



CAPITALISM AND DEMOCRACY

IN THE XXI CENTURY NEW TRENDS AND NEW DESTINIES

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We spend a lot of time talking about the market, its achievements, its limits and dangers. We have often denounced and criticised the introduction of the market (by means of privatisation) in social sectors such as health care, education, pensions, the postal service, communications, economic development, etc., since market logic, we feel, is being carried too far. We believe market competitiveness is invading all fields of life and we have reacted strongly against this trend. These, no doubt, have been important skirmishes but the big battle is being waged elsewhere.

As time elapses, I have come to the conclusion that the defence of neoliberalism as a doctrine and project is nothing but *a smoke screen to hide the advance of central planning* of private socialism practised by big monopolies resulting from mergers and acquisitions of recent years.

The strategy is astute: one defends the efficiency of the market in the allocation of resources so as to give the impression that what one is fighting for is competitiveness but in reality what one is trying to hide is the fact that competition is being reduced and the market destroyed. The destruction of the market and competition is achieved in the measure in which enormous monopolies, arising before our eyes, are being consolidated. Engaged as we are in discussion with those who speak strongly in favour of the market, our attention is unwittingly distracted from those who are actually destroying it.

In the series of reflections I propose here, I will try to re-direct the attention of critics to the main phenomenon. This booklet is only a beginning, the babble of a reflection I am starting to shape with growing clarity. I will try to concentrate not on what is being said but on what is actually happening. Changes taking place in companies today and, as a result, in the organisation of general economic activity are acquiring increasing importance. Changes in the size of companies, their reach, objectives, organisation, their influence on work, their relations with society are so many and so great that they are bringing about a profound change in the capitalist system as we have known it since 1945 up to more or less 1995 – it has mutated, as biologists would say.

We can briefly mention here some of the changes that merit our attention:

— Companies that financially are doing best are new enterprises, in the sense that they incorporate and benefit from new technologies, from new products related to telecommunications, computer science and their applications to traditional sectors, such as industry, banking and retail and wholesale commerce.

— These companies more frequently than not have *short-term targets*: to increase the value of companies, that is to say, their stock exchange value. This is what interests them more than generating normal profits or distributing dividends.

— The source of financial capital is drawn from pension, insurance and investment funds that are not managed by their owners but by specialists who wield an enormous power for the good or evil of many economies.

— *Company mergers* bring about the reduction of the number of companies that operate –and compete– in a sector and that increases the sphere of action of central planning in various sectors of the economy.

— *The manner of working is being transformed* and with it the concept itself of permanent and stable employment. This is being replaced by flexible employment, that is to say, changing and unstable, and at the same time the concepts of loyalty, staff fidelity and their commitment to a specific company are changing fast. This type of employment foments the strong urge to make big profits over a short period of time and with no risk protection.

— *Great fortunes in unimaginable proportions* are being accumulated which is neither logical nor normal. And in general the gap between the standards of living of the few super-rich, the many paid-workers and the poor is getting ever wider.

— *Relations between company conglomerates and governments* and other public administrations are also changing. Especially in what concerns the question of taxes which are being taken away from many nations and at the same time new commitment loads such as massive labour lay-offs are being passed on to the public sector.

All these changes affect democratic life as we have been understanding and practising it up to the close of the twentieth century. Democracy cannot remain unharmed by such profound changes. Harmonising capitalism and democracy is going to be a task for the century that is now beginning.

I have put together in this booklet some of the more recent chapters that I have published in *Periódico de Catalunya* and *El País* and other publications that deal directly with these topics. These have been reproduced with some small editorial changes that consist of:

- putting a title or introduction,
- including notes to explain concepts or specialised words,
- introducing some paragraphs with subtitles.

But this contribution is only a beginning. I propose to place more attention on the consequences, not all necessarily negative, of the mutations of capitalism that we are witnessing in the beginning of this century.

Barcelona, 22nd of March 2000

1. MUTANT CAPITALISM

1.1. OLIGOPOLY OF POWER (1)

Company mergers are a phenomenon that we come across everyday in the leading pages of newspapers. It is important to understand the consequences these events, apparently so far removed from our reality, hold for us. I dedicate the first chapter to this topic.

The enormous concentrations of companies that result from mergers and acquisitions in recent times and which seem to confirm an unstoppable trend towards a few –three or four– gigantic companies covering entire sectors, raises some very worrisome problems for society.

One very important problem is the dire threat it poses to competition, and the loss of efficiency and consumer-exploitation that follows from this. However, I would like to focus on another problem which is the accumulation of social power in a few hands, those who manage these conglomerates.

This is a problem because power that was bestowed on public administrations to fulfil the objectives and targets for which they were elected passes from them on to those managing the few dominating companies that have accumulated, or have the ability to accumulate power in the future with the creation of a true *oligopoly of power*. The distribution of power in society is normally a “zero-sum game”, in which one wins and the other loses, or put in another way, a game in which what some win the rest lose. It is true that social power, the ability of some to dispose of the material resources of society and to mobilise people who compose it in order to obtain certain targets, has always been tied to the ownership of land and riches. In this sense it has been a private power during the greater part of history. The control of power by collective bodies (parliaments) and the sharing of it among citizens (by the right of vote) have been achieved by means of a socialisation of power for the benefit of all.

This sharing of power was achieved, not without bloodshed, but by means of many revolutions and wars against “the old regime” and is now considered a fundamental advance of civilisation and modern institutions. But in recent times, by means of the revolution of mergers, it is returning to the bloodless privatisation of social power. And this represents a step backwards in the history of humanity.

Two consequences

Two serious consequences can derive from the formation of an oligopoly of power:

— 1. The first is that privatised social power substitutes the common good which was the goal of the exercise of power by the private good of those now wielding this power. The State and other public administrations, perhaps through their own fault –for permitting the formation of an alternative power– are confronted with forces that do not allow them to work out a viable economic and social policy, forces that take away from them economic resources (by tax evasion) and make it difficult for them to control the means of communication or to establish a framework of solidarity, etc. In opposition to the civil State a more complex version of the “new industrial state” (J.K. Galbraith) is raised, a true oligopoly of power, that fights for the obedience and submission of citizens and the money of their taxes.

Obviously, at the end of the whole process of concentration of companies, citizens would not be freer since civil society would be deprived of the power that is normally enjoyed by the State. Citizens would pass from depending on a power –that of the State on which they have a say in the matter– to depending on another power whose centres of decision the immense majority of citizens have no access to, and which neither promises nor aims at doing anything for the collective good other than for its own private benefit.

— 2. The second consequence is that social power ceases to be linked to a process of democratic control. Big companies are not responsible to any parliament, nor do they have to submit accounts to voters, taxpayers, or to the public opinion in general. Some managers of companies are not responsible even to their own shareholders, whom they allure with promises of immense future profits. It is possible then that power be irresponsibly exercised, that is to say, without having to render account for their actions to citizens. To summarise, with the formation of an oligopoly of social power, citizen solidarity would be lost and democracy could suffer.

A new form of capitalism

This oligopoly of power which mergers and acquisitions are leading us to, represent an authentic mutation of the capitalist system that we have known. The business world was a functional network of small, medium and big-sized companies that exercised power over the market and society but a power that was dispersed and limited firstly by the working of competition acting as a force that disciplined companies and secondly by the presence of the public sector acting as entrepreneur, customer and regulator. With all its imperfections and defects, the former capital system had evolved up to the point of accepting a series of counterweights and limits to the action of companies that prevented any of them from harming society. All these balancing factors are now being demolished by the centripetal force of company concentrations.

If this trend is to continue – and it seems likely that this will do so with growing strength– we will reach a point of economic and social *apartheid* where a few managers with the power acquired by mega-enterprises decide, enrich themselves and enjoy life in the midst of a mass of small entrepreneurs, customers, consumers and poor citizens who will all need to be controlled in order that they do not desist from working and consuming.

1.2. THE ADVANCE OF CENTRAL PLANNING (2)

But the mutations of capitalism do not end with the incredible inequality that we are witnessing. There are also substantial changes taking place in the internal organisation of companies, in the way how resources are assigned in a market economy with huge companies that are ferociously pitted against each other each trying to dominate the different world markets. These changes will be examined in the following paragraphs.

Everyday we receive news of new company mergers which lead to enormous concentrations in key sectors of the economy and which seem to confirm an unstoppable trend towards entrepreneurial giantism. These phenomena pose various important problems to society. One is the dire threat that it poses to competition on account of the disappearance of competitors and the exploitation of consumers that follow from this situation. Another problem is the accumulation of social power in a few hands, those of people managing these enormous conglomerates. I would focus, however, on a third aspect of the process of concentration: *the advance of central planning as the form of organising entire economic sectors, which*

constitutes an important mutation in twentieth century capitalism.

To be able to understand the extent of this affirmation one must take as a starting point the fact that there is no market within a company. Decisions of assigning physical and human resources to alternative uses in one or another section, division or branch of a company are not taken by means of a mechanism of supply and demand, by the rules of the market, but by a process of planning and execution of orders emanating from the central office. Naturally, when taking these decisions the central authority of a company is guided by what other companies do, especially those that compete with her, and it takes into account what consumers demand. The central office could also delegate to other lower levels of authority the power to take decisions of lesser importance. But in the final analysis the assignment of resources within a company is formally a process of authoritarian decision, like that of a regime of central planning. The authorities of the company, after taking into account all the information and signs of the market and of the competitive environment, plan their functioning from the central office. Within the company the market does not operate.

The idea is quite old, although it did not stand out much. The first to point this out was Ronald Coase, who received the Nobel prize for economy fifty years after the publication of his famous article of 1924, where he showed that the firm substitutes individual transactions of the market when these can be organised within a firm in order to economise the costs of transaction. Alfred Chandler in *The invisible hand* describes *managerial capitalism* as a system in which the invisible hand of the market is substituted by the visible one of planning, and John K. Galbraith in his book "*The new industrial state*" and later in *Economics and the Public Purpose*" speaks of a "planning system" referring to the system of government of multinational companies.

From competition to the elimination of the competitor

This being so, in the measure in which companies of a certain sector merge, in the same measure the scope of the market in that sector is reduced and the scope of central planning is increased. When there are various companies competing within a sector, they not only compete to acquire a better share of the market and of consumer loyalty, but they also have to compete among themselves to obtain generic and specific resources that are needed for their special type of activity. There exists among the companies of a sector a series of transactions in executives, technicians and workers, raw materials, parts and components, all sorts of services whose prices and quantities are determined by the laws of supply and demand. If these companies merge, the transactions that are subsequently done among themselves have nothing to do with the laws of the market since they are now submitted to a central authority, to the strategies and plans this central authority has.

In the sector of commercial airplanes with a seating capacity of more than hundred passengers, 25 years ago there were seven companies making planes of these dimensions. With the withdrawal, at least temporary, of the Russian company, and the merger of Boeing with McDonnell-Dougllass, the only companies remaining in this market are the last-mentioned and Airbus, a perfect duopoly that can easily, with or without collusion, carry out a strategy that could harm airline companies who are their main customers and all passengers of the world. If some day Boeing and Airbus do merge, we would have the whole commercial aviation sector dominated by one big company and converted into a sector of central planning, not very different from the commercial aviation sector of the Soviet Union. Though it is true that no sector of the economy has just one company which dominates and covers the whole sector, the

process is advancing towards this situation. And if the present rhythm carries on, we will soon encounter whole sectors submitted to central planning.

Naturally the central planning we have been referring to all along is central planning of a private nature. This planning is not carried out by the State, neither by the owners, that is to say, the shareholders, but by the managers contracted –or confirmed– by the latter. It is, moreover, a planning, whose success or failure, unlike that of traditional socialist planning, can be decided in great part by the verdict of the consumers or customers of the company. But it is also true that the demand and satisfaction of consumers can be “endogenised”, that is to say, can be manipulated and made dependent on the strategies of companies. In whatever case the two models, the soviet and that of modern capitalism, differ from each other by the degree of freedom that customers enjoy, and by the independence enjoyed by business authorities from political authorities. We can even speak of an inversion of the relation.

The notion of ‘private socialism’

Although many are unaware of or do not wish to speak about it, capitalism is mutating towards a peculiar form of *private socialism*: socialism, because the organisation of production is socialist, planned as it was in the Soviet Union; but private, because the ownership of the means of production remains private, and the general goal of the companies –at least so it is outwardly declared– is the benefit of private citizens inasmuch as private citizens. At any rate, it is private citizens directly, and only indirectly society at large, that enjoy its benefits.

From the possible mutation of capitalism into socialism, many and interesting could be the consequences. If it were necessary, and if the majority of voters were to decide so, one could very easily pass to a new socialism. The transition to a *public socialism* would not require the nationalisation of property because ownership would be separated from administration, nor would there be need of a new organisation of companies, because at least all the big ones would be ruled by central planning. All that will have to be carried out is a simple nationalisation of the administration or a change of authority that plans economic sectors. The productive system would be oriented on the basis of the priorities citizens have to achieve targets for the more common and general good, without traumatic changes in their organisation and functioning. We are still far from this moment, but the constant mergers and acquisitions and the concentration that is taking place in certain strategic productive sectors are making us draw nearer to it.

1.3. CLAIM AGAINST ECONOMIC INEQUALITY (3)

For a possible and eventual transition from private socialism to public socialism it would be necessary to recover a value that has been most forgotten by Modernity: the value of equality between human beings and the ethical and human sensitivity against inequalities among men and women.

Forbes magazine in its August 1999 issue furnishes us with some very astonishing data: the 400 richest people of the USA possess assets valued at one billion (4) dollars, 166 billion pesetas at the current rate of exchange. This figure amounts to double Spain’s 1997 GDP and three times the total annual income of the 30 million poor that are to be found in the US (5) The comparison illustrates the growing and extreme economic inequality that exists in the

richest and up-to-the-moment most efficient country in the world. As in the USA, in almost all industrialised or semi-industrialised countries, inequality among citizens is increasing at an alarming rate. The differences between rich and poor in all parts of the world are getting increasingly greater as time goes by.

Is this growing inequality good or bad? We are talking here of extreme inequality and not of a natural inequality that exists and will always exist in democratic regimes, because people have different initial positions, different talents, opportunities and means that the democratic system legitimises and safeguards. The phenomenon which we are witnessing is new in the sense that poverty which is an eternal reality of the human race, *has never lived side by side with such enormous wealth.*

For some, the answer is clear and forceful: economic inequality is bad because it goes against the equality of people. But for others, the answer is not so clear. There are some who even think that economic inequalities are necessary and useful to get the economy moving, to place resources in the hands of those who can make money work most and create incentives for emulation and progress. I address my argument to those who are not so convinced.

Inequality is bad

I affirm that the economic inequality I refer to is bad because it endangers democracy and because it is inefficient and implies a bad use of resources. It is bad for the society in which these inequalities are produced and it is bad too in the long term even for those who currently enjoy these fabulous riches. The argument used by the convinced is not banal. We live in a democratic system that affirms radical equality in its members and in the rights of all its citizens. In economic and politically advanced societies we are satisfied at times with the equality of opportunity and the equality of all in front of the law. It seems we are not so concerned about economic inequalities if the poorest have their basic needs covered and do not die of starvation. But obviously this is not sufficient for the good working of society. Because democracy is incompatible with great differences in the benefits that individuals obtain from the system. These differences create situations in which the formal equalities of opportunity and before the law, function differently in practice.

Let us take, for example, the enjoyment of civil rights. The exercise of civil rights requires money. This is evident in the judicial system where only those who can afford paying the many working hours of a good lawyer can enjoy all the possibilities of defence that the system offers its citizens. And in general, he who has more money, has a greater possibility of exercising his civil and democratic rights, greater strength to influence the decisions of public administrations that affect private interests and greater capacity to enjoy public goods that the State provides (motorways, airports, universities, cultural goods, security, property protection, etc.). If the inequalities of resources are very great, the exercise of civil rights and of political freedoms, as also the enjoyment of public goods will also show great differences. But a substantial and manifest inequality in the distribution of benefits that the democratic system offers its citizens, will destroy the motives that the less favoured have for accepting the social pact of living together and submitting themselves to the rules of the game of democracy.

On the other hand, extreme differences of wealth produce extreme differences in social and political power. In this context, power is the capacity which some people have of getting the results of diverse social interactions (of markets, associations, collective actions, public administration measures, etc.) to normally favour them. If information is power, the powerful

enjoy the ability of always receiving privileged information, so that they are always playing with marked cards. And so it is that they make money in the stock exchange and draw advantage from the construction of a road or benefit from a regulating measure. This winning edge that some people have and which emanates from the wealth they have accumulated, undermines the material foundations of democracy which is based on the equality of opportunity. This equality ceases to have any practical meaning when people with great resources obtain in their social dealings all that they set out to obtain, while those with less resources do not get more than what is allowed them by the powerful.

Inequality is inefficient

Economic inequality is inefficient, moreover, because it is accompanied by a distribution of wealth that does not maximise the total marginal utility of money (which is understood here as the form type of wealth) of society. The marginal utility of the last thousand dollars that one of those 400 billionaires receives is very much less than the utility of the thousand “marginal” dollars that is received by one of the 30 million poor people.

If 30,000 million dollars were to be taken away –by pacific means naturally– from the 400 richest people and were to be distributed among the 30 million poor people at the rate of 1,000 dollars per person, the total marginal utility of money would increase significantly.

In other words, by distributing money better, a greater amount of satisfaction or wellbeing in society would be obtained. These theoretical disquisitions point to the fact there is no economic reason or argument that justifies in terms of efficiency the great inequalities that exist in society. On the contrary there are a multitude of historical antecedents that show that the accumulation of much wealth in the hands of a few acts as a brake on the economic development and social progress of nations and does not, moreover, promote economic development.

On the other hand, equity in the distribution of wealth has served as a solid base for the introduction and consolidation of democracy in many countries. That was the case in the USA in its first century of independence, as also in Spain and in the whole of Western Europe after the war, not to mention Japan and South-east Asia.

Inequality and democracy

To summarise, extreme inequality goes against the concept of a social pact, by means of which citizens take upon themselves the obligation of obeying laws and following those who govern in exchange for obtaining benefits that they would not be able to obtain by their own efforts.

Those that accept this pact do so in the hope that there will be a distribution of benefits in proportion to the degree of commitment to collective interests, irrespective of the wealth of the individual. If the benefits are distributed with notable inequality, this proportion is broken and citizens could consider themselves freed from their commitments with a collective group that does not fulfil what was promised. This would give rise to a serious threat to the sustainability and the governability of the democratic system, as is shown for example in low participation at the polls, lawlessness and rising delinquency. Perhaps it is no coincidence that in the USA, the country of big inequalities, there are two million people in jail!

1.4. WAYS AND GOALS (6)

It is only if we have very clear in our minds the goal of combating inequality and establishing a society that is better imbued with a spirit of solidarity, that we can reflect with good judgement on this very topical subject: the discussion on the diverse goals.

The road to Santiago has many different paths. One can go by the Cantabrian coast or by the plateau of Castile, which is the more traditional way, or one can come by the south from Portugal. All the different paths, however, are “the way to Santiago” for the simple reason that all lead to the tomb of the Apostle Santiago. What specifies the way is not the places that it passes through, it does not matter if they are flat or mountainous, or more or less difficult to travel through, but the place it leads to. “The end specifies the means” as the scholastic saying goes. “The function specifies the organ” say the evolutionists. The goal specifies the way, we might add. What is least important are the characteristics of the ways, what is really important is where they lead to. During the Roman Empire all ways led to Rome and that was what mattered to the citizens. In a certain sense all ways: the Flaminia, Aurelia, Julia, Augusta, Apia, etc. were equal.

This consideration can serve to clarify the topic that is discussed so much nowadays, about the ways in politics. It matters little if the way is the first, second, third or fiftieth. What is important is where it leads to. In politics it is also true that goals specify the ways and what matters is not so much the elaboration of the way as the goal one heads towards. So, to be able to differentiate, compare and evaluate the diverse political ways that are presented to us, it is necessary that we examine the final, logical and natural destination of each of them. It is here that we must put the greatest emphasis.

**“Where will the way go?”
(A. Machado)**

A way of the Left, call it Apia, Augusta or Aurelia, should lead to a goal of greater equality among citizens, greater protection of the more vulnerable and less fortunate, greater solidarity, greater mutual collaboration and greater democracy, that is to say, it should lead to the values and traditional ideals that identify the idiosyncrasy and political action of the leftists. So, a way that necessarily leads to greater inequality, to greater unprotection, to greater lack of interest in common causes, and finally, to domination by the more powerful, is clearly not a way of the left wing, however much we may call it third, fourth or fifth. It must be acknowledged that there are many ways of getting those leftist ideals implanted in society, and that there are many leftists ways, but there exist many others that though leftist in name are not really so since they do not lead there. In any case, the political debate should focus first on goals and only later on ways. Because one cannot discuss about ways, if one does not have very clear in mind the goals those ways supposedly lead to.

Where does the ‘third way’ lead to?

Whether one is going or not towards a specific goal is decided not by a declaration of intentions of the person in question but by what one effectively does to reach that goal. For this reason, in politics it is very necessary that we examine carefully whether of not the ways proposed as proper of leftists lead or could lead to a leftist goal. If we come across walkers

who say they are pilgrims to Santiago but who, after passing Roncesvalles, head towards the Mediterranean coasts, we cannot but think that they are definitely not making their way to Santiago, however much they might affirm they are doing so. The same happens with certain other projects declared to be leftist's, but which, by their own nature do not and cannot lead to the essential ideals of leftists, even in their social democratic or Labour version.

A system of markets, for example, does not and cannot distribute the national income in an equitable way, because the result depends on the initial conditions of the participants that are very diverse, on the asymmetries of information and power, on the differences of wealth and solvency and on many other things that favour some and put others at a disadvantage. The result of the distribution of income and wealth produced by markets should be balanced, the income redistributed in order to obtain some minimal objectives of equality and social justice. If someone says that he is trying to reach a leftist goal by giving greater freedom and sphere of action to the markets and by reducing taxes, lessening public expenditure thereby, his affirmation lacks credibility. It is like saying one is going to Santiago, when the way one takes actually leads to Benidorm.

One could reach giving a big roundabout turn, someone may tell me. It is possible that this strange walker could go right round Spain and finally land up in Santiago. But what a foolish way of reaching Santiago! Besides, it is more than possible that he may never ever reach; that he may tire halfway and decide he has had enough. In politics well-intentioned possibilism is a roundabout way of going somewhere and avoiding barriers that one cannot surmount in a direct way. Social democracy is a specialist in going round obstacles posed by the system in order to achieve the targets of leftists. But very frequently, as in the case of the walker taking a roundabout route, social democrats remain halfway on their journey for lack of strength, political impulse and voter support.

Where does the "third way" proclaimed both by Blair and Schröder lead to? That is the question. Does it lead to a more egalitarian or less egalitarian society? Does it lead to a greater or lesser protection of widows, immigrants, children, the handicapped, the marginalised? Does it lead to a more solidarity-imbued society or a more fiercely competitive one in which the strongest are allowed to dominate completely? Does it lead to better-remunerated full employment or to a proliferation of the "working poor"* that swell the ranks of North-American workers? Where do the new ways lead? If the approach of Blair-Schröder implies the abandonment of the ideals of equality and social justice in favour of the global growth of economy, of keeping capital content and satisfied so that it does not leave the country, and of the "efecto rebalse" (trickle-down effect) as a mechanism of redistribution, then there has been a change of goals. What they announce is not a third way but a third goal, which in the best of cases could be an illustrated economic liberalism of the style of John Stuart Mill. But this does not signify much progress because we would be beginning the XXI century in the same pigeon hole of social thinking prevalent in 1848.

1.5. RETHINKING THE SECOND WAY (7)

Many ask themselves if the third way is really the only viable political way for progressive and solidarity-minded people. In this chapter we will consider the second way: socialism, or at least some form of socialism, which though probably not an immediate possibility, is a goal that one could begin to strive after in case at some future point in time, changes in international society and in the environment oblige us to look for real alternatives to what we

now have.

The second way, namely socialism, as an alternative to capitalism, arose from the necessity to distribute in a more equitable way the benefits of the Industrial Revolution. It was like the cry of Reason protesting against the inequality that capitalism was generating. One thinks that socialism arose because the working class lived in bad conditions; was being exploited, as Marx would say. If this was the case, when the working class improved their lot in the capitalist system, socialism would have lost its *raison d'être*.

But this has not been so, because socialism was not just a protest against the condition of the workers that in the XIX century was not worse than that of the peasants of the era in which a rebellion took place against the bad distribution of wealth – a rebellion which for the first time in history with giant strides gained ground with the direct and visible collusion of workers who only received a very small part of the wealth whose creation they had contributed to. The standards of living of the workers were not a consequence of low general productivity in an unjust society but the result of a bad distribution of the fruits of a gigantic productivity, productivity being measured here by historic standards.

Socialism tries to be an answer to the double question of distribution and inequality. So, as long as the problems of inequality and distribution last, socialism will have its *raison d'être*.

Inequality has increased

The inequality that was inaugurated in the XIX century was different from that of any other earlier era. In the stagnant societies of earlier eras, where wealth normally grew little and slowly, and the fate of people had few opportunities of changing, inequality was in a certain manner “natural”, just one element more of the toughness that characterised life in this “valley of tears”. In fact, if one tried to distribute wealth it would have been no easy task since it would have meant improving the lot of some at the cost of worsening the fate of others. On the contrary, in a dynamic society, as is that created by the Industrial Revolution, in which the productivity of capital and of work grows at a very rapid pace and mass production is the order of the day, inequality is less easy to understand and less tolerable socially. The quick accumulation of wealth in a few hands although relatively many more than in past eras, made possible by a regime of paid workers, has brought about the creation of enormous inequalities before the astonished eyes of those working in mines and factories. The “artificial” rising of these inequalities has provoked a just jealousy and a protest that leads to questioning the regime of labour relations of capitalism that is responsible for such results. The search for ways alternative to capitalism has given rise to diverse classes of socialism.

At the end of the XX century inequality and problems of distribution of wealth still continue. What is more, the new productive revolution of knowledge in a global context is generating very quickly and very visibly an inequality far superior to that of the XIX century. We know of personal fortunes that are greater than the whole annual national product of some countries. The possibilities of enrichment, by means of technological innovation or by the Stock Exchange are great, although only a few have the “conditions of possibility” or the necessary prerequisites to be able to take advantage of these. The fate of people, human groups, regions and nations is unequal and differences will grow more markedly in the measure in which the present economic dynamism carries on functioning without restrictions. If the inequality and distribution of wealth are the *raison d'être* of socialism, never before has this *raison d'être* been greater, never this second way more justified than in our days.

Inequalities will not be solved by themselves

In our economic system to resolve the problem of wealth distribution, confidence is placed basically on the “*efecto rebalse*” (*trickle-down effect*). It is supposed that economic growth generates well-being for all, similar to the high tide which raises in equal fashion all the boats moored in a port.

The problem of distribution, and implicitly that of inequality, is thus reduced to a simple problem of growth. Markets take charge of the efficient application (better results at less cost) of productive resources to the needs that the public prefers. The State –and the public administrations– by means of the fiscal system take charge of the production and distribution of public goods and of ensuring that the market does not produce over-biased effects either in favour or against any of the participants.

It does not seem necessary to make any substantial change. With adequate supervision and vigilance on the part of authorities, the markets themselves would look after the betterment of the living standards of their citizens and this would resolve the problem of distribution. This is obviously the desire of those who defend and uphold the system, more than the reality of things. The truth is that the present mechanisms of distribution, redistribution and diffusion of wellbeing do not come within the reach of a substantial part of citizens –8 million poor in Spain, 10 million in the United Kingdom, 36 million in the USA– to mention just a few rich countries. Some could say the poor are few and that their poverty is relative– much more bearable, for example, than what 90% of the citizens of Haiti, Burkina Fasso or the Chad have to put up with; in any case the number of poor do not constitute a sufficient reason to radically change a system which functions well for the majority. Others, however, will feel that these levels of poverty, that frequently are accompanied by exclusion and marginality, are intolerable in democratic societies, whose power emanates from citizens as a whole and in which all have the right to the standards of living that their society can attain. The nonconformists feel inclined to demand a change of system and to seek in an alternative way the correction of injustices and the elimination of a poverty that lives side by side with so much and such unbelievable prosperity.

At this point of history, it is clear that the so-called real socialism, that was inaugurated with the Russian Revolution and which went down with the Soviet Union, was a dead way and not a second way that would lead to greater equity and equality. It has turned out to be a mistaken historical form of trying to mould a nineteenth century ideal of socialism in institutions and organisations. Its failure has been so spectacular that it has discredited the idea itself of socialism, its profound humanism and the ethical reason of its postulates. And, nevertheless, this should not have been so. Because the Bolsheviki used socialism as an alibi to implant a dictatorial political model in which a vanguard of ambitious and cruel politicians imposed on a whole nation their vision of history and society to rule it. This vanguard used a materialist paternalism, supported by a centrally planned economy to justify the enormous accumulation of power in their hands. The result was an inefficient and oppressive monstrosity –except in the military and spatial race– which only led to chaos and had nothing to do with the original idea of socialism.

A new ‘second way’

The second way will need to focus on making more equitable the distribution of wealth and income and on ensuring a greater equality in the living standards of all citizens. Equality of

opportunity will not be sufficient; one will have to incline towards equality in results. Furthermore, given the fact that growth of productivity and of production is an objective limitation of distribution, the economy in socialism should focus on increasing both and growing efficiently to help resolve the dilemma between production and distribution.

Socialism, which rose to give freedom to the oppressed, has to strictly respect freedom, and in the same manner as it tried to distribute the economic and social power wielded by a few, it should also be democratic, in the commonly accepted sense, with free elections, with people in government who change periodically and who account for their actions to the whole of society. Centrally planned economy, a new experiment in the history of humanity, has shown that it leads to wrong decisions about the use of productive resources, much corruption and inefficiencies. To exclude markets that serve as systems of signs when competition functions, was a limitation that those managing the economy imposed upon themselves and which was responsible for their own failure and that of the nation. Markets are useful instruments which if used as such, set in motion human and material energies.

At that other time in order to ensure the management of productive resources the reformers consider themselves obliged to take over the ownership of companies. Nowadays this is not necessary because the growth and diversification of companies has led to the separation of ownership and management. In principle it is possible to socialise the management of resources without socialising the ownership of the same. In the modern world, social management of resources could well be compatible with private ownership. Shareholders could carry on receiving profits produced by the productive activities of companies, although the speculative gains would be severely limited. We have, on the other hand, experience of companies of public ownership that do not always conduct business for the good of society. What is crucial is not ownership but management. It is important to resolve well the question of who should act in the name of society. Before it was thought that the main actor should be a centralised and strong state. This is typical of the Bolshevik model of all-powerful and all-knowing vanguards. But if the principle is accepted that the responsibility of management should be situated where proximity with the problems is greatest and where the possibilities of controlling the people in government are most real, then one will have to opt for a decentralised socialism. In this system the state (in federal states), autonomous, regional and municipal governments will bear the weight of management. It would not be unthinkable to talk of a municipal socialism in big cities. On the other hand, this socialism that we are rethinking should have to be a socialism of big spaces, in order to isolate itself as much as possible from the international financial accidents, though it should be open at the same time to commerce and foreign investment. It would be a friendly socialism, a good neighbour, without ambitions to conquer the world, well disposed towards international co-operation and totally committed to helping the development of poor countries. It sounds no doubt Utopian. But technological, organisational, demographic and environmental changes, which are already in motion, could well bring about that the majority of citizens shout: *Socialism please!*

2. DEMOCRACY FOR FEW

2.1. GLOBALISATION WITHOUT A GOVERNING BODY (8)

The whole set-up of technological, economic, social and cultural phenomena that we know by the generic name of globalisation, point to processes of change that cannot be turned back (as all things in human history). But the destination of this process is not fixed yet, and is not determined a priori. The process can take one direction or the other depending on the intentions and the actions of individual and collective agents. What is needed is some type of direction. Political requests are needed to be put forward which should mark out a reasonable, just and solidarity-imbued path. In this chapter we will initiate this reflection.

The stock market crises, speculative devaluations, big adjustments which have become necessary in emerging countries are the result of globalisation but of a globalisation with no governing body. Once we admit globalisation as a dominating fact of our economies, we should now see to it that it should have a head, that is, somebody who would govern it. Last week (October 4-7, 1998) we saw how the leaders of the richest countries of the world and the most powerful international organisms met in vain in the capital of the empire; they failed to discuss –still less take– a single measure or set of concrete measures capable of holding back or mitigating the crisis of the Stock Exchange or of the banks that eventually would affect the real economy of all countries, including North America and Europe.

Someone may say it was not necessary since markets regulate themselves and do not need an authority over them to establish order. These are declarations of believers, blind acts of faith in the efficiency of some markets that are supposed to function well in the complex reality of the world in the same way as explained in manuals of micro-economy. We all know that markets in point of fact do not auto-regulate themselves, that the different initial positions, the asymmetries of information and power, among other things, give results that do not resemble those that are deduced from theory.

One of the effects not contemplated by theory is the innate tendency of certain markets to sudden steep ups-and-downs. These phenomena are due to certain financial agents, who lacking the necessary information and prudence, accept enormous risks before the perspective of big short-term profits. With the behaviour of these agents, the financial markets resemble more the functioning of a casino, as J.M. Keynes had already said years ago, than the well-ordered models with perfect information of textbooks and ideological speeches. If we do not want markets to destroy themselves and to drag along with their fall the wellbeing of millions of families, we must save the markets from their self-destructive tendencies by means of the intervention of a superior authority. Otherwise, the naked power of private planning centres which are big companies, will dominate the world economic scene.

The markets should not be casinos

World leadership with effective authority is needed for:

— Collecting recent, reliable and first-hand information on the nature and volume of capital

flow, the risks that institutions and countries incur with international investment. Currently rating agencies like Moody's and Standard and Poor (9) do something like this; the International Bank of Payments of Basilea does the same for industrial countries only, but there is no single centralised information centre, not even in the IMF that can give a global vision of the framework of risks that globalisation of capital has created.

— Immediately rushing to the aid of institutions or governments in difficulties, but to avoid the risks of the system, the *moral hazard* (10), this intervention and help should have a cost for the entities and people who have got themselves into trouble. Because if this were not so, reassured as they would be that even with bad management they would nonetheless be helped out of the problem, they would have no stimuli to conduct business prudently. International authority should be capable of inducing countries by means of consultation and dialogue to make the changes that may be necessary to avoid the recurrence of the same problems.

— Ensuring the existence and availability of long-term capital necessary for increasing the production and productivity of all countries, whatever be their degree of development. However, capital flow that goes to developing countries should be commensurate –in volume and risk– to the strength and capacity of the institutions of vigilance and financial supervision that exist in those countries. Experience shows that capital flow can cause authentic tragedies in economies with weak and badly regulated banking systems, because it does create risks for which the majority of countries are not prepared. This is an argument to control the entry of capital in certain countries.

— Establishing a system of stable but sufficiently flexible rates of exchange so that countries with rapid growth can adjust their economies to the relative price changes on the world level. The system of Bretton Woods (11) that combined stability with flexibility worked quite well. Nowadays the enormous mobility of capital permits neither flexible nor fixed rates to function well. Can we not possibly invent some sort of regime of rates of exchange that could combine the two things?

— Probably with the passage of time it would be convenient to reduce monetary spaces in the world to a small number –four or five– based on the multiplication of monetary arrangements like the *currency board* (12) (the type Argentina or Hong Kong have, with sufficient reserves though, capable of bearing speculative stakes) or of monetary unions. With this the international monetary system would turn out easier to co-ordinate and small countries would be protected from the plague of massive flights of foreign currency at the first symptom of illness of the president of the Central Bank. *The Economist* (September 26, 1998) proposed the convenience and possibility of a single world currency. It is early, but the necessity of resolving problems and contradictions impels us more and more in that direction. A single currency would demand a single world monetary authority. The needs of the world points towards this.

Now the question would be to determine who should constitute this authority. Without doubt a select group of countries, a Council of Economic Security where, besides the USA, the European Union and Japan, emerging and poor countries would also be represented, a group like the G16 which Jeffrey Sachs of the University of Harvard proposed.

We are talking here of a collective management that would assume the functions that Great Britain carried out in the XIX century and The United States in the years immediately following the war, with Bretton Woods and the Marshall Plan. Their mandate would be that of stabilising and making the globalisation of “national” economies profitable for the greatest

number possible of citizens.

2.2. THE LOGIC OF CONDONING EXTERNAL DEBT (13)

One of the tasks that the governing body of globalisation should undertake is to solve in a stable way the problems of external debt which suffocates the very poor countries of the world and prevents them from progressing along the road of economic and social development. Whatever the consequences may be for the rich countries, the logic of condoning the debt is imposing itself on people's minds and consciences. This logic, which should be the logic for the construction of a truly just and stable world system is explained in this chapter.

Hardly three years ago, those who defended the theory that a substantial part of the external debt of the very poor countries should be pardoned or condoned were considered or treated as freaks who knew nothing of economies, probably communists, and in any case, idealists who were not down-to-earth.

Today smart and solid institutions like the World Bank and The International Monetary Fund are proposing several initiatives to obtain a partial condonation of the external debt of a number of very poor and deeply-in-debt countries since these countries are not only not capable of paying back their debt –and hence will never do so– but the very attempt to pay part of the great debt they owe brings about a serious draining away of their resources and this acts as a brake on their development, making it impossible for them to fight against the poverty in which the majority of their citizens live.

Common sense demands it

The condonation of the debt to these countries is common sense and the evidence of this has finally come to dawn. The external debt of some of the very poor countries of the world like Mozambique and Nicaragua that have been affected, moreover, by terrible natural catastrophes, and some other African countries represent double or triple the value of their annual national product. The service of this debt (interests and amortisation), if the countries were to pay what they owe, would use up more than half of the income of foreign currency proceeding from exports. If to the continuous reduction of the prices of primary products they export, the absorption of external resources for the payment of the debt were to be added, the financing of development would be totally strangled. If the trends of evolution of prices and debt carry on, these countries will not be able to import anything, their economic life would reach stagnation and misery would acquire apocalyptic dimensions.

Who are the creditors?

The very poor countries are for the greater part in debt with multilateral organisms: the World Bank, regional development Banks, the International Monetary Fund and with governments. They owe little to private banks since these see no business in lending money to poor countries in the world. It is very difficult for banks to condone what is owed them since they are private institutions of credit that are led only by motives of profit. In fact the campaigns to condone debts are not directed as yet to these banks. But what is owed to international organisms and to governments can more easily be condoned, especially bilateral debt (from government to government).

The cost of condonation to rich countries

The condonation of debt automatically means a loss in the budgets of the very rich countries of the world, who are also those who contribute most to multilateral organisms. This loss would lead mathematically to an increase in the fiscal deficit of the rich countries. But this increase will not amount to more than 0.2 or at the most 0.3% of the annual GDP, which does not mean much to them. Spain for example had a fiscal deficit of 1.1% in 1999. The condonation of the debt would have raised that deficit figure to 1.5% that everybody considers low. I am evidently referring to rich countries that have a deficit because the USA, the richest country in the world, has an enormous fiscal surplus and could very well apply a small part of this to reducing the bilateral debt of poor countries, and this would not show in the national accounts. France, Holland, Sweden, Denmark and Switzerland also have a surplus. The condonation would cost little to the rich creditors; however, it would greatly alleviate the suffering of poor debtors. Is not this cost-benefit relation a good economic argument to go ahead with the condonation of bilateral debt?

Multilateral organisms, like regional development banks, the World Bank and the International Monetary Fund, can have scruples of an institutional nature about forgiving debt. In the final analysis, they say, they are banks to finance the development of all countries and the funds they forgive some will mean depriving others of these. This banking logic, nevertheless, has to adapt itself to the grave and desperate urgency that the poor, deeply-indebted countries find themselves in. These organisms are instruments of international aid, governed in the final analysis by rich countries and if there is the will on the part of the governors, new formulas could be found so that, without infringing on their essential function of financing development, they would be able to go ahead with the condonation of an impossible-to-pay debt.

The responsibility of governments

No matter how much pressure is put on the wealthy countries' governments who hold the key to the solution, will be little. Just as there will be little pressure on the governments, the majority of them inefficient and corrupt, of the debtor countries in order that they put the benefits of the cancellation to good use: this pressure is increasing and will gradually be strong. The governments of the countries thus indebted must be reminded that the ultimate reason for excusing their debt is that its servicing takes funds from the financing of economic and social development; it takes away possibilities for social politics, and it does not permit them to truly wage war on poverty.

When this debt is cancelled, they will not be able to spend the money it frees up to buy arms, to subsidise private businesses, national or international, nor to raise the wages of public officials, much less be deposited in Swiss bank accounts. This money liberated at the cost of the creditors' countries' tax payers is for social development and the fight against poverty. It is, in short, a deliberate and focussed transfer from citizens of wealthy countries to poor citizens of impoverished countries. The countries that cancel the debt must therefore influence these countries' sovereignty, so that the funds liberated from debt as possible are actually destined for the poorest. It is probably a form of imperialism, but it aims to benefit the popular classes that the sovereign and independent governments despise and ignore. Then a way must be found to finance the development of these countries which are poor in resources, have hardly any internal savings, and no local accumulation of capital, they will continue to demand the external funds of international aid, but we must find a way to ensure that the

process of indebtedness does not begin anew, that ten years from now they will not be again once bankrupt as they are now. The pardon has to be accompanied by much more than avoiding a repetition of the debt crisis every few years. Amongst other things, there should be a provision of non-repayable resources, that is to say donations, to finance the most urgent reforms in the social sectors of these countries.

The condonation and deliverance from the load of debt should be the beginning of a new approach on a global scale to the relations between the Rich World and the Poor World. If not, despite all this campaign of the Jubilee 2000, we will not have achieved any lasting benefits.

2.3. WHAT IS NOT WORKING WELL IN SPAIN (14)

During the first term of government of President Aznar, the saying “Spain is going well” was often heard to summarise the many achievements of Spanish economy. Now that his second term has begun, we need to remind him of what is not going well in Spain. In the following paragraphs we will mention some aspects of Spanish economy that are not functioning too well and that need urgent correction. This chapter appeared during the electoral campaign, but the PP victory has not changed anything of its message, rather it has made it more urgent and necessary.

With the electoral campaign in full swing, speeches are distorted with the intention of securing more votes. In these days politicians pay no attention to reasons that do not contribute to the conquest of power. All that leads to the conquest of votes is good, all that leads to another goal, even if this be the wellbeing of the majority of citizens is of no interest. Comments and judgements about the economy suffer from these same distortions. But we, academicians who have a little self-respect, are unable to accept the logic and reasoning of electoral campaigns. And so with objectivity and a total lack of passion we are going to examine what we consider is not functioning well in Spain but which the government, in accordance with certain implicit criteria of economic wellbeing proper of their party, thinks otherwise.

1. Poverty in Spain has not been reduced. According to the last study of Caritas, some eight million Spaniards, one of every five, live on an income less than the minimum salary. How one can live in the Spain of today with less than this amount is something that the majority of us cannot imagine. What can these people consume? How can they participate in the consumer euphoria of these days, if their income is barely sufficient to pay the rent? The redistribution policy to eliminate extreme poverty is non-existent.

2. The fiscal policy is pro-cyclical, that is to say, it reinforces the cycle of consumption and investment that drives our economy forward and the level of prices upwards. How can the Vice-president for Economy of the government affirm that “tax reduction has no impact on inflation”? We have a monetary policy of “cheap money”, the cheapest we can remember, with a practically zero rate of interest (15) This is already enough to encourage the growth we need to create employment. The Euro, for its part, has not stopped losing value vis-à-vis the dollar, which causes the price in pesetas of petrol (16) to rise and that of other raw materials. The fiscal policy will be the only macroeconomic handling instrument left in the hands of the

government to cool down the situation (and also prevent the commercial deficit from increasing). However, by reducing taxes, more acquisitive power is given to consumption. After elections, they will have to do something to avoid finishing the year with inflation three times the average of the Euro zone. Socially it would be better not to touch taxes and to increase public saving to reinforce Social Security.

3. *The Research and Development Policy is weak and not focussed well enough.* With 0.8% of the GDP, the expenditure in research and development (less in development than in research) is insufficient to initiate industrial and commercial processes that would give wings to Spanish businessmen. What is spent is spent badly, with a lot of dispersion and no follow-up, according to L. Thurow, who in his book *Building Wealth* says, "I would prove, for example, that Spain throws away every dollar it puts in research and development." (Pg. 109)

4. *The Policy of supply is defective.* I understand by this the policy of fomenting and preserving competition by means of dismantling what remains of "natural" monopoly in certain sectors and the elimination of privileges, subsidies and transfers. One has to establish rules that benefit the users and finish off with privatisations that are politically profitable for the party in power.

5. *Job precariousness has increased considerably.* The major part of job contracts are made for periods less than a year and at times for a few weeks. According to data of INEM, the majority of contracts of last year were not for an indefinite period (17)

6. *Finally, some excessively sad examples have been given of bad distribution of profits* that the "new economy" has been generating, that is to say, growth based on telecommunications and other modern technologies. The topic of "stock options" (18) of Telefonica that caused a scandal when it came to light is a habitual way of distributing the profits of companies that reward splendidly top executives while they make redundant workers of advanced age.

2.4. THE AMERICAN PHENOMENON (19)

The operation of the economy in the United States of America seems to refute many of the declarations and criticisms that we have made in this publication. The right to hire and fire, limited social security, deregulation, business freedom, low taxes, etc., all this appears to be giving a magnificent result in terms of the macroeconomic variables and including in terms of employment (4.1% of the PEA). We respond here to those who show an exaggerated admiration for the American economic model and would like to see it replicated in Europe, as we have already replied in the Cristianisme I Justicia's publication on 'Poverty in the United States' (n. 85).

The American phenomenon I refer to is one in which the economy of the United States has been growing for eight consecutive years at a rapid pace, with full employment, low inflation and an important fiscal surplus. The only bad note of the economy –not to mention here the social aspect –is the current account balance which registers an enormous deficit. This situation, which is the envy of almost all ministers of economy of the world, interests economists because it has made them revise some of their concepts (the rate of natural unemployment, for example) and some of their theories on the economic cycle. But it interests especially politicians and citizens because they ask themselves how and in what measure this phenomenon could be reproduced in the European Union.

The American phenomenon has both a simple and a complex explanation. The simple explanation which P. Schwarz, Carlos Rodríguez Braun or Vargas Llosa, among others, give when they play economist is that the USA has a “market” that functions freely and resolves automatically problems that in the Europe of regulated markets is not easily possible. Their favourite example is the labour market, as also the market of capitals, private insurances, etc. Etc. The simple explanation would lead to proposing certain reforms in the EU which are neither economically rational nor politically viable.

A complex explanation

The complex explanation recognises that in America there exists a flexibility greater than the European in many markets, and this combined with a convergence of diverse elements is responsible for producing the magic results of the North-American macro-economy. I will mention a few: Vigorous technological innovation, expansive monetary policy, markets open to imports, big and very integrated internal markets, optimistic expectations on the possibilities of American capitalism, expansion of the stock market fed with great flow of external capitals, low cost of communications and utilities (water, gas and electricity), consumerism maintained by astute strategies of sales and financing, a new fundamentalism that extols triumph and profits, all this with a low priority of redistribution as J.P. Fitoussi has remarked.

The complex explanation leads to the proposal of certain changes which are economically and politically possible in The European Union but would never justify reproducing here the situation of the United States. The American phenomenon, as those who have lived there know, is based on the peculiar nature and collective behaviour of American society. There are things that we will never be able to initiate in Europe because we are not in America. The American economic model is not the abstraction that appears in textbooks that can be reproduced at will in any part of the world like pages of a book that are translated and

photocopied.

Economic models function incarnated in a society of flesh and bone, determined temporally and locally, with their spatial and human dimension, with their history and with a process that is totally “path dependent” in the sense that what now appears as the best alternative is conditioned by the choices of past eras. Markets themselves are not abstractions, nor function the same in all places, although they have the same rules of the game, because people are different and the participants in the market are moved by different motivations and stimuli, have different tastes and value things differently. The model of American capitalism –which is not the only one possible– has its “Sitz im Leben” (its place in life) only in North-American society, and when people have tried to move it to other societies, to South-America, for example, it has failed spectacularly.

The example that concerns us most

Let us take the example, so much talked about, of the labour market. In the United States the labour market is much more flexible than in Europe, not only because making workers redundant is almost free, but because society in the USA is and functions in a manner much more flexible than in the European Union. In the United States labour mobility is very high because people are more uprooted and self-sufficient than in Europe and their family and local ties weaker (young people leave their homes at seventeen and return only to celebrate Christmas and Thanksgiving). Besides, the surrounding circumstances help. A worker, whose factory has closed down in Vermont, can easily sell his house at a good price because the housing market is very agile and flexible, he can have a garage sale to sell his furniture and clothes, something habitual enough, rent a “U-haul”, a vehicle special for moving, and leave on good roads for California with all naturalness. On reaching there he will find work, a house to rent or buy, and above all the same type of life and society that he has left behind with due adjustments to the change of climate; the language, culture and style of working are the same, the government and institutions he already knows and the social customs, rites and taboos are the same – or very similar.

On the other hand, in Europe a few kilometres from home we find ourselves confronted with a different language, culture, history, idiosyncrasy, other standards of living and customs very different from our own that make labour mobility very difficult. Though it cannot be denied that we, Europeans, have also had an amazing labour mobility when pushed to it by hunger and persecution. In any case, the flexibility of the labour market in the United States reflects the flexibility of their society on the whole. In societies that do not have this degree of flexibility, the labour market will never be as flexible as the American one, although they be governed by a neo-liberal dictatorship. If we examine other institutions and economic behaviours we will see that the differences between Europe and America are due not to different policies and measures, but to conditions that determine what policies and measures are adequate for such different realities. This does not mean that some things cannot be imitated. The importance given to the development of science and technology for example and their commercial applications is something that we could be more concerned about, without cultural differences coming in the way. In this context, administrative hassles to establish new companies and foment the takeoff of technologically advanced companies could be reduced.

Europe could very fruitfully and without sacrificing its identity imitate the opening of markets to imports or the development of retail commerce that so effectively attract consumers, or the

price levels of transport, communications and utilities that influence production costs so much. There are many things that we could learn from the United States and integrate in the European economic model. But, for sure, if people desire a society like the American one, they have no choice but to go and live there, because it is not possible to reproduce it in Europe like one installs an amusement park (even Walt Disney amusement parks in Europe do not function the same way they do in America).

NOTES

1. *El Periódico de Catalunya*, 17 February 2000.

2. Unpublished text.

3. *El País*, January 24th 2000.

4. Billion in the Spanish sense of the word: 1 followed by 6 zeros.

5. In his last book '*Building Wealth*' the MIT economist Lester Thurow mentions the fact that the wealth of Bill Gates is equal to that possessed by the 40% least wealthy American homes. That is to say, one person possesses as much as 110 million citizens.

6. *El Periódico de Catalunya*, Tuesday 15th of June 1999.

7. *El País*, Tuesday 6th of July 1999.

8. *El Periódico de Catalunya*, 15th of November 1998.

9. Rating agencies are private organisations that are dedicated to evaluating the risks of investments. On the basis of studies that they carry out on companies and governments that issue debt securities (bonds, treasury notes, promissory notes, etc.) they give them ratings from less to greater security (less risk) so as to orient investors. The highest and most sought-for rating is a triple A.

10. This term comes from the world of insurance and refers to the behaviour of those who, considering themselves insured, behave in a way that often brings about the disaster against which they have been insured. If banks are over protected, they could embark on businesses that could put in danger the money of investors.

11. Place where in 1944 the meeting of the Allies took place to organise the world economy after the war. This meeting gave birth to the International Monetary Fund and the World Bank.

12. This is the name given to a monetary system in which the currency of a country has a fixed rate of exchange by law with the money of reference (the dollar in the cases mentioned); this system, moreover, does not permit the emission of an additional unit of the national currency without adding at the same time to the reserves a unit of the foreign currency. In this way the entire circulating currency is backed 100% by the foreign currency.

13. *Estris*, November and December 1999.

14. *ESADE Asociación*, January-February 2000.

15. If from the nominal rate of 3.25% we deduct the inflation rate of 2.9%, we have a real interest rate of 0.35% which is the lowest rate in the last fifty years.

16. To the devaluation of the Euro with respect to the dollar, one must add the price increase in dollars of petrol which two years ago was \$10 a barrel and today is \$29.

17. According to data of INEM in respect of May, of the 1,200,000 jobs that were created, only 107,000 jobs were for an indefinite period (92% were temporary contracts) *El Mundo*, June 3, 2000.

18. A quite frequent way of remunerating top executives of big companies. They are assigned a number of shares that they can buy at a fixed price and at a fixed date. If the value of these shares rises, they can sell them off at a big profit. If the shares lose value., the system does not function. It is a way of forcing or motivating executives to do their best to get the value of the shares of their company go up.

19. *El Pais*, Monday 7th of June 1999.

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