



Nikos Themelis  
13/10/2000 01:58 μμ

To: "Devita, Sandrine" <Sandrine.Devita@bk.bund400.de>  
cc:  
Subject: Re: Publication on the international Conference "Modern Governance in the 21st Century", 2nd and 3rd June 2000, Berlin

Dear Mr. Nowak, lieber Wolfgang,

With reference to your e-mails of August 17 and August 24 2000, I'm sending you herewith a list of all experts who have had participate at the Intergovernmental Conference "Progressive Governance for the 21st Century", in Berlin on 2 and 3 June 2000.

The three national experts who will contribute to the publication as well as the titles of their articles are the following:

1. **Professor Nicos Mouzelis**  
Title: "Civil society: Democratic and performance functions"
2. **Professor Constantinos Tsoukalas**  
Title: "The time factor in governance and development"
3. **Professor Gikas Hardouvelis**  
Title: "Progressive governance in the new economy".

Best regards,

Nikos Themelis



Experts List.doc

With reference to our previous e-mail of August 25, 2000 (which I'm resending), regarding the publication on the International Conference "Modern Governance in the 21st Century" in Berlin on 2 and 3 June 2000, please find attached the articles of the three professors/national experts:

1. "Civil Society: Democratic and Performance Functions" by professor N. Mouzelis
2. "The time factor in governance and development" by professor C. Tsoukalas
3. "Progressive Governance in the New Economy" by professor G. Hardouvelis



3-Hardouvelis.doc 2-Tsoukalas.doc 1-Mouzelis.doc

Best regards,  
Nikos Themelis

## Civil Society: Democratic and Performance Functions

by Professor Nicos Mouzelis

The strengthening of civil society is the most crucial reform area of progressive governance in the twenty-first century. This is so not only because a thriving civil sector is a fundamental precondition for the consolidation and further deepening of democratic institutions, but also because a strong civil society can cope more effectively and humanely with the growing number of problems that both the state and the market have failed to solve satisfactorily. In other words, a strong civil society today is necessary not only for political/democratic but also for managerial/performance reasons.

To take the political/democratic function first: in so far as (following Montesquieu and de Toqueville) we view civil society as corps intermédiaires between rulers and ruled, this intermediate set of associations can, on the one hand, protect the ruled from state authoritarianism and direct ideological manipulation from above; on the other, it can also operate as a strong protective mechanism to partially insulate the rulers from populist pressures from below. In that sense civil society, by “restraining” in different manner both rulers and ruled, makes possible a type of governance that allows both reason as well as the pursuit of general interest in the public sphere.

With regard now to the managerial/ performance function of civil society, this becomes obvious if it is conceptualized as a third space, operating between the state and the market. From this perspective, if the market sphere follows a profit logic and the state a bureaucratic/party one, the civil-society sphere follows a logic of solidarity/inclusion. It is precisely for this reason that in many fields (social services, community work, management of artistic and general-interest concerns etc.) civil-society organizations tend to be more effective than profit-seeking ones or those of the state.

This being so, the avoidance or reduction of statism does not, contrary to neo-liberal claims, necessarily lead to market-oriented solutions. The time has come, in other words, to transcend the misleading straitjacket dichotomy of “state versus market”. It is time to realize, and say it both loud and clear, that not only can civil-society organizations solve certain problems more effectively than the state or market, but that they can also provide solutions to problems that seem quite insoluble from that state/market perspective.

Consider for instance the unemployment issue. In the context of growing globalization and taking into account the new technologies, conventional Keynesian strategies have ceased to apply. Although we do not yet know whether in the long run more jobs are destroyed than are created by the new technologies, it is quite certain that the problem of full employment can no longer be solved by conventional social-democratic remedies such as state spending on public works, the promotion of entrepreneurial initiatives, retraining schemes, education for life etc. As to the U.S. style “flexibilisation”

policy, it unavoidably leads to unacceptably low wages and inhumane conditions of work.

Given all the above difficulties, civil society could constitute an area of job creation that is additional to that of market and the state. Of course, following the market-state dichotomy model, work is understood primarily as job in either the state or the market sector. Any other work activity, from domestic labour to work for the community, is considered decorative or superfluous -- not a "real" job. This being the case, a precondition for tackling the unemployment issue is to broaden our notion or meaning of work by taking into account the civil-society, third sector as a source of employment creation. This fundamental change in our work culture would fit in quite well with the growing demand of many individuals for greater flexibility of their work activities, and greater adaptability to the reflexively constructed new life styles.

From this perspective the development of non-profit organizations in the civil-society sector can provide an effective solution to the unemployment issue. If we consider that today' s developed capitalist societies have a plethora of collective needs that neither the state nor the market satisfies; and that on the other hand we have a considerable quantity of human resources that remain permanently unused, than civil-society organizations can provide the link between unfulfilled social needs and unused or underutilized labour.

## The time factor in progressive governance and development. Some general considerations.

by Professor Constantinos Tsoukalas

### A.

1. The idea of progress is eminently modern. It emerged together with a new conception of history as an irreversible, cumulative and open ended process. Furthermore, the historical process is seen as partially controllable and planable by organised political bodies of rational men in search of a better world. Whatever its content, the political connotation of "progress" is therefore by definition historical and normative.
2. The conscious quest for a better world circumscribes the overarching socio-political project of modernity. Overall, this quest is taken for granted. Political entities are conceived as institutional embodiments of a common free will to improve both the organisational functions and the normative foundations of historical societies. Progressive governance must therefore appear as a continuous process of legitimate social planning for the future in the light of a "common interest" of all citizens.
3. Defining the "common interest" of citizens is the greatest normative and political problem of modernity. There is and can be no general agreement about what is good for all. However, the European tradition of the Left has always taken it for granted that the overall reduction of social inequalities and the eradication of poverty and misery must be integral parts of all progressive social projects. Ever since 1789, and in spite of diverging interpretations, the prospect of promoting social "equality" has been one of the cornerstones of progressive thought.
4. When left to its own dynamism, the interaction of market forces always leads to increased concentration of economic power. This, however, entails the consolidation and gradual worsening of economic inequalities. Besides being incompatible with the prevalent sense of "social justice", growing inequality has nefarious effects for an everincreasing proportion of the population. Progressive governance must therefore proceed to a reallocation of economic and social resources to less endowed members of society. In capitalist societies, reallocation is always a continuous process demanding long term structural political interventions in the market economy.
5. Social planning is never a neutral process. Invariably, existing power structures engender social forces demanding social change as well as forces opposing it. Indeed, the struggle between interests to preserve the status quo and pressures to transform prevalent social conditions is the main issue of political confrontation. Democratic institutions ensure that inevitable disagreements on the desirability and the timing of

reforms should be resolved peacefully after a free debate within the prescribed legal framework.

6. Modern democratic polities are organised within geoculturally circumscribed historical totalities named "societies". Usually constituted as independent States, these collective subjects are both the circumscribed measurable "social objects" of progress, and the sole legitimate authors of projects for social change. Progressive political action must define projects that may lead societies into a collective "utopian" future. It is mainly in their long term perspectives that these projects are able to promote a collective normative imagination and will to reform. Plans for social change are accordingly demarcated from patterns of simple reproduction of the status quo: the collective future is thought of in terms of a series of stages aiming to transcend the present. The political quest for progress is constantly inspired by what Ernst Bloch referred to as a normative order that "does-not-yet-exist".
7. Democratic social and political reform materialises through the implementation of an array of laws, rules, plans and institutional arrangements decided upon at a political level. In order that these arrangements should be implementable in the long run, political authorities must be endowed with both the capacity and the legitimacy to continuously bring about the coveted social changes. If necessary, this entails the imposition of appropriate legal sanctions. All societies must therefore be organised into institutionalised normative and juridical orders, both competent and capable to plan and to execute these plans with all legal means including legitimate violence. In this sense, progressive governance must present itself in terms of an open and dynamic system freely imagining, implementing and imposing a collectively projected "normative fate" with democratic means.

## B.

8. However, the actual world features conspicuous restriction in the timing and scope of projected "normative orders", striving towards the amelioration of the life of all citizens. Indeed, "globalisation" has brought about a growing de-territorialisation or de-localisation of many crucial social processes. The main factors influencing technological, financial, economic and informational change tend to transcend all instituted legal orders and hence all existing "societies". In this sense, the historical object of political reform is blurred. Social progress seems to be increasingly "de-" or "trans-socialised" and future developments are gradually becoming democratically "undebatable" and politically "unimplementable". Accordingly, the instruments and processes of incremental collective change are increasingly "de-politicised", "de-legalised", "de-normativised" and therefore effectively "de-projectualised". It would thus seem that the collective entities we used to call "societies" are eventually being shorn of their imaginary "common will". In these times of meticulous calculation, probably the greatest

political paradox consists in the emergence of social systems incapable of projecting themselves into the future. And this runs against the very foundations of collective sovereignty and democracy.

9. Globalisation not only brings about a radical modification in the spatial coordinates of decision making processes, but also tends to significantly transform the temporal matrices of future oriented political action. The growing fluidity, indetermination and non enforceability of accepted norms, constraints and sanctions lying in the hinges of a disarticulated space lead to a concomitant fluidity and indetermination in the function and representation of social and political time.
10. Indeed, unstable conditions naturally call for spectacular temporal condensation in rational human strategies. The extension in the duration of any project must always exacerbate the everlurking risks of uncertainty. Plausibly, normless, unpredictable and uncontrollable conditions therefore render private economic decisions increasingly aleatory, flexible, conjectural and potentially uncertain. Under such conditions, the time horizon of private economic actions tend to be shortened.
11. Furthermore, this process is cumulative. More and more private economic and financial strategies are induced to adapt their actions and priorities to an environment where rapid and indiscriminate flexibilisation, readjustment and re-localisation of economic resources seem advantageous. Within such contexts, cutthroat competition must always operate in favour of actors who are less bound by territorial or normative constraints. "Free rider" rules seem to be increasingly prevailing against internalised norms. When unfettered, Hobbesian human natures will always choose the easiest and most profitable outlets to their acquisitive instincts. Abandoned therefore to its internal dynamics, the establishment of environments without norms is a self-perpetuating and open-ended process.
12. Market deterritorialisation is therefore tantamount to political "de-temporalisation" and "de-substantialisation". The coming order of things is gradually seen as escaping democratic political control. Prospective "normative utopias" have lost their political implementability and hence their credibility. Increasingly therefore, collective opinion is led to believe that societies are incapable of imagining and controlling their own future. Democracies are thus bereft of the normative foundations of their political existence.
13. However, deliberately reformist political strategies are still obliged to respect their normative *raison d' etre* and to indulge in long term considerations. Social progress, rapid or gradual, cannot be publicly debated, produced and organised overnight. Complex social environments cannot be immediately transformed, norms cannot be

instantaneously internalised, political projects cannot instantly materialise and social justice can only be attained as a result of an uninterrupted and long term public intervention in the economy. Progress oriented institutional arrangements and the reform of normative patterns can not bear fruit except in the long run.

14. We are therefore facing growing discrepancies between the time perspectives of private initiative and those of public planning. But it is the latter that has been gradually succumbing to the former. Even if tip service is still paid to long term strategic considerations, the everyday tactical options of most governments are increasingly subjected to the influence of short term fluctuations of deterritorialised and “de-normativised” private interests. Indeed, until recently, the private economy was obliged to function within the limits of legal domestic political orders, and therefore to bow to legitimate socio-political projects. On the contrary, political authorities are by now induced to condone the effects of “trans-normlessness” even within historically circumscribed legal orders. More and more, governments are led to adapt their everyday tactics, plans and priorities to “off-shore” short term financial decisions. The political will to reform is therefore constantly emasculated in its prospective implementability. From her on, it is becoming increasingly difficult to convince that real power is still subjected to the ethical reason of norms.
  
15. The global unconditional liberation and “de-normativation” of international market forces is therefore unprecedented not only inasmuch as it is generally seen as a necessary condition for global economic development -which is the dominant but unsubstantiated view- but also because it tends to exacerbate the contradiction between the time horizons of private and public decision making. If the former is freed from most normative and legal constraints, the latter will be immediately divested of its capacity to promulgate and enforce a more equitable normative order in the long run. This indeed is the main global structural effect of growing deregulation. It is no accident that most national institutional arrangements, regulations, guarantees and customs are rapidly withering away. Besides being an organisational and ideological novelty, the fetichisation of universal deregulation is therefore tantamount to the establishment of increasingly normless and therefore also project-less domestic legalities.

### C.

16. The main conclusion to be drawn from the above is that the systematic political implementation of social progress is being gradually excluded from the competence and power of democratically elected national political authorities. Under prevailing circumstances, adaptation to short term private exo-political necessities tends to undermine the planning capacities and thence the reformist ardour of most national governments. Long term political decision making feels obliged to bow

to short term movements of market forces. To the extent that democratic authorities continue to accept an uncontrollable and normless global mobility of economic forces, all political systems are condemned to accept the ensuing limitations in their capacity to promote substantial reforms. Indeed, in more and more ways, the "de-normativised" global social order is by now practically indivisible: "off shore" normlessness tends to invade and eventually corrupt "on shore" normative orders in ways reminiscent of Gresham's law on "bad money". This is a dramatically new phenomenon. Universal financial and monetary anarchy, world-wide speculation, growing inequalities between and within nations, systematic laundering, widespread social dumping, generalised corruption and increased ecological and biological menaces are only some of the nefarious effects of the expanding normless international environment.

17. This development is however far from being inevitable or irreversible. It is the result of the domination of ultraliberal forces combined with the growing hesitancy of progressively oriented political authorities to rise to their long term normative responsibilities. Indeed, anarchic mobility of market forces profiting from a normless global environment can be effectively controlled and reversed. But this can be achieved only if a transitionally enforceable legal and normative order is established on a wide scale. Global deregulation is not the unavoidable consequence of technological development in "post modern" conditions, but the side effect of a cumulative political inertia, enforced and rationalised by prevailing *laissez faire* ideologies. Economic and technological development will not be impeded if the international money market is generally stabilised, ecological and biotechnical norms are universally adopted, financial markets are strongly controlled and labour norms are severely respected.
18. In this respect, historical experience is rewardingly rich. It should be kept in mind that social progress only became possible when States closed and normalised domestic markets and adopted severe regulations of the social, political and normative environment, despite fierce opposition from the ultraliberal advocates of a totally free market. Whatever their shortcomings, the reformist achievements of social democracy in post-war Europe bear witness to the positive effects of long term social planning for progress. In most European countries, the painstaking and systematic projection and enforcement of new normative patterns resulted in the construction of societies featuring more welfare, more justice more equity and more order than ever before.
19. The establishment of a relatively stable, regulated, predictable and enforceable normative order is therefore a historical condition for progressive governance. But this order must be henceforward organised on a wider scale, transcending the limits of circumscribed national territories. No independent polity can plan ahead as long as



international monetary stability is not guaranteed, the global physical environment is not adequately protected, speculative financial flows are not severely controlled and domestic welfare provisions are constantly threatened by practices of "social dumping" instigated by a normlessly competitive international order, where labour norms and human rights tend to be ignored. To give a sole example, as things stand today, the decisions of the WTO are literally obliterating the rules promulgated by the ILO. Short term expediency dominates over long term normative prescriptions.

20. A new progressive transnational normative order must therefore see to it that the uncontrollable mobility of economic factors should not be able to undermine national reformist strategies. Indeed, the greatest structural impediment to progressive governance resides in the fact that, in the face of a growingly normless international competition, most domestic orders are cornered into condoning a social, normative, strategic, temporal, environmental and, in the last analysis, political "dumping". This must be stopped. Indeed, contrary to the "tactical" dumping of commercialised goods, a "strategic" dumping of values may well prove to be irreversible. Independent polities must therefore reemerge as the only legitimate and responsible authors of their collective normative strategies for the future. Progressive democratic societies are thus obliged to collaborate to the effect that each of them may reassume a political capacity to plan long ahead and to impose reformist projects. This is a historical condition for progressive governance today, whatever its content and orientation.

# **Progressive Governance in the New Economy**

by

Professor Gikas A. Hardouvelis

Economic Adviser to the Prime Minister of Greece

## **1. Introduction**

The days of the early 1990s, when electronic mail was used primarily by academics and researchers, are long gone. Internet use has increased exponentially since, and the digital economy is a reality, by no means concentrated in the areas of Information Technology or Telecommunications. Instead, it is entering all aspects of economic life. Business-to-business transactions over the Internet are mushrooming and business-to-consumer are also expanding fast. Hardware and software costs decline, access costs through local loops are decreasing, the security of transactions is improving, and the information content of the World Wide Web sites is being enriched.

## **2. Economic Implications of the Digital Transformation**

The digital economy is bringing new power to the citizen and should lead to an increased democratization of economic life. Easy access to information enhances knowledge and knowledge is power. Citizens come into direct contact with government and their demands are quickly transmitted and heard. Consumers can easily choose from an array of products and compare prices from their homes. Potential home buyers can dig through the detailed specifications of different mortgages offered by various banks in different geographical regions with the push of a button, without having to visit those banks. Markets are becoming more liquid with increased participation and transparency. Citizens are, hence, forcing companies to compete and offer quality products at better prices.

The increased competition is bringing major changes at the work place. Companies have to become more flexible in order to meet the needs of the now more knowledgeable (universal) customers. It is the very need for such increased flexibility that is bringing changes to the internal organization of firms, calling for less rigid hierarchical structures and putting increased pressure on labor for more flexibility. This flexibility translates into variable working hours through the day, the week, the month, or the year, adaptability to new working methods, renewal in skills, extension of qualifications, life-long learning.

The faster the rate of technological change, the higher the rate of depreciation of existing physical as well as human capital. Hence, the greater the need for more resources to be channelled away from consumption and into investment, and the greater the necessity for improved quality in education and life-long learning.

Prosperity and a continuous increase in living standards are likely to be the final outcome. Improvements in productivity translate to faster economic growth and increased corporate profits and personal income. An enabled and

empowered citizen in this digital economy naturally implies a more democratic split of those gains in favor of the everyday people. Higher demand for skilled labor implies a tilt in the distribution of income towards the digitally educated. Stronger competition among enterprises implies prosperity for those firms that are technologically advanced and can easily adapt to the new global environment.

### **3. Risks**

There is a risk that our societies may be separated into two citizen groups: the digitally educated and the digitally uneducated. This risk is a major one because technological change is taking place at unprecedented rates and we have not yet developed a culture of continuous renewal, self-education and life-long learning. People have a tendency to settle in their habits and ways of living, especially as they grow older. They gradually become less alert to changes in their environment, lose motivation and interest for learning new things or adopting novel methods. Today's digital economy, however, is less forgiving for rigid behavior than the old economy was. More than any time in the past, the alert, quick and flexible citizens get rewarded handsomely, while the ones who are less prone for renewal, adjustment and learning are left behind. The risk of a widening gap between the two groups is high. The risk of an increase in structural unemployment is equally high. We, as government representatives, have an obligation to address this risk.

### **4. Required Policies**

We need to address the threat of the "digital divide." We want citizens to play a new role in decision-making. We want the information society to be a "digital opportunity" that will help narrow the income gap between citizens of a given country and between countries. Governments have an obligation to intervene, using a coherent and inclusive set of policies.

First, citizens should be given the tools that will enable them to participate equally in the new economy. Digital literacy is a must for everyone. It is not however sufficient. Life-time education and the opportunity to easily acquire new skills are also necessary. The state must, therefore, provide people with chances to renew their education, so that it does not end at the high school or university level. Citizens should be taught to become more active in their own educational process, should learn the basics of self-education. Beyond the usual classroom lectures and seminars, they ought to learn how to re-educate themselves on their own. It is also important that the renewal of skills is closely tied to the developments in the industry, the organization of the production process. Thus, appropriate incentives should be given to enterprises for the training of their employees.

Second, measures may be required to fight the expected increase in structural unemployment. Such measures ought to be tailored to the specific needs of the new economy.

Third, there is need for the establishment of a Progressive Government Network, for the networking of local and global development, the networking

knowledge (e.g. Knowledge Bank by World Bank, in order to promote knowledge and social inclusion), the networking of innovation and entrepreneurship. Such networking should aim to ensure that electronic information through the Internet can be matched by civic networks of people who come to know each other well and can enhance their mutual knowledge and understanding as well as work for the mutual solution of common problems. A networking which could include, among others, private and public sector corporations, central and local government departments, universities, training schools, hospitals and health authorities, urban planners, transportation authorities, environment departments and programs, etc. That way, cities and localities within the programs will be able to exchange information and best practice. Some of these measures are described in the EE initiative "eEurope."

Fourth, there is a need for a more active policy that would encourage entrepreneurship in new applications of the information and communications technology. The developing world can also join in this field. Relatively cheap access to the new technologies by all countries is, therefore, a critical element.

Fifth, the speed of technological change may require new and more flexible regulatory approaches in the future, new forms of governance. We are now faced with a true revolution, which is nothing less but a decisive break, not an evolution, built on incremental change. We are faced with the combined effect of sudden acceleration of technology and sudden enlargement of scope. It is now clear that technologies and markets move faster than law-making, and that can easily make laws obsolete even before they are enacted. In the digital economy, challenges have become global. They require global solutions.

There is a lot of discussion about self-regulation of the Internet. Yet a more inclusive approach is co-regulation. Co-regulation is not about regulation and self-regulation existing together. It means, rather, that self-regulation and regulation work together, reinforcing each other. They operate with the criteria of transparency, openness and consensus.

Today, patent law appears to be an obstacle to the quick dissemination of information technologies because it was designed based on the standards of the old economy. Nowadays, however, the quick depreciation of physical capital in the digital economy suggests that the optimal length of patent time, which would not compromise the incentive to innovate, is drastically smaller than it was in the context of the old economy.

Another issue of concern is the risk of a potential domination of the ICT sector by few major multinationals that would eventually lead to a non-competitive market and thwart growth. We cannot exclude this possibility, despite our expectation that the ICT sector itself will make the remaining sectors in the economy more competitive. We should coordinate the activities of our

respective Competition Commissions to fight the potential creation of such monopolies or oligopolies.