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PROSPECTS FOR THE EVOLUTION OF POLITICAL SYSTEMS

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Description:

Moderator: Alexander Rahr, Director of Russia/Eurasia Center of the German Council for Foreign Relations

- **Tarja Halonen**, President of the Republic of Finland
- **Gerhard Schroeder**, Former Chancellor of Germany
- **Junichiro Koizumi**, 69th Prime Minister of Japan
- **Bill Schneider**, Senior Political Analyst CNN
- **Giulietto Chiesa**, Journalist, member of the Socialist party in European Parliament
- **Dr. Christian Ketels**, Professor of Michael Porter's Institute for Strategy and Competitiveness, Harvard Business School
- **Leo Panitch**, Professor of political sciences at York University, Toronto, Ontario
- **Oleg Morozov**, First Deputy Chairman of the State Duma of the Russian Federation

Transcript:

A. Rahr:

We'll now start our interesting political debate on the prospects for evolution of political systems. There is still some space here. Thank you for coming and joining us. As a moderator, I now have a difficult task in moderating a panel of nine high-level personalities of whom two have not yet arrived. We're still waiting for them. They have an excuse. They have a very high-level meeting here in the city and we expect them with us any minute. And I also have the task of apologizing for Mr. Surkov who is not able to be here. He was supposed to come to St. Petersburg today but was asked to stay in the Kremlin, and we are very lucky to have Mr. Oleg Morozov here on the panel who will take his place. Let me quickly introduce our very important and interesting subject. As you all heard from the Russian President and the panel today, the world is facing huge challenges in these times of heavy economic turbulences. The financial crisis has already turned into an economic crisis throughout the world and in the future it could also end in social and also political crises in some countries. Demonstrations, strikes or social upheavals could emerge throughout Europe but also elsewhere on our planet in 2009 or 2010 especially when the unemployment and the social disillusionment of the population increase. Some countries may even face state bankruptcy and some of the candidates for such an unlucky future lie on the western and eastern

borders of the European Union, so the European Union, we Europeans, will be targeted with solving these problems in the next months to come. There is a strong belief amongst the expert community that the capitalist Asian economic model will overtake the social European economic model soon. And that puts us at the first interesting question which I hope we will discuss here at the panel: are we moving closer to the beginning of an Asian century which will replace the century-long European century? Everywhere on earth, private business and population demand state protection which is also something very new for our elites. The Bretton Woods system has become almost history. The future of the WTO is uncertain. We spoke today in our morning sessions about the future of the US dollar and a lot of people are asking that question, how long will the dollar survive as the main currency reserve in the world economy? So in short, the political and economic changes in the aftermath of the financial crises could well gain similar dramaturgy and lead to collapses like we have seen in the Soviet world in 1991. What does it mean for the world? Here is the first question to the panellists: political changes in the world's leading countries are evident. How dangerous are they for the global stability? Are we moving towards a horror scenario or are there projections which suggest more stability? Our speakers will speculate about the world in which we will live in 2010, 2011, and 2012. Many experts are convinced that China will become the ultimate winner from the crisis, that the US will be weakened and the EU will be too occupied with saving its periphery and the social economic model. Of course, we have to talk about the international institution system which will change according to what the Russian President suggested today, that G7 has already been transferred into G20. The BRIC countries may well constitute a new global axis, energy produce will create a gas OPEC - these are all very important questions which seemed very unrealistic and utopian a couple of months ago, but now they are open to discussion. As well as this, we can expect new ideologies to emerge on the global scale. The world economic crisis in the 1920s produced the worst form of nationalism which mankind has ever witnessed; thank God no radicalism has been noticed as a reaction to this crisis, possibly because the crisis has not yet properly taken hold. I also would ask the panel to discuss how the strengths of the state and the nation will be defined after the end of this crisis. Will natural resources still be the basis of power? Or will the state model prevail? Which state will guarantee the most stability during the turbulence? Our panel is going to discuss this and many other related issues in the following two hours to draw a serious road map for recovery from the crisis. Please keep in mind that we are, as I said, eight panellists. Two will arrive soon. I would ask the participants of the panel to speak or to respond to the questions no longer than four minutes to give us enough time to organise a Q&A session with the audience in the second half of our debate. I would like to ask the Prime Minister of Japan, Mr. Koizumi, the first question. Well, he is here as a representative of Great Asia and I would be very interested to see how he looks at the world, at the

situation in Russia where he is participating in this forum, and whether he thinks that Asia has now received the historical chance needed to overtake Europe. Is the financial crisis the beginning of this new Asian Century and if so, what kind of Asia will it be, Mr. Prime Minister?

Let me start. It has been three years since I retired from the position of Prime Minister. I do not think I am entitled to speak either as a representative of Asia in broader sense or as a representative of Japan, i.e. on behalf of the Japanese government. However for five years and five months I have worked as the Japanese Prime Minister, so I would like to respond to your question based upon that experience. I'd like to dwell upon the question whether Russia will be able to overtake Europe in the future. In prior years we were enhancing our relations with Russia in various areas. However Russia's and Japan's strengths are still not being utilised in full. The issue of territories lost after World War Two has not been resolved as yet. We need to make a decision and sign a peace treaty. If we could do this, both countries would better utilise their potential. We need to overcome those obstacles since we are neighboring countries. Russia has vast energy resources while Japan does not, so we should interact and complement each other. This would benefit both countries. I hope a peace treaty will be eventually signed and the potential of Russian-Japanese relationship will be fulfilled. The history of our countries shows how terrible wars can be. Japan fought with America, Britain, China and Russia, however at present we have good relations with all those countries. We should take this into consideration. Any country is faced with a threat of war, but we have to find ways to get around this and to resolve problems in a peaceful manner. We hope that such aspirations will prevail in the future. Let us look for example at the latest hazard caused by swine flu. It is obvious that such problems do not recognise any borders. When Middle East oil prices rise it affects Japan's economy immediately. Russia is an energy source nation, and it should properly use its gas potential. China is also a big player in the Asian arena. Its strength, including its impact on Russia, will be growing. What we want to happen is for all these resource countries to become more wealthy and affluent. They say if you get resources from a neighbour country you become wealthier than that country. However we do not want this to happen, we want interaction and cooperation. That is why the role of G8 and G20 is to facilitate the resolution of this problem. After World War Two the United Nations Organisation was set up. Brazil, India and China became powerful countries. I do not think that everything is great at the moment but in the final analysis countries should cooperate with each other in the political plane and in other areas. We should interact with all other countries in all aspects of our relations.

A. Rahr:

Thank you, Mr. Koizumi, for sticking to the time limit. I would like to ask our American colleague, Bill Schneider, Senior Political Analyst of CNN, about the American role in this crisis,

in the aftermath of the crisis, and whether he thinks like some experts outside America are saying, that the US will have to surrender its status as the only superpower. Whether you, Mr. Schneider, see some signs of this process already, whether the American way of life, which was so important for the second half of the 20th century for the world, not only for Europe, also for Asia, will survive this crisis. Could the United States, despite all the talk about the end of American dominance, even remain as a driving force of the world economy, as other experts suggest.

B. Schneider:

Well, the question is, as you have put it to me earlier was, will the United States deliberately surrender its status as the world's only superpower? I can answer that in a single word – No. We will not deliberately surrender our status. There are signs that the United States is no longer uniquely powerful in the world as it was for the period after the fall of the Soviet Union, but this doesn't bother most Americans. I'll make a series of observations here because we have limited time, simply to put them on the table and then I'd be happy to discuss them further if asked. First of all, don't underestimate the capacity of the United States for self-absorption and complacency. That was the rule for the entire decade after 1991. 1991 saw the US victory in the First Gulf War which was supposed to overcome the Vietnam Syndrome. It saw the fall of the Soviet Union and the victory in the Cold War, and for the next ten years, the United States enjoyed what I call a "fantasy decade", the 1990s were exactly like the 1920s. Americans were making a lot of money and the whole country was absorbed in fantastic events. I was in the news media at that time, we spent two years covering the OJ Simpson trial, the Monica Lewinsky episode. There were terrible tragedies which were sensationalised – Princess Diana, the Oklahoma City bombing, Columbine – all of those things. Welcome to the finish, Prime Minister.

T. Halonen:

Excuse me.

B. Schneider:

There was a great deal of self-absorption and complacency. I don't think it's meddling that gets the United States into trouble in the world. I think it is that complacency that Americans feel and I think they feel complacent even now, despite the economic crisis. The Bush Doctrine, which he articulated in his second inaugural address, was that the best way to protect the security of the United States is to promote democracy in the Middle East. I think that doctrine was doomed and is now discredited. You'll notice that when President Obama spoke yesterday in Cairo, when he talked about democracy, he very specifically didn't talk about promoting democracy, but rather

spoke about a much a broader goal promoting human rights, arguing that the United States was not in the business of trying to impose any particular political system on other countries. But the one value we would insist upon is respect for human rights whatever the system of government of other countries. Is there a political transformation going on? Well, there is a dirty little secret about American government. We have a government by crisis in the United States. Our constitution was written by men who did not trust government and wanted it to be as weak as possible. But there is another little secret of American government, which is that it usually does work. It works under the right conditions which is an overwhelming sense of public urgency. Like after 911, when the Patriot Act was passed, and now, when the United States is facing this enormous financial crisis. President Obama has, by my count, ten enormous agenda items which he has intent on passing – education, energy, tax cuts, deficit reduction, a jobs programme, a complete transformation of the American healthcare system, a war in Afghanistan, mortgage relief for American homeowners, a bail out of the banking industry and the automobile industry. That’s a huge agenda. It involves a much greater expansion of government that Americans have ever experienced. He is selling this agenda not ideologically, but pragmatically. The Republicans object to it on logical grounds. The President is promoting it on pragmatic grounds, that it is an agenda intended to solve real problems in the market system. Pragmatists believe that whatever works is right – that’s the way Americans think. If this programme works, it will be widely accepted by the United States and the rest of the world. Ideologists believe that if something is wrong, it can’t possibly work even if it does work – and that is the Republican criticism, of course, of the President’s programme, that it can’t possibly work because it’s ideologically incorrect. President Obama has created a new ideological coalition with new forces, a lot of new minorities that are less hostile to government that Americans have traditionally been. The President is re-branding the United States as a country that listens and has respect for the opinions of others. He promoted that point of view yesterday in his speech in Cairo and all of the polling indicates that the re-branding of the United States in the world is under way. The United States remains a highly dynamic society. Yes, we created the financial crisis. We do that about every 30 years. When we have a financial crisis in the United States we discover great violations of law and trust, and ethics. There is a scandal and a crisis, just as there is now, and then we get out of it because we are a very dynamic society. It will happen again about 30 years from now. I think the United States has key resources at its disposal which are likely to help it to retain its influence and its dominance in the world economy. Principally, education, which President Obama is determined to make major investments in order to protect American status, plus something else, a labour force which is constantly renewed by immigration and it means that we are in a very different position than European countries because we have an enlarging labour force; a working population that can help pay the taxes to support an aging population. And finally,

one simple observation, I don't think the principal rule in world affairs is likely to change. That rule is, unless the United States does something, nothing will happen. We saw that in Kuwait. We saw that in Kosovo. We've seen that in Somalia. We're seeing it in now in the financial crisis. Unless the United States acts, nothing will happen. My feeling is that rule is very unlikely to change.

A. Rahr:

Thank you, Mr. Schneider. We are now joined by the President of Finland, Ms Halonen. Welcome. In the first remark which we heard from the former Japanese Prime Minister, Mr. Koizumi, we heard that a harmonious approach of all major states to the world crisis could solve it. We have now heard from Mr. Schneider that his new President, President Obama is re-branding the United States and he has in his view the political will and the potential to lead the world out of this crisis. I would like to ask you now not only as a representative of your country but maybe as the first European who would speak here, how would you, Ms Halonen, see the global threats for the moment – because we are asked to develop a kind of road map for the further development of our planet in the next months and years to come. This is the task of our panel, so please speculate on that if you can, and also I would like you to be more specific about the future of the Nordic welfare state as a model maybe for crisis management for other countries and regions.

T. Halonen:

So thank you very much and excuse me for being a little bit late. I don't know how to explain it, coming from so near - Helsinki is only a half-hour flight, of course, is why I am late! But I would really love to listen to both of you fully because I know also the former Prime Minister of Japan, Mr. Koizumi, from the previous situations very well, we agree very often concerning this need to reach harmony. But also we need this dynamism which we see in the USA and I can tell from what I heard you say that you want to create a new brand for the USA; that it's a country that listens to others. So these trips that Mr. Obama has made both to Iraq, where I was one of the EU country representatives, and then to Istanbul, where it a dialogue about civilizations took place, I know were both a great success. Everybody said that, "This is something new. Americans are listening and speaking at the same equal level with us", so congratulations for the good start and I hope that discussions between President Medvedev and President Obama will produce the same kind of feeling. So you asked how I see from the point of view as a European and as one of the Nordic Sisters. The Nordic Sisters are what I normally call Iceland, Norway, Denmark, Sweden, and Finland, and I will say later on why I say sisters and not brothers. It's not because of my own gender. So I think that the biggest challenge we have now facing us is that we really need to

understand that the well-being of people goes hand-in-hand with the well-being of nature. We have not succeeded, we know about climate change. We know also that we have this financial crisis and not-so-fair globalisation. So I will take these three different global challenges. I will mention just a few comments about the first one, concerning the economic crisis, followed by what I'm interested in as the social dimension of the economic crisis, and then, this sustainable development. So I think that we are now experiencing in all European countries an unusually steep downward slide in our economies. The financial crisis has turned into an economic crisis. I have been astonished that so many experts said that that could be avoided. I mean, sooner or later the financial crisis will also turn into an economic crisis. I fully agree that in this case Americans have to help themselves. The economy is so huge, so important, that even we can try to work hand in hand. We cannot help you if you cannot help yourself. And I hope that this new spirit of Obama is very much welcomed by Europeans. The second point is that the financial crisis shouldn't be a surprise because many experts commented earlier on the present globalization, so there are certain weaknesses especially in international financial architecture. How did the crisis begin in America and so on, of course we didn't know anything, especially when it would happen. I just mentioned that a world commission reported as early as 2004 that there are certain weaknesses and we should be aware of them beforehand. So why didn't we do anything? Americans, Europeans, Japanese and so on – I think it's very human. Even in such situations as we have today, it's still very difficult to solve these issues, but now when we see that this is a very big crisis, we are more ready to make these necessary decisions. So coming to the point with the news we got from Germany just recently, I would like to mention also that we in the Nordic countries think that there should always be cooperation between the private sector and the public sector. We mean cooperation between companies, non-governmental organisations. Consequently, the public sector should be in a more democratic state, and not only in the state whereby the state only helps during the hard times. Our idea is that that should be normal, everyday life. Democracy, human rights, the rule of law, good governance, education, health and social services, are the guarantees of what I would call a renewable, effective society. This is always important in the time of globalisation, but it is especially important in hard times, in which we are living now. And one of the dimensions is of course, the social dimension – an increase in unemployment can easily mean a possibility of social instability and social instability puts democratic development at risk. This is very clear. So I would only say very briefly that solidarity is needed within countries, but also between countries. And that's why I fully agree with what the Secretary General Ban Ki-Moon always says, that "When we speak about climate change, what we should be talking about is sustainable development". At the same time we must remember that reducing poverty and raising solidarity between people and states is important. And so, you remember our promises for the new millennium regarding

development. The last point is that nature cannot wait and that's why we have to agree on a post-2012 agreement on the alleviating climate change. In this way, the seal of the deal in Copenhagen in December is very, very important and we can now learn and prepare to make this kind of joint ventures.

I should also say very briefly why the Nordic welfare society could be one of the answers. I think that I already explained a part of this; that developed countries need a safety network so that welfare society can provide key elements to succeed in international competition. I think that all we five sisters – I even mention Iceland, even though I understand their difficulties. We have been in all international statistics in a good position. Whatever it is, economic growth, whether it's a question of educational systems, the Global Peace Survey we Finns have always been in the top ten or very often at number one, as well as in many other categories. Also, social stability has been successful, and when you mention that education is one of Mr. Obama's policies, I fully agree. I have often said that if we think which kind of country can be competitive, I say always that the secret's consists of three words – education, education, education. And not only education for every single boy and girl, but also life-long learning. We have to discover the joy of learning so that we elderly people here as well want to come back to studies and learn, and understand that this is a part of life. And in that way, I think that Nordic countries, with a welfare society, have invested a lot in education, health and other kinds of services. It's good for the individual. It gives them possibilities to use all their capacity, but it's good also for society. And that's why I think it cannot be only the private system. It has to be something which the whole society takes in. I'm open to discussion on this, I think it is something which can combine dynamism and control of the market economy, and also provide possibilities for enterprises and citizens, and to have renewable energy also in this sense. That's all. I hope that I didn't speak for too long.

A. Rahr:

Thank you Mrs President, for your insights and also for your optimistic view from the North of Europe. I think it was a very optimistic statement. Thank you for that. Our societies indeed could be renewed. Now I would like to ask Mr. Chiesa who is a politician and a journalist a question which I don't know whether he will like or not, but the world is being changed by a fourth power too, the media. And the media helps politicians but sometimes also creates certain difficulties for political agendas to be moved along in these times of crisis. I know only in Germany when the crisis started in 2008, for half a year the press was writing that we are moving towards a doomsday scenario and the world will soon end. And now it seems that there are some positive elements overcoming the crisis. Suddenly the entire press is very optimistic about solving this crisis in 2009.

G. Chiesa:

I will speak Russian. It is a pertinent question. I would say a question in the form of a paradox. We did not know a thing. Practically, we knew nothing. The crisis did not exist until 2007. Then suddenly the whole world was writing and talking about it. The whole mainstream had not dropped us a hint before. The crisis broke out when the whole world was ignorant. I ask you, how could it happen that nobody knew anything? This is very strange. I have the feeling that some people did know yet kept silent. My impression is that the so-called global mainstream does not provide us with information on what is going on in the world. It is an extremely grave matter. As we are talking about democracy development here, my first question is: how can we talk about democracy when several billions people are unaware of the actual existence of fundamental issues capable of changing their life? No democracy can exist in such a system. This is my question. And I will make my question even more specific using the information I have just heard with pleasure from the President of Finland: I wonder what the public in Europe, in the USA, in Japan knows about the developments already taking place, namely about climate changes? Not only the public is unaware, politicians are unaware either. My impression is that the leaders of our world do not possess sufficient information on what is happening when they are making important decisions. For instance, who knows what will happen after the crisis which, if we are optimistic, will end in 7-8 years? What shall we do afterwards? Shall we resume uncontrolled exploitation of natural resources the way we have been doing for the last 100 years? Will the nature stand such an abuse? I believe we all realise that it is impossible. For the last year and a half I worked in a special interim commission of the European Parliament dealing with climate change. We have listened to scientists from dozens of research institutions. They all repeat one thing: if the temperature on the planet grows more than by 2 degrees this will result in a disaster we cannot even imagine. However, how many people know about that? Fine, I will put it in a different way: let us imagine for a second that the world leaders are very honest, responsive, competent and accomplished fellows. If this situation lasts for 8-10 years, within the life of our generation, these people will have to make crucial strategic decisions affecting millions, billions of people, decisions of such importance that they could not be made without providing proper information to people. It may cause an upheaval, a mass reaction, because all foundations of life will be undermined, the changes will affect everything that seemed unbreakable. Who will explain this to people in the several years to come? There were opinions that nothing new will happen. No, exactly the opposite, everything will be new. And there are scenarios. Do we realise that things will change in a dash? I would just like to cite a conclusion of the Club of Rome from a book published in 2002. Its title is 'Limits to growth'. The Club of Rome states that all scenarios available now lead to a disaster. There are eight different options. And we should choose an option with minimum grave consequences. I do not believe that this can

be done without democracy. This is essential. And the last thing: the world will be changing in the nearest time. We are really moving to a multipolar world. The issue that I consider fundamental is whether we understand that even the situation of the last 30 years cannot be repeated. I assume that we should watch numbers to stay on guard. Take a look at the 1999 list of 20 most influential financial states. It is lead by 11 US and UK international banks. 11 out of 20. Now let us look at the same list for 2009. The same 20 largest states. And Chinese banks taking the first, second and third places and the first of these banks surpassing the International Monetary Fund in terms of market capitalisation. This means that we can not go on living in such an environment without changing our ideas of life. Well, G20 is the first step. Actually, G8 does not exist anymore. G20 itself is just a beginning. This morning I listened to the presentation of the President of Russia where he told that the world should be actually reconstructed. All international relations should change. And I believe it would be a grand mistake to think that fundamental decisions will be once again made in Washington. They will not. If this happens it will pose yet greater threat to everyone. Thank you for your attention.

A. Rahr:

We're making our journey along the road map more difficult, but more thought-provoking. Thank you. Now, I will turn to Mr. Leo Panitch, he is a professor of political science at York University. He comes from Canada and he is a very well-known scholar on the subject of the renewal of socialism, he has published a lot on that and besides I wanted to ask him about whether he sees the future world more in harmonious colours or in conflicting colours. I would like to ask him also whether he thinks that the leftist idea could be fundamentally renewed and whether socialism could re-emerge, despite being regarded by many as a conservative force, as socialism declined after the fall of the Soviet Union. Thank you.

L. Panitch:

Thank you. We live in a very strange moment. The Prime Minister of my country is a free market economist. Before he was a politician, he was a leader of the largest corporate lobby group for free markets. He has just put 10 billion dollars into helping the American government nationalise General Motors. Bill Schneider was quite right, I think in everything that he has said about Obama, except what also needs to be remembered is that the bailout of the American banking system was undertaken by the Bush administration. And the processes that lead most of the important American banks to be effectively owned by the American state were initiated by extensively a conservative laissez-faire free market administration. What's going on? How can this be? Well, first of all, you need to understand despite all this talk about models in the Chicago school, et

cetera, that politicians, especially the politicians who come to power in normal times, are mostly pragmatic people. They can't get where they are without being relatively pragmatic. And when a central institution as a banking system collapses, since it is the responsibility of any government; the basic responsibility to keep order in the society, that government no matter what its ideological form, will inevitably put all of the state's resources into keeping it going. The same is largely true as important an industrial corporation as General Motors on which not only whole communities but whole states and provinces in North America depend including my own. So the question gets raised again as it was raised in the 19th century, as it was raised at the time of The Great Depression, as it was raised after the Second World War, what are these giant institutions on which we all depend doing outside of democratic control? What are they doing in private hands and when they fail inevitably the state must come in and support them? Now, this is a very old point, if I may use the word, it's one that Marx made in the 19th century, that we live in an increasingly socialised economy in which we are more and more interdependent and dependent on large institutions, and yet those institutions in the economy remain privately owned, remain private property. And this is a basic contradiction. And we are now at the beginning of the 21st century up against that contradiction again. It not only applies in the sense of the failure of this banking system. It also applies in the arena of the environment of the ecological crisis we face. The major solution we have for dealing with it is cap-and-trade, is to set environmental standards and then allow corporations to trade the securities, the derivatives that those of them who stayed under the standards will be able to sell to others who don't keep the standards. Now, this means that we're trying to solve our ecological problem through the derivatives market. The very market that brought us to this crisis. It has not been the case at all that states have withdrawn from markets in the last 30 years, not at all. After The Great Depression when the American banking system, and indeed the world's banking system for those that were capitalist, also came to an end, the regulations that were introduced were designed to bring it back to health. Vikram Pandit of Citibank, the largest commercial bank in the world not very long ago, said in the previous session that he thought that what the governments had done was essential, was good, but he wants them to get out as soon as possible. And that was largely the agenda of the new deal. It just took much longer until finance developed again to the point of the 1960s first in London, in Europe, with the euro-dollar market and Eurobond market where it was unregulated that created competition in New York and it was impossible for the new deregulations to continue any longer. It wasn't that ideologues took them off. It wasn't Milton Friedman with a good idea. Direct finance groups who bid for those regulations took control. In 1999, when the main deregulation was removed it was almost doing nothing. Commercial banks were engaged in investment banking and investment banking was already engaged in commercial banking. Alan Greenspan appearing before the

Congress Finance Committee was asked, "Well if you're in favour of removing the Glass-Steagall Act, why do you want to keep the Federal Reserves Regulations on banks?" And he said, "I wanted because I need to know when the next crisis will happen." It was a very volatile world financial system that was built with very active states. Above all of course, as Bill was saying, under the leadership of the American state which for all that he described was right in the 1990s took the lead in introducing the WTO, took the lead in trying to ensure the capital controls are removed as it has many countries as possible, and above all took the lead, as Robert Rubin put it in his wonderful memoir and everyone should read it because he also knew the prices were coming, took the lead in being what he called the chief fire-fighter of the world economy. And states were most active in making globalisation happen. It's not corporations that sign free trade agreements, it's governments that sign free trade agreements. As chief fire-fighter, the American state but in coordination with the European Union with the Bank of England with the Bank of Japan were engaged in trying to contain many crises since the early 1980s, including the 1997-1998 financial crisis in Asia - at a time when Japan was advancing the notion of an Asian IMF which the Americans opposed at that time, and it was introduced, and there was good reason for thinking, as Bill was saying, that the United States will be able to play a similar role in the future. Where does this leave us then? The failure of socialism in this country was a tragedy. It was an appalling dictatorship, it didn't embody freedom. The notion that history came to an end with that failure is naive. Other countries, it will probably even have to be Bill's country - the country with the deep and long democratic tradition will inevitably give rise to movements which will ask a question, "Why are we bailing out the banks and then giving them back control over what gets invested, where it gets invested, how it gets invested, et cetera? There will be a rise again, who knows where, who knows when, of those kinds of movement? It's impossible that there won't be. Since I agree with Bill that the United States is a dynamic economy, it has a material base to keep the kind of global role that it state places in making global capitalism unless it happens to some extent in the United States, it's not going to happen. As usual then, the big question is whether, when Obama is called a socialist, perhaps he really ought to be. Thank you.

A. Rahr:

Thank you, Mr. Panitch. I hope you have provoked <inaudible> also. Questions from the floor, including those of the future of socialism in Russia. Professor Ketels, you probably will not agree with every thing that Mr. Panitch said. As I understand, you are still a supporter of the liberal model in the world. You heard Mr. Panitch speaking about the need to strengthen the role of the state for social reasons. You and your writings advocate the idea of decentralisation of power as I understood it in many countries, and you have developed different models for that, please could

you make a statement.

C. Ketels:

Thank you, Mr. Rahr. You know, it takes a lot of courage these days to ask an economist about the future, because our track record hasn't been that great recently. So, you know, let me make my comments with the appropriate humility. Now, tackling your question, let me actually start with your introductory statement because I think that's quite helpful to understand what's going on. Asia is going to be a much larger share of the global economy. There's no question about that. The US is, in relative terms, going to lose but will remain really the economic leader of the world. Europe relatively is going to lose importance. But that has been driven by fundamental trends that have little to do with the crisis. The crisis may be hastening that change to become obvious. But the crisis is not the reason for these changes taking place. I think that's the first important observation to make. Second point, what does this change in relative economic power imply for what type of economic policies, and maybe also which political systems are more successful? Now, I don't think that the rise of the Asian economy, driven by fundamentals, also means that their political or even their economic policy models are necessarily more successful. Now, listening to President Halonen, I think you get a sense that different countries come to different solutions. What I do think is that the crisis has brought home the fact that there is one key challenge that all countries are facing and that is how we will be increasing the productivity of our businesses; really the fundamental of our productivity of our real sector. Financial shenanigans are not going to help us anymore and we have made the mistake in the United States and some European countries to think that that would work. We need to go back to the fundamentals. But the question is really how do we get there? My sense is that while the economic rules are the same for everyone, situations are quite different and so we'll need different political responses to that type of challenge. Now, a key issue, and this leads me to Leo Panitch's comment, is really what it has to imply for the role of the state? One thing is clear, the crisis itself has increased the role of the state in economy. You know, to be a little bit more specific, it has increased the role of central national governments in the economy. That by the way is, you know, as a European is a challenge for the European Union and maybe we can discuss that in the discussion further. Now, the question is, however, is that going to be more than a transition effect, you know, reacting to the crisis or does this really imply a change of system? And there I think, you know, I don't see that as much as maybe Leo does. If you look at the populations in many countries of different political leanings, think what you see is a very clear sense that people expect the government to act. But you see even in my current home country in Sweden, you see a very strong reservation; very strong scepticism as to whether the government will be able to do the job of managing companies. That includes the automotive companies, but it

also includes banks. So, I think what people are really looking for is a different kind of model that deals with the challenges that this crisis has really brought to the forefront. But I do not think that the old, you know, more or less state, more or less private business does necessarily help. The reality in the modern economy is that the government controls very many decisions that are crucial for companies. We need to find a new way of having the public and the private sector interact while keeping the principle of competition. And different countries find different ways of dealing with this. Now, final point, let me actually say a little bit about Russia, because I think this crisis has a lot of important implications for Russia. The issue for Russia is that it not only faces the impact of the global crisis and the drop in the oil price which now seems to be stabilising at a slightly higher level again. Already before that Russia had a competitiveness challenge. So I think the issue for Russia is how are we making sure that we not only address the short term challenges of the prices, but do it in a way that also address our fundamental weaknesses. That is the real challenge for Russia for two reasons: to respond to the crisis, Russia needs to increase the role of the government. And I think we heard the Minister of Economy talk very much about, you know, that Russia was very reluctant to take ownership stakes in companies and instead is giving debt guarantees because of the realisation that the quality of the government and the government administration is one of the key weaknesses. So the crisis unfortunately pushes Russia into a situation when it has to rely on one of the things where the main problems lie. The other one is that already in the reaction to the previous crisis, Russia reacted by more centralisation. In reaction to a macroeconomic crisis that helps, and I think Russia has been very successful in addressing, for example, the fiscal policy problems that existed in the past. For Russia to become a truly competitive economy, however, and the President laid it out this morning what the ambition for the economy is, it will also need to have strong decentralised government structures, a strong private sector, strong regions, strong non-governmental organizations. He thinks the experience that we have from the OECD countries is that unless you have that, it is very hard to make progress on true sustainable growth in the future. And I think that's the balance that we're all facing. We need a strong central government to deal with the crisis. We need a strong decentralised structure that brings many players in to ensure that it's not only a blip reacting to the crisis but that we get to sustainable growth in the long term. Thank you.

A. Rahr:

Thank you, Mr. Ketels, and since I have known Oleg Morozov for many years, I can ask him a provocative question, and he will understand, I think. He is a representative of Russia here as the first deputy chairman of the State Duma. Thank you for being with us. But if you hear or Russia hears, mounting criticism from the European Union all the time, that Russia does not value the

same kind of European civilization values that the European Union expects Russia to become like the West and only then a strategic partnership is possible. Are you not somehow under certain temptation to look towards Asia and look how China quickly develops, how other Asian tigers develop and switch maybe your developments, your orientation from Europe to Asia, I know this is pure speculation, but lately I have read a lot of articles about this even by high level scholars and politicians here in Russia.

O. Morozov:

Thank you for a provocative question, it enables me to give an equally provocative reply. I understand that Mr. Rahr has dramatised the issue, so I will try to reply in a formal way: if he offers me or the others present here a universal manual describing how to live in agreement with democratic laws, and every single person agrees that this is a Bible of Democracy, I will applaud and call this a deed worth of Nobel Prize. But I am afraid he will not fetch such a manual. We have been living in the new Russia for two decades and within this period have faced four great historical challenges. The first crisis was related to the collapse of the Soviet Union, it was a crisis of values, spirit, crisis of generations, if you like to put it so... Then there was the terrible 1993 crisis when we were actually on the verge of a civil war, with shooting heard in the streets of Moscow. It was followed by the 1998 crisis, a very interesting one. Listening to the previous speaker where he wondered whether the governmental powers should be increased or diminished for Russia to overcome the crises, I was recollecting 1998 when the economic system of the country could be defined as liberal anarchic capitalism, and the political system was in ruins because of the permanent battle between the President, the Parliament and the society. What was the way out of the crisis? Nobody knows. We overcame the crisis spontaneously. People were saving themselves, business was saving itself, politicians were making spontaneous decisions which would either help or not – this was our way out. The current crisis is the fourth one. We could not but learn lessons from our previous progress. Sure, recent years are marked with a trend towards enhancement of all government institutions, strengthening of control over processes that are underway in the country, and this was the priority. So when today we are making decisions on overcoming the crisis in Russia I cannot always say that they are perfect, yet I can state that all government institutions take actions jointly and make decisions in a short time – much faster than in any other situation, and when they make a mistake they can correct it just as expediently. Turning back to the question of Mr. Rahr, certainly what we have today is a reaction to the events of the past decade, to the chaos of 90-ies, there is some inclination towards administration enhancement, towards strong rule, but I would like to draw your attention to the background we are creating for ourselves while fighting the crisis and setting a milestone in 2020 – we have a program named 2020 - and in terms of the

political component of the program, it maintains an apparent trend towards increased competition both on business and political levels. This is a trend towards enhancing multiparty environment in its traditional European meaning which can be proved by the measures adopted at legislation level. And in that sense, I believe, our people do not share such catastrophic perception of the crisis, judging by all polls and research. Maybe we have grown thick-skinned and got used to a crisis state, enduring a crisis, overcoming it and moving forward. And more probably the reason is that – I agree here with the President of Finland – we have realised the importance of social stability through all those crises. And today, under crisis conditions, we have adopted an unprecedented program, where the state did not cancel any single social obligation. This is the lesson we learned from the crises of the last 20 years. And my last point is – I support my colleague and old acquaintance Mr. Chiesa wholeheartedly - that our American moderator made a wonderful, very bold comment that if nothing happens in America, nothing happens at all. I do not want to argue with that statement, I would like to ask if it is a good thing if this is true. I do not think so. I am most sure that this crisis will result in total change of global attitude of all states and countries. Our interests in such issues as capitalism, socialism, resource economy, innovation economy is not occasional, we are reflecting on the future of our civilisation. And it is absolutely evident to us that this future, successful, efficient future will be brought to life only when we learn to predict a crisis at earlier stage than it happened this time. It will be possible only if we set up a new world order where, as Mr. Obama stated the other day in Egypt, no one would explain anyone, using a democracy manual, what kind of political system they should have – I am citing almost word for word, except for the mentioning of a democracy manual. That is why I think that today we, the international community, have a splendid opportunity to learn finding solutions and ways out of the most complicated situations together. That is the opportunity our time has granted to us.

A. Rahr:

Thank you, Oleg Morozov. Before going to the Q&A session I would like to ask the former Japanese Prime-Minister another question. As we just heard from Oleg Morozov, following the financial crisis we are now perhaps at the beginning of new crises – an ecological crisis; perhaps a new food crisis, which threatened the world at the beginning of the 2008; higher energy prices, which will probably enable certain countries that are now in a weak position to lead the world, because they sit on all the resources which other countries will need. According to certain experts, a gas OPEC could theoretically be created theoretically. So this is a new world order and I'd like to call on the former Japanese Prime-Minister to comment on what he thinks about a very important subject: namely, what kind of international organizations should be modernised and stabilised in order to stabilise what we have now and to prevent the development of chaotic scenarios on a global

scale. An important aspect is of course the Islam factor, which we haven't touched on so far. The Islamic world, as we know, is also experiencing turbulence, not because of the financial crisis, but because of other development. This is also an important factor for the creation of the future world structure. Do we think this is a threat and how are we coping with it? So, another question on the institutions: which do you think are the main institutions that could, along with all our support, strategically develop a system for stability in the world?

J. Koizumi:

I believe that there are many different types of crises; there is not just one single crisis. Depending on the country things can happen in different ways. If there is democracy in a country then a solution can be found, I think. However different countries handle problems differently. I think the crisis will continue for a while. As I mentioned at the Plenary session there is globalisation underway and not all companies come on board at the same rate. Technologies spread and develop at different speed. There are countries with resources and countries with no resources. We need to ensure a better between these countries. Actually not all countries are faced with a financial crisis and where there are such crises they develop in different ways. The countries should be looking for most efficient solutions, this will bring best results. There is a whole armory of tools and measures. This means that different problems can be handled differently. If this confusion continues for a long time, environmental issues will become more acute than ever. Air pollution, pollution of water with oil, gas emissions, fish kill, advance of epidemics – that is what has been happening for the last forty years. It happens at any stage of country industrialisation. We are communicating to countries where such trends develop – do not put economic growth at the forefront – this should not be your utmost priority. Environmental protection, environmental programs should be a priority either. What we need is corporate alliances. I do not think there is a quick fix, but by building alliances companies and countries can come together to find solutions for their individual problems. There is not any universal solution for everybody, so we have to resolve problems by way of setting up alliances. The country has to work out itself what it needs. The countries need to understand to where they should direct their efforts. At the moment I can not be more specific but these problems are really becoming widespread, they are emerging in various areas of life. I hope I answered your question.

A. Rahr:

<inaudible>... is Japan looking seriously at this organization? Because during your prime-ministership, there were voices in Japan saying that Japan could join this organization as an observer. Is this a model, which you are describing: new alliances, broader alliances, unexpected

alliances...?

J. Koizumi:

My personal opinion is that Russia and EU need each other as there are common, mutually acceptable approaches despite the difference in positions. Each country holds certain positions which it would not yield, the rest can be compromised. It is amazing how European Union was formed in our time overcoming centuries of disagreements. European Parliament was established and European legislation is being passed. Europeans united different nations, and that required much effort within long periods. Their achievements are really impressive. This maintains economic stability in the countries, so Japan would also like to cooperate with EU. However there is nothing similar to EU in the Asian region.

A. Rahr:

A question for the President of Finland, Mrs. Halonen. It is a tough question, but I have to ask it, because when the European Union saw this problem now approaching, our new members: Poland, the Baltic States, and other countries are suffering much more from this financial, economic crisis as the so-called "Old West" countries, and they criticise us, I'm from Germany, so I can say this loudly, that they are not getting enough solidarity; not enough help from us in their very difficult turbulence in which they are very much dependent on our help. Some even think that we are abandoning them. What is your opinion? It is a tough question of course. Are we still in a solidarity alliance inside the European Union, or is it as some critics from outside the European Union are saying that everyone is almost fighting for their own survival and we have somehow lost this commonality in the European Union during this crisis, especially now in the view of this criticism from the new member states.

T. Halonen:

This is a complicated issue, because it wasn't too long ago now when, I, in one meeting, said "the new member states of the European Union", and they all became angry at me and said they are no longer "new". So paradoxically, they sometimes want to be old and sometimes new. Of course, they are the latest ones, but they are not the last ones. I am still for the enlargement of the European Union, because I think that these efforts of the European Union have been successful, first of course because of peace; there have been no wars between member states. Secondly, because I think that it has helped everyone of us to create a new home market, or single market as we call it. None of the countries of the European Union, not even Germany, are big enough in globalization to require what the Americans, the Chinese or the Russians have: they have a big

home market. But then we also need the broad aspect, because the European Union is not yet Europe, there is Russia, Ukraine, Norway. And the world doesn't end in Europe; there is China, the USA, Africa and so on, and it could happen that today's <inaudible>. Also, every country has the human value and I think that this is very important. The European Union has meant of course new economic possibilities, new refrigerators, cars and so on, but the main issue is the human values, human rights, democracy, the rule of law, all that, which means that you can trust each other and I think this is very important. This would be also important in a global sense, because if you have no confidence in each other, then you cannot create a common business or common world. When you ask whether we should remember the ones left behind, then I would say that among them are the latest members of the European Union. We have both the strong and the weaker ones. Some of the weaker ones are weak because they did not understand that they should establish social security as well as business networks. Of course, I said that I am taking a risk in saying that we five Nordic sisters, even Iceland has a crisis and difficulties in the economy, but I think it would be for the economical experts; it would be very interesting to see whether the fact that Iceland has a welfare structure will make the country more able to recover, as the business sector took the risks, not the welfare state. For the small state it is very dangerous for small enterprises to take to big risks. In that sense, I don't try to be a teacher, but I still hope very much that they will recover soon. In the European Union, as mentioned, there is not yet a very strong framework, - only some of the European Union countries are members of the Euro. For instance, even from the Nordic countries, Finland is the only one who has the Euro, the others have their own old currency. I think that the Euro is important for globalisation, so I think solidarity is needed between the EU countries. This is of course the basic idea, but the EU is not all of Europe, the EU is not the whole world and we have to feel global solidarity in a way that we have talked about already: about how global challenges need global ethics and global cooperation. United Nations is the only vehicle for this; when you asked about what should be reformed, I would say that the United Nations <inaudible> institutions and some others, but the main thing is the political will. The political will do create a global world where you can be predictable, I mean you can have differences about how to create democracy, how to understand difficult things, but you have to have common rules in order to have confidence. Confidence that is needed in globalization and in tackling the financial crisis. We also have a less fair type of globalisation which has given so much, but with a little bit more work, or quite a lot as a matter of fact, we could make it so much better, to make it more fair, for enterprises, for citizens and so on. Mr. Alexander Rahr, the difficulties that we must overcome in development at different levels; at local level, national, regional and global level. But I am optimistic, perhaps by birth, I am optimistic that the European Union will fulfil the different tasks and challenges at the same time, but then everyone, the old and the new members must fulfil their

obligations in the same way. Thank you.

A. Rahr:

Thank you Mrs. President, our audience was very patient and now it is their turn to ask questions and make a very short statement. Please identify yourself and at the end we will take several questions. Then the audience will have a chance to respond or make a last statement. Who wants to make the first remark, or is everyone happy with what has been said. I was told to involve you in a kind of discussion, perhaps then we could listen to our American friend, Mr. Schneider, and ask him again whether he thinks the <inaudible> with America still not having power, but also the view to help the world change itself for the better and I refer now to the Islamic factor. Huge countries like Pakistan, dangerous now in a certain way because they possess, as we all know, nuclear weapons, do want to play a much more prominent role in international institutions; within the UN, but also outside the UN. How are we going to create a world where the strongest countries are represented in full. They are unfairly not represented in the WTO. They are somehow part of the world, but not fully integrated. We understand the steps of President Obama correctly if I say that he is probably the first US President for several decades who is seriously reaching out a hand to Islam for cooperation and for talks as indicated in his speech in Cairo, but also in his readiness to speak to the Iranian leadership.

G. Chiesa:

I think the President is trying to seek a balance, he wants to influence the world in a productive direction. For instance, he talked extensively about human rights in Egypt, but he did not talk about imposing, or even promoting a particular system of democracy, he made a distinction. He said he does not want to tell other countries how to organise their affairs, but he thinks there is a universal value of human rights that the United States will support and then all countries should be urged to respect. My guess is that the United States has been chastened by the experience in Iraq, that Americans started to feel very differently about the world as a result of that experience. In many ways, there is an Iraq syndrome comparable to the Vietnam syndrome. We are seeing some of it even now in Afghanistan, where of course the threat to the West, as well as to the United States is much more serious than it ever was from Iraq, and in Pakistan more serious still. The United States is in no mood to go on in the military adventures and it wants to find multilateral solutions to Iran, to Pakistan, and I should add, North Korea, where there are least six countries involved in trying to find a solution to that very difficult and intricate problem. I would say this about President Obama and the way the United States deals with the world: it is both good news and bad news. The good news is, if there is a crisis, the United States can deal with it, we always

have and we always will, that is how our system works. Give us a crisis and it works wonderfully. The bad news is, the United States cannot deal with the problem unless it is a crisis, that is why we have so much difficulty dealing with climate change and with national debt. Everyone knows that climate change is a terrible problem that threatens civilisation. Everyone knows that the national debt is a problem that threatens the economy of the United States and the entire world, but the fact is, to the American people, neither one of these problems has reached the dimension of a crisis and until they do, it is very difficult for the United States to deal with them because the political will is simply not there. We are the most populist country in the world. We are the true People's Republic, because popular opinion is what lubricates our system. It is a system of weak government, and without an overwhelming sense of public urgency, nothing will happen. That sense of public urgency has never really emerged in the case of climate change, it has never even emerged on the issue of national debt and until a crisis really emerges, say a threat to the United States, it is going to be very difficult for the United States to act decisively, particularly given the difficult experiences the United States has experienced in the last five or six years.

A. Rahr:

Thank you Mr. Chiesa. I want to ask you a question: why haven't we seen real social unrest in the world so far? Your colleagues and other journalists at the beginning of 2009 described doomsday scenarios of people coming onto the streets and certain governments, even in Europe, collapsing after massive street protests. Ukraine for example was mentioned as a state which would be bankrupt soon, all that has not happen yet, maybe it will happen, maybe not. Is this again something that the media invented, or is this still an indication that the worse is over and the crisis will not hit us as hard as the media said at the beginning of this year?

G. Chiesa:

I have some pretensions against the mainstream media. I do not believe that the mainstream media is working well. On the contrary, in answer to Mr. Schneider's point about why the popular will in the United States and also in Europe does not appear on this kind of question, it's because they are not informed, it is very simple. We have collected a huge amount of information, why do millions of people not know? Because I believe that we are in a new phase of mankind, a new phase where information is playing in the negative sense and has an enormous effect on the ideas of the world population about the place where they live. We underestimated, I believe, the strength of television. Television has changed the attitudes of millions of people; of hundreds of thousands of millions of people, and we have no control on that. Again, the question of property, a big television channel, and you know about this, is created and can create a completely false perception. I come

from a country where the Prime Minister owns six channels. You can't imagine what kind of democracy can you really have in a country where the head of the government is the direct owner of six television channels. It is a monopoly; a complete monopoly. Certainly he will win the election; not immediately, but he is creating his own electors. <inaudible> I believe this is important because politicians all over the world, according to my opinion, do not yet fully understand what is happening. Look at the problem of a normal television channel in Europe or in the United States and you will be surprised at how much <inaudible> in the strict sense of the word, in the <inaudible>. If you look closely you will see that it is more or less the same everywhere, I have looked into this in Europe. If you are looking for information then it will not be more than 10% accurate. The other 90% of the programme <inaudible>. Alternatively, put the question this way, more than 90% of what millions of people everyday in the last forty years have watched all over the Western world is advertising and entertainment. 90%. And you believe that the public opinion is followed by information - not at all. Public opinion is formed by entertainment and advertising. Our children are brought up by entertainment and advertising, and we aren't aware of this. In the United States, the average child spends four and a half hours per day in front of the screen. In Italy it is about four hours, in Germany the same, in France the same. We have been transformed into consumers for instance; we were producers and now we are consumers. And if we want to face the future, I believe, frankly speaking, that we have to come back again to another way of living our life. If we continue to be consumers we will not emerge from the crisis. This is a huge task, because I believe that democracy is information. If you are not informed, if you have no real perception of your life then you cannot defend yourself, you cannot organise yourself, you cannot begin to change your life. This means that the information question is the fundamental question for the future, and the instrument with which to resolve many of the problems we have today.

A. Rahr:

Well, if we're talking about the media, we cannot avoid talking about Russia Mr. Morozov. If we see how popular Mr. Putin as Prime Minister and Mr. Medvedev as President are, still are almost one year after the start of the crisis. Tremendous figures! 70 to 80 per cent still, despite the crisis, support them. I personally do not think this is only because of the work of the media - it has something to do with traditions in Russia, to support the view of the state in times of crisis, because the state gave protection throughout the centuries to people, but how do you assess the change of mood in society, there was no real crisis in Russia. We had only one real popular demonstration, and that was when Russia stopped the import of Japanese cars to the Russian Federation, besides this there were no serious demonstrations in the country, so no particular unrest

as some people even in Russia have feared would come. So could you respond to this, please? Is the worse over in Russia? What is the situation like now? From a politician's perspective, are you still fearful of possible unrest in your country and how <inaudible>.

O. Morozov:

This is the worst scenario, because if people take to the streets in Russia it always takes different scale and brings different types of consequences than in any other country. This difference is especially apparent when we compare Russia and Europe. You have already mentioned one of several reasons why people do not protest outside. Indeed, I have doubts about the figure of 90%, yet the level of trust to the state leaders, to the president, to the head of government is extremely high, and it allows people even in troublesome situations to hope that someone will make decisions to help them in the future. And this effect of positive expectations results from the eight years of stability in the country, when economy was developing fairly intensively, when salaries and pensions were growing, and people were hoping that the tendency will keep. Even the crisis has not accomplished a revolution in people's minds or restoration of catastrophic moods existing in 90-ies. You have named the second factor as well. Our people are really expecting governmental support by tradition. We have rather paternal relations between a citizen and the state, and both businesses and ordinary citizens are expecting the government to find a helpful solution. If the leaders identify signals confirming this, for example, when we managed to stabilise situation at the labour market (this month has seen the first stop of unemployment growth since the beginning of the crisis, and even some decline of unemployment), people perceive this as a response to their expectations. Like, you see, the government took some measures leading to positive results. The third factor, in my opinion, is that we have accustomed people to seek a way out not in actions of protest, but in looking for application of their own capabilities. I would repeat once again, these eight years of Putin's government have changed our attitude to our own country and our place in the country very much. I really know the attitude of many people, even when they lose job. They think not about a protest, but about finding a new job, learning another profession, integrating into life and achieving success. As I said in the course of my first appearance, I do not have the impression that our people are dominated by dismal attitude, we are rather turning into a society with citizen solidarity, with efficient leadership, and this gives people a chance to hope the solution will be found successfully and not in such a distant future.

A. Ruhr:

Thank you, Mr. Panitch. What do you think? You are a specialist on the renewal of socialism. You just shared your views with us on the mistakes you believe to have been committed by world

governments since the end of the cold war. My question to you is: do you think that the socialist ideology or the Socialist Movement could return the world? I asked the question before but I ask you specifically if and when: if it returns, will it be a European style of Socialism, or will it be more Asian in nature? Do you believe, even in Russia given the traditions and history that exist here, that socialist ideas could have some kind of revival? What is your personal, not scholarly opinion, on the future of the world in this respect?

L. Panitch:

Nobody has a crystal ball, that is certainly true. I think you're right that the lack of social protest has been remarkable. There have been some general strikes in small countries that were serious and subtle. In Greece, and in France, we see the emergence of new parties that attempt to renew socialist ideas. The very fact that Obama has been called a Socialist by the Right, which he is not, has produced a remarkable opinion poll in the United States: when, just two weeks ago, Americans were asked if they preferred socialism or capitalism, only 53% said capitalism; 20% said socialism; and 27% said they weren't sure. Well, I think that's mainly because Obama was called a socialist and he's popular. So, it's difficult to say but I think one needs to recognise what has happened. In addition to the failure of authoritarian communism in this country, in Eastern Europe and in China, the trade unions in Western democracies and social democratic parties, including those in Scandinavia, have also suffered great defeats. When they began with the notion that "we need a fairer society", they thought they achieve it in harmony with the capitalist classes in their respective countries. You know, even in Sweden, 15 families primarily own the economy. Well, as the President of Finland pointed out, Iceland has experienced a massive crisis and Sweden also already had its own financial crisis in 1991. Then, it did all of the things that current governments are doing and gave the banks back to those families. So, the attempt to make a democratic transition to a fair society, to a society in which decisions about production (how and where goods should be produced) would not be made by private bankers and industrialists behind closed doors, but would somehow, we don't know how, become a democratic decision. That failed in Western Europe. It failed in my country, in Canada, where we also have a social democratic party - partly because the capitalist economy is very dynamic, as Bill said. And, the welfare state certainly is stronger in Sweden than it is in the United States. Nevertheless, it has also been weakened by the opening up to free capital movement. This is a fact. And the question is, whether new parties and new movements will arrive. I'm sure they will, simply because the problems are so great. It's impossible that humanity will not address it. Tragically, it could be addressed by the Right, which, in very nationalist ways, can also talk about controlling the economy and that's a danger. I don't believe that, if it doesn't happen in the United States, it won't happen anywhere. It will happen in

many places. I just think that, unless it also happens in the United States, it will be very difficult for it to go very far. That's obvious, as a Canadian, but I also think that in some ways, Europe has been Canadian "zed" and in some ways Japan has been Canadian "zed". The big challenge for the United States is whether China can be Canadian "zed", which is an enormous challenge and it probably can't. We will see, but I am convinced that there will be new political movements that will put these questions on the agenda because the crisis puts them on the agenda.

A. Ruhr:

Thank you and last question to Mr. Ketels. What do you think about the slogan, "the end of history", which the West celebrated at the beginning of the 90s, after their victory in the cold war? Is it still valid? Are we, the West, still the winners of a very long Cold War phase of dualism and struggle for freedom in the future, for welfare and for prosperity? Or do you feel that another area is beginning, another area which could, or could not, be more dangerous?

C. Ketels:

Well, I think the end of the end of history was already there before the current crisis. I think we can't look back to try to find the solutions for the future. And so I think, for me, that discussion, you know, socialism or the liberal free market economy, or let's say the England/American model, is not very helpful. There is a clear sense that we need to combine social welfare with that enormously powerful tool: the tool of competition. We're not there yet, you know. We haven't found that model yet, but there is a danger that we might, you know, just see the current crisis from our ideological viewpoints and either think: "you know, that basically proves the point that I've already made in the past." It doesn't. I think we need to face that new situation, and that might also be part of the explanation why we haven't seen so much social unrest - there is no clear alternative model. You can't just say: "let's do a revolution and here's the better model." I think people are truly disillusioned, you know. Going back to the socialist model is not the answer. People realise that the model that we propagated from the US, maybe too much in the past, also doesn't work. So, we need to find a new consensus. That consensus will be built. I think President Halonen made that point about some universal values and people's aspiration. The answers will be different in different countries and they will change over time. So, history will never be over. It will be a different dynamic process and I think now is one of these critical stages in the development where we need to really rise to the occasion and find new ways to deal with the challenges that we've been given.

A. Ruhr:

Thank you Mr. Ketels. I'm closing the panel and I thank all the panellists for their remarkable and concrete speeches and statements. We couldn't solve the problems of the future world, but as you have seen, we have discussed our issues in a constructive and harmonious way, I would say. Thanks to the Japanese Prime Minister who asked us to do it and who set the tone for the discussion. Let's think further and maybe the world will find an integrated and successful model of all the ideas of future ideas which could make mankind happier in the future and also prevent the crises from becoming a huge political turmoil all over the world. Thank you again, and I hope we helped you to think further.