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'MIND THE GAP' [WHAT IS THE EU'S ROLE IN THE GLOBAL ORDER?]

Current European debates about the future of the 'Old Continent' are technically built around and concentrating on enlargement, trade, migration, social and monetary policy issues, in other words, on the 'hot-topics'. Not surprisingly, the general public can get tired of the vast amount of negotiations and meetings taking place – because not every single citizen comprehends entirely the crucial importance of those debates.

Getting the general public much more involved can be done by shedding light on the global importance of a strong Europe. By stressing the key role of the traditional European values – such as the need for a social contract, the centrality of a public realm and the principle of stakeholder capitalism, we believe, the emerging EU is not going to be solely about think-tanks and politicians rearranging a post-war order into a common market to counterweight that of the US. The stake is much greater than that.

This paper sets out to present two distinctly different courses of globalisation and the very roots in which they are embedded. We argue that the combination of values upon which we build our fragile world is not indifferent: upon American or European values. Letting the values of the American 'neo-liberalism' prevail over the European values of the social welfare states results in the widening of ine-

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quality between different parts of the world. In this sense, it is necessary to establish a European stronghold of fundamental values, which is able to properly counterweight the values of the US's world-ruling 'neo-liberalism'.

Though Americans genuinely have a different approach towards capitalism from that of the Europeans, there are true similarities as well. Both systems are capitalist at their roots, thus committed to profits, believe in the primacy of private property and the use of price signals in the markets to allocate resources. But in a greater context, the values from which the above-mentioned goals originate are distinctly different on the two sides of the Atlantic.

[THE EMBEDDED ROOTS OF AMERICAN CAPITALISM]

Upon arrival into the 'New Continent', the early settlers found no restraint on their capacity to own land. However, „…if the British, through the 'head-right system' of assigning ownership, tried to maintain the essentially feudal assumption that property was held in trust for all by the Crown and that it was only the crown that could assign true legal ownership or freehold."[1] The Declaration of Independence abolished all these constraints, in 1776. Thus, the settlers' sanctity over private property became cemented in the Constitution of the United States (Constitution) and ever since then it has remained unquestionable.

> *„The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute tyranny over these states. To prove this, let facts be submitted to a candid world. […]*
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> *„He has endeavored to prevent the population of these states; for that purpose obstructing the laws for naturalization of foreigners; refusing to pass others to encourage their migration hither, and raising the conditions of new appropriations of lands. […]*
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> *„We, therefore, the representatives of the United States of America, in General Congress assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do, in the name and by the authority of the good people of these colonies solemnly publish and declare, That these United Colonies are, and of right ought to be,* ***free and independent states****; that they are absolved from all allegiance to the British crown and that all political connection between them and the state of Great Britain is, and ought to be, totally dissolved; and that, as free and independent states, they have full power to levy war, conclude peace, contract alliances, establish commerce, and do all other acts and things which independent states may of right do."*[2]

After the war of Independence, the Americans assumed responsibility for their own governance – though a rather limited power was entrusted to their government. As the history of the US unfolds we shall see that the overruling power of uninfringeable private property rights were further extended to corporations.

[1] Will Hutton: The World We're In, Little, Brown, 2002; (p. 52).
[2] Declaration of Independence, July 4, 1776
(http://www.yale.edu/lawweb/avalon/constpap.htm)

This exact phenomena was then taken right into the heart of the theory of 'neo-liberalism'. A theory, in which the federal government should exercise its authority as minimally as possible; the states are given the responsibility to regulate as little as they can and the federal government should take on the duties of a defence 'company'. 'Neo-liberalism', nowadays, is pushing for maximising share value and neglects the reciprocal social obligation of the property-owners; property-owners, who are fighting hard for the lowest possible rate of taxation. These values provided the foundations of a good society, where inequality was believed to remain out of the question and provided the explicit prohibition of conferring titles on any citizen.

> *„No title of nobility shall be granted by the United States: And no person holding any office or profit or trust under them, shall, without the consent of the Congress, accept of any present, emolument, office, or title, of any kind whatever, from any king, prince, or foreign state. […]"*[1]

[FROM WHERE EUROPEAN CAPITALISM ORIGINATES]

As the Constitution banned the giving of aristocratic-style titles, granted in the feudal Europe, Americans believed that their society was more egalitarian than that of the Europeans. This can be considered to be true in the early days of the United States, given almost an entire continent lying in front of the colonialists and waiting to be claimed. But the statement that feudal Europe was an unequal society involves a fair amount of generalising. For one must learn that social privileges and wealth came with a wider social obligation. This obligation of the wealthy might take the form of contributing men to defend the realm or granting money to sustain justice and order. Nevertheless, we should admit that in feudal Europe upward social mobility for the lower casts of society was rather unlikely. As a consequence of the French Revolution the 'Declaration of the Rights of Man' was aimed to restructure the European feudal society, thus trying to amalgamate social classes. The Declaration of the Rights of Man, in its 17 points, sets out the basic civic rights, such as:

> *„Therefore the National Assembly recognizes and proclaims, in the presence and under the auspices of the Supreme Being, the following rights of man and of the citizen:*
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> *1. Men are born and remain free and equal in rights. Social distinctions may be founded only upon the general good. […]*
>
> *„2. The aim of all political association is the preservation of the natural and imprescriptible rights of man. These rights are liberty, property, security, and resistance to oppression. […]*
>
> *„4. Liberty consists in the freedom to do everything which injures no one else; hence the exercise of the natural rights of each man has no limits except those which assure to the other members of the society the enjoyment of the same rights. These limits can only be determined by law. […]*

[1] Constitution of the United States, Section 9 / 8.
(http://www.yale.edu/lawweb/avalon/constpap.htm)

> *„17. Since property is an inviolable and sacred right, no one shall be deprived thereof except where public necessity, legally determined, shall clearly demand it, and then only on condition that the owner shall have been previously and equitably indemnified."*[1]

However, it was the First Industrial Revolution that was to dramatise the social imbalances of capital accumulation and unlimited property ownership. The tide of the Industrial Revolution was accelerated by new innovations, which had largely contributed to the Agricultural Revolution. As a result of this great numbers of workers left for the cities in search of jobs. In the wake of European industrialisation and urbanisation there was an emerging class of industrial workers obliged to work amidst miserable factory conditions. The coming into existence of such a mass labour market, upon which the productive factories depended, found its voice as the flow of Marx's theory gained momentum. Trade unions were first formed in England, against controversy given the origins of the laissez-faire economics pre-dated socialism; the social movements became much weaker than elsewhere in mainland Europe. Then there were the so-called 'self-help enlightened workers' organisations' (St Vincent de Paul societies in France and Kolpings Gesellen circles in Germany)[2]. Despite all the efforts for securing the betterment of the working class in Europe, parliamentary social settlement could not be concluded at that time. The attempts were shattered by World War I and the Russian Revolution.

The War exerted its devastating economic consequences just as much on the victorious European states as on the rest of the participants of the War. Inflation was soaring and there was an excess amount of goods produced, contributing greatly to the rising level of unemployment around the continent. The working classes and the unemployed found the solutions for their problems in radical political ideas. The radical left and later right-wing theoreticians, embracing the lost cause of the low-cast classes of the society, provided a stepping stone for populist ideologies which could later gain momentum. All around the western parts of the continent it was left to central government to solve the riddle of problems in the economy.

England abandoned the fixed linkage to gold and established the sterling-area, all around the countries of the Commonwealth (and Portugal, Argentina and Brazil). They applied protectionism; the interests on exports lowered and the rate of domestic capital investment was accelerated. The economy picked up around the second half of the 30's.

France's socialist government engaged itself in the regularisation over working hours and the recognition of collective bargaining, but the question of capital flow and collectivisation remained open for further discussions.

[THE ROAD TO CORPORATE AMERICA]

Meanwhile, in America, where feudalism had never been experienced and, resting upon capital accumulation, where capitalism was flourishing, the prop-

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[1] Declaration of the Rights of Man; (http://www.yale.edu/lawweb/avalon/constpap.htm)
[2] See Will Hutton; (p. 63).

erty ownership was a private initiative and the federal state was required only to maintain order and arbitrate between private contracts. The liberty given to the inhabitants of the United States allowed them absolute freedom to acquire and dispose of their property as they wished – as long as it was not harmful to anybody in the society. There were no coercive constraints concerning the way one ran his own company, neither from governmental (federal) side, nor from the side of the states. It is laid down in the Constitution, that:

> *„No state shall enter into any treaty, alliance, or confederation; grant letters of marque and reprisal; coin money; emit bills of credit; make any thing but gold and silver coin a tender in payment of debts; pass any bill of attainder, ex post facto law, or law impairing the obligation of contracts, or grant any title of nobility. […]"*[1]

The companies in the US gained power over how to organise and manage their enterprise and how to relate to their shareholders, once the company's founding legal document was accepted. It became the absolute expression of the property rights in which the federal government had no right to interfere – that power rested with states. Until the ROOSEVELT years Congress was condemned to a never-ending debate with legislation powers over what can and cannot be done by the federal government. This argument was taken to its extremes as the sixteenth amendment[2] was passed concerning the levying of income tax, which was to be labelled unconstitutional by the Supreme Court's 1894 POLLOCK judgement[3]. The general individualist attitude of the Court changed as the consequences of the First World War and the Great Depression years took their toll on American society – whose leader came up with the New Deal.

Just as the New York Stock Exchange's Black Thursday triggered a rise in the rate of unemployment in the States and resulted in a worldwide depression, so the intervention of the federal government became increasingly urgent. It was the New Deal's initiative to improve the condition of the working people as a class rather than improving their conditions as separate individuals. The state gained certain welfare characteristics in order to tackle the drawbacks of the economic downturn. It introduced a social security system in 1936, recognised collective bargaining and regulated the number of working hours. Also, the government launched great public work programmes and recognised trade unions. But the New Deal was not just about these famous measures; it was about the reconstruction and reorganisation of the hitherto self-governing financial system. „The Glass-Steagall Act of 1933 forbade commercial and investment banking to be undertaken by the same company. Never again should losses in the stock market pollute the ability of the commercial banks to lend – the two functions should be kept separate."[4] Even though the government enjoyed firm public support it could

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[1] Constitution of the United States, Section 10 / 1.

[2] Passed by Congress July 2, 1909. Ratified February 3, 1913.
The Congress shall have power to lay and collect taxes on incomes, from whatever sources derived, without apportionment among the several States, and without regard to any census or enumeration.

[3] See Will Hutton; (p. 60).

[4] See Will Hutton; (p. 121).

not intervene in how a corporation was to be run. Instead, it made the legal founding document the focal point of how internal affairs should be built up. It ruled that the directors had to have a reciprocal commitment to the company. „This had three components: managers were legally obliged to act in accordance with the principles of the founding document, to act loyally in the interest of the corporation and to accept a duty of care, which was defined as acting in a way that reasonably protects the interests of the investors."[1]

The concept of the laissez faire economics and the realm of the free market meant depression, while government meant growth, work and new opportunities for all. During the Second World War the government extended its authority by providing contracts for companies which, as a result, underpinned the grand increase in production and established scientific and technological leadership.

It was the fight against the advance of communism and due to the lost war in Vietnam in the 70's that inflation moved towards 5 per cent, the defence expenditures had a 10 per cent share of GDP and the trade deficit had reached so far unprecedented levels. Unemployment was soaring and the US dollar's fixed linkage to gold could not be maintained any longer (under the conditions of the Bretton Woods Agreement). All these events created perfect conditions for the republicans, who by that time had money, ideology and a good enough background, upon which they were able to build their theory of 'neo-liberalism'.

It culminated in 1979, when the Business Roundtable published its manifesto, later to be known as the 'Washington Consensus' (balanced budgets, tax cuts especially on corporations, tight money, deregulation, anti-union laws; later topped-up with privatisation, opening up to foreign investment, cut back on welfare, health and education and the acceptance of the principal of price stability)[2].

In the 70s, as company profits dropped back, the growth and the productivity also fell and investors began to advocate the proper restoration of their property rights. That is to say that managers had to act in a way to primarily serve the owners' interests, i.e. to put dividends first. The CEOs (Chief Executive Officers) were given the incentive to act in the true interest of the owners by connecting their own remuneration to share prices and thus began the glorious march of the share-option top-ups for salaries. As the hawks of the stock market gained power to control the economy, Corporate America did not care about investment and innovation any longer, or creating value in the long run. Instead its aim became to squeeze out the maximum value from a company through financial engineering.

[THE EMERGENCE OF WELFARE STATES AND THE STAKEHOLDER CAPITALISM]

There were substantial changes under way by the end of the Second World War. The economic and military supremacy of the United States became unquestionable. England and France both became debtors of the US, and of course, many countries were rebuilt with US assistance. Around Europe it was the time of the social-democratic governments. They did not really need a sharp eye to

[1] See Will Hutton; (p. 121-122).
[2] See Will Hutton; (p. 106, p. 196).

recognise that nearly all societies were in need of government assistance to establish a minimum level of social security and a fair level of equality – it was a public requirement. Although it was clear that the restoration of the economy was conducted by central governments, a big question remained: how to find a balance between the freedom of the market forces, the engines of any economy and the acquired rights of workers – rooted deep in feudal and Christian foundations.

It is a general phenomenon that for mainland European companies, besides the sole interest of shareholders, rather, there are several interest groups existing as part owners of a company (such as other companies, banks, employees, management and government). The latter mentioned features can best characterise the difference between the stakeholder and shareholder structures. Usually the German, French, Italian and Scandinavian stakeholder structures are the dominant ones.

Throughout the course of German industrialisation banks were to have a key role in financing companies. Banks were the entrusted custodians of the company's stock market operations and provided the necessary capital for further investments. The stock market, therefore, had a minor role in the financing of German companies. In recent days, creditworthiness and reputation are so closely linked to the market's judgement that more and more German companies have been focusing on achieving the highest possible stock market value for the group. But it must be noted, it is not to put the shareholders rights above the commitment to company goals.

It is, rather, just a 'technical flick' to satisfy stock market hawks. Notably, there is a supervisory board consisting of trade union delegates and members from regional government. Directors' share options are worth much less when compared to those of American corporate directors. The way in which share options could and can be exercised did not and even nowadays does not allow many opportunities for hostile take-overs.

French companies have managed to preserve their family-like structures. A great part of the shares are still owned by the original founding family's members. In the financing of companies both the banking and the government sector have played a major role. As KAMILLA LÁNYI argues[1], it is very likely that the members of the board of directors are delegated from high governmental positions and the way in which employee representation is dealt with is usually that trade unions members are assigned to stand for employees' interests. French companies are also highly committed to investing a good deal of their turnover into R&D activities, just like the German companies; a much greater share than most US companies.

Distinctly different from the French and German structures the company structures in Scandinavian countries have as a common feature a strong and traditional presence of collective bargaining processes and a central role to which the trade unions are entitled. Beside the social obligations, corporations are greatly motivated to invest in R&D activities, to stay ahead of their rivals on the market. As one key Nokia manager would put it: 'Using traditional financial measures is liking

[1] See Kamilla, Lányi: Európa választásai (valóságosak, képzeletbeliek, elodázottak); in Valóság, 2001. június.

driving a car by looking at the rear-view mirror…for us there are three basic critical success factors: customer satisfaction, operation efficiency and people involvement.'[1]

The characterised models are examples of the three most distinct European social models, respectively: the German social market model, the French statist model and the Scandinavian socio-democratic model. Company culture reflects its country of origin, but they all share something in common: a strong commitment to social security and a high and sophisticated system of labour market regulation. In Germany, both employers' and employees' contributions tend to be rather high, and it's clearly kept separate from the tax system. Benefits reflect the varying contributions, instead of providing a quasi-equal entitlement for every citizen. This characteristic can be best observed in pension benefits. Had it not been a popular system, it would not have been copied by post-communist Eastern European countries. The French have an almost universalist approach towards a welfare system paid for by social security contributions. It also maintains a profound commitment to public health and education. The Scandinavian approaches tend to be more egalitarian in terms of matching the benefits to the contributions. As the level of the income taxes as a percentage of gross wages is the highest in Europe, the welfare system is funded by taxation.

Last, but not least, a crucial intermediary forum, the European Works Council (EWC)[2] has to be represented in corporate decision-making. This body, comprising of trade union members and/or independent advisors, employee representatives and directors/managers, does not have the right to initiate strike action, but has the right to negotiate in the name of the workforce, for better working conditions, training opportunities, health issues at the company, a reduction of the working hours, and so on. As such, it is a forum that provides information and a platform for consultation for the workforce to negotiate sensitive issues, reducing the risk of an industrial conflict between management and workforce.

[THE CASE OF BOEING AND AIRBUS – A COMPARISON]

To best highlight the downfall of some prestigious American company's economic activity for the sake of maximising share prices, and to compare the two types of capitalism, let us quote a short extract from WILL HUTTON's book concerning the story of Boeing and Airbus.

The Boeing Corporation was a company of excellence in the 60's America. Its chief aim was to build the best planes on the world – the company remained faithful to its founding document. It had established a close relationship with the government as a defence contractor. By maintaining such a tight linkage during WW II and at the beginning of the Cold War era with the federal authority, it could accumulate the necessary funds and lay the foundations of strong technical advances for developing civilian aeroplanes. The greatest portion of its shares was owned by individual investors. A network of banks supported the growth of the company with their interest in the company's future. It was a good collection of the means of production to allow the company to embark on its major develop-

[1] Quoted from Will Hutton; (p. 242).
[2] For further information on EWCs and industrial relations, visit: http://www.eurofound.eu.int

ment project: to design the all-time biggest civilian aircraft in the world, the 747 series. Part of its risk was covered by the orders of Pan Am, of which the risk-taking in ordering such a supposedly high cost craft was partly underwritten by regulated ticket prices. As developments wore on, foreign orders were cancelled; but by 1970 the first jumbo was delivered to Pan Am. The grand project did not pay off; the corporation was about to abandon its aviation business, when out of thin air came an order for eighty-three 747s, as the airline business picked-up in 1978. It catapulted the company to amongst the top-performing companies in the States. But the aviation business is highly dependent upon R&D and a highly skilled workforce. By the late 70's in the US deregulation was well under way, and acquiring short-term profits gained primacy. Corporate raiders attacked the undervalued companies, wanting to strip them of cash and assets in order to free value. The largest investors by that time became the pension and mutual funds, pushing for the highest possible share values. To serve the interests of its chief owners, Boeing was no longer interested in great development plans; rather, through a takeover it tried to boost incomes – given that the company it bought was the McDonnell Douglas with military contracts. As the company announced in 1997 that it had no intention building a new super-aircraft, the share value reached its peak. It was the time when Boeing lost out on the competition with European Airbus, which launched its super-project in building the greatest aircraft to cruise the skies from 2006.

Airbus then had firm support from governments – scorned by the US, saying they did not have direct federal support (except the defence contracts) – and acquired the skills and technological leadership. The story started in 1967 when German, French and British governments committed themselves to building an organisation able to counterweight the monopoly of Boeing. And the story, which is almost exactly the contrary of the contemporary Boeing story, successfully unfolded, as the European consortium remained faithful to its long-term vision of building the aircraft and could remain intact from the destructive 'short-termist' aims. It husbanded the workforce, design capacity and production infrastructure. Airbus put the satisfaction of the customers and fighting for orders before demands for dividends. And yes, indeed, it is a segment of the company which could not and still cannot stand on its own two feet – as the development of such enormous projects needs supervision and regulation to gain adequate strength for future competition.

[WHERE IT ALL WENT WRONG]

We presume we are to admit it all happened in the US; or should we rather say on the Wall Street? Should the 'neo-liberals' be blamed or perhaps the American relationship with regards property and all that it entails? It would be wrong to do so. Instead, we shall assess *how* it all went wrong; what can we do, what should be and what must be done to avoid such misdeeds.

The reasoning with which we can assert the EU's role in the current global order must be initiated with the observation of the US stock market bubble over the last decade. Due to the investments in the high-techs, productivity soared, as well as incomes. The rate of unemployment shrunk, poverty was reduced and everybody wanted to believe the powers of the New Economy. However, while on the main stage the economy seemed to be performing like clockwork, on backstage a time bomb was ticking away.

The very well known scandals, announced by the world's leading newspapers' headlines all around the globe, were triggered by the usage of 'Creative Accounting' practices (Enron, WorldCom, etc.). It is fair that every business wants to make high profits. Because high profits result in higher share prices – the consequence is the arrival of more capital which can be invested thus maintaining the growth of productivity. Still, for CEOs in the 90s there was a question remaining: how are we to reap good profit figures for stock market investors, fairly quickly? The first option they had to hand was to boost the investments so that profit figures booked can give a reasonably good incentive to the investors but it was not rapid enough to ride the tide of investment (this would have been the European approach). So they took the second option, i.e. to deceive investors by unreal profit figures in the books. Share prices should reflect the best information available on the market for investors. Hence, misguiding signals would lead to poorly allocated resources. And that is exactly what had happened. Figures were sexed up to attract investors and there were no real economic foundations to underpin those figures. To make things worse, CEOs remuneration was linked to share prices, so they were extremely interested in applying misleading accounting figures – human nature cannot be changed overnight. This vicious circle directed the attention towards the lack of government ruling the free market conditions and correcting the drawbacks of an unregulated market. It is not just the hordes of CEOs who are to be blamed; as JOSEPH STIGLITZ argues it was also the interest of Wall Street and Silicon Valley. Furthermore, in order to get what they desired so much, they bought decision-makers, politicians and everybody they needed to bribe.

Besides the accounting failures there was another dangerous phenomena of the 90's American capitalism: deregulation. Undoubtedly, New Deal regulations put heavy burdens on the economy. The world changed since that time but not the rules. Therefore, deregulation seemed legitimate and advanced vigorously. Instead of re-regulating important constraints, rightfully locking certain spheres of the economy, abolition of such regulations became the new trend. It had happened like this in the case of the 30's Glass-Steagall Act.

> *„For more than half a century commercial banking had been separated from investment banking, with good reason. Investment banks push stocks, so if a company whose stock they have pushed needs cash, it becomes very tempting to make that company a loan. […] „Deregulation policies did help to fuel the economy in the short run. They created a stock market bubble that made some investors into millionaires overnight. But they also fed an irrational exuberance (to use ALAN GREENSPAN's famous phrase) that eventually led to a huge misallocation of resources. Money that could have gone into basic research, to improve the country's long-term prospects; money that could have been spent to improve the deteriorating infrastructure; money that could have been invested in improving both dilapidated inner-city schools and rich suburban ones, instead went into useless software, mindless dot-coms, and unused fibre-optic lines."*[1]

[1] Joseph Stiglitz: The Roaring Nineties; The Atlantic Monthly, October 2002, Vol 290; (p. 75-89).

[Exporting the 'Washington Consensus']

The Bretton Woods system happened to collapse in the wake of the 70's. Upon the Bretton Woods system (currencies were pegged to the dollar which was pegged to the price of gold and was freely convertible) lay the foundations of two great international institutions, namely, the IMF and the World Bank. Both institutions were the custodians of global public interests. The international system of exchange rates was policed by the IMF, while the World Bank was responsible for providing the then third world (now, the world's poorest part, sub-Saharan Africa) aid and loans. As the 'neo-liberal' think-tanks tightened their grip on the economy, these two aforementioned institutions became the mouthpieces of their propaganda. American banks, having given them opportunity to lend abroad, became the creditors of poor countries. Capital controls were lifted, so US banks could lend enormous amounts of capital. The rate of inflation was soaring in the 70's America, and it was discovered, to be a result of the growth in the money supply – which is controlled by the government. So if the rate of inflation was high that could be because the government set interest rates too low or because it spent too much, financing it by printing money. Disaster occurred when in the early 80's, the Fed doubled interest rates to control the money supply.

Meanwhile, as the world's developing countries were loaded with dollars, lent by banks, they found that their debt requirements doubled too. Mexico went into bankruptcy. Bailout plans were approved by the IMF to help economies repay the loans to Western banks. In return for that help they were required to open up their economy and encouraged quick capital-market liberalisation – which is necessary for speculative investments, seeking more attractive rates of returns than at home. In reality it was the banks that were bailed out just as much as the countries. Deregulation, privatisation and all those features of the 'Washington Consensus' were exported, in order to help devastated economies.

> *„The case of free movement of capital is based on a logical foundation. Poor countries need funds to develop, and rich countries tend to have a surfeit of savings; so why deprive the less fortunate of financial resources? […]*
>
> *„They believed the building of factories and other business operations in low-wage developing countries was generally positive for living standards their problem lay with financial flows, especially short-term flows, which are susceptible to sudden reversals."*[1]

The US, leaving the developing countries' economies in shambles lost its moral leadership. Investors' confidence faded away, as the then so reliable accounting standards became the toys of shareholders to achieve always higher share values, thus accumulating their wealth.

According to an interview with Malawi's governor of the Northern Region (Malawi is a sub-Saharan country), still, the greatest aid proportions were arriving from the IMF and the World Bank. Mr MKOCHI believes that the West needed Africa as long as it was fighting against international communism. Once the battle was won, they did not need African countries any more. What he says is that

[1] Paul Blustein: The Chastening: Inside the Crises That Rocked the Global Financial System and Humbled the IMF (2001), The Atlantic Monthly, October 2002.

they were simply bought by the West. He informed me that the IMF still wants them to implement the policies advised in return for financial help – but IMF must have the lowest bargain prices for their exports and that the IMF insist on selling Malawian assets at these lowest prices. He overtly admitted that all he wishes for is to witness the new 'colonialists' „leaving their country alone" – a clear message, indeed.[1]

[THE EU'S ROLE]

Enter the EU. In short: the EU's role is to correct the unfair anomalies of the American-style capitalism, which was exported by the US. Meanwhile, it is a key role too, to counterweight corporate capitalism gaining absolute power over weak and volatile economies. Instead we, here in Europe, are to show the world that an economy can be conducted in a different way than that of the US approach (continuing in present days as well, under W. BUSH) and spread around the advantages of stakeholder capitalism.

We have to stress the importance of a central authority, i.e. a central government. The globe is in need of a global government. Global problems demand a global solution; we are in need of a global government. A government, which recognises the needs it should ideally serve: the globe's interests. Instead of being an 'active government', it should be a 'passive' one; active only in halting the pace of the global corporate greed.

Throughout this paper we set out a litany of arguments concerning how greed can lead to the mismanagement of capital and information, which can affect a country even in the furthest corner of the globe. In an era when globalisation unfolds at its full swing we cannot create a world order upon the foundations of dependency theories. The EU, with its pumped-up and robust bureaucracy, could somehow maintain some key features of the stakeholder capitalism – not letting the free market predators chase weak preys; a proof for the necessity of a central regulator. But we must not accept an inefficiently working welfare state just because there are no alternatives. We are to create those alternatives. And since globalisation is an economic phenomenon at first place, we should base reforms on this. And that is why and how the united EU has a major role, as a custodian of a much fairer and egalitarian system than that of the US's.

International regulations have never been so urgent before. The original structure of the IMF should be rebuilt to serve the global public economic (and social) interest and those who are in need of help. With the strength of the euro, the EU now has the weapon with which it can challenge the supremacy of US ideology in the post-Bretton Woods institutions; as the EU contributions exceed those made by the US (while the US has around 18 per cent of votes, the EU has almost 28 per cent, if it chooses to vote as a block, together with British votes). For this, we need a strong and united Europe and we must fight for it.

[1] Interview with Mr Wyson Gibson Mkochi, Governor of the Northern Region in Malawi, by Ferenc, Jakab; (03/10/2003).