

Europe's Enduring Democracy Deficit

WASHINGTON – The recent Irish referendum rejecting the new EU Treaty that supposedly will bring the EU member states into a closer union is another indication of the fundamental weakness of the whole European project.

Apparently many of the Irish voted against the Treaty for strange reasons that really had nothing to do with the Treaty itself. Others voted against it because they knew little about it, or did not understand its purpose.

This situation would encourage pro-European constituencies to argue that, as the Irish people voted against the Treaty for strange or extraneous reasons, this vote does not really count. The process of progressive unification of Europe is far too important to be derailed by a glitch caused by a small member, after all only one of twenty seven. Ireland insisted on having a referendum, while these serious and complex matters are better handled at a higher level, by the national parliaments; that is to say by “experts” who appreciate difficult subjects that the general public does not really grasp.

Of course, we know that there was no way around the Irish referendum, as it is constitutionally mandated. Still, even assuming the possibility to go around the annoyance of a popular vote, this way of conceiving and implementing the European project, that is to say as a project better handled by experts, a project in which popular will and sentiments are of marginal importance, reveals the profound political weakness of the whole enterprise.

On the one hand the notion of a new, unified Europe as a new protagonist in world affairs is touted as the result of

creative post WWII genius. What Emperors, Popes and dictators could not do by force will be accomplished peacefully through the enactment of new agreements that progressively will bring together all the Europeans.

Nothing wrong in this whole project. Except that this is an elitist enterprise; promoted by some well meaning people; but not sufficiently endorsed by the citizens of Europe. As in the Irish case, the people do not quite understand the project, its purpose and what the end game might be. Given a chance to express themselves, many tend to be skeptical about something that they have not fully understood and thus not fully embraced.

If Europe, at some point in the future, is going to be a new country, it needs convinced citizens. Right now, beyond the motivated elites who are pushing the project forward, there are the lukewarm, maybe somewhat indifferent, followers and the skeptics.

Admittedly, the whole European enterprise goes outside known categories; and so it is difficult to understand it. Still, precisely because it is difficult, it should be truly understood in order to become truly viable.

At the moment, we have a variety of agreements mostly in the areas of agriculture, monetary issues, trade and economic regulation, etc. All important stuff. And mostly good, it would seem. But Europe looks more like a supercharged European Chamber of Commerce, an eminent economic club, rather than a new state.

A state, one way or the other, has to be defined politically. And here we have the major weakness. There is no definition of a political Europe that most Europeans can share and claim to be their own. Even at a symbolic level, we see the inability to rally around something. The European Anthem is Beethoven's Hymn to Joy, from the ninth symphony. A beautiful work of art.

But it expresses moral and aesthetic values of a universal nature. It has no political content. Therefore it is vacuous and insignificant as a rallying cry for the Europeans.

Likewise, the new currency, the Euro, despite its remarkable success, is equally insipid as a symbol of a new entity. In the past the currency notes portrayed eminent citizens: scientists, artists, statesmen, kings and queens. The Euro notes have abstract bridges that convey nothing in particular. As it was impossible to agree on one symbol drawn from one national experience, then no symbol was chosen. And this is precisely the point. No symbol means no profound, inspiring message and no rallying cry for the people.

The Irish expressed their discomfort by saying no to the Treaty. And they have been treated like naughty boys and girls who have messed up the party. Little ignoramuses who wanted to get involved in stuff that only the grown ups can deal with. And now, look at that, we have to fix this problem caused by incompetent citizens.

Well, if this is really the attitude, then the European "democracy deficit" already discussed and studied by many will continue to be the Achilles heel of the whole enterprise. Sure enough, the European project, managed and directed by the (supposedly) competent "professionals" will continue to advance, with or without popular enthusiasm. But only up to a point. Without a legitimate political structure, it is hard to imagine a legitimate European military command and willing soldiers marching behind a flag that for most people is just an abstraction.

Europe may work well within WTO disputes, but there is more than just commerce in the world.

If Europe wants to graduate from its current state of sophisticated economic club to becoming a state, it will have to get the positive support, as opposed to grumbling

indifference, of its citizens. Without that, political Europe will continue to be an idea cherished by some elites; but it will have very little chance of becoming reality, as it will lack the intrinsic strength that only a truly shared sense of purpose can create.

America: Still Unserious about Energy

WASHINGTON – Amazingly enough, to this day, America does not have an energy policy even minimally related to the extraordinary crisis the country is facing. The growing global demand for oil, combined with rapidly dwindling resources at home, accompanied by completely unrestrained domestic consumption have caused a serious strategic dependence on foreign supplies; while the cost of imports –due to the higher crude prices– grows daily up to impossible levels.

This predicament is well known. And yet nobody has proclaimed that this is a national emergency requiring extraordinary action. Oil has gone from forty dollars to seventy and then doubled again in no time. So, here we are. America is still by far the world largest consumer. And yet, in a time of conflict and in a time of huge balance of payment deficits, (despite the unhappiness about high gasoline prices), we merrily continue to behave more or less in the same way as if we had a lot of cheap oil, produced in the US. Sure enough, gasoline at four dollars plus a gallon is going to force habits changes, including the types of cars that many people will choose. And this is better than nothing.

Still, we are in the midst of a presidential campaign and

energy issues are featured only in a superficial, emotional way. At best, there is a search for culprits, not for solutions. Prices are too high? Well, it is the speculators, or the oil companies, or Bush and Cheney and their big oil friends. Or it is the war in Iraq, or whatever.

And the remedies proposed? From the left we hear that we should provide relief to the poor by taxing the rich and/or the oil companies and their scandalous profits. This way the burden of higher costs will be more equally shared.

The pro-growth crowd has a different but equally inane solution. Let's drill some more at home; so that we'll get our own oil. This idea fuels the totally mistaken fantasy that there are substantial reserves still to be exploited. If we only tried, we could get out of this mess. But it is not so. While there is more oil to be extracted at home, unless some truly gigantic new fields are discovered, new extraction would make a very small strategic difference, if anything delaying a bit the inevitable reckoning.

Given our present and projected needs, what we produce (currently about 35 per cent of our consumption), or can realistically produce, is woefully insufficient. Besides, regardless of current production, our known domestic reserves are dwindling fast, indicating even lower production in the years to come. Essentially, we have almost run out of our oil. Half a million extra barrels, or even a million or two added to daily production, even assuming that they existed, would not rebalance the long term supply needs.

And yet, despite these realities, the silly debate about drilling or not drilling some more received an inordinate amount of space, as if were a real discussion about meaningful strategic alternatives. As we continue to argue about these short term, myopic political proposals emerging now from a political campaign acquiring dangerously populist tones, we shall not get very far in creating real alternatives. We have

now mostly non strategic approaches to a strategic crisis.

In order to change things, first of all, the tone has to change from emotional to serious. For the moment, while there is visible agitation and malcontent about high energy prices, this is still regarded as a major annoyance, not as a national emergency, indicating a major historic challenge. Americans need to be told by their current and would be leaders that this country simply cannot continue to be a major economic and military power, being almost completely dependent on energy whose reliable supply it cannot guarantee; while its cost is becoming unbearably high.

The reality that should be communicated is that, as a minimum, we need to do –right now–two very difficult things at the same time. Consumption needs to be massively curtailed; while the nation needs to embark in an all out effort to develop new technologies that will allow us to diminish and hopefully stop our dependence on oil. Consumption needs to be cut now. A dedicated effort at creating alternatives is more uncertain in terms of results, but it is likely to pay off.

The US economy is now at a historically high risk of being strangulated by any sudden supply disruption; while the cost of the oil bill at these prices is becoming too burdensome for an economy already crushed by a huge trade and balance of payment deficit. Of course, cutting consumption will have to be done in stages, so that we do not destroy the economy. But the message to be delivered is that we must do this as quickly as possible. Using less oil clearly is not a long term strategy. It is a temporary stop gap measure in the same way as cutting spending is a good policy when you are facing bankruptcy. It is not a real strategic plan; but it may create the breathing room to craft one.

But we hear nothing from the leadership of the nation about the need for drastic consumption cuts. Sure enough, current market prices will go a long way in dictating a new behavior

that will result in lower consumption. But what is missing here is a serious political and policy consensus, a consensus that should provide guidance, thus helping the people define the situation and its true gravity. There is no coherent, clear message, no attempt to place the higher prices and dependence issues within their appropriate context.

Nobody from the top says to the public:

“Given all this, you have to change your habits today. Stop driving, unless it is truly necessary. Use public transport. If you must drive, ditch the SUVs and all other high consumption cars and switch now to smaller cars, including whatever is available now in the category of hybrids. Indeed, in order to impress upon you that this is a priority, we, the US Government, are going to tax high consumption vehicles and offer tax relief to all those who purchase smaller, low consumption cars. And we are going to introduce this new regime right now. If you thought of spending extra money to take a vacation this year and switch cars next year, revise your priorities. Forget about leisure. Spend the money to switch to a lower consumption vehicle now!”

By making these changes, collectively Americans could start cutting consumption today, without intolerable restrictions. It would take time. Yet just by choosing, as a nation, to drive less, while switching to more efficient compact cars, we could save millions of barrels a day. This would be significantly more than any added output coming from Alaska, should that reservoir ever come to be exploited. Of course, this would take a few years. But precisely because it is going to take time, we should start now. And it would take less time to achieve results if the public and industry received a clear message with clear policy guidance from the government.

As for positive action aimed at finding alternatives, sure enough there is activity, and these oil prices will provide significant new incentives. But again, we hear nothing from

the top. Modest policy initiatives aimed at enhancing efforts here and there do not convey a political message of urgency. We spend billions every month in Iraq. Rightly or wrongly, just looking at budgets, Iraq is a policy priority. Looking at public resources expended, finding new energy sources may be considered important, but it is not a national priority.

Senator John McCain, the Republican candidate for the White House, just proposed a national competition with a 300 million dollar prize to whoever would come up with a substantially improved battery that could fuel future electric cars. While this may be a good idea, he did not unveil a new Manhattan Project. 300 Million may sounds like a lot of money. But it is not really such a large sum for whoever may come up with an invention that could potentially transform the whole automotive sector worldwide. And McCain, in explaining his proposal, said that it would be only one dollar per US citizen. Not a major sacrifice –he said– for something so important. Indeed. But this is exactly what is wrong. This soft approach encourages the wishful thinking that somehow there is some kind of clever, cheap, painless way out of this.

Of course, there could be incredible technological breakthroughs just around the corner. This is possible. But, so far, we have dependence and historically high prices with no alternative in sight; while the country is involved in conflicts in the Middle East, the region of the world that holds the most significant oil reserves.

Those who propose increased domestic production affirm that America's determination to augment supply would send a message to the markets about future declines in US demand and that this would stabilize future prices. Well, theoretically this might be true; but only assuming really huge increases to total supply resulting from massive new US extraction. A little bit more here and there, while useful, would do nothing to change the larger picture.

Whereas a credible national policy to start cutting consumption today would have an impact. America being the largest consumer, the aggregate effect of behavioral change on the part of millions as a matter of long term choices dictated by policy would send a message to the oil markets. Just by switching, as a nation, to smaller cars we could achieve lower consumption. In a few years this could amount to millions of barrels a day. Again, this is not a solution; but it would create some slack, by diminishing the tightness of this energy market.

In the meantime, it is going to take a great deal more than a glorified high school science project prize to transform our energy economy. The 300 million proposed by Senator McCain certainly beats the paltry initiatives of the Bush administration; but it is not that much for the world's largest economy, spending now billions of dollars every month to finance the war in Iraq. America still has enormous resources. It is time that they are mobilized in order to safeguard, in fact to renew, our economic viability and chance to be meaningful participants in the future global economy.

But if the leadership does not communicate a real sense of urgency, more time will be wasted. In this as in other historic challenges inaction has a price. Beyond a certain point, there may be such a thing as being too late.

The World is not yet Flat

WASHINGTON – According to the new optimistic conventional wisdom, the world has become “flat”. Historic barriers of time, distance, culture and language have been overcome through the intervention of high speed internet and the new

collaborative international networks that it enabled. True, the new technologies created opportunities inconceivable until just a few years ago. For instance, the outsourcing phenomenon in services, non-existent until recently, now thrives. It does not really matter where many functions are performed. Everything goes on high speed internet. If it is cheaper to have the job done in India by equally skilled Indian workers, distance from the primary place of operation is no longer a factor affecting cost.

And, beyond IT services that require high speed internet connectivity, we also have the evolving sophistication of longer and ever more complex international supply chain networks relying on highly specialized lower cost producers and relatively inexpensive transportation. The average computer, or cell phone or video game machines are made of various parts produced in different countries based on where the combination of low cost and high skills are optimized. Finally they are precisely assembled in China or Malaysia or Thailand. After that, they are shipped under a well known US, Japanese or European label to retailers and customers all over the world. And so, for many products, because of sophisticated supply chains, we can have impeccable assembly, flawless final delivery with the additional advantage of lower cost.

Unquestionably this new paradigm, with all the associated redistribution of labor, from the high cost West to lower cost, but equally proficient, Asia, is working. From consumer electronics, to auto parts and garments we have now a proven new way of planning, distributing tasks, producing and delivering. And upgrades to these new systems occur on a daily basis.

All true. But this does not mean that the world has truly become flat. Some standardized operations can be part of the flat world. But this new paradigm, while extremely important for mass produced products and services, does not have universal applications. And the obstacle is not in technology.

The obstacle is in the human inability to make judgment calls on specific issues and to communicate effectively across cultural barriers. Indeed, when we move to higher levels of complexity requiring interactivity, customized solutions and judgment to be exercised by the clerk who gets the call or the order, or someone who needs to react fast and appropriately to a specific situation, we discover that the world is not at all flat.

People still operate not on the basis of their own judgment, but according to prepackaged systems that they have to follow. And systems are brittle. On the spot, *ad hoc* adjustments cannot be made, as they would force the decision-maker to go beyond rigid, inflexible protocols. Individual employees cannot make decisions, beyond a pre-scripted, usually narrow range of options. And this is not because they cannot communicate. They can communicate. They can interact, but they have no power to make decisions.

And, assuming that they had the power, on what basis would they exercise it? There are no set parameters. And so, issues that go outside the protocols are invariably kicked upstairs to people who supposedly have more knowledge and more authority. But this higher level decision-making layer is by no means a guarantee of a prompt solution. The new process is just as complicated. It is lengthy, cumbersome and uncertain, because it forces people to deal with new, special contingencies that have not been planned for.

And here is the issue. People, even people in managerial positions, are not empowered to make decisions, because they are not trusted to make the right decision. And this is because a decision on a specific situation may be quite subjective, a function of subjective judgment, evaluation and assessment that is made even more complicated when these transactions occur across cultural barriers. In the end, only top decision-makers seem to have the authority to make value judgments and this is no guarantee that they will be right.

And so, the world is flat when it comes to standardized procedures that have clearly defined specifications and agreed upon protocols. Beyond that, everything needs to be discussed and negotiated, with uncertain outcomes. And this is largely because communication and negotiations occur in some kind of normative vacuum in which there are no clearly agreed upon value systems and established priorities. And this happens even within industries that supposedly share the common “objective” language of science and technology.

Indeed, one very visible example of the absence of a “flat world” paradigm is in the fantastically flawed planning involved in the outsourcing of most of the complex components and processes in the manufacturing of many parts and finally assembly of next generation civilian aircraft.

In the last couple of years both Airbus and Boeing, the world leading aircraft manufacturing companies, have suffered a series of unplanned, costly and embarrassing delays in the delivery of new aircraft –specifically the double deck Airbus A 380 and the technologically innovative Boeing 787 “Dreamliner”. This is because the vast collaborative networks involving a large number of domestic and international suppliers (in the case of the 787 the suppliers are actually contributing about 70 per cent of the aircraft components) failed to operate and deliver in the way they were supposed to.

Delays at one level had cumulative effects at another level, resulting in more compounded problems for other suppliers farther down the line. The net effect amounted to substantial delays in components delivery and final assembly. In the end, delivery schedules were missed by wide margins, not once or twice, but several times, indicating that –notwithstanding investigations and corrective actions– the true nature and scope of the problems was not identified and properly corrected the first, second or even third time. And all this notwithstanding the high priority due to the fact that failure

to deliver on time had immense negative economic impact in terms of revenue losses on the two companies.

So, the laptop supply chain model does not fit new airliners. And why not? Because it would appear that the airliners are far more complex systems with myriad of parts that have to flawlessly fit with zero margins for error. Still, technological complexity can explain some of the problems; but not repeated huge snafus. Boeing and Airbus are aerospace giants run by the best in the business. These are not amateurs. Common sense would suggest that seasoned industry leaders are cognizant of the highly specialized nature of all components and processes part and parcel of their industry and thus of the potential problems.

But, if this is so, how could there be so many errors? And why has it been so difficult to fix them? Most likely, because sophisticated new cooperative patterns require a higher level of understanding, communication, feed back and cooperation across cultures that, while obviously assumed, failed to materialize when it was really needed.

Most probably the human element was underestimated. The planners did not factor in the inability to effectively communicate, understand and appreciate the nature of the problems across cultural lines. This communication and feedback failure was so extensive that the new, recalculated estimates about the time and actions needed to correct the flaws have been wrong again and again, leading to more and more recalculations and reissuing of delivery estimates.

But how is it possible to get it so wrong so many times? After all here we are talking about cooperative efforts managed by competent scientists and engineers surely endowed with above average intellect. Furthermore, we are dealing with engineers who have the distinctive advantage of sharing the objective language and frame of reference of science; as opposed to people trying to create cooperative systems founded on

personal value judgment, opinion and subjective preferences. But the scientists got it wrong, time and again.

Surely these examples of flawed planning and execution will be analyzed and studied in detail. But, whatever the outcome of future examinations, these repeated failures would point to the inability to take into account the intangible human elements of culture, expectations and ways of disclosing and communicating critical information in a timely and effective manner.

Which is to say that fiber optic cables and high speed internet can be powerful enablers; but only to the extent that they allow fast communication about agreed upon processes and activities, or at least activities that can be easily placed within a known common denominator. Of course, they can also be tools that allow new forms of communication, while opening up new forms of collaborative activities. By they do not guarantee outcomes. The somewhat unpredictable way in which human attitudes, cultures and dispositions interact in the end will determine outcomes and both the quantity and quality of results.

Once we leave the safe ground of routine, pre-arranged, carefully scripted actions, we enter a more complex terrain littered with the obstacles created by different or even incompatible values, priorities and even moral references.

The internet and all the sophisticated material that can travel through it simplifies access to information. But it is no substitute for the complex need to engage in a process of human dialogue, with all its potential pitfalls of miscommunication, mistakes and misplaced expectations.

This does not mean that the world will never become flat. It may become flat. In fact, it is highly desirable for the world to become flat, meaning by that the possibility to create direct communication and cooperation based on shared values,

criteria and expectations. But this will happen not so much because of technology, but because of changes in the level of human volition focused on the effort to understand and be understood.

Technological tools can create and will create wonders. But as the Airbus and Boeing examples illustrate, if even the best world scientists miscalculate and repeatedly make huge, horribly costly, errors in their collaborative efforts, it would be naïve and wrong to assume that clear communications and collaborative systems can be easily established by peoples still deeply divided by language, culture and experience.

Technology can bring us closer. Yet, if we want to establish voluntary collaboration across cultural divides –as opposed to coercion– it is up to us to try and shape the dialogue. And this effort at dialogue would be inane unless premised on a serious analysis of our sets of values, priorities and goals and those of the others whom we want to have a dialogue with.

A truly flat world is premised on truly shared values; or, at the very least, in our ability to really understand and take into account in our own thinking the values of others.