

EUROPEAN VALUES AND GLOBALIZATION

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Good Governance, Social Market Economy, Culture and Education are the decisive elements for Human Development. We need a third way between the extremes of the Utopian Global Free Market and a new nationalism. A Social Market Economy and the European Model of a Union could be such third way. For a new Social Market Economy we need a renaissance of the European dialectics between culture and society, idealism and materialism, religion and enlightenment, solidarity and profitability. The balancing of those poles is deeply rooted in our best traditions.

There are different sectors of public life following different signals and not only one economic signal for all of them. Different sectors of our public life should be in a sustainable balance. We have to search for new compromises beyond flexibility and security (Flexicurity), beyond competition and cooperation (Coopetition).

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Limits to Globalization

The global free market is not the result of competition between different economic systems. Like the free market that was created in England in the mid-nineteenth century, it was established and maintained by political power. Unlike its English precursor, the global free market lacks checks and balances. Insulated from any kind of political accountability, it is much too brittle to last for long.

The idea of a global free market is the offspring of a marriage of positivist economies with the American sense of universal mission. Positivism means the idea that mathematics is the model for every branch of scientific knowledge. In economics, this methodology finds expression in the idea of efficiency. American economists followed Positivism in thinking that

productivity is the best measure of economic efficiency, but lacked their understanding that productivity alone does not make a humanly acceptable economy (Fukuyama 2004).

Nowadays – even for the United States of America the global free market is no longer the priority. The Europeans recognise that China and Japan use the best of globalization and leave the rest. It is probably only a matter of time before trade returns to being a matter of bilateral negotiations among governments. At worst a tit-for-tat protectionism would be the other extreme to globalization and to a new nationalism, as a result new wars could happen.

The Utopian dream that in the global free market all limits to growth will disappear has gone. Nowadays the limits to growth return in

the form of energy politics. 21st century wars will be the wars over resources, made more dangerous and intractable by being intertwined with ethnic and religious enmities. Over the coming century, global warming may well overtake scarcity in energy supplies as a source of geopolitical conflict. In some areas it means desertification, in others flood. Food production is likely to be disrupted. These changes in the physical landscape will trigger large movements of population, as people attempt to flee to zones of safety.

There is a tension between two spheres of globalization. Free capital flow coexists with stringent restrictions on the movement of people. By the late nineties, this combination was leading to large-scale illegal immigration. At the beginning of the 21st century, the pattern of global conflict is shaped by population growth, shrinking energy supplies and irreversible climate change, ethnic and religious enmities as well as the collapse or corrosion of the state in many parts of the world.

The modern state is defined by its monopoly of organized violence. But in many parts of the world it does not hold the monopoly anymore. Governments are at risk of losing control over weapons of mass destruction. Hundreds of millions of people are living in conditions of semi-anarchy. In much of Africa, parts of post-communist Russia, in Afghanistan and Pakistan, in Latin American countries such as Columbia and Haiti and even in regions of Europe, such as Bosnia and Kosovo, Chechnya and Albania, there is nothing resembling an effective modern state.

First we have to learn what we should not learn from each others. Russia has failed to catch up with the West. But maybe Russia is on its way to surpass it. The transition from central planning to western-style free market has failed, but the mafia-based economy that emerged from the ruins of the Soviet state has evolved into a hypermodern type of capitalism. Because of its origin in crime, Russian capitalism is well adapted to grow at a time when the

fastest growing sectors of advanced western economies are illegal industries such as drugs, prostitution and cyber-fraud. Furthermore, Russia can exploit its energy resources for a new kind of superpower politics, as it already did towards the Ukraine.

We should not learn from market fundamentalism of the International Monetary Fund (IMF). As it does everywhere, the IMF demands fiscal austerity. However, no matter that the problems are different their solutions are always the same. The IMF aims to install the same sort of capitalism everywhere. Inevitably, given the diverse histories and circumstances of the countries that have been subject to its policies, this goal has proved an illusion. The failing economy and the political anarchy in some third world countries and the increasing economy of China or Korea demonstrate that it is not enough to build new bridges and new institutions, to promote and to finance projects of the often corrupt elite, to ask for balanced budgets and to cut subsidies.

The spreading of corruption is the antithesis to competitiveness and cooperation. Real property rights exist only in constitutional states, in combination with the rights of freedom of the individual and in combination with their protection by the state. The constitutional state is even more important than democracy. It is the framework for development. Therefore it is not enough to build a semi-democracy like the Russians did. Democracies without rule of law are mostly even more corrupt than dictatorships, because a lot of different parties are trying to exploit the resources of the nation.

There should be no “either-or” between socialism and liberalism, between state and market economy. The problem is that although states need to be restricted in certain areas, they simultaneously need to be strengthened in others. The state-building agenda is as important as the state-reducing one. The problem of Neoliberalism lies in a basic conceptual failure to realise the different dimensions of stateness and how they relate to economic development (Fukuyama 2004).

European Values as Precondition of a Social Market Economy

We can see more clearly now, that the wealth and poverty of nations, the question, why some are rich and some are poor, finds many answers in cultural and political preconditions. In political terms, this means that Good Governance, Social Market Economy, Culture and Education are the decisive elements for Human Development. We need a third way between the extremes of a Utopian Global Free Market and a new nationalism. I believe that a Social Market Economy and the European Model of a Union could be such a third way.

The European culture is a good precondition for that, because at its core is the balance between the poles of idealism and materialism, individualism and solidarity, ethics and science, rights and duties, individual interests and commonalities, national and supranational interests, religion and enlightenment and last but not least, between social state and market economy.

The Neoliberals of the post world war period in Germany (the most well-known of whom is Ludwig Erhard), took the prevailing best ideas from the traditional viewpoints and transported them into a cooperative relationship incorporating competing ideas. Social Market Economy takes from Socialism the accentuation of the social aspect and the dignity of labour, from Classical Liberalism - the freedom of the individual and the coordination of decentralised decisions by the market, from Catholic Social Doctrine - the unempeachability of a person, the subsidiary and the idea of property serving public interests and from the Evangelical Social Doctrine - the professional ethics and the thrift.

The putative contrasts should not be annulled by utopian dialectic, but should be supplemented in a tension-rich cooperation. The originality of the Social Market Economy finds its reason not in a specific idea, but in the mutual complementation of ideas regarded

as incommensurable before. Instead of social conflicts cooperation becomes the prevailing organization at form of both the economical and social spheres.

Provided that there is an agreement about the idea of the Social Market Economy, political parties, as a result, all move more closely to the Centre. By losing the balance between the poles we become Utopians and those who try to implement Utopia become necessarily totalitarian. We can interpret the totalitarian answers to that confusion as an attempt to enforce the recombination of the separated subsystems. But this way, like fundamentalism, destroys the complexities of and the chances for complementarities. It destroys pluralism. We can compare the fundamentalism of today with the totalitarian answers to failing modernization processes during the 20th century.

On the other hand, a total neoliberal separation of the subsystems leads to the kind of secularism, which nowadays constitutes a moral crisis. If there are no interactions between religion and politics, economy and ethics, science and culture, individualism and society, the sustainability of this culture is in real danger. A lot of people even in the West believe that this pluralistic culture is in a moral and cultural decline. We have a lot of socio-cultural problems like stagnating and aging populations, huge government deficits, declining work ethics, social disintegration, drugs and crime.

Social Values and Good Governance

The wealth of a nation depends to a high degree on its organizational capacities. For a Social Market Economy not mineral resources and not the amount of land or people are important, but the quality of human capital and the human resources decide the quality of life. The richest nation in the world - per head capital - is Switzerland, a small country of seven million inhabitants - without any mineral resources, with four different ethnic groups and four

different languages. They must be doing something right.

Good Governance means the reciprocity between economy and society. It is more than „Good Government“ by a good administration (this is only a small part of it) and it is not the romantic idea of the political left, that the common people are better and wiser than the elite, which is why everything has to be decided by the people. Good Governance means the reciprocity of the different subsystems of society - between religion and politics, culture and economy, state and society, state and science, state and market economy.

To the ideal of Good Governance belong:

- the separation of private and public interests,
- the transparency of political decisions,
- the universality of decisions,
- the priority of efficiency and effectiveness,
- cooperation instead of corruption,
- control over and sharing of power in politics and civil service.

The constitutional state, property rights for the people and “good governance” are the most important parts of democracy. They are the framework for development. Good Governance affords political and social reformatory efforts. It is a very complex task to develop a nation. It is not enough to reform the political system like the Russians did or to only install a market economy like the Chinese did.

Good Governance should combine aspects, which in former times were seen as contradictions. Like the combination of freedom and morality in the constitutional state and solidarity and profitability in the social market economy, we need a new balance between religion and politics, between culture and economy, between hardware and software. In the knowledge-based society it is not of prime importance whether land belongs to Germany or Poland – as long as they work together. It is important, however, that the land belongs to an individual person with rights and duties. Without personal

property rights there will be no ambition to develop this land. It is not important which state grants the property rights. What is important is for this state to be a constitutional state and that there is a kind of Good Governance¹ (Theisen, Mustafa 2006).

The constitutional state is not a secondary condition for democracy and market economy. Instead, it is the precondition of both. The law is the condition of freedom. Without a constitutional state, there is no security for private property and investment, without an independent system of justice and an effective civil service there will be neither stability nor sustainable development. A market economy without a framework by the state means not freedom but anarchy. Not the best but the most unscrupulous will do well.

The relationship between capitalism and the state should not be an either-or, but rather a balancing „as-well-as“. The new balance transmits the successful concept of the Social Market Economy to political theory by freeing thoughts from one-sidedness and putting thoughts into a supplementary correlation. After all, the complementary “as-well-as” of the Social Market Economy has succeeded in letting the class-welfare-polarization of capital and labour stand behind the benefit of consensus-oriented social partnerships.

The complexities of the modern world cannot be explained and arranged anymore by the one-sidedness of old ideologies. The putative contrasts should be supplemented in a tension-rich cooperation. We need the mutual complementarities of ideas that had been regarded as incommensurable before. We need the complementarities of rights and duties. We need the balance between them.

Culture and economy should create a great coalition against pre-modern and modern ideologies. The modern national conflicts

¹ I taught this idea to Palestinian students, but they did not accept it. In Europe we needed two World Wars to learn the new rules.

between Germany, France and Poland nearly destroyed Europe. The modern ideological conflicts between democracy and socialism nearly destroyed the world. In the new postmodern world we have to search for new correlations and complementary ways to balance the poles, we have to search for a new reciprocity between:

- nation and globalization (European Union),
- secularism and religion (Enlightened Religion),
- efficiency and solidarity (Social Market Economy),
- individualism and collectivism (Rights and Duties for everyone),
- modernization and identity,
- technology and ethics,
- state and market.

Social Market Economy in the European Union

Since its birth, in the rubble of World War II the vision of a united Europe has evolved dramatically from a coal-and-steel trading arrangement to a common market to a community to today's European Union, a new kind of state in which the member nations have handed over much of their sovereignty to a transcontinental government in a community that is becoming legally, commercially and culturally borderless. The EU, with a population of nearly half a billion people, and stretching from Ireland to Estonia, has a president, a parliament, a cabinet, a central bank, a bill of rights, a unified patent office and a court system with the power to overrule the highest courts of every member nation. It has an army of 60,000, its own space agency, a bureaucracy of 22,000 and an 80,000-page legal code governing everything from criminal trials and corporate taxation to peanut butter labels.

In the 1990s the EU grew and its influence went deeper. On the one hand, the member states agreed to a common currency, a single

central bank, borderless travel, uniform food, health regulations and numerous other changes that increased the power of the EU government in Brussels and decreased the power of the national members to govern these issues individually. On the other hand, the fifteen members opened their arms to their eastern cousins and thus made their union broader by taking in new member states. Now the EU is a big but not a global market. With new members like Turkey, the Balkan states and the Ukraine the European Union is in a real danger of overstretching and of just being a branch of the globalized economy (Theisen 2006).

Development of the European Union started with the economy. After endless political quarrels it was the best to change the vision. First, it was economy. Afterwards political cooperation could happen. The next step now must be to heal the wounds between the religions. After endless religious and political wars on the Balkans and between Israel and the Arabic World, it is still not just economy that is at stake.

The European Union seems to be a good way for the restructuring of technologies, national economies, different nations and religions which were divided during centuries. Nearly up to the end of the 20th century was an age of extremes. On the other hand, its better eras were based on negotiation and mixed programs, which are public and private affairs as well as state and society with interacting with each other.

In the late 20th century Europe was bound together by an extraordinarily dense complex of international institutions: the European Union, NATO, Council of Europe, Organization for Security and Cooperation in Europe and others. East Asia has nothing comparable except for ASEAN, which does not include any major powers; has generally eschewed security matters, and is only beginning to move towards the first steps of economic integration. The APEC incorporating most of the Pacific Rim countries is an even weaker discussion club than ASEAN.

The revolutionary progress in communication technologies helped to tear down the Berlin Wall and the fences between the nations. Now the nation states of Europe are competing for know-how, for new technologies, new products and for the sale of these products. This competition is hard but it is harder to ignore it like the socialist countries tried to do. Not being involved in that competition means standing apart like the African countries do today.

The European Union means competition and cooperation at the same time, it means cooperation of nations and a supranational state, of state and society, of the social state and the market economy. In a way this is a renaissance of old European dialectic of culture and world, idealism and materialism, religion and enlightenment, solidarity and profitability (Reid 2004). We can learn from the European Union that former enemies can cooperate first in the field of economics and afterwards in the field of politics, although there were a lot of borders and even a wall, although they have different national cultures which were in former times as important as the religious identities of today and although they struggled for centuries over the possession of land.

The European Balance

The modern world with its radical pluralism leads to confusion of minds. We can interpret the totalitarian answers to that confusion as an attempt to enforce the recombination of separated ways. This way, like fundamentalism, it destroys the complexities and the chances for complementarities, because it destroys pluralism.

The social values of Europe are rooted in the best tradition of our philosophy. The post-modern way is not separation or reunification of the disunited elements, but the cooperation between them. In modern social science this paradigm is called correlation of functional systems. The technical basis for the new

paradigm are new communication technologies, the structural basis are new political confederations like the European Union and the economic basis are the interactions of globalization.

The complexities of the modern world cannot be explained and arranged anymore by the one-sidedness of the old ideologies. The putative contrasts should be supplemented in a tension-rich cooperation. We need the mutual complementarities of ideas that have been regarded as incommensurable before. Education is a precondition, and investments are the methods. In the long run, education and cultural social values are more important for development than political structures.

The Social Market Economy is a good example for this. The new balance transmits the successful concept of the Social Market Economy to political theory by freeing thoughts from one-sidedness and putting thoughts into a supplementary correlation. After all, the complementary “as-well-as” of the Social Market economy overrule the class-welfare-polarization of capital and labour stand behind.

In the materialistic marxist or neoliberal theory, economy is the basis of culture. But in the age of knowledge-based economies, it seems to be the other way around. Culture is more and more the basis of politics and economy. As we can read in David Landes great book, the cultural preconditions are decisive for the wealth and poverty of nations (Landes 1998).

To mention only three examples:

- You cannot separate technical inventions from the liberty of thoughts and science.
- You cannot separate the declining birth rate in Europe from our individualistic lifestyle.
- Software is the most important precondition for a knowledge-based economy.

Education and Good Governance are the most important preconditions for investments. For cooperation between the subsystems of the society and between different nations and for Good Governance we need to have cultural

preconditions like good communication, good knowledge of each other, trust in each other and a new vision of the future.

Two aspects of culture are relevant for the economy. One is how outward culture is: To what degree is it open to foreign influences, best practices and ideas? How well does it “glocalize”? The other is how inward a culture is. To what degree is there a sense of national solidarity and a focus on development, to what degree is there trust within society? Local cooperation in times of globalization is called “glocalization”. The more a culture naturally glocalizes the greater the advantage it will have in a flat world. The natural ability to glocalize has been one of the strengths of Indian culture, American culture, Japanese culture and, lately, Chinese culture. They haven’t lost their identity by joining process of globalization. They try to take the best and leave the rest (Friedman 2005).

There will be more losers than winners as long as there are more market victims and market objects than participants. The hopes placed by free traders in the comparative advantages of competition are correct for those who are competitive, but not for the others. The modern individual increasingly needs to make his living without the help of ethnic groups or pressure groups. And education is the best shelter against often corrupt elite. Through market integration the rich lose the shelter, from which they can exploit the consumers and workers of their own country. Some of the poor are offered a chance to sell their products on the global market. China is using this chance in a way which passes a real challenge for the competitiveness of Europe. We cannot be cheaper than the Chinese workers, so we have to be better.

Education will be the deciding factor. We need education for a knowledge-based economy, for Good Governance and Social Market Economy. Are people market objects or market participants? Are people political objects or political participants? Education is more than information. We need knowledge and we need

the wisdom of an old culture. A total separation of the subsystems leads to the kind of secularism which nowadays triggers a moral crisis. If there is no interaction between religion and politics, economy and ethics, science and culture, individualism and society, the sustainability of a culture is in real danger. A lot of people even in the West believe that this pluralist culture is in moral and cultural decline. At the same time especially big parts of the Muslim world are in economic decline. If both pre-modern and modern societies are suffering from a feeling of decline, they should cooperate to find solutions which will improve their situation.

For a new Social Market Economy we need a renaissance of the European dialectic between culture and society, idealism and materialism, religion and enlightenment, solidarity and profitability. The balancing of those poles is deeply rooted in our best traditions. A Social Market Economy cannot mean the enlargement of the German or French social state towards eastern European countries, rather this, there are different sectors of public life following different signals and not only one economic signal for all of them. The different sectors of our public life should be in a sustainable balance.

Conclusions

We have to search for new compromises beyond flexibility and security (Flexicurity), beyond competition and cooperation (Coopetition) and beyond containment and engagement (Congagement). These new words are symbolizing, that the old “either-or” between progressives or conservatives, between liberals and socialists, between state and market cannot explain the complexities of the postmodern world. A new Social Market Economy should combine aspects, which were seen in modern times as contradictions in a complementary manner.

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EUROPIETIŠKOSIOS VERTYBĖS IR GLOBALIZACIJA

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Straipsnyje grindžiama mintis, kad gera vyriausybė, socialinė rinkos ekonomika ir edukacija yra lemiami žmonijos raidos elementai. Autorius ragina ieškoti trečiojo kelio tarp kraštutinių globalinės laisvosios rinkos utopijos ir naujojo nacionalizmo. Tokiu trečiuoju keliu laikoma socialinė rinkos ekonomika ir europietiškas unijos modelis. Socialinė rinkos ekonomika reikalauja, kad atgimtų europietiška dialektika tarp kultūros ir visuomenės, idealizmo ir materializmo, religijos ir švietimo, solidarumo ir pelningumo. Šių priešybių balansas esąs įsišaknijęs mūsų geriausioje tradicijoje.

Autorius parodo, kad visuomeniniame gyvenime egzistuoja skirtingi sektoriai, kurie remiasi skirtingais ženklais, todėl netikslinga būtų visoms sritims taikyti tik ekonominius ženklus. Tarp skirtingų viešojo gyvenimo sektorių privalo būti išlaikyta pusiausvyra, todėl žmonės privalo ieškoti kompromisų tarp lankstumo ir saugumo, tarp rungtyniavimo ir kooperacijos.

Reikšminiai žodžiai: globalinė laisvoji rinka, socialinė rinkos ekonomika, konstitucinė valstybė, gera vyriausybė, abipusiškumas, balansas, edukacija, globalizacija.

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