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BRIDGE THE GAP
(LESSONS AND PLANS HOW TO TACKLE POVERTY)

We have compared the American style capitalism with its European style counterpart, in the first part of our paper. In doing so, we tried to present their historic roots and also their pros and cons. In the concluding part of the comparison, one may admit that at present, the American-lead world order is rather unilateral. In a so much interdependent, globalised world, unilateralism fails to bring along peace and societal satisfaction. The 'neo-liberal' world order, the greedy powers of free market capitalism, seems highly likely to lead us all into an unfair and unstable state of existence; where the lucky ones are to gain even more in expense of the poor – this character of globalisation failed to bring economic benefits promised for all at the beginning of the era of globalisation. Those in pain must be compensated for any unseized opportunities. In order to facilitate their compensation we need a strong EU, built upon its principals of stakeholder capitalism, social contract and European consciousness. In our argument we believe that by the 'exportation' of these principles a better functioning economic order can be established; springing into a far fairer way of global order. In the scope of our vision, by following this European path, we may be able to bridge the gap between the poor and the rich parts of the world.

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Bridging the gap between the wealthy and the poor is not as easy as it seems for the first sight. The European values and principles should get exported for the betterment of all; only if the EU firmly believes in their virtuousness and only when the EU has a common European consciousness. The virtuous principle of stakeholder capitalism, embodying social obligations attached to ownership; an active initiative to train and maintain a highly qualified workforce; a high rate of re-investment of profits into R&D activities is for enhancing social solidarity. The principle of social contract, which means, risks of a society are shared collectively, is another true manifestation of social solidarity. The values carved into the aforementioned two principles, determining the way of 'European capitalism', are to be exported together with the principles.

In this, concluding part of our study, we try to answer the questions of what duties should rightfully be conferred upon three players of an economy in order to successfully bridge the widening gap in the (world) society. A Nine Point Action Plan, soaked in the European values and principles, is outlined to seek a theoretical solution for tackling poverty. We believe that the success of the programme supposes the smoothest of co-operations of the three actors of any of the markets; namely the individuals, the firms (representatives of private interests) and the government (the voice of the public interests). For this plan to be carried out we assessed the needs and obligations of two important players of an economy. We tried to create the table of global and local responsibilities and obligations in a manner that we think they would best deliver economic growth and the elimination of poverty. We will try to cast light on some of the failures of the IMF policies ensued after their implementation. These failures may provide a lesson for one who is overlooking the policies that had been introduced throughout the East Asia crisis or during the collapse of the Russian economy in the 90's. In connection with the East Asia crisis we will, though just briefly, line up some of the shameful consequences of the failed programme-points suggested for developing economies.

The mismanagement of the international economic stability under the protective wings of the IMF is likely to be blamed for the widening gap between the poor and the rich parts of the world. Wrong macro and monetary strategies, advocating fast recovery, were imposed upon many developing countries. If one associates globalisation with the exportation of the Washington Consensus's main standpoints then one is right to declare that globalisation has failed to deliver its promised benefits. The main failures of the crisis can be gathered in a group of three: Capital and financial market, and also, trade liberalisation, privatisation, fiscal austerity and mismanaged macro-strategies. In addition to the implications of all of these backfired recommendations, there are other mistakes. Such mistake, for example, is the timing and speed of the recommended policies that were carried out in the late 90's. Furthermore, by now, that the crisis are over and that the grave results of policy implementations – dampening exchange rates, bailouts and explanations – have unfolded, one can rightfully shout at those sitting at the steering wheel of the IMF, for they had been wearing blinkers when carrying out their tasks; because the IMF should have recognised such programmes' pivotal role in a transforming society and at least assess the possible outcomes[1]. For instance in the 'pre-crisis-hit' period of developing Asian societies, no one could expect them to have a smoothly working social security network and to maintain a so outstanding economic growth, at the same time. Following, from another, maybe an even more important perspective, economic growth is to be considered as just one aspect of development; for the quality of living standards matter at least as much. In this respect life expectancy, the rate of child mortality, malnutrition, the state of public health services, the supply of medicines, literacy, school attendance, clean drinking water, the exploitation of the local workforce should all be regarded as equal tasks to be solved as economic growth, where the drawbacks of unfair capitalism needed to be amended. If one wishes to propose any kind of overall solutions for these issues at governmental levels, then one is to call for a well-functioning social and health security system. Both, the grass root and the governmental initiatives, as basis of a societal safety net, are very important to be set up when major economic transformations are under way. Without such measures undertaken, in the case of failed policies, societal solidarity, the very foundation of a working social contract can be weakened. The lost confidence of a society in its ruling class can then trigger social upheavals and riots.

Let us have a closer look at the mismanaged policies in greater details, suggested by IMF bureaucrats sent on three-week long missions to study the special needs of several developing nations.

[FAILURES NO. 1 – CAPITAL, FINANCIAL AND TRADE LIBERALISATION]

A countries' financial system is often referred to as the brain of an economy. It allocates resources on the market, thus ensuring that capital flows to places and to users where it yields the most. Developing countries e.g. in East Asia had an existing financial market regulation system, which was to control speculative capital flowing in and out of the country. With Wall street-backing, IMF bureaucrats, the free market fundamentalists, argued and weighed in favour of capital and financial market liberalisation seeking a more efficiently working financial market. Bureaucrats pushed their ideas further, saying that by freeing up capital and financial markets countries would be able to attract more foreign investor. (Even though Asian countries, at that time, had proportionately high rates of savings; which could have very well trigger local investments.) In reality, foreign investors and creditors recognised the good rates of return for short-term investments in the very well yielding Asian industries. So due to changes on financial regulation loans could be called for from foreign banks.

No matter that Thailand, Korea, Indonesia, China and Malaysia did not really need extra foreign working capital, financial market liberalisation had to be completed rapidly. As soon as the liberalisation was fully undertaken, the countries'

[1] The 'trinity' of IMF policies – rapid liberalisation, privatisation and austere fiscal and monetary measures – were traditionally designed, to treat South American, authoritarian economies.

financial markets became the targets of speculative capital flows. The disaster commenced in Thailand:

> *„Speculators, believing that a currency will devalue, try to move out of the currency and into dollars; with free convertibility – that is, the ability to change local currency for dollars or any other currency – this can easily be done. But as traders sell the currency, its value is weakened – confirming their prophecy. Alternatively, and more commonly, the government tries to support the currency. It sells dollars from its reserves (money the country holds, often in dollars, against a rainy day), buying up the local currency, to sustain its value. But eventually, the government runs out of hard currency. There are no more dollars to sell. The currency plummets. The speculators are satisfied. They have bet right. They can move back into the currency – and make a nice profit."*[1]

The IMF knew how to react: it responded by providing huge amount of money to bail out the countries that suffered the most. But governments, instead of using the money to sustain exchange rates, provided firms the money to repay their loans, called in from foreign banks – as the confidence faded (the 'perfect' reaction when fearing the return of their loans; though it sets a vicious circle off in an economy). Thus, the whole bailout was practically bailing out Western banks. Confidence lost. Firms did not get any loan as all of their loans due could not be rolled on toward their creditors. It resulted in non-performing loans in banks' balance sheets. When a firm goes into bankruptcy, banks cut back further on their landing. This brings along a halt in expanding production; the results can be witnessed in the decline of output and income. Finally firms give in and declare bankruptcy – a grave situation for banks as well. Unemployment appears and all this has a significant impact on the society and further exacerbates a downturn.

Trade liberalisation is another hot issue worth a closer observation. Immediate removal of tariffs and trade protection can be fatal given the sudden changes it ensues. Very often, local firms and enterprises are unable to bear the weight of international competition – which would, reasoned IMF technocrats, supposedly drive resources form less to more productive uses. They pushed on, saying that it would also bring about new job opportunities as the old workplaces, created behind protectionist walls were to fade away as more productive jobs appear in the market. But such was not the case. Because developing countries often lack the necessary capital and entrepreneurship to found firms and jobs. In a developing country, generally, there is a shortage of capital due to the lack of bank financing and a shortage of expertise, due to the lack of education. Matters can be made worst when foreign banks are allowed to take over the leading role in the financial sector. It is mainly, because the great foreign banks are less attentive to making loans for local farmers engaged in agricultural activities (e.g. in sub-Sahara African countries), which activity has a lion's share in such developing countries' economic cake. And even if they had been able to successfully apply for a loan, under the spell of fiscal austerity programs, entailing high interest rates, they would not have been able to repay them. In such conditions job creation and en-

[1] Joseph Stiglitz: Globalization and Its Discontents; Penguin, 2002; (p. 94).

terprise foundation seemed very likely to be impossible; given the high costs of investment and growth. The social costs of such liberating actions and policies are mounting.

> *„The Western countries pushed trade liberalization for the products that they exported, but at the same time continued to protect those sectors in which competition from developing countries might have threatened their economies. This was one of the bases of the opposition to the new round of trade negotiations that was supposed to be launched in Seattle."*[1]

As governments' public spending was restricted by international organisations, neither education, nor any form of social insurance system could prevent the devastating consequences of mass unemployment.

[FAILURES NO. 2 – PRIVATISATION AND THE FOREIGN DIRECT INVESTMENTS (FDIS)]

Under normal circumstances, privatisation is not an issue subject to refusal. It occurs in many developing countries where a government is engaged in activities which should not be its business. Government-managed firms can hardly have better incentives of how to find the perfect balance between market demand and supply, than the participants of the market itself. (For negative examples one can turn to study Soviet-communist countries' economies; market indicators cannot be neglected.) Balanced market prices are set by the interaction of supply and demand. Furthermore, without stimulus (i.e. one not getting rewarded for one's efforts) to perform better either as an owner, part owner or employee of a firm a 'spleen-economy' is very much likely to emerge. It so follows that the introduction of privatisation and the primacy of private property is essential for establishing a market economy. This process is complicated enough; as such, it cannot be completed overnight.

On the contrary, to cite examples that rapid privatisation of government owned firms are not necessarily beneficial, it should be enough for one to recall what had happened in Europe after the WW II. Almost all around the continent, government activities arose in creating social security systems and unemployment benefit schemes, only because markets have failed to provide these essential services. Obvious then that government' privileges should be dismantled gradually – if at all they are to be dismantled – leaving time and place for home-grown companies and for the citizens to adjust.

The IMF thought otherwise. As they rigorously focused on macro-stability, privatisation had to be undertaken in a rapid pace. Getting quickly rid of government properties could result in extra revenues for the state's budget. Privatisation, if it is not done in the right manner, has another face; a face more frightening for the consumers than for the government. The incoming invasion of international private enterprises can crash home-grown companies to the ground and can erase competition entirely, instead of supporting it. Often, as a result, they enjoy monopoly – causing suffering for the people by rising prices to their liking. There is yet another social dimension. As mostly these foreign investors are

[1] Joseph Stiglitz; (p. 60).

driven by their owners' appetite to gain as much as possible on their investments, so to achieve higher and higher rates of profit, it is not uncommon that they cut back on payrolls. This step, of course, leads to the well known rise of the rate of unemployment. And so the argument goes: without proper social insurance… the vicious circle of poverty enfolds. Though incoming foreign enterprises have the access to world-wide markets, expertise, sources of finance, still, as we saw, they can easily destroy local competitors. This definitely directs our attention to the lack of proper competition and labour laws and to the lack of financial regulations – corrections are vital.

The pillar of privatisation of the Washington Consensus has another, even if again not economic, but socially and politically devastating effect – what we have already labelled as important an effect of transformation as the economic effects. The socio-political effects it results can bring about social upheavals, unrest, turmoil and violent riots; all of which are very harmful for attracting investments – the vital and powerful engines for economic growth. When the people of a country see their leaders being bribed in return for granting national industries into foreign investors' hands, the unity and the trust is very likely to fade away. The long-run effect of the loss of trust leads to a disintegrated social contract. And this social contract between the society and the authorities, which has been flourishing e.g. in mainland Europe, is more important as a principle rather than simply sacrificing it on the altar of market fundamentalism.

The fallacy of privatisation became most worryingly apparent as it was put into practise during the Russian transition. The very tip of the 'privatisation iceberg' went down in history as the loans-for-share program.

> *„In 1995, the [Russian] government, instead of turning to the Central Bank for needed funds, turned to private banks. Many of these private banks belonged to friends of the government who had been give bank charters. In an environment with under-regulated banks, the charters were effectively a license to print money, to make loans either to themselves or their friends or to the government. As a condition of the loan, the government put up shares of its own enterprises as collateral. Then – surprise! – the government defaulted on its loans; the private banks took over the companies in what might be viewed as a sham sale (though the government did go through a charade of having „auctions"); and a few oligarchs became instant billionaires."*[1]

[FAILURES NO. 3 – FISCAL AND MONETARY AUSTERITY PROGRAMS]

No matter even if it sounds surprising, but the IMF designed its aid/bail out programmes in line with austere fiscal policy and contractionary monetary policy measures – which they believed would contribute to restore investors' confidence. Even though, as one could well observe by reading the first part of the paper that e.g. during the Great Depression it was exactly due to expansionary fiscal and monetary policy decisions that countries could recover from the downturns of the 30's.

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[1] Joseph Stiglitz; (p. 159).

In the scope of austere fiscal policy measures were the recommendation of forming a balanced budget in developing countries and in countries facing economic recession. These recommendations could have been met by raising taxes or cutting back on governmental expenditures (and by privatising), or by reducing the trade deficit – to build up reserves in order to repay foreign creditors. The latter suggestion can be successfully achieved in two ways: either by increasing exports or by decreasing imports. The first way is rather difficult in an economic environment, where exporters cannot easily obtain finance to expand their exporting activities because the financial markets are in disarray – due to financial market liberalisation and its consequences, for instance. Then the remaining option is to decrease imports. The initial aim was to shift consumer demand to domestically produced goods, thus stimulating aggregate demand. Meanwhile, a reduction in imports results in the reduction of exports in a foreign/neighbouring country. So the theory of how to deal with a devastated economy actually fired back in reality.

And there were the conractionary monetary policy measures implemented as well. J. STIGLITZ writes: interest rates were to be raised in order to attract foreign capital flowing into the country. It would have supported the exchange rate and so stabilise the currency. But one cannot forget about the amount of loans called in (due) by foreign creditors (or by privatised banks in a developing country); an increase in interest rates when the level of indebtedness is high, is particularly a sensitive issue. Firms became distressed as they cannot pay their loans back; it leads to more non-performing loans in banks' balance sheets. The whole process further exacerbates the economic downturn, although it desired the other way around.

[ASSESSMENT OF THE TASKS/GOALS AND THE MEANS/OBLIGATIONS OF THE ECONOMIC ACTORS]

Though the examples cited were mainly from the East Asia crisis, the moral lessons stubbornly remain the same even in the case of developing countries elsewhere on the face of the earth (with their particular circumstances being weighed up within the scope of recommendations): all kinds of policy recommendations should have an outcome-assessment on their economic and societal implications as well. In more details: the tasks/goals and the means/obligations of each developing country are needed to be analysed, then harmonised, to confer the roles on each actor of an economy with more success. The powers of free market capitalism create wealth and income inequality, if let alone. History taught us we are in need of a go-between, to enhance social solidarity and to smooth the inequalities, to bridge the widening gap formed in between of the poor and the wealthy. This go-between/mediator is well-recognised to be the (central) government, carefully allowing market forces, after a transitional period, to be.[1] It seems that by now we have three actors concerned in this global/local economic

[1] Vast amount of literature exist about this topic; some of those one can find interesting: Joseph Stiglitz: Globalization and Its Discontents; Dani Rodik: Development Strategies For the Next Century, Harvard University, February, 2000; World Development Report 2005 (Draft Report Outline), Improving the Investment Climate for Growth and Poverty Reduction, November, 2003.

play: the society/individuals; firms (private interests) and the government (public interests).

As a result of smooth co-operation in between these players, a sustainable economic growth and the elimination of poverty are to materialise; attention on poverty, as much as on growth is to be paid when necessary policies are constructed. We shall assert the general tasks/goals and means/obligations of the firms and the government, to see what duties should be conferred upon the three players of an economy rightfully for bridging the gap in the (world) society.

[THE NINE POINT ACTION PLAN]

Presuming that a 'European dream' would better serve the interests of a global society than that of the American, we should lay the foundations of well established European principles of stakeholder capitalism, social contract and public realm. To firmly establish these principles, the perfect seedbed can be provided by professionally prepared and implemented policies, soaked in values like moral equity, tolerance and societal solidarity. Kind of policies that are, in great details, addressing the different needs of different developing countries – the ill-famed 'one-size-fits-all' strategies are for the waste. (Though we must be cautious not to force our beliefs upon developing nations, but facilitate them forming their own opinions upon their own values and beliefs by only giving the slightest hint of our historically tested principles which may contribute to better living conditions.) On the other hand, before one preaches clever ideas from the comfort of high-tech offices, one is required to learn what kind of actions could be undertaken in the developed world to foster and 'practise' global societal solidarity. (It would be desirable to direct one's attention toward the matters of trade barriers and subsidised goods, for example.[1])

We shall also answer the following calls: How to practice the then exported values of societal solidarity? With what tasks should the EU be entrusted in fostering the eradication of poverty? This is a riddle complicated enough to be solved.

The actual response for tackling poverty must be twofold. In practical terms, a properly overlooked and worked out policy-package should be proposed for further negotiations with local economists, politicians, think tanks. Working in line with these policy-recommendations there is a strident cry for international organisations engaged in political, economic and environmental issues. These international institutions, overarching different international issues need to remain faithful to their original mission and without a democratic deficit.

Key values:

[1] Joseph Stiglitz; (p. 268): „Farm subsidies used to be criticised as a waste of money, a violation of free market principles, bad for the environment, and mainly going to the rich farmers rather than the poor small farmers that they were supposed to help. But to these complaints an even more cogent one has been added: by increasing the supply of the subsidised goods, the gains of rich corporate farms in America come largely at the expense of the poorest of the poor internationally. For example, subsidies to 25,000 American cotton farmers exceed the value of what they produce and so depress cotton prices that it is estimated that the millions of cotton farmers in Africa alone lose more than $350 million each year. For several of Africa's poorest countries, losses from this one crop alone exceed America's foreign aid budget for these countries."

- Moral equity;
- Tolerance;
- Societal solidarity;

Key policies:

- Healthcare policy;
- Education policy (primary, secondary, further/higher education);
- Labour policy;
- Investment policy;
- Institutional reform:
- Legitimately working World Authority (Global governance, a reformed UN), according to the principle of subsidiarity;
- Supreme Environmental Committee (built on the idea of subsidiarity);

[THE EU'S ROLE]

A successful economy is one which recognises that its economic success depends at least as much on how it works as a socially responsible system as on its efficiency as an economic mechanism – the harmonised 'trinity' of the three actors.

In the present EU we are to witness an economy more or less socially responsible and accountable for its acts. The European characteristics of stakeholder capitalism embody important values: social obligation attached to ownership; an active initiative to train and maintain a highly qualified/skilled workforce; a high rate of re-investment of profits into R&D activities; companies faithfulness to their corporate purposes set out in their Article of Association – all of which are 'long-term' approaches, thus better contribute to a sustainable economic growth. It is clear, how the European stakeholder capitalism manifests itself on the company scale. More importantly, a same sort of value system extends beyond the corporate level context and forms a platform for building a social contract in which risks are collectively shared.

Though, it seems, that the EU has the painfully necessary needed answer for the call of a social contract (agreed ground rules by free people to live in harmony), it lacks the 'European consciousness'; with which it could contribute to a rightful promotion of democracy and the European core principles. The US has developed its poisonous, imperial ideology of 'neo-liberalism' and believes in the American dream. It exports its free market doctrines through international organisations at soaring costs, or simply acting unilaterally; leaving behind the debris of economies and deprived societies around the world. Therefore, an EU-lead reform of the presently unilateral world order is to set out to achieve a relative global societal well-being.

This reform should be based on the outlined policies (health, education, labour and investment policies) soaked in the values of moral equity, tolerance and societal solidarity, and on the principles built upon these policies. In line with the policies – that are to lay the foundations of the principles of stakeholder capitalism, social contract and the public realm –, a structural/institutional reform (economic, political, environmental, and societal) is needed to be designed on an international level. In order to develop a democratic stronghold, the currently functioning structure of European governance needs to be overhauled. At present it is not crystal clear whether the supranational interests are prevailing over member states', or vice versa. The Commission is responsible for building a federal Europe on one hand, but on the other, in the meantime, as a 'servant' for the Council of Ministers, is a guardian of a federation of individual states. It is the same ambiguity that characterises the European Council of heads of government. Its mechanism serves European interests and at the same time, member states' as well.[1]

The abovementioned tasks are needed to be resolved in order to rightfully promote the 'European dream' around the world; a dream-world where everyone should have equal opportunities from the very start of one's life. As noted at the beginning of this paper, we need to answer important calls: How to practice the then exported values of societal solidarity?

> *„International economic justice requires that the developed countries take action to open themselves up to fair trade and equitable relationships with developing countries without recourse to the bargaining table or attempts to extract concessions in exchange for doing so. The European Union has already taken steps in this direction, with its „everything but Arms" initiative to allow the free importing of all goods, other than arms, from the poorest countries into Europe. It does not solve all the complaints of the developing countries: they still will not be able to compete against highly subsidized European agriculture".*[2]

What other tasks should the EU deal with in fostering the eradication of poverty?

We laid out a brief explanation about the duties that are needed to be conferred upon the actors of an economy for tackling poverty. We also outlined a Nine Point Action Plan on general values, policies and institutional reforms, which should work smoothly in line with the global/local tasks/goals and means/obligations, included in the table of assessment. Having a closer look at the table of the tasks/goals and means/obligations of the firms and governments, one may learn that out of the suggested nine points of the Action Plan, the four on policies are listed as local means/obligations of a government aiming for economic growth.

Obviously, no matter how well a country's policies are shaped, if social riots disturb production processes, or if it lacks important rules and regulations that would guarantee the safety of investments. Without secure regulations it is very unlikely that any investor would turn up in a country out of the blue with a ready-made investment plan. Thus both the tasks/goals and the means/obligations should be considered equally necessary for economic growth and for the reduction of poverty. One is to consider the tasks/goals that a government needs to achieve parallel to its means/obligations if it is to attract e.g. investments – the most powerful engine of economic growth; which can easily result in the reduction of poverty.

An example from the firms' side: for safe production environment and for the undisturbed flow of resources it is also the firms' interest to avoid exploitation of the workforce and to strengthen the social solidarity in a country of operation. Of

[1] See Will Hutton; (p. 347).

[2] Joseh Stiglitz; (p246); Also on agriculture subsidies: Aileen Kwa: EU's CAP „Reform"? Let us not be fooled! (26-6-2003).

course, at the end of the day, all the results of the decisions would go down to the individuals of a society. It is then the governments' and the firms' responsibility to adjust their tasks/goals and their means/obligations to each others' in a way that is to best serve the interests of the general public – the third and most important actor of an economy.

The EU's key role is to direct the world's financial communities' and the political heavyweights' attention toward the importance of the implementation of the four-point long policy program; and also to provide financial and moral support that are the prerequisites of a long-term success. Because the 'ready-for-exportation' European principles, namely the principle of stakeholder capitalism, social contract and the public realm, are cemented in and built on those four-point long policies, it should be the EU among the Western nations who assumes a lion's share in promoting these 'long-term' initiatives. Furthermore, stressing the necessity of a considerable scope of duties for which the government can assume responsibility is also important a task to be undertaken; because, as one can observe (and as noted above), free market capitalism do not work properly. So the EU's role is not just to counterbalance the US's corporate greed, but to represent an alternative to the 'neo-liberal' predators. The EU has proven the vitality of its values and principles, upon which, we believe, a much egalitarian social structure can be erected. Clearly identified and analysed roles are to be conferred upon the economic actors in developing countries; and through the four key policies (health, education, labour, and investment climate) the EU should export its values (moral equality, tolerance, and societal solidarity). It needs be a wise, but not overwhelmingly helpful guardian of the young and fragile, hopefully emerging stakeholder capitalism, social contract and public realm.

Luckily, a broader perspective is about to dominate the political spectrum in the US by Howard Dean – one of the democratic hopefuls wanting to become a tenant in the White House from 2004 onwards. He began to line up some of the standpoints of his vision about the role of the government at home; and he may play a pivotal role in redefining the now unilateral course of American international policy – especially if the 'changing of the guards' happens to turn into reality in Washington DC…

> *„Dean […] now opposes any further free trade agreements unless they have higher labour and environmental standards. He once thought it might be wise to raise the retirement age to protect Social Security; now he rules that out. Dean once thought Medicare was a miserable, poorly administered program; now he wants to save and expand it.* [1]
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> *„[…] Today, billions of people live on the knife's edge of survival, trapped in a struggle against ignorance, poverty and disease. Their misery is a breeding ground for the hatred peddled by [OSAMA] BIN LADEN and other merchants of death. As president, I will work to narrow the now widening gap between rich and poor."* [2]

This would be a rather important change in the manner of how the US international relations are run. Unilateralism would loose its fertile ground with the

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[1] Howard Fineman: The Dean Dilemma; in Newsweek, 12-01-2004.

[2] David Aaronovitch: The Virtues of Engagement; in Newsweek, 12-01-2004.

downfall of the Republican course and a fairer interdependent world order could be created.

[CONCLUDING REMARKS]

Unfortunately the rules of the global game of globalisation have been all too often served the interests of the well advanced Western industrialised countries. The international economic organisations, the IMF, the WTO and the World Bank can be blamed for part of the problems. It should be absolutely clear for everybody that globalisation cannot be abandoned; it is neither possible, nor desirable. But it must be co-ordinated and conducted in a way that would serve the interests of the poor.

We presented some of the miserable failures – the downfall of some very well developing nations, the crisis around the world and the instability of the world economy – that the implemented IMF policies ensued.

Whereas the IMF's original mission was to secure the stability of the world economy and to help countries avoiding crisis. It happened the other way around. We also provided information about the drawbacks of unfair trade agreements. WTO agreements were reached to share the benefits of a 'boundary-less' world trade with the developing nations, and also to help developing countries getting access to Western markets. It failed to work in this way. The greatest problem is that these institutions cannot be held accountable for what they did and for what they do– they have an enormous democratic deficit (though they are the advocates of the primacy of democracy!). Developing countries are incredibly underrepresented at these forums.

One of the very first reform decisions should mean that these monstrous institutions stay faithful to their original missions. For the IMF it would mean to return to its original goal of a supranational economic institution that works for the international economic stability. For the Word Bank it would mean to work out development scenarios for 'Third World' countries; to eradicate poverty and to enable countries to grow and to stand on their own. For the WTO it would mean to set up fair trade policies, equal trading opportunities for everybody and to provide access for developing countries to world markets. Changes in the mind-sets are equally important – all policies designed to help the poorest of the world must have a poverty focus, instead of having a growth focus in the first place. The constitution of the international institutions has to be redesigned in a manner that they can be held accountable for their acts.

Globalisation is here to stay – we cannot get rid of it. We have to tame it to work for everybody's satisfaction. But looking at GDP figures in developing countries is not enough. A country's economic growth rate is an insufficient statistical data for creating welfare evaluation. It ignores the measure of distribution and the level of incomes. Policies need to have a poverty focus. Because any policy that increases the income of the poor but costs more for the entire society than it generates, can still be a very good and effective policy.

> *„What does a high correlation between growth and the incomes of the poor tell us? Practically nothing, for the reasons outlined above. All it shows is that income distribution tends to be stable and fairly unresponsive to policy changes. Moreover, a strong correlation between economic growth and poverty reduction is compatible with both of the following arguments: (1) only*

policies that target growth can reduce poverty; and (2) only policies that reduce poverty can boost overall economic growth."[1]

The policies presented above tend to focus on such anomalies. Those policies are designed to better allocate the revenues of a country – not necessarily in favour of the anyways well-off citizens. The realisation of such programmes supposes a fraud and corruption-free central authority. Governments need to play an important role in the distributional processes of locally generated incomes and funds flowing into each developing country – a role of a go-between. The government has to set up and maintain a safety and social security net to support the needy.

At last but not least, everyone living in any of the industrialized countries have to bear in mind that somewhere out there, in another town/village there are fellow human beings living in absolute and devastating poverty. No one can simply confer personal responsibilities upon grand international institutions, for it is not enough for redemption.

Every morning we take a shower or have a bath. We use drinking water for that purpose (lot of people use drinking water also for watering the garden), while somewhere out there, in another village, fellow human beings are forced to walk several kilometres for clean, drinking water.[2]

We get on the bus in the morning; start complaining about not having heating; get off front of our schools and walk into the centrally heated classroom; while somewhere out there, say in a desert village in Mali, there are fellow children having to walk eight kilometres to primary school.[3]

We cut ourselves several times in our lives. We put antiseptic then bandage on the wounds without further worry; while, in rural Malawi, in a village called Mwaya, a little girl, named EMILY, who cut her finger, suffered one and a half month to recover from a wound. She did not have any professional medical assistance at all; she had to wash her hands in water containing bilharzias.

These are real problems, human tragedies. No one shall close an eye and walk by without thinking of how to solve these problems. It is simply about being more attentive, about a fairer allocation of resources and a relative global justice. This is the desirable way how globalisation needs to work. And we are the people to make it work for the ones lagging behind!

[1] Dani Rodik: Growth Versus Poverty Reduction: A Holow debate; Finance and Development (A quarterly magazine of the IMF); 12-2000, Volume 37, Number 4.

[2] For details see: World Development Report 2004: Making Services Working for Poor People; „A billion people worldwide lack access to an improved water source; 2.5 billion lack access to improved sanitation."

[3] World Development Report 2004

	Global		Local	
	tasks/goals	**means/obligations**	**tasks/goals**	**means/obligations**
Firms (for profitability and economic growth)	• profits; • safety of investments; • low costs of resources and exit costs of undertakings; • mint state of infrastructure; • open markets; low rate of regulations;	• long-term approaches of establishing undertakings; • compliance with global regulations, especially on trade and tariffs;	• profits; • safe working environment (democracy); • skilled workforce at low prices; • reliable supply of resources and services/goods; • open markets; • low rate of taxes and regulations;	• high rate of re-investment into R&D activities; • safe working conditions; • strengthening and promoting social solidarity and social contract; • avoiding exploitation: complying with set rules;
Governments (for economic growth)	• financial aid; • debt forgiveness and relief; • policy reform-packages; • expertise/advisors • gradual transformation of commanded economies to market economies;	• promote democracy; • transparency; • tackle fraud and corruption;	• promote democracy; • transparency; • no corruption and fraud; • unity of the political class; • support the primacy of private property;	• attractive but not concessive investment policy; • healthcare, education and labour policies; • good infrastructure; • corruption free environment; • regulations on investment, labour and taxation and on financial services