared conviction that people are not just the object but equally the subject of democracy and that, consequently, participation of the citizen is both the objective and the measure of the success of democracy. Such participation obviously cannot be considered independently of the values of justice, equality and solidarity. Furthermore, dialogue and interaction with the citizen in decision-making processes and the ensuing implementation have to be legally enshrined and institutionalised in such a way so as

not just to pay lip service to the citizens' rights to full participation or just lay down general principles which cannot easily be claimed and enforced.

The public discourse on democracy, even if difficult and controversial, has to be reinforced at all levels of society so that citizens and their organisations can be confident once more that they are part of the democratic system and not just asked for their opinion and votes when legally required - in election periods every four or five years.

This public debate has to be focused, among others, on the question of which public duty has to be dealt with by whom and at which level - while bearing in mind the intrinsic nature and the quality of the issue under discussion. When responsibilities are blurred, unclear and overlapping, or when everyone would seem to be responsible, in reality nobody is really responsible. Clarity of responsibilities is the best weapon against a tendency to „muddle through“, against undue influence and all sorts of corruption.

Thus I plead for a strong, responsible and reliable State. It should concentrate on the essential tasks required for a democratic society and in the general interest of society which other actors, the market and civil society, cannot perform. At the same time the State should act as a moderator for the necessary changes in and modernisation of society and economic conditions.

Citizens need a democratic State that works, with a clear set of enforceable laws, because individuals cannot claim their rights either from the market or from NGOs. The ultimate political decisions have to stay in the hands of the democratically elected representatives - who, in principle, can be held accountable for what they do and also for what they do not do and even can be dismissed by election.

The current political discourse seems often to be considered as a sort of a talkshow with lots of media self-presentation of politicians and few practical consequences. The citizens are appalled by that. If the goal of politics is to integrate different tendencies in society, to reach collective and binding decisions, and solve problems in a joint effort, then the political discourse has to become again more issue oriented and focused on aspects of policy implementation. It constitutes a serious danger to political culture when the link between talking and acting disappears.

It makes a lot of sense to state forcefully that the development of society cannot remain solely in the hands of the politicians. In order to achieve participatory democracy, full recognition has to be given to civil society organisations, in other words to non-governmental organisations. They should not be considered as supportive or executive organs of State responsibilities and government action, but should „sit at the same table“ as equal partners in political negotiations, sharing responsibilities for society while maintaining their respective sovereignty and autonomy of decision and action.

The restrictive influence of the notion of 'political correctness' has to be substantially reduced. Political contradictions and unconventional approaches to problems, inventive solutions and visionary concepts should be welcomed and even solicited. NGOs continuously feed these elements into the political debate. To index innovative ideas before careful examination means to deliberately suppress creative forces in society!

It is important to imagine more flexible and integrative political architectures which change the prevailing tendency to sort all organisations and institutions according to only two criteria: whether they are State or market related. We have to reduce the gap between the 'homo

politicus' and the 'homo economicus' and include the whole range of people's realities and aspirations into the political debate. And this in order to reach new compromises between social and economic concerns by accepting the interdependence of political, civic, economic, social and cultural factors in people's lives.

NGOs have the potential to act effectively as societal sensors and as early warning systems to identify problem areas. Their involvement in and contribution to the political debate helps to identify meaningful goals and targets for the political agenda and to agree on priorities for action. Their expertise and their 'practical intelligence', as Habermas puts it, may lead to a qualitatively better approach to problems.

All this could constitute an appreciable added value for all parties and promote more trans-border reflection and action which are the key to keeping, re-establishing or increasing societies' capacities to recognise and solve conflicts and problems by bringing together the diverse tendencies in an open and dynamic society, in other words: to act politically. Politically also in the sense that „politics is about differences in opinions and about converging them to mutual agreements“. New forms of mediation between different positions could be developed and become part of the political instrumentarium.

By closely and permanently involving civil society across a broad spectrum of issues, politics do not only favour transparency but also avoid obscure influences of powerful egoistic economic actors or the overwhelming impact of bureaucrats and technocrats. Admittedly, democracy should be, above all, based on logic. However it loses its vitality and its warmth without the commitment and engagement of the citizen who needs to feel recognised in her or his competencies and be asked for her or his opinion and good judgement. Only this will create identification with the political system and promote responsible and respectful attitudes towards politics.

It should be recognised that the State is not only under the moral obligation to accept increased participation by citizens in politics but also has the duty to actively encourage public involvement by creating and supporting structures and procedures which promote and facilitate individual and collective engagement. This requires, among others, appropriate legal, fiscal, financial and educational measures.

Consequently, we need to reconcile modern political management and committed citizenship. Voluntarism which stems from spontaneity, compassion and innovative thinking is a forceful motor for modernisation of both the society and the State. Even the best administration would not be able to generate such drive.

At the same time, it is necessary to reconcile the responsibility for making decisions and the responsibility to finance the consequences. People just hate the idea that enterprises, politicians and administrations make decisions in their own interest or commit expensive errors and then deny or lay the responsibility for the consequences at society's door by making the taxpayer foot the bill. This just proves to them that they are totally dependent on those in power and held in a sort of patron-client relationship where they have little or no control over public affairs and even their own resources.

Obsolete, cumbersome or obstructive procedures in politics and administrations should be identified and eliminated in the interest of people. It is clear that this can only be achieved if general agreement can be reached that politicians, and civil servants, be encouraged to look critically at their own work and actions, as well as at the validity of the prevailing rules of

procedure without fear of sanctions. This would help to develop transparency, efficiency and concentration of efforts.

All legislation and administrative procedures should be screened as to their transparency and possible consequences for the promotion or the blocking of participatory democracy and active involvement. If negative effects can be detected they should be amended.

The whole issue of democratic control, reporting and accountability has to be addressed. New forms of monitoring of decision making processes and performance in the implementation of policies have to be conceived and publicly agreed upon in order to prevent the influence of particular interests, to diminish the power of 'old boys' networks' and to act against the growing sentiment of the citizen that „those up there do what they want anyway without being controlled and held responsible“.

Good governance, as a system of close co-operation between the components of society and marked by the intensive participation of civil society, requires unrestricted access to information and documentation, not only for civil society but also for parliamentarians. This is mainly a structural problem. In fact, parliamentarians quite often lack that opportunity and frequently are alerted, briefed and correctly informed on important issues, which they should know about, by non-governmental organisations. NGOs are rather creative in finding the necessary information through sometimes surprisingly twisted channels. Such particular and energy consuming efforts to gain access to important information should not be necessary in an open and democratic society.

So much for ideas on how to improve participatory democracy and encourage the active involvement of citizens. I would be happy if they could enrich the debate on this issue on which the future of our European democratic society depends largely.

* * * * *

Last but not least a brief personal reflection on civil society and its organisations in the Council of Europe.

For somebody like me who has accepted, a couple of years ago, the presidency of the NGO Liaison Committee and who still works with pleasure and commitment for and with NGOs in this high house, it is rather sad and disheartening to observe that even the Council of Europe - the guardian of political ethics, political values and political culture - has not been able to substantially develop and reinforce participatory processes for international NGOs (officially 'enjoying consultative status', mind you!) in its political processes.

Some minor improvements have been made over the years, it is true. But NGOs basically are still very much confined to their own corner, „un monde à part“, with a low profile, hardly any visibility, little influence and lacking strong partnership with potent political actors. Despite the fact that they are honoured in many official speeches as „very important ... indispensable ... even decisive forces ... of democratic society“ they are, in reality, considered by many as rather „unwelcome guests“ on the political chessboard of the Council and rarely heard and supported.

Is this their own responsibility? Because they are perhaps too critical, do not behave in a politically correct way and raise controversial and contested issues suggesting unconventional or even painful decisions and perhaps unpopular and costly action? Or because they cannot easily agree among themselves on common positions or have insurmountable difficulties in

nominating just a few representatives to voice all their varied and competing concerns and interests, as suggested by European politicians and administrators?

It is difficult to say who has the ultimate responsibility for the NGOs' weak position. Still, it seems to me that all four important actors in this house have, deliberately or not, clearly failed to improve the position and the influence of NGOs in the Council of Europe.

The parliamentarians who certainly recognise verbally the importance of civil society but do little to develop open and frank co-operation with NGOs in parliamentary committees - or even, dare I say, the Parliamentary Assembly - because they contest their legitimacy and have a feeling of competition. The government representatives who still believe that politics and the implementation of policies are almost their exclusive domain and consider NGOs as lobbyists, unpleasant critics or just service providers looking for undue influence or funding. The secretariat general of the Council which considers the presence of NGOs often as a burden that complicates their jobs and which is unhappy when NGOs do not, in their eyes, sufficiently praise and promote the Council's efforts and achievements. And finally, the NGOs themselves which, in many cases, are not sufficiently aware of the political importance and the potential of the Council (among others the argument that there is no money to be gained from it) and which invest little in their work in the Council in terms of high level representatives, powerful initiatives and constructive dialogue.

* * * * *

To finish my contribution, let me quote once more the Secretary-General of the United Nations who stated in Berlin:

„As I can assure you from my own experience at the United Nations, not all Governments are eager to promote the involvement or even the existence of NGOs. After all, the *raison d'être* of many NGOs is to put pressure on Governments and „hold their feet to the fire“.

But recent years have proven that participation is the only way forward. Recognising this is the mark of the confident Government and the progressive politician.

The international community is, admittedly, a work in progress. And the State is not disappearing or ceding authority. But we have entered an era of ever greater partnership, and there are few limits to what civil society can achieve. I look forward to testing those boundaries with you in the years ahead:“

These words give an enormously encouraging perspective - at least for the system of the United Nations. But we can also hope that the number of confident governments and progressive politicians in Europe will rapidly increase so that we can go forward together with civil society on the only possible road of participation and partnership, and seal this in a new Social Contract for the Europe of the 21st century.

We sincerely hope that, when we come, in some years time, to evaluate the effect of this important conference of parliamentarians and NGOs, we will not have to say:

„There is nothing more difficult to carry out nor more doubtful of success, nor dangerous to handle than to initiate a new order of things“.

I just quoted Machiavelli! I wish us all lots of success in shaping, in a common effort, the future of democratic society in Europe.

Thank your for your kind attention and patience!

Theme 2: Between a market based and a caring society: what kind of socially responsible economy do we want?

by Mr Riccardo Petrella*, Professor at the Catholic University of Louvain, Belgium, Counsellor at the European Commission, Brussels

* The views expressed are those of the author alone.

FOR A GLOBAL WELFARE SOCIETY

Beyond world capitalism

In this short essay I shall try to describe – Section 1 – the “globalised world” as it is today, concluding that **world capitalism**, which is the system that dominates the present “globalised world”, is economically, socially, politically and culturally “unsustainable” (the environmental aspect being included here, of course). Its “unsustainability” means that world capitalism cannot be the future for our societies.

I shall then try – Section 2 –to describe what a **global Welfare society**, towards which we should work over the next twenty years, would be like. I shall show that the global Welfare society is not only desirable but also possible, many “signs” (strong and weak) giving this possibility a realistic “political” basis. Its “sustainability” means that global Welfare will be part of the future of our societies.

SECTION 1. THE PRESENT GLOBALISED WORLD: ITS UNSUSTAINABILITY

1. World capitalism. The “globalised world” as it is today

The term “world capitalism” seems to be the most apt for describing what now characterises the new “globalised world”. By “world capitalism” we mean the fact that the basic principles (ideological and theoretical), the operating rules and the institutions proper to the western capitalist market system guide, determine and control the allocation of the material and non-material resources available and the distribution of the wealth produced - 85% of world wealth and 88% of world consumption¹ - while also greatly influencing the methods of production and distribution of the remaining 15% and 12%.

Thus at present “world capitalism” means that world-wide politico-economic management and control, at least as regards the relations between individuals, social groups, “local” economies and States belonging to the societies that account for 85% of the world’s wealth, has been taken over by three powers:

- the power of the market
- the power of the enterprise
- the power of capital

The power of the market is the affirmation by the governing classes of the world’s most developed countries that the market should constitute the main mechanism for regulating the allocation of resources and of the distribution of productivity gains between the different factors of production and the members of the society. This power of the market is by no means limited to national economies but should extend throughout the world in accordance with the idea (which the dominant politico-social and economic forces have succeeded in promoting and imposing on our populations) that present historical trend is that of the inevitability and inexorability of the creation of the single global self-regulating market - The Single Global Market Place. Such is said to be the “natural” destiny of the evolution of our economies, in particular because of the “progress” in transport, and in information and communications technologies which has broken down spatial obstacles, reduced distances and turned the world into a “global village”².

Trying to slow down, or “go against” this trend is considered a sign of ignorance or stupidity.

It is to fail to keep up with the times. The advent of the single global market place is – we are told – a natural historical progression.

We can thus understand why the governing classes of our countries have considered, especially over the past twenty years, that their main role – as public authorities – is to facilitate the processes leading to the constitution of the global market and to create – in their own countries – the most favourable conditions for the integration/adaptation of the local

¹ Such are the percentages represented in 1996 by the richest 20% of the world population according to the latest UNDP report, Human development 1998, Washington, 1998.

² Another more recent image, again connected with the new information and communications technologies, is that of the “self-organised global network” based on the “information superhighways”.

(national) market into the global market to be as effective as possible, primarily in the interest of the economic agents operating on the local market³.

The everyday experience of the 80s and of the past five years confirms this: nation States have set themselves as their main task that of promoting the best possible integration of the national economy in the global economy. Everything is subordinated to this goal: investment policy, technological innovation, labour market policy, education and training, trade rules, fiscal policy and, in western Europe, European integration.

The power of the enterprise is to have imposed and/or accepted that the private enterprise is considered to be the organisation/agent most suited for and capable of ensuring the optimal management of the available resources, in line with the idea that only the private enterprise can achieve such optimisation because, having the aim of maximising profits, it is inevitably forced to innovate constantly in order to reduce production costs and sales prices, improve quality, increase variety and promote flexible organisation and management. The power of the enterprise thus consists in the fact that our leaders have entrusted it with the task of determining the priorities for the investment, organisation and management of resources (including what have come to be called in the past twenty years or so “human resources”) and what market needs are to be satisfied. In giving the enterprise such power, our societies have, among so many other consequences, produced two effects that should be highlighted here. The first concerns the fact that it is no longer the parliaments (main organisation/agent of the political representation of a country’s citizens) who determine the priorities, including the above, but an organisation – the enterprise – in which the citizens have no political representation and which, if we can speak of representation at all – considers itself responsible primarily to the owners of its capital (family owners or shareholders). The second concerns the reduction of any person of working age to a “human resource”. In a society marked by the power of the enterprise, the active population no longer consist of citizens, individuals, with rights as such: as “human resources”, their rights depend on their profitability according to criteria set by the enterprise. Their profitability determines their right to existence. Once they cease to be profitable, they can be “sacked”, cast aside, left out, abandoned.

We shall discuss these two effects in detail Section 1.3.

This brings us to the power of capital. This is the acceptance by our societies of the principle that the profitability of capital (the famous ROI: “Return On Investment”) is considered and experienced as the yardstick of the value of any action, any economic activity, any collective situation, any good, any service. According to today’s dominant ideas, maximising the profitability of capital is not only the main goal of the enterprise alone, but should also be that of the economy as a whole and of all its actors (including the public authorities).

The power of the capital has resulted – among others – in three major phenomena:

- a generalised reification/commodification. Everything is becoming a commodity, an object of trade (purchase and sale), of marketing. Hence the importance taken on in recent years by an international institution like the WTO (World Trade Organisation).

- the appropriation into private ownership of all material and non-material “resources” (including living things) thanks in particular to the generalisation of Intellectual Property Rights

³ Cf. Sylvie Paquerot (under the direction of) L’Etat aux orties, Editions Eco-sociétés, Montreal, 1997

- the increasing financialisation of the economy (see below).

2. The formation of global market capitalism

The advent of the global market having been presented as an inevitable “fact” (a kind of dogma) it is easy to understand the importance of the three main ideological principles that have reshaped the economic and politico-social systems of our countries over the past twenty years:

- liberalisation of markets
- deregulation of the economy
- privatisation of entire segments of the economy

The liberalisation of markets, is one of the policies which, after the second world war, was defined by the GATT and the Bretton Woods system (International Monetary Fund and World Bank), and became “inevitable” following the liberalisation of movements of capital in and out of the United States decided in 1974 by Nixon, after he had put an end to the fixed convertibility of the dollar in 1971 (thus plunging the global economy into monetary instability). The liberalisation of capital movements gave birth to the formation of the global capital market, marked by total freedom of capital movements throughout the world. The liberalisation of capital movements naturally encouraged and strengthened the process of liberalising other markets for goods and services. Since then market freedom has been considered the fundamental expression of freedom in our countries. We are told that all the other freedoms depend on the freedom of the market. Any limitation on market freedom would result, we are told, in limitations on other freedoms (such as freedom of ownership, freedom of enterprise, freedom of trade, freedom to innovate, etc.).

In many respects the first stage before deregulation and privatisation, liberalisation has invaded all fields and “imposed” itself on all countries which, otherwise, risk being accused of “protectionism” and hence being or remaining excluded from the global economy (cf. the conditions imposed by western countries on the aid given in recent years to the countries of the Former Soviet Union and eastern Europe, in accordance with traditional IMF and World Bank policy).

The success achieved in the liberalisation of the markets for industrial and agricultural products and for services (including the cultural field) gave a strong impetus to the process of deregulation of the operation of the economy. The aim is now to leave to the State only the task of facilitating the integration of the local economy into the global economy. For the rest, it is necessary to uninvent the State, as The Economist proposed on 20 May 1995. The State must leave the regulation of the economy to market forces. The function of regulating the global economy is left to capital, organised and freely circulating on the global scale.

Financial (de)regulation has thus replaced political regulation. Currency has ceased to be an instrument in the hands of the national public authorities for steering and manoeuvring the national economy according to economically sound, just and efficient human and social development goals. Currency has become above all a commodity like any other commodity, that is bought and sold on world financial markets in search of profit. It is the operators/managers of capital, circulating freely in the different financial markets, who determine to a very large extent the value of commodity-currencies. Control over the currency has significantly moved away from the political authorities (parliaments in particular) to the benefit of the financial markets. The latter simply claim that this shift of

power is normal and fair, because financial markets are supposed to function in a more “rational” way than governments. On the basis of such a presumption (not supported by reality), they consider themselves authorised to impose what they call “financial discipline” on national public authorities and, of course, on the citizens, reduced to being considered (and valued) solely as solvent consumers and “intelligent” stakeholders. The transformation of the currency into a commodity traded on liberalised and deregulated world financial markets has resulted in a series of economic “imperatives” such as:

- zero inflation,
- balance of payments equilibrium,
- balanced budgets and reduction of the public debt,
- reduction of public expenditure, and in particular social expenditure,
- reduction of the tax burden on capital and tax incentives in favour of private investment.

Under these circumstances, the assertion by the Governor of the Bundesbank, on 3 February 1996 in Davos (Switzerland) at the World Economic Forum, that “political leaders should know that they are henceforth subject to the control of the financial markets” simply reflects the actual state of affairs.

The financialisation of economic regulation operates in a context increasingly characterised by a clear dissociation between the financial economy and the real economy. Of the \$US two thousand billion of present daily world-wide financial transactions, it is estimated that only 10% are destined to finance the creation of new wealth (foreign direct investment, international trade). The rest is predation: profit is taken wherever the chance exists, taking advantage of differences in the actual and anticipated prices of the different currencies.

Another important aspect of the financialisation of the present economy is the financialisation of enterprises producing goods and services. Being competitive enough to stay in the race for technological innovation and win bigger market shares is costing ever more money, even for the big multinationals. Hence, every year, the growing wave of mergers, mega-mergers, minority or majority acquisitions, and alliances, which are making the present global market strongly oligopolistic or even quasi-monopolistic, quite the contrary of the competitive self-regulating market of which the leaders claim to be the promoters and servants.

Hence also, following the massive reduction in the financial intermediation role formerly played by the banks⁴, and the tendency of enterprises to carry out both industrial and financial transactions simultaneously, the importance of the latter coming in recent years to predominate over industrial strategies proper. As is often said, it is now the financial controller of the enterprises who is the true CEO.

The privatisation of entire segments of the economy, in a politico-cultural environment in which there is no longer anything to oppose everything being considered privatisable, is logically the inevitable complementary process to liberalisation and deregulation. After having privatised agricultural and industrial activities, also casting aside co-operatives and mutuals, our leaders have privatised most services and utilities (banks, insurance companies, telecommunications, airlines, urban transport, trains, electricity, gas, and even water). Since 1996, by its decision not to legislate on the matter, the Congress of the United States has given free reign to private industry to appropriate life itself thanks to the patentability of all biological species. This freedom, under certain restrictive conditions, was also granted in

⁴ It is pointed out that the loans granted by the banks no longer represent any more than 20% of the financing sources of industrial enterprises, the rest coming directly from the world capital markets.

May 1998 by the European Union, following approval by the European Parliament of a Directive authorising genetic patenting. This means that even the human body can become subject to the “ownership” of private capital. There is a mutation of the concept of natural heritage, of human heritage, of common heritage. Through granting the patentability of life, today's leaders are attributing to man the capacity to “invent” life, to “create” new living species, whereas it is in fact a matter of manipulation of existing living material. In doing this they affirm that there is no longer any common natural genetic heritage belonging to the history of the Earth and of humanity. Anything and everything has become privately appropriable by those who can claim to have “discovered” and hence “invented” it.

The power of capital has here reached an unprecedented level (and content) of power. This opens the door to extremely worrying opportunities and abuses.

Given the trends and upheavals so far too rapidly and summarily described, the leaders of the capitalist global market economy should explain the bases for the legitimacy of such trends and upheavals. Since the State, whose power of decision and intervention derives its legitimacy from political representation (the parliament, representative democracy), has been replaced by the market as the main regulator, where does the market derive its legitimacy from? The answer, they say, is to be found in the “principle of competitiveness”, elevated to the rank of principal aim of the strategies of both private and public economic agents. The cult of the new “gospel of competitiveness”⁵ has been preached, divulged, and even imposed on the populations of the rich and powerful countries of the world as on those of the weak, poor and disadvantaged countries by an infinite number of expert reports, academic studies, national, continental and world conferences, by numerous national, European and world high level committees, set up to ensure that public policies serve the imperative of competitiveness. “It is because I am the most competitive enterprise that I have the right, after having conquered power in the global market, to govern the destiny of my sector of activity”. The same is true of enterprises taken together: those that survive have demonstrated – so it goes – that they are better than the others. They therefore have the legitimate right to govern the global economy.

Reduced to a series of liberalised and deregulated markets to be won, the world has become the theatre for operations of technological, industrial and commercial warfare between the world-wide groups of multinational enterprises, each group aiming to achieve sovereignty on its global market or, failing that, to become part of the global oligopoly, the select circle of the top 5 – top 3, towards which any global market tends.

In the light of the above, can we subscribe to the choices made by the political, economic and social leaders of our countries over the past twenty-five years? I do not think so, and here are my reasons.

3. **The devastation done by the present capitalist global economy**

Since the beginning of the 80s, I have been trying, like many other researchers and scientists all over the world, to draw attention to the deficiencies and abuses to which the choice made in favour of giving priority to the integration/adaptation of the national economy

⁵ R. Petrella, “Evangile de la compétitivité”, Le Monde diplomatique, September 1991

(subordinated to the interests of the country's most powerful enterprises) into the global economy, left in the hands of “free” market forces, was going to lead. Today it is no longer possible to deny the far-reaching mutations that have devastated the very foundations of our societies. The Director General of the World Bank acknowledged in January 1999 that, in view of the large-scale return of poverty in the world since the 80s, it had to be admitted that the policies pursued by the Bank over the past twenty years had been bad policies.

3.1. The State cast aside: retreat of the public actor, growing supremacy of private actors. Political democracy at risk

The self-dispossession of the State, through putting into practice the principles of the Holy Trinity of the Liberalisation of markets, Deregulation and the Privatisation of the economy is very clear⁶: everywhere the power of guidance and control of the public actors has been demolished or significantly reduced, starting with the parliaments, the central expression of the political representation of the citizens in a democratic system. It is no longer the parliaments that draw up the agenda and set the priorities of their countries, but private actors and in particular the financial markets. This agenda is becoming, for the public authorities, a constraint that is considered “exogenous” and to which they have to adapt. The discrediting of politics (and not only of “national” politics) which has been promoted and facilitated by the doctrine of “free” market forces, claiming that the best way to successfully integrate/adapt the national economy into the global economy is to deregulate, privatise and liberalise, is today very widespread among the populations of our countries. When it is recommended, as in 1994 by the Bangemann Group, with the backing of the European Commission presided by Jacques Delors, that the task of orienting and guiding our European societies towards the global information society should be left entirely to the market and the private sector, it is not only the State that is cast aside, but with it the citizen, relegated to a minor role as compared with the market and private enterprises⁷.

The most serious aspect of this development is the fact that through becoming the paladins of the inevitability of the competitive integration/adaptation of the national economy into the global economy, the public authorities have not done anything to create the conditions for the development of a world political power but, on the contrary, have helped private world power to emerge and consolidate – leading to “stateless global governance”. The same is true of European construction. The more the member States have applied the principles of liberalisation, deregulation and privatisation, the more they have created the objective conditions that will make the construction of a federal European political power in ten or twenty years time politically difficult or even impossible. They have, on the other hand, made the subsequent political fragmentation of Europe, which for its part is becoming increasingly

⁶ Cf. R. Petrella, Préface to A qui profite la privatisation de l'Etat?, Edition Chaire Socio-Economique de l'Université du Québec à Montréal, Montreal, 1998

⁷ The Bangemann Group, from the name of Mr Bangemann, then Vice President of the European Commission, was made up of 14 European personalities, of whom 13 from the world of industry and finance. The Group's ultra-liberal proposals aroused many negative reactions, especially among civil society associations. Under their pressure, the Commission was forced in 1996, to create a "Forum on the Information Society" open to over 200 organisations to set up a high level expert group on the societal dimensions of the information society.

reduced to the dynamics of the market (Single European Market; Single Currency dividing the Union, etc.). The weakness of European initiative and lack of independent policy in the Balkans “crisis” is a tragic illustration of this. In addition, the more the Europeans have subordinated Europe’s technology policy to support for the needs of industry, the more they have contributed to dividing the Europeans among themselves and giving industry the power to draw up the agenda for the technological, economic and social development of our countries.

3.2. Abandonment of the Welfare system. The social assets are being stripped. Social bonds are being weakened. The principle of solidarity is in deep trouble. What is happening to social citizenship?

The large-scale return of poverty is not only the negation of the modern State, it shows that the economy is today the enemy of citizenship.

Technology is one of the main factors leading to social exclusion in the context of the present technological policy: once a manager, engineer, manual worker or clerk is thrown out of work because he is replaced by technology, he has very little chance of finding another job unless he acquires new, higher skills that will perhaps give him a new lease of life until he is once more threatened by new even more sophisticated technologies.

And what can we say about the poverty and social exclusion that is increasingly afflicting our cities, like those of the Latin American, African and Asian countries?

In economic terms, there has been a reversal of situation as compared with the 50s, 60s and 70s. The distribution of productivity gains is now working in favour of capital and to the detriment of labour. Whether they are neo-liberals or social-democrats, the political forces of the world’s most developed countries do not differ from one another very much.

According to the respected Financial Times leader writer, Martin Wolf, the globalisation of the economy has been beneficial for everybody, not only the most developed countries⁸, but this thesis is contradicted by the data published over the past 15 years by the UNDP, UNCTAD, and even the World Bank⁹.

In our so-called “developed” societies, we no longer have very much in common, apart from what remains of the Welfare State, which is precisely what our leaders are trying to erode even more. The present economy is in the process of making us lose the sense of “being, doing, and living together”, the sense of the “common good”. Priority is now given to individual paths (my training), individual survival strategies (my job, my income), individual goods (my car, my personal computer) considered as the fundamental and irreplaceable expression of freedom. According to the logic of competitiveness, the “inevitable” result is the victory of one over the other, the elimination of the other. Solidarity is now considered to be an unacceptable cost, a ball chained to the feet of enterprises and their competitiveness on the global market.

⁸ Martin Wolf, “Global Opportunities”, Financial Times, 12 May 1997

⁹ According to the UNDP World Report on human development 1996, Washington, 1996, the poorest fifth of humanity possessed 2,3% of the world’s wealth in 1969, 1,5% in 1989 and 1,1% in 1994. At the same dates, the richest fifth possessed 69%, 82% and 86% of this wealth. According to the 9th Report on human development (Washington, 1998) devoted to world consumption, the UNDP confirms the growth of poverty in the world: the richest fifth of the world’s population accounts for 86% of world private consumption while the poorest fifth (some 3 billion people) accounts for only 1,3%.

According to the forces that have succeeded in making the globalised, liberalised, deregulated, privatised, competitive capitalist market economy triumph, the dismantling of the Welfare State was inevitable and is justified for two reasons. According to them, there are no social rights inherent in the human being, in citizenship. For the market economy, they say, there is no social citizenship recognised by decree: citizenship has to be earned and it can be taken away, amputated, suspended. Everything depends on the good performance of the economy and financial availability. If the financial resources for public expenditure are lacking, there can be no social security, no social citizenship, even if the financial markets are bursting with health. This is precisely what is happening at present: the financial markets are healthy, social citizenship is ailing.

Second, they invoke what they claim to be the failure of the Welfare State in its struggle for full employment and against poverty. The Welfare State is supposed to have failed because it was based on a basic economic flaw ("in the genes"). This flaw was that of not having understood that in any capitalist economy – as the economies of the countries where the Welfare State was developed have remained – there are structural limits to the possible level of taxation. This argument omits to state that the structural "limit" depends on the maximum level of taxation accepted by and acceptable to capital. Now, for capital, the optimal level of taxation is "zero taxation".

3.3 The abandonment of towns, regions and countries on account of world economic wars

Technological progress is very often mentioned as an explanation and "justification" for the destruction of the economic and social fabric of entire regions and the abandonment of towns, regions and countries that do not succeed in effecting in time and on a competitive basis the "conversion" of their economies through "adjustment" to developments on the world economic scene.

"Social rigidities" (which the vast majority of our leaders consider to lie in advanced forms of social security, regulation of the labour market, a strong trade-union presence and intensive social dialogue) are also mentioned as a principal cause of economic relocations and the indifference of "foreign" investors towards "declining" regions and countries.

On the other hand, less mention is made of the marginalising and segregationist forces inherent in the present-day economy.

As confirmed by the latest data provided by UNCTAD, however, 85% of the world's direct investment abroad is intended, as throughout the past 15 years, for the world's most developed countries. The rich invest in the rich, as is quite logical in the context of a competitive economy, for the main aim of financial investment is to increase the value of the financial assets of holders of capital. Investment goes wherever the maximum profit can be made as quickly as possible. It goes to the most solvent markets.

It is also apparent that the liberalisation of markets and international trade, with the emphasis on competition for the conquest of markets, has obliged the poorest countries to gear their economies to the production of goods for export with the aim of generating the necessary foreign-currency assets to enable them to repay their external debts. However, on account, amongst other things, of the deterioration in their exchange rates, such a policy has not enabled them to repay their debts, which have indeed continued to increase. As a result,

the under-developed countries have become poorer, and inequalities between the small minority of export-dependent social groups and the rest of the population have grown considerably.

The increasing privatisation of the world economy leading to segregation and abandonment is strikingly illustrated not only by the figures given by David C. Korten in his book When Corporations Rule the World¹⁰, but even more significantly by the emergence in the United States of an entirely new phenomenon, namely the formation of private towns at the centre of existing cities. Private towns are formed by parts of a city which property developers seize and encircle with protective walls or fences and where well-to-do families go to live in order to escape urban violence and crime. This new form of social apartheid in reverse (the rich shut themselves up in their "ghetto" under high "military" protection) is a telling indication of the underlying forces operating within an economy based on a culture of conquest and the "loser-winner" game.

3.4 There are no longer any executives, employees or workers: we have all become human resources of temporary and interim usefulness

As mentioned earlier, work has ceased to become a right. In recent years it has become a situation to be conquered. Those responsible for our economies are forever repeating that it is no longer possible to give a job to everyone. The days of full employment, they claim, are over. And if there were ever a return to full employment, it would - it is maintained - be on a new basis and according to different arrangements, for example massively reduced working time ("working less so that all may work").

However, our societies continue to believe that for each of us work is the key to everything: access to income, social integration, social status, the satisfaction of feeling useful and recognised, self-fulfilment.

To what, then, is due the gap between the values proclaimed by society and the functioning of the economy which claims to be no longer able to guarantee work for all?¹¹

The causes are numerous. Work ceased to be right as and when the principles and practices of a liberalised, deregulated, privatised and competitive capitalist market economy succeeded in imposing themselves. It is in this context that the individual has been transformed into a human resource. We are no longer workers, bricklayers, tram drivers, farmers, university teachers, bank employees or insurance officers. We have all, without exception, been reduced to human resources, thus forming part of the various economic resources of a country and the world, on a par with natural resources, technological resources and financial resources.

As a resource, individuals have a right to exist only if they contribute to the efficient production of goods and services that can be sold on solvent markets. Their right to exist ceases to be recognised as soon as the human resource ceases to ensure the degree of efficiency desired by the firm, ie by its owners-managers and/or its shareholders: either because its cost has become higher than that of other human resources available elsewhere, or

¹⁰ This author refers eloquently to "cowboys in a spaceship", "corporate colonialism", "dreaming global empires", "buying out democracy", "marketing the world", "America first, then the world", "predatory finances" etc.

¹¹ In 1995 there were 18 million unemployed in the European Union countries, and more than a 1 000 million throughout the world!

because it has become obsolete, or because the use of other productive resources ensures greater profitability. Consequently, the human resource is eliminated and thrown on the scrap heap like any motor vehicle that no longer works or any other tool that is no longer capable of performing the function for which it was designed.

How many workers, executives, employees and engineers have not already been told that they have become human resources which no one knew any longer what to do with and that they had even ceased to be "recyclable"?

Having become a resource, the individual is no longer a social subject with rights, desires and needs. He or she has become but a cost for the firm, to be compared with other costs.

Any other social, cultural, human, political or ethical dimension or value is subordinated to the criteria of economic and financial efficiency and performance. These criteria determine the life-cycles of human skills, which now vary between 3 and 7 years. Skills soon become obsolete and useless. We are then obliged to undergo constant training and retraining. That is the meaning of the demand for continuous, life-long education.

Thus, it is said, no society can guarantee that in 5-7 years' time those currently in employment will continue to be employed, as between now and then everything may change and almost certainly there will be no further need for the knowledge, skills and experience we have learnt and accumulated so far. The demand for full-time work for an indefinite period would no longer be legitimate even in the civil service: as a resource, the only thing an individual can demand is a temporary and increasingly part-time job lacking, of course, the social safeguards that used to be associated with the right to work until about 10 years ago. As human resources, we must be flexible, malleable, adjustable, transferable and ready to travel in time and distance, even to disappear (temporarily?) solely in order to ensure the firm's maximum competitiveness on world markets.

SECTION 2: TOWARDS A WORLD WELFARE SOCIETY. ALTERNATIVE "HOUSE RULES" ARE POSSIBLE

The powers-that-be try to make us believe that the only possible realistic policy in the present economic situation is to adapt ourselves while converting into opportunities the "external constraints" constituted by liberalised, deregulated, privatised and competitive globalisation, by the financial markets and by the new technologies. What a curious kind of freedom the world market offers!

It is time to delegitimise the basic principles and priorities of the world capitalistic market economy and draw up a different agenda.

1. The challenge of delegitimation: beginning with other priorities

The example of water

In less than 25 years' time, around the year 2020, the world's population will number 8 000 million (compared with 5.8 thousand million in 1995) unless epidemics, famines and wars determine otherwise in the meantime. The real question for the world economy is not the integration/adjustment of local economies in the world economy but what principles, rules and institutions should be devised and introduced during the next 25 years as a substitute for the principles specific to the capitalistic market economy, so that the 8 000 million concerned

can be citizen subjects able to satisfy their basic needs in terms of drinking water, housing, food, energy, health, education, information, transport, communication, artistic expression and participation in the running of the community. In other words, on what foundations and by what means is it necessary and possible to promote the concept of "living together" and, hence, create world-wide shared wealth?

For this purpose, it is above all important to reject the dominant rhetoric with its catchwords and symbols. As the world market economy is incapable of fostering the concept of living together and creating world-wide shared wealth, it is legitimate and proper for the citizen to deny it the power to run the world economy. It is wrong to claim that competitiveness for survival is an asset for enhancing solidarity and social cohesion between a country's citizens and between the world's populations and regions.

In history, there have never been any societies capable of promoting the common general interest on the basis of wars prompted by a concern to protect and assert individual interests. The development of world-wide prosperity depends on the (re)invention of new forms of a just and efficient economy.

Let us take the case of water. Instead of being liberalised and subjected to deregulation and privatisation, water, a resource that has always been regarded in all civilisations as a natural common asset, may and should become the example of the first world-wide common asset, belonging to humanity and managed according to co-operative, mutualist and solidarity-based principles.¹²

In the past, the various "urban charters", "sea charters" and "countryside charters" helped to lay the foundations of a more or less co-operative urban, marine and rural economy. At present, the "river charters" apply to all the interested parties living on the goods and services provided by rivers (inhabitants, farmers, industrial concerns, associations of various kinds, public authorities at various levels, tour operators etc). They are aimed at fostering the management of rivers in the common interest, and they show that a co-operative and solidarity-based system of governance for a common asset is not only feasible but also essential for the efficient and sustainable management of the asset.

2.2 The challenge of financial disarmament

The foregoing has little chance of succeeding unless, at the same time, financial powers are disarmed by means, in particular, of globally co-ordinated action by the progressive social forces of the developed world's countries.

For this purpose, the following measures should be taken as a matter of priority:

- levying of a 0.5% tax on financial transactions. This measure was proposed in 1983 by the Economics Nobel Prize-winner, Mr Tobin. Such a tax would make it possible

¹² Apportioning basic needs with an eye to the right to life of each of the 8 000 million souls who will be inhabiting the planet in 2020 seems to me to constitute the true and profound purpose of the "first revolution" to be carried out during the 21st century. For that purpose, the right of everyone to water constitutes a test of our populations' ability to accept the principle of social citizenship for all on a world-wide scale (over and beyond the rhetorical proclamations concerning universal human rights). In this connection, I would refer the reader to my latest book, Le Manifeste de l'Eau. Pour un Contrat Mondial de l'Eau, Editions Labor, Bruxelles, 1998; Editions Page 2, Lausanne, 1999.

to set up a world citizenship fund endowed with several tens of billions of dollars a year for the purpose of financing fairly the world water contract and other measures in the other fields forming part of world-wide shared wealth. Levying this tax, which is technically feasible, should be decided on at G7 level in order to pre-empt the excuse advanced by each country individually that it cannot introduce such a charge without running the risk of causing a flight of capital from its territory;¹³

- introduction of two other world-wide taxes, one on direct investment abroad and another on capital gains;
- abolition of tax havens. There are 37 tax havens in the world. Their existence is a legalised form of expanding economic crime (tax evasion, drug trafficking, illicit arms dealing). On account of tax havens, the financial world is increasingly inhabited by predators of whom the industries that create real wealth are themselves victims. Genuine industrialists have no interest in the present financial system being maintained and developed.

What are the governments of the most developed countries doing? Instead of abolishing tax havens, they are contributing to their proliferation through the creation of international financial co-ordination centres where multi-national financial holding companies can be domiciled without their profits being taxed. Fierce competition is being waged between countries - particularly European ones - in the field of tax advantages and concessions.

- re-establishment at national and world level of democratic political monitoring of international movements of capital with the aim of promoting an accountable form of finance in social, economic, ethical, political and environmental terms;
- abolition of banking secrecy. Respect for the principle of freedom of ownership and the right to confidentiality may be ensured without maintaining banking secrecy. Moreover, a genuine progressive fiscal policy based on social justice and solidarity between the citizens, generations and populations of countries that are increasingly economically interdependent and integrated depends on an end being put to banking secrecy;
- restoration to political authorities of their power to overrule central banks. The principle of the independence of central banks vis-à-vis political authorities representing the people is unacceptable;
- introduction of public, transparent evaluation of financial markets. At present there are 6 major private companies of financial experts that determine the ratings of the world's various countries. They do this in the secrecy of their offices, without being accountable to any political or monetary authority;
- authorisation and promotion of the proliferation of local currencies (such as the Hour, introduced at Ithaca in the United States), which would be reserved solely for the

¹³ Such a claim is wrong. It may be noted in this connection that on 23 March 1999 the Canadian Federal Parliament adopted a motion in favour of taxing financial transactions. The "Tobin tax" has for two or three years been the subject of a wide ranging political and theoretical debate at international level. An excellent and convincing argument in favour of such a tax is to be found in a recent short work by François Chesnais, Tobin or not Tobin. Une taxe internationale sur le capital, L'Esprit Frappeur, Paris, 1999.

purpose of facilitating local economic relations (urban, rural etc), particularly in the services sector;

- inclusion of finance in the school curriculum, which means teaching financial matters from primary school onwards.

To provide a framework for these various measures, a world council of economic and financial security should be set up for the main purpose of drawing up rules for a new world financial system (a "Bretton Woods" for the 21st century) and ensuring that finance is used as an instrument geared to the development and basic well-being of the world's population as a whole.

2.3 The challenge of technological development and full employment

The present application of technology (use of supply for the reduction of production costs, the improvement of quality, the expansion of variety and the enhancement of flexibility) raises a major structural problem. It is very largely technology that determines the volume of demand for human labour for the production of the goods and services with which we surround ourselves. The total volume of human working time has become the "residual" result of technology. In 1971 it took more than 110 hours of human labour to produce a car. Now it takes only 14, and in 10 years' time it will take perhaps 8 or 9. To what extent will our economies and societies allow the total volume of human working time become a variable dependent on technology, while considering that paid labour is and will continue to be, for every individual, the main entrance ticket for society (access to income, social status, social usefulness, self-fulfilment, social assets)?

In these circumstances, can it be considered justifiable, proper and possible to ensure full employment through a continuous reduction in working hours ("working less for producing more")? At the present rate of acceleration of technological innovation, in how many years' time will it be necessary to reduce the working week to 24 hours, then to 18, then to 12 and so on? In this process, there will always be a considerable, albeit it decreasing, number of people whose work will be more or less stable, well paid and appreciated and on which will largely depend the wealth of our societies, in contrast to the less well paid and appreciated "flexible" activities of the remaining majority of the "active" population.

Are we sure that this is the right way? Should we not rather think of redesigning the role and use we confer on technology and technological innovation? Instead of using technology for winning market shares in the saturated solvent markets of the developed countries, we should introduce a policy of technological innovation aimed at producing technologies (production processes, goods and services) that are designed to satisfy unsatisfied or ill-satisfied needs (world society is not at all saturated in this regard) as well as new needs.

As long as society goes on assuming, as it now does, that paid work is and will continue to be, for many generations to come, the main means of social integration, our economies will be obliged to ensure full employment for everyone on a world-wide scale. It is for this purpose that technology should be used. That is the real challenge concerning productivity for today and the next 20 years (at least).¹⁴

¹⁴ I analysed these questions in R. Petrella, "Technological Innovation and Welfare", Concepts and Transformation, Vol. 3, No. 5, 1998, pp. 283-298.

This brings me to the fourth and last objective for the promotion of a world welfare society.

2.4 The challenge of redistributing wealth

Capital is doing well. Fiscal pressure is being considerably reduced. Capital can move about the world without any real limits or constraints. States offer it presents in order to attract it to their countries. It is given the task of setting priorities in the allocation of available resources. It is provided with flexible, recyclable and increasingly cheap human resources.

Labour, on the other hand, is doing badly, even the United States, where employees must work more to earn less in comparison with 1979. Fiscal pressure is increasing. Labour is being asked to be more and more mobile, without any long-term guarantee. It is being asked to accept all conceivable and imaginable conditions of service for increasing its flexibility. It is told that technology will gradually but inexorably replace it and that it must fight with the others to preserve its short-term employment. Labour is getting poorer whilst capital is getting richer. Labour is losing its bargaining power. It is no longer involved in setting the agenda: it is reduced to reacting constantly to decisions taken "elsewhere".

This cannot go on for ever. Without waiting for the market economy to implode, there is an urgent need to carry out a redistribution of productivity gains between capital and labour and between generations for the benefit of individuals (citizens) on the world-wide scale that now characterises the structuring of the modern economy.

Such redistribution depends on: a policy of full employment geared to the satisfaction of the world populations' basic needs (controlling the policy of reducing working time in the saturated developed countries); the introduction of the above-mentioned three world taxes on capital; the pursuit of a rigorous policy for managing technology (together with tax incentives for a technology aimed at enhancing human skills) as well as natural resources (environmental taxes at world level); the introduction of an efficient system of progressive taxation (redefinition of wealth taxes); the combating of tax evasion and economic crime; the reform of co-operative and mutualist organisations; and the upgrading of political authorities, especially parliaments, at all levels. Efficient taxation management is essential, as it is unreasonable to tax capital if it obtains more through the state in the form of innovation, export and training aids and incentives.

In short, the scope for political and economic innovation in this field is considerable. The biggest financial innovation during the past 25 years has been, not the various pension funds, derivative products or computerisation of stock exchanges, but the "poor people's bank" in Bangladesh (the Grameen Bank).

What is problematic at present is the absence of a "political" choice in favour of shared wealth and the common weal.

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More and more initiatives are being taken both in the north and in the south to re-establish a different "agenda", whether with regard to agricultural production methods (abandonment of intensive farming), urban life (re-creation of "urban villages" etc), education, democracy, the environment, international relations, old age, health, linguistic and cultural diversity or relations between religions. For the time being, we are still at the stage of utterances rather than resistance or revolt. But the "victims" of world capitalism are also in the process of experimenting and demonstrating that economics, finance and technology can be sources of creativity for the "common weal", "citizenship for all" and the concept of "living together".

The future remains to be constructed. It belongs to citizens, not to the market, industry or finance. One of the fundamental tasks of the world of knowledge, science, politics and creation (the arts etc) is precisely to support efforts in that direction. If such action were taken, it would be possible to celebrate and endorse the new concept of "society of knowledge".

If, on the other hand, such a world were to continue to be a tool in the hands of those in charge of the economy, industry and capital, as is at present the case, we would be duty-bound to denounce the deceptive nature of the principles and precepts on which the "society of knowledge" is based.

Theme 3: Political culture and European citizenship in the 21st century: towards a new social contract

by Mr Ion Caramitru, Minister of Culture, Romania

AIM

The expression "European citizenship in the 21st century" refers to an evolving concept. It refers specifically neither to a legal form of citizenship developing within the Europe of the 15 nor to what is still a contrasting and much-debated situation within the current Europe of the 41 (the Council of Europe). The invitation to think about "a new social contract" on the level of the wider Europe immediately places the issue in a long-term perspective.

It is for us, however, to ponder this future in the light of the situations present in this late 20th century, with, on the one hand, sick, anaemic and apathetic forms of citizenship where the lack of civic-mindedness is taking on disturbing proportions, ie, broadly speaking, western Europe with the antisocial behaviour seen increasingly on the housing estates of our major cities, the steadily growing abstention rate in elections, and the resurgence of extremist and xenophobic ideologies; and on the other hand, eastern Europe with its emerging civil societies, building or rebuilding democratic systems, but still numbed by 50 years or more of communism.

The issues and challenges are not identical in eastern and western Europe, but the central concern is the same: to build a new social contract as a genuine alliance between the state and civil society that can mobilise all our societies.

That is the subject of this round table. Other round tables at this conference will deal with the social and economic dimensions of this citizenship which needs to be developed, but our task is to explore the as yet untapped resources of culture in our societies. If there is one field in which eastern European societies can engage in dialogue on an equal footing with the societies of western Europe, that is culture. Indeed, it was by drawing on culture's tremendous powers of resistance that many of our societies were able to come through the experience of communism. Today, that experience can be very instructive for Europe as a whole.

Although, at the level of our own lives, European citizenship will take some time to develop as a legal concept, we can - and the necessary conditions already exist - contemplate its development in the cultural sphere.

A multicultural Europe is neither a wish nor a goal, it is an historical fact and it is for us to ensure that it becomes an asset in the building of our common future, in other words, through dynamic interaction between our different cultures.

To open the discussion at this round table we can first attempt to define some conceptual challenges. It is not a question of agreeing absolutely and finally on all the elements in this debate (citizenship, state, rule of law, civil society, pluralism, multiculturalism, etc). We all know that these concepts are perceived in a variety of different ways across Europe, but we can perhaps identify a few possible lines of inquiry for each of them, drawing in particular on work already done both at the Council of Europe, especially its cultural co-operation activities, and in Unesco.

We can start with the issue of citizenship, which is definitely the central concept in this debate. There is no set approach to this issue, nor any historically stable meaning on which there is a Europe-wide consensus.

Even within the frontiers of a country such as France, there is a great deal of argument regarding this concept. What, then, about the continent as a whole? What about the various cultures of which it is composed? It would be sufficient to consult the dictionaries of our various languages at a given point in history to see the differences which reflect our dissimilar national histories and legal cultures.

We can refer to the work done by François Audigier on the basic concepts and competences of education for democratic citizenship¹:

"Despite the differences within each definition and between languages, there are some common anchoring points which thus provide a sound base for pursuing our exploration of citizenship. It is always a matter of belonging to a community, which entrains politics and rights, notably political rights. This community is defined essentially at two levels: on the one hand the local level, the city, often in the urban sense, in which the person lives, to which he belongs, and on the other hand the State, connected to being a national, which confers the full rights accorded to the members of this State. This belonging always refers to a level of political organisation, a level of authority, and to rights; in other words, citizen and citizenship always involve the delimitation of a territory and a group, a territory where the rights are applicable, a group as all the persons entitled to these rights; they are thus anchored in the first place on the political and the legal. Lastly, depending on the tradition, the accent may be more on the local as the first level of belonging and a space sufficiently limited for it to be easier for the person to be active and participate, or on the national-State level as the main level where the law is decided and where collective public identity is constructed. In no State is one level or the other exclusive; it is more a matter of priority being accorded to one or the other, a choice which has consequences for the conceptions of education for democratic citizenship."

This somewhat conventional definition of citizenship mainly reflects a national logic at state or sub-state level, making it more difficult to extend the concept to a European framework, be it that of the European Union or the wider framework of the continent as a whole, where a feeling of belonging to the same family has been expressed for a long time now, even if it is still vague.

This definition therefore represents, so to speak, the hard core of the concept of citizenship. In the context of this round table we should like to adopt a wider approach and look at this concept first of all in the light of the questions currently being raised concerning the weaknesses of the nation state and, to an even greater extent, the current fragility of the political sphere. To quote a definition suggested by François Brune²

"Being a citizen does not only mean being accepted as a member of the community; it means playing an active part in the decisions taken there. It means feeling that one is a member of a sovereign people".

In this respect, careful observation of European societies reveals an "inexorable decline of the feeling of citizenship".

¹ In Decs/CIT (98) 35.

² In Le Monde Diplomatique, December 1997.

In Romania as in western Europe, there is a great deal of indifference to democratic institutions among the public at large, and especially among young people. High abstention rates, antisocial behaviour and extremism are the signs of this.

Globalisation and the all-powerfulness of market forces are undermining the credibility of politics. How can one support democratic procedures if the general feeling is that of the powerlessness of democratically elected authorities? Elections, the stage on which democracy is symbolically (though not exclusively) enacted, cannot be convincing if citizens believe that all the rules of the social game are made elsewhere and that both they and those who govern them are equally subject to them.

It is in this context that we should address the paradox of contemporary market societies: the citizen's existence is relegated to the consumer sphere with its dominant ideology, and this process has been accompanied by a growing sense of individualism; at the same time, these societies are facing a lasting economic crisis, whose corollary is mass unemployment, which is seriously undermining the free exercise of citizenship. Other round tables at this conference will deal more specifically with these aspects.

The crisis of citizenship, whose roots, as we have just seen, reach down to the very structure of our societies and the changes they are undergoing, prompts us to consider the role of another protagonist on the social stage: civil society and the role that culture can play in promoting its growth. We are convinced that culture has a central role to play in this area. One can even see the power of its influence in the ethnic conflicts which have caused so much upheaval in Europe in recent years. Even if it is culturally motivated, this falling back on a sense of identity can only be a dead end for the revival of citizenship and the building of a new social contract in Europe. Paradoxically, however, the strength and the harm that it carries within it gives us an idea of the power of culture.

Identities often act as safety nets for our contemporaries in search of meaning and values ... Following this path is all the more futile because the quest for identity is something quite artificial which has been recreated for the needs of the time and to preserve the stability of a political regime.

Quite a different path is that of a multiform European culture in which the variety of heritages and contemporary practices enrich one another. This is where civil society has a major role to play. The concept of civil society, like that of citizenship, differs from one part of Europe to another. Even in the countries where this concept is soundly anchored, there is a great deal of argument over its definition. The English-speaking world, for example, considers that civil society embraces the whole social sphere (the private sector, the market and the voluntary sector), whereas other countries such as France draw a clear distinction between the state, the market and civil society.

For the purposes of our discussion, we can opt for the definition given by Salvador Giner:

"Civil society is an historically evolved set of individual rights and freedoms and of voluntary associations which compete with one another, without any political interference, to defend their respective private concerns, interests, preferences and

aspirations, enjoying for this purpose the protection of a public institution known as the state."³

Only pluralism can help civil society to play its role to the full, but

"... on the one hand, it presupposes the spread of power throughout society, which is then conferred differently in the case of citizens, authorities, associations and institutions. They acquire their own fields of competence which the other entities, including the state, do not dare enter with impunity. On the other hand, pluralism is also a culture thanks to which a wide range of beliefs, approaches and attitudes freely co-exist and are promoted on an equal footing, by their proponents."

Under the communist regime, many countries of central and eastern Europe made use of civil society as a vehicle for culture to give each citizen a "breathing space". This is a phenomenon generally found in dictatorial regimes, which usually have no great liking for culture and those involved in it. One can imagine a similar treatment in the current crisis of citizenship facing our societies.

In a Council of Europe report published a few months ago under the title "In from the margins"⁴, one of the most important chapters is devoted to the role which culture is already playing, or should play, in strengthening civil society. The priority is to reach a consensus by making public and private decision-makers more aware of culture's central role in our societies, notably as a force for social cohesion.

Recognition of the role of culture and the arts in promoting a climate of security and stability should guide public policies. The creation of a new social ethic might, for example, oblige cultural organisations seeking public funding to adopt policies and practices aimed at reducing all forms of exclusion, fostering social democracy and citizen participation and promoting equality of opportunity for broad sections of the population.

With this in mind, schools should also become areas of culture. Whatever the difficulties in increasing the impact of school on culture and civil society, it is now accepted that the more citizens actually participate in cultural activities the more able they are to take control of their lives and the more inclined they are to participate in the democratic process.

For example, through active cultural participation on an amateur basis it is possible to regain one's self-confidence, and yet, in many countries of Europe, amateur cultural activities still receive no public funding and have no official status.

Summing up, civil society can flourish if:

- governments have confidence in an independent voluntary sector,
- there is recognition of the need to include civil society in educational programmes,

³ Giner Salvador, "Civil Society and its future" dans Anthony Everitt, ed., *Trial Trust and Tribulation: The Distribution of Roles and Changing Nature of Relations between Governments and Arts Councils, Associations and Foundations*, report of a European round table (Budapest, 1994), publication CIRCLE No. 8 (Helsinki, Arts Council of Finland, 1996), pp. 54 to 75; pp. 56 and 57.

⁴ Council of Europe publishing - Strasbourg 1999.

- a climate conducive to citizen participation is created,
- the ability to share values is developed (this is not possible without culture),
- artists and creators become more aware of the role they can play in this process.

These are a few lines of inquiry which might be pursued to start off our discussion. Our concern today is to return the individual to the centre, what Bernard Cassen⁵ calls "preference for the citizen", the urgent need for which he spells out in the following terms: "in the face of the suicidal tendency to view everything in terms of money and markets, it is becoming imperative to make good the increasing deficit of humanity in present-day societies, and therefore to make human beings once again the centre of concerns, strategies and policies. Not human beings as shareholders, persons of independent means, consumers or tax-payers, for whom everything is decided and calculated "here and now". No, human beings as citizens showing solidarity with their community, both local and national, but also with the entire global community and with future generations.

⁵ In Le Monde Diplomatique, May 98.

LISTE DES PARTICIPANTS

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I - DELEGATIONS PARLEMENTAIRES / PARLIAMENTARY DELEGATIONS

1. MEMBRES DE L'ASSEMBLÉE PARLEMENTAIRE DU CONSEIL DE L'EUROPE / MEMBERS OF THE PARLIAMENTARY ASSEMBLY OF THE COUNCIL OF EUROPE

CALLEJA, Maria del Carmen, Deputy, Spain
CHAPMAN, Sydney, Member of Parliament, United Kingdom
DREYFUS-SCHMIDT, Michel, Sénateur, France
ELO, Mikko, Member of Parliament, Finland
GLAVAN, Stefan, Député, Roumanie
GROSS, Andreas, Conseiller National, Suisse
JONSSON, Hjalmar, Member of the Althing, Iceland
LAURICELLA, Angelo, Député, Italie
LOUFTI, Younal, Député, Bulgarie
MIGNON, Jean-Claude, Député, France
PAHOR, Borut, Deputy, Slovenia
PEREIRA MARQUES, Fernando, Député, Portugal
POPESCU, Ivan, Député, Ukraine
POPTODOROVA, Elena, Deputy, Bulgaria
POTTAKIS, Ioannis, Deputy, Greece
POZZA TASCA, Elisa, Député, Italie
SPERONI, Francesco Enrico, Sénateur, Italie
SQUARCIALUPI, Vera, Sénateur, Italie
STAES, Paul, Sénateur, Belgique
TANIK, Suha, Deputy, Turkey
WEISS, Peter, Member of Parliament, Slovakia
WIELOWIEYSKI, Andrzej, Député, Pologne
WODARG, Wolfgang, MdB, Germany

2. SECRETAIRES DE DELEGATIONS / DELEGATION SECRETARIES

BAIOCCHI, Giovanni, Senato della Repubblica, Italie
CASELLI, Federico, Camera dei Deputati, Italie
CELAN, Pompilius, Chambre des Députés, Roumanie
DILLENBURG, Pierre, Greffier adjoint de la Chambre des Députés, Luxembourg
DOSSIER-CARZOU, Conseiller, Sénat, France
KUCHARSKA-LESZCZYNSKA Hanna, Chancellerie de la Diète, Pologne
LYTVYNCHUK, Valentyn, Consultant of the Interparliamentary Relations Department, Ukraine
POPOVIC, Vesna, Bundeshaus, Allemagne
ROBLAIN, Roland, Sénat de Belgique

II. REPRESENTANTS PERMANENTS AUPRES DU CONSEIL DE L'EUROPE / PERMANENT REPRESENTATIVES TO THE COUNCIL OF EUROPE

ANDREA, Fotaq, Représentant Permanent de l'Albanie
ANDREJEVS, Georgs, Permanent Representative of Latvia
BASA, Mustafa Kemal, Deputy to the Permanent Representative of Turkey
CECCOLI, Guido, Rappresentante Permanente della Repubblica di San Marino
CODREANU, Alexandru, Deputy Permanent Representative of Moldova
COURTNEY, Michael, Permanent Observer of the Holy See
IFTIMIE, Roxana, Adjoint au Représentant Permanent de la Roumanie

MAGHERU, Gheorghe, Représentant Permanent adjoint de la Roumanie
RADEVA, Tolia - Adjoint au Représentant Permanent de la République de Bulgarie
RYBICKI, Marcin, Représentant Permanent de la Pologne
YUROV, Yuri, Adjoint au Représentant Permanent de la Fédération de Russie

III - MEMBERS OF THE PANEL / MEMBRES DU PANEL

CARAMITRU, Ion, Ministre de la Culture, Roumanie
CASSEN, Bernard, Directeur du Monde Diplomatique, France
DASTOLI, Pier Virgilio, Secrétaire Général du *Mouvement Européen*, Bruxelles
EPPLER, Erhard, Ancien Ministre, Allemagne
GEORGE, Susan, Economiste spécialiste des questions de mondialisation et des rapports Nord-Sud, Ecrivain, France
JANSSEN, Daniel, Président du Conseil d'Administration de *SOLVAY S.A.*, Belgique
JARRÉ, Dirk, *International Council on Social Welfare (ICSW)*, Frankfurt
LANGMORE, John, Director, *Division for Social Policy and Development, United Nations*, New York
LUBICH, Chiara, Fondatrice et Présidente du *Mouvement des Focolari*, Italie
MAAL, Bodil, Adviser to the Women's Bank Network - *NORAD*, Norway
MARTIN, Peter, Editor, *Financial Times*, United Kingdom
MÉDA, Dominique, Philosophe de l'économie, Auteur de *Qu'est-ce que la richesse?*, France
NOWAK, Maria, Présidente de l' *Association pour le Droit à l'initiative économique*, Conseiller à la Banque mondiale, France
PETRELLA, Riccardo, Professeur à l'Université catholique de Louvain, Belgique, Conseiller à la *Commission européenne*, Bruxelles
RIFKIN, Jeremy, President of *The Foundation on Economic Trends*, Author of *End of Work*, USA
SCALVINI, Felice, Président de la Confédération européenne des coopératives de production et de travail associé, des coopératives sociales et des entreprises participatives (CECOP), Rome
TOBIN, James, Professor, *Cowles Foundation for economic research*, Yale University, USA
VANNAHME, Joachim, Journalist, *Die Zeit*, Allemagne
YAKOVLEV, Alexander Nikolaevich, Member of the Academy of Sciences, President of the *Foundation Democracy*, Russia
ZIELINSKI, Daniel, Président du *Centre européen d'aide à la vie associative*, Lille

IV ONG DOTEES DU STATUT CONSULTATIF AUPRES DU CONSEIL DE L'EUROPE / NGOs ENJOYING CONSULTATIVE STATUS WITH THE COUNCIL OF EUROPE

ALBIN, Michel, *Conseil Européen des Syndicats de Police*
ALEXANDRE, Fabienne, *Conseil européen des Fédérations Wizo*
AMOUDRUZ, François, *Union Européenne des Magistrats Statuant en Matière Commerciale*
AMOUDRUZ, Liliane, *Fédération internationale des Résistants*
BELLERT, Hubert, *European Region of the International Union of Family Organisations*
BOULAY, Pierre, Représentant auprès du Conseil de l'Europe *Fédération Internationale des Ligues des Droits de l'Homme*
BOUROUX, Louis, *Association francophone d'amitié et de liaison*
BOUROUX, Marguerite, *Association francophone d'amitié et de liaison*
CAFFIN, Gilbert, *Office international de l'enseignement catholique*
CARTERON, Jean-Paul, *Fondation du Forum Universale*
CHAUSSON, Maurice, *European Association for Palliative Care*
COLPAERT, C., *Association Européenne pour l'Education aux Médias Audivisuels*
DE GROOTE, Jacqueline, *Lobby Européen des Femmes*

DEGOUT, Inge, *The European Young Women Christian Associations*
DICK, Jean, *Association Internationale des Urbanistes*
DILLENSEGER, José, Représentant *Fédération abolitionniste internationale*
DONAT, Roselyne, *European Council for High Ability*
DURRENBERGER, Jean-Philippe, *European Association for Leisure Time Institutions of Children and Youth*
EGELE Martine, *Fédération Internationale des centres sociaux et communautaires*
EHRETSMANN, Edith, *Experiment - Séjours éducatifs internationaux*
FEIX, Marc, Rapporteur *Colloque Europeen Des Paroisses, France*
FISCHER, Richard, Secrétaire Exécutif *Conférence Des Eglises Européennes*
GENTY, Claude-Laurent, Secrétaire Général, *Confédération Internationale des Travailleurs Intellectuels*
GERKE, Ulrich, *Rehabilitation International Bundesarbeitsgemeinschaft für Rehabilitation*
GONON, Jean-Claude, *Association Européenne des Enseignants*
GRESSLIN, Philippe, Président, *Comité européen d'action spécialisée pour l'enfant et la famille dans leur milieu de vie, Suisse*
GUNDARA, Jagdish, *International Association for Intercultural Education*
HEYDT, Jean-Marie, *Comité européen d'action spécialisée pour l'enfant et la famille dans leur milieu de vie*
HOEFFEL, Michel, *KEK - Conférence des Eglises Européennes, France*
HONDIUS, Fritz, *Association Mondiale des Amis de l'Enfance*
HORBER, Nicolas, *International Humanist and Ethical Union*
HUBER, Florence, *Mouvement Européen Alsace*
HUOT-PLEUROUX, Paul, *Conférence Européenne des Radios Chrétiennes*
JAN, Françoise, Trésorière *Inclusion International, France*
KAUF, Kathy, *Soroptimist international d'Europe, Allemagne*
KAHN, Brigitte, *Conseil européen des Fédérations Wizo*
KOMLOSSY, Joseph, *International Scientific Conference minorities for Europe of tomorrow*
KRANTZ, Georges Bernard, *Union Internationale des Guides et Scouts d'Europe*
KROMER, Raymond, *Union europ. des Anciens et Anciennes Elèves de l'Enseignement Catholique*
KUEBLER, Gisela, *International Alliance of Women, Allemagne*
LEOPOLD METZGER, J.H., *Union Mondiale ORT (Organisation - Reconstruction - Travail)*
LESHCHINER, Viatcheslav, *Union Mondiale ORT (Organisation - Reconstruction - Travail)*
LEYENBERGER, Marc, Vice-Président, *Caritas Internationalis*
MAISONNET, Maurice, *Association Internationale pour la recherche en hygiène hospitalière*
MALAVIELLE, Christina, *Organisation européenne - Groupement international d'Associations de Parents de l'Enseignement Catholique*
MARQUES, Eduardo, *Permanent Working Group of European Junior Doctors*
METSOLA, Ukko, *European Democrat Students, Finland*
MILONAS-KITSOU, Irini, *Fondation Marangopoulos pour les Droits de l'Homme*
MOUCHOUX, Alain, *Comité syndical européen de l'éducation*
MUTZ, Jurgen, *Conférence Permanente Européenne de la probation*
NORDMEYER, Karin, *Zonta International*
OESCHGER, Annelise, *ATD Quart Monde*
PAILLUSSON, Marie-Thérèse, *Fédération Internationale des Assistants sociaux*
RITCHIE, Cyril, *INTERPHIL (Conférence internationale pour l'Etude et l'Encouragement de la Philanthropie)*
ROOS, Gilbert, *European Jewish Congress, France*
ROTBOLL, Jens, *President European Organisation of Military Associations*
ROTTENBERG-KLEINBERG, Sylvie, Représentante au Conseil de l'Europe, *AMNESTY INTERNATIONAL*
RUTSAERT, J.-M., *Comité européen des assurances*
SAIANI, Milena, *European Parent's Association*
SANDKUHLER, Bruno, *The European Council of National Associations of Independent Schools*

SCHUMAN, Anne, Secrétaire Général, *Centre européen d'aide à la vie associative*
SCHWEIZER, Valérie, *Fédération Mondiale des Cités Unies*
SEGAFREDO, Chiara, *European Secretariat for Scientific Publications C/O SEPS*, Italie
SFORZA, Anne, Présidente, *INTERPHIL (Conférence internationale pour l'Etude et l'Encouragement de la Philanthropie)*
SOZANSKI, Gabriella, Regional Director, *International Co-operative Alliance*
TABOURET, René, *Centro Internazionale di studi sul disegno urbano*
TARAZAGA, Francisca, Représentante, *Forum permanent de la société civile - Mouvement européen*
THUSS, Holger, *European Democrat Students*
TURNER, Sandra, *Volonteuropa*
de UNAMUNO, Salomé, *Mouvement Européen*
VANDER STRAETEN, Michel, *European Newspaper Publishers' Association*
VEKEMANS, Ludo, Project manager, *EUROFEDOP (Fédération européenne du Personnel des Services Publics)*
VERCOUTERE, Claude, Secrétaire général, *Fédération internationale des Centres d'Entraînement aux Méthodes d'Education Active*
WEBER, Marieluise, *International Alliance of Women*
WIERSINGA, Anja, *International Alliance of Women*
ZARZAVATSAKI-TAKA, Theodora, *Association of interbalkan Women's Cooperation Societies*, Greece

V. AUTRES ASSOCIATIONS ET ONGS / OTHER ASSOCIATIONS AND NGOS

AJROLDI, Louise, Conseillère en communication *FOCOLARI*, France
ASTARITA, Federico, *HUMANITE NOUVELLE*, Italie
AUSSET, Joëlle, Interprète *FOCOLARI*, France
BAGGIO, Antonio Maria, Professeur, *FOCOLARI*,
BASSO, Oreste, *FOCOLARI*, Italie
BATT, Marie-Odile, *New Humanity*, France
BATT, Michel, *New Humanity*, France
BELLER, Joséphine, *Humanité Nouvelle*, France
BELLERT, Hubert, Président *Région Européenne de l'Union Internationale des Organismes Familiaux*, Allemagne
BENAGLIO, Antonia, *FOCOLARI*, Italie
BENET, Catherine, *FOCOLARI*, France
BERNHART, Anne, *Service Jeunesse - Education Populaire Ville de Strasbourg*, France
BERRUET, Jean-Luc, Responsable groupe local *ATTAC VOSGES*, France
BEZOVAN, Gojko, Président *Centre for development of non-profit organizations*, Croatie
BOFFOCHER, Marguerite-Marie, Conseillère en éducation et formation, *FOCOLARI*, France
BOURGON, Albert, *New Humanity*, France
BOURNEZ, Jean-Claude, *Service Jeunesse - Education Populaire Ville de Strasbourg*, France
BOURQUARDEZ, Joël, *New Humanity*, France
BOURY, Monique, *Association des Anciens Stagiaires des Communautés*
BOUTTES, Jean-Michel, *FOCOLARI*, France
BOYADZHEV, Michael, *International Center for Not-for-Profit Law*
BRANDENBARG, Valérie, *Mennonite Central Committee*, France
BRANDENBARG, Greg, Directeur *Mennonite Central Committee*, France
BRECHET, Bernard, Responsable Alsace-Lorraine *FOCOLARI*, France
BRONZINO, Luigina, Responsable Région Sud France *FOCOLARI*, France
BRUN, Jean-Pierre, *ATTAC STRASBOURG*, France
BRUNI, Luigino, *New Humanity*, Italie

BRUNNER, Thomas, *ATTAC STRASBOURG*, France
BUKHARINA, Lada, *NGO Assembly*
BUNNER, François, Président *ATTAC STRASBOURG*, France
BURSA, Desy, Responsable nationale *FOCOLARI*, France
CALLIARI, Gisella, *FOCOLARI*, Italie
CALLIES, Gonzague, *Office catholique d'information et d'initiative pour l'Europe*, France
CALMEJANE, Nicole, *FOCOLARI*, France
CARLSON, Jeffrey, Program Coordinator *IFES*, USA
CARRE, Pierre, Délégué Général *U.I.T.F., Maison de l'Unesco*, France
CAZALS, Francis, Administrateur, *Cercle Condorcet*, France
CHAUMONT, Jean-François, *Fédération des Associations Familiales Catholiques en Europe*
CHERETIS, Yiorgos, *European Expression*, Greece
CHESSE, Anne-Marie, Conseillère *FOCOLARI*, France
CONSOLO, Livia, Presidente, *Consorzio nazionale della cooperazione sociale*, Italie
CURTELIN, Philippe, *FOCOLARI*, France
DAHL, Anita, *The Womens Bank of Norway*
DAIGNEAU, Alexandra, *Pole Des Solidarites*, France
DE AZEVEDO, Paul, Conseiller, *FOCOLARI*, France
DELALANDE, Gwènaïlle, *Nuova Umanita*, France
DE PLANARD, Catherine, Membre du Conseil d'Administration *New Humanity*, France
DEVAUX, Stéphane, *ATTAC STRASBOURG*, France
DEZSO, Marta, Head of the Documentation Centre *Association of Central and Eastern European Election Officials*, Hungary
DROMARD, Françoise, *Action contre le chômage*, France
DUBRONEL, Danielle, *ATTAC STRASBOURG*, France
DUFOUR, Emily, *ATTAC STRASBOURG*, France
DURR, Albert, Président *La Renaissance Française*, France
DURRINGER, Herbert, *ATTAC STRASBOURG*, France
FANCELLO, Antoinette-Aurore, *FOCOLARI*, France
FANTINI, Emanuele, *CISV*, Italie
FELBER, Wolfgang, *OCIPE*
FERRUCCI, Alberto, Président *New Humanity*, Italie
FOLONARI, Giulia, *FOCOLARI*, Italie
FORESI, Pasquale, Co-président *FOCOLARI*, Italie
FORNES, Denise, *FOCOLARI*, France
FRANC, Capucine, *FONDATION DE FRANCE*, France
FRATTA, Anna, *FOCOLARI*, Italie
FREYBERGER, Colette, *WUCWO*, France
FRONZA CREPAZ, Lucia, *FOCOLARI*, Italie
FULLSACK, Jean-Louis, Expert Principal *Union Internationale des Télécommunications*, France
GAURON, André, *Gauche Européenne*
GAUTIER, Bruno, Délégué Regional *ADIE Alsace*, France
GERARDIN, Jean-Claude, *FOCOLARI*, France
GILLET, Florence, Interprète *FOCOLARI*, Italie
GNUDI, Béatrice, *Ass. Jeunes pour un Monde Uni Résidence Universitaire Paul Appel D/608*, France
GORMAN, Margo, Consultante *Combined European Bureau for Social Development*, France
GRAFF, Anne, *ATTAC*, France
GRESSLIN, Philippe, Président *Comité européen d'action spécialisée pour l'enfant et la famille dans leur milieu de vie*, Suisse
GREVIN, Chantal, Déléguée pour la France *New Humanity*, France
GREVIN, José, Délégué pour la France *New Humanity*, France
GRILLET, Juliette, Chargée de l'Economie *FOCOLARI*, France
GRIOT, David, *ATTAC STRASBOURG*, France

GROTTI, Sébastien, ATTAC, Luxembourg
GUI, Benedetto, *New Humanity*, Italie
HAROU, Patrice, Sr.officer WBI, *multilateral organization*, USA
HEINZ, Wolfgang, *Fondation Libérale allemande Dialogue Nord-Sud*, Belgique
HENRY, Jean-Philippe, ATTAC STRASBOURG, France
HODGES, Megan, *East West Institute*
HOTE, Jean-Louis, Conseiller FOCOLARI, France
HOUSSA, Jack, Administrateur délégué, *Association pour la paix - Marches européennes*, Belgique
HUBER, Marcel, Conseiller *New Humanity*, France
HUMENUC, Lucica, Co-Président *Romanian independent society of human rights*, Romania
HURSTEL, Alain, Secrétaire Comité ATTAC STRASBOURG, France
ILOWIECKA, Iona, *Partners for Democratic Change*
INGHELAM, Jan, FOCOLUX a.s.b.l., Luxembourg
JACOB, Nicolas, ATTAC STRASBOURG, France
JUKIV, Vedrana, Project leader *Center For Direct Protection Of Human Rights*, Croatia
KANGAS, Erkki, *Co-operative Sataosaajat*, Finlande
KASEMETS, Aare, *Estonian Association Of Sociologists*, Estonie
KERN, Francis, Vice-Président CEFODE, ATTAC, France
KESSLER, Yvan, *New Humanity*, France
KHROL, Vasily, *Byelorussian Association "Real Estate"*, Belarus
KOENIG, Héloïse, ATTAC STRASBOURG, France
KREMPPER, Michel, *Humanite Nouvelle – Focolari*, France
LARDINAIS, Yvonne, *New Humanity*, France
LAUDE, Elise, ATTAC STRASBOURG, France
LAURENT, Pierre-François, IHEU, France
LECOMPTE, Gérard, *New Humanity*, France
LEGROS, Pierre, Responsable AFESIP *international Toul Kork*, Cambodge
LEGROS, Thierry, Responsable Europe, *Agir pour les femmes en situation précaire*, France
LEININGER, Cécile, Responsable Région Est FOCOLARI, France
LUSANE, Clarence, Co-Chairman *American Friends Service Committee*, USA
MAIOR, Eniko, Programme Manager *Civitas Foundation*, Romania
MARTINET, Suzanne, Membre du Conseil d'Administration *New Humanity*, France
MAURIN, Perrine, ATTAC Strasbourg, France
McPHEDRAN, Marilou, Canadian Team Leader *Canada / Ukraine Partnership York University*, Canada
MOUGEL, Annie, ATTAC STRASBOURG, France
MOUGEL, Lydie, ATTAC STRASBOURG, France
MOULAS, Monique, RESOLUX, France
MULLER, Michael, ATTAC-STRASBOURG, France
NICHELE, Maria, Membre du Conseil d'Administration *Rag. Incontro fra I Popoli*, Italie
NICOLLIER, Jean-Luc, ASED Genève, Suisse
NOTTHELFFER, Georges, *Fédération des Associations Familiales Catholiques en Europe*
PATOMAKI, Heikki, Director *The Network Institute for Global Democratisation Dept. of International Studies*, Grande-Bretagne
PELEGRIN, Françoise, ATTAC STRASBOURG, France
PERRIER, Jean-François, ATTAC STRASBOURG, France
PHILIPPE, Anne-Laure, ATTAC STRASBOURG, France
POIZAT, Christophe, ATTAC STRASBOURG, France
PRIACEL, Anne, ATTAC STRASBOURG, France
PRODAN, Jean-Pierre, Responsable FOCOLARI, France
PROVEJA, Inga, *Non-governmental Organisations Centre*
PIZZO, Rosa, *Nuova Umanita*, France
QUARTANA, Crispino, FOCOLARI, Italie
REBELLATO, Leopoldo, Président, *Incontro fra I Popoli*, Italie

REBELLATO, Miriam Amani, Associée, *Incontro fra I Popoli*, Italie
RIVA, Marco, *FOCOLARI*, France
RIVIERE, Marie-Claude, Bénévole *Emmaüs International Solidarité Jeunesse*, France
ROBERT, François, Conseiller *FOCOLARI*, France
ROBERT, Jacqueline, Responsable *FOCOLARI*, France
RONGEARD, Jean-Paul, *Humanite Nouvelle*, France
ROTH, Jean-Marie, *FOCOLARI*, France
RUTHANNE, Cecil, Project Director *Tobin Tax Initiative*, USA
SACCOM, Stefano, *Istituto Italiano di Studi Cooperativi "Luigi Luzzatti"*, Italie
SACHOT, Pierre, Responsable Ouest *FOCOLARI*, France
SAMI, Emilio, *Humanite Nouvelle*, Italie
SAVARIT, Jean-Marie, *FOCOLARI*, France
SCALISI, Pietro, Secrétaire *Istituto Italiano di Studi Cooperativi "Luigi Luzzatti"*, Italie
SCHMITT, Gérard, *New Humanity*, France
SCHMITT, Tarcila, *New Humanity*, France
SCHOENTGEN, Bertrand, Vice-Président *Conseil des Associations d'Europe*, France
SEHM-PATOMAKI, Katarina, Chair *The Network Institute for Global Democratisation Dept. of International Studies*, Grande-Bretagne
SIBUE, Chantal, *New Humanity*, France
SIFFERT, Christophe, *New Humanity*, France
STANICKI, Elke, *ATTAC STRASBOURG*, France
TEJEDA, Manquel, Referent *World University Service*, Germany
TERRIER, Elisa, *UDAF*, France
THOMAS, René, *New Humanity*, France
TOFTISOVA, Radost, Legal Advisor *ICNL, CEE OFFICE*, Hungary
TOMES, Arnaud, *ATTAC STRASBOURG*, France
TONELOTTO, Lino, *ATTAC STRASBOURG*, France
TONELOTTO-HUBERT, Marie-Claire, *ATTAC*, Luxembourg
VALENTIN, Patrick, Directeur d'Association, France
VALTON, Geneviève, *Humanité nouvelle*, France
VENDRYES, Inge, *Union internationale des citoyens européens*
VENTURINI, Bruno, *FOCOLARI*, Italie
VERGONJEANNE, Jacques, *Association ESAACES*, France
VOICAN, Madalina, Avocate, *Dow Bar Association*, Romania
VON WELCK, Hubertus, Regional Director *Friedrich-Naumann-Stiftung*, India
VONARB, Christiane, *ATTAC STRASBOURG*, France
WEBER, Angelina, Education officer *FIAN International Food First Information Action Network*, Germany
WENGER, Edith, Représentante au Conseil d'Administration *WWF-BEE-ATTAC*, France
WENNER, Pierre, Gestion-Coordination humanitaire, *EMMAÛS*, France
WESSELDIJK, Enie, Executive Secretary *International Institute For Democracy*, France
ZANETTA, Cécile, *ATTAC STRASBOURG*, France

VI. AUTRES PARTICIPANTS / OTHER PARTICIPANTS

ALATI, Fatène, *Conseil des Jeunes Strasbourg*, France
ALBERT, Edith, Inspecteur Pédagogique Régional, France
ANWAR, Sameera, Stagiaire at the Council of Europe, Latvia
ASLAKSEN, Jill, *The Women's Bank of Norway*, Norway
BADESCU, Marius-Cristian, Stagiaire au Conseil de l'Europe, Roumanie
BARTOCCELLI, Gabriella, Etudiante, Italie
BATT, Anne-Claire, Etudiante, France

BILLETTE DE VILLEMEUR, Etienne, Enseignant, Université de Cergy-Pontoise, France
BOURLARD, Marcel, Directeur *BIT / ILO*, Belgique
BOUZAR, Madjid, Responsable de la Section Relations Internationale, *ITI-RI Université Marc Bloch*, France
BRELOWSKI, Ursula, Etudiante, *Université Robert Schuman*, France
BRUNSTEIN, Ingrid, Maître de conférences, France
BUHLER, Jessica, *Conseil des Jeunes Strasbourg*, France
CORNU, Elise, France
DACHER, Sébastien, *Conseil des Jeunes Strasbourg*, France
DAOUDI, Fouzia, *Conseil des Jeunes Strasbourg*, France
FARIA, Tatiana, Présidente, *Les Humains Associés*, France
GALTES, Virginie, Etudiante, *E.S.T.E.S.*, France
GIRAUD, Guy, Architecte, France
GIUSTA, Paolo, Fonctionnaire européen, Luxembourg
HAEUSSER, Jean-Richard, Architecte, France
HAGEN, K.A., *Bureau International du Travail*, Suisse
HARI, Albert, France
HART, Martine, Etudiante, *E.S.T.E.S.*, France
HARTMEIER, Michael, Maître de Conférences, France
HASSOUNA, Raoudha, *Conseil des Jeunes Strasbourg*, France
HATTERER, Michel, Bénévole, *Association pour le droit à l'initiative économique*, France
ISAACS, Adam, *European Parliament*, Belgium
JAECKLE, Sylvie, Chef de projet urbain, France
JUNGER, Bénédicte, *Conseil des Jeunes Strasbourg*, France
KRAFT, Sandra, *Conseil des Jeunes Strasbourg*, France
LEHMANN, Alexis, Président-Directeur Général, *Strasbourggeoise*, France
LUIZI, Sara, Étudiante, France
MADER, Jean, Doyen de *l'Institut supérieur de Gestion de Paris*, France
MARIE, Jean-Bernard, Secrétaire Général, *Institut international des droits de l'homme*, France
MARINOV, Vasil, Deputy Director General, *National Center for Regional Development and Housing Policy*, Bulgaria
MORET, Geneviève, Conseillère, France
NILSEN, Peggy, Norway
PROBST, Fanny, *Conseil des Jeunes Strasbourg*, France
PYDRO, Frédéric, *E.S.T.E.S.*, France
RAMEY, Julien, *Conseil des Jeunes Strasbourg*, France
RASTGELDI, Didem, Stagiaire, France
RENAUD, Benedicte, Chargée d'études, *CEPS*, France
RIVA, Chiara, Etudiante, *Università di Bologna*, Italie
ROBINEAU, Patrice, Senior Adviser to the Executive Secretary, *UN Economic Commission for Europe*, Switzerland
SCHMITT, Danielle, Fonctionnaire, *Conseil de l'Europe*, France
SIMONIN, Catherine, Etudiante, France
TONELLOTTI, Lino, Etudiant, Luxembourg
TRAUTMANN, Frédéric, *E.S.T.E.S.*, France
VAMRAMIAN, Vaké, Fonctionnaire au *Ministère des affaires étrangères*, Arménie
VEIGEL, Klaus, Allemagne
VOGEL, Jean, Maire de Saales, France
WILKINSON, Margery, France
WILKINSON, Peter, France
WILKINSON, Raymond, France
WURTZ, Gérard, Chargé de Mission des relations transnationales *CFDT-URI Alsace*, France
ZOLOTOV, Guennady, Assistant to Mr Yakovlev, Russia

VII. JOURNALISTES / JOURNALISTS

AELLEN, Marc, Attaché de presse de Mme Lubich , *Mouvement des Focolari*, France
BAZALGETTE, Anne, France
GREENE, Richard, *Prague Post*
QUESTER-SEMEON, Natacha, Rédacteur en chef, "Journal Virtuel" des *Humains Associés*, France
QUESTER-SEMEON, Sacha, Responsable Multimédia, *Les Humains Associés*, France
SAUER, Rémy, *Dernières Nouvelles d'Alsace*, France
SINAÏ, Agnès, *Le Monde diplomatique*, France
SIRBU, Angela, *Independent Journalism Centre*
TONELOTTO, Myriam, *Arte*, France
ZAID, Lydia, *EUDIF*, Belgique

VIII. SECRETARIAT DE LA CONFERENCE

a) Assemblée parlementaire /Parliamentary Assembly

HALLER, Bruno, Clerk of the Parliamentary Assembly / Greffier de l'Assemblée parlementaire
CASTENETTO, Gian Paolo, Deputy Clerk / Greffier Adjoint
SAWICKI, Wojciech, Deputy Clerk / Greffier Adjoint
LA PORTA, Roberto, Secretary of the Committee on Parliamentary and Public Relations / Secrétaire de la Commission des relations parlementaire et publiques
HOENNER, Michèle, Budgetary questions/Questions budgétaires
BRANDT Yolande, Budgetary Questions/Questions budgétaires
MOCHEL, Anny, Assistant to the Committee / Assistante de la Commission
DREYFUS, Catherine, Assistante
KORASTELIEV, Ivan, Assistant
MONACO, Monica, Stagiaire

Consultant of the Conference / Consultant de la Conférence
KOCHERSPERGER, Patrick

b) Direction des Affaires Politiques/Polical Affairs Committee

DE JONGE, Hans, Chef de Service, Division des Relations extérieures
PALMIERI, Giovanni, Chef de la Section des ONG
GILBERT, Max, Confidence Building Measures
LOHIKOSKI, Mikko, Executive Secretary of the CE Solidarity Campaign
PIERSON, Joanne, Assistante administrative
WIN, Aye Aye, Co-ordinator, Global Forum for Poverty Eradication