



Global Marshall Plan
balance the world
with an Eco-Social Market Economy

Limits to Privatization: Balance between public and private goods

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I am pleased and honored to speak a few words in addition to the superb succession of lecturers. We all know, as was presented in both of the previous speeches, we need balance. The world is in danger of getting out of balance.

“Balance or Destruction” is the title of our friend Franz-Josef Radermacher’s outstanding book. We need balance in many sectors, for example, the program of the Eco-Social Forum is the question of ecology or economy. We need it in the question of public or private – which I will go into further later. We need it in the question of solidarity (which is good for the weak) and the principle of efficiency (which is good for the strong). We need it in the very general question of order and freedom. It is about re-establishing balance in all facets of life.

Franz-Josef Radermacher offers a simple formula for the distribution of wealth: the income of the poorest, 20% for example, is divided by the average income. If the quotient has a value of zero, then one has everything and all the others have nothing, so that almost everyone starves. If the quotient has a value of one, then there is complete equality and absolutely no incentives. Obviously the world can only be in order and balance when the value is somewhere in between. It would appear that countries with a value between 0.45 and 0.65, are the most successful countries. Where the value is low, talent is lost and it is also economically unfavorable. Moreover, it is unfair for humanity. And the countries with a value over 0.65, to which Austria, Germany and Sweden have belonged to for quite a while, have too much government and too little incentive. It was therefore absolutely appropriate to correct the value here and bring it lower.

When Radermacher’s value is detected *under* 0.15 on the global level, then we know that the world is not in balance and therefore far, far away from an economic optimum. Not only this, but within extreme disparities of distribution, there lies human underhandedness. Worse still – the value is currently sinking!

An indicator for this scandalously low value is the yearly starvation and poverty of several

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million people. Yet at the same time, there is a disproportionate amount of inducements to military conflicts. This was basically the source of thought for a global Marshall Plan. Hopefully our conference today will make progress towards this goal.

When we ask ourselves why we currently have the embarrassingly low value of 0.125, we must look to policies and political history, especially in the last 14 years that brought us here.

Federal President Fischer has labeled the last 14 years with the moniker of globalization. And he had quite rightly said that globalization and its consequences are not historic automatisms. We can do something about the negative consequences.

What we need for rational action is enlightenment. Let me go back a quarter of a thousand years in my historical analysis – to the middle of the 18th Century. It was the time of Montesquieu, Locke, then later Voltaire, Kant, Hume, as well as Adam Smith. The Enlightenment paved the way for democracy *and the market*. Adam Smith realized that the egoism of the king's absolute rule wasted the talent of the people and it is for the good of emerging wealth to be freed from this egoism. Furthermore, it was well understood that the state sets the rules and it is a just state. At the same time, democracy developed which provided that the strong are put in check whenever they became too powerful. Democracy stands for the principle of solidarity.

This balance was the situation, in various forms, that dominated until the end of the cold war. State and democracy facilitated and controlled a healthy market economy. Naturally the state always had the power and the money to establish balance.

The beginning of the Cold War was also the time when George Marshall, the former foreign minister of the United States, designed his Marshall Plan. The plan was also a challenge against a previously largely expansive communism. The defense of communism also provided a basis for the social market economics of Ludwig Erhard. Later, when Joseph Riegler created the concept of Eco-Social Market Economics, it was also a challenge against the exceedingly “dirty” communism!

The rivalry between market economics and communism also did some good. It prompted market attend to keeping a balance. After 1990, when communism fell, the necessity of justification was gone, and with it, the balance of power shifted. Since then the market has dictated the actions of the state.

1990 brought a collapse in the harmony between the market and democracy. Now the market speaks and democracy listens. One of the phenomena since 1990 that we have noticed is the systematic eroding of taxes on business. The businesses say to, for example, the Austrian President, “We don't like it here. Your taxes are too high. We would rather do business in the Czech Republic, Ireland or Thailand.” Then, once they have chipped a little from Austria, they go to Sweden or Germany, then Japan, then New Zealand and then at some point back again. The world wide tax basis has in this way been thus eroded.

So far it is still partly fantasy for my friend Eveline Herfkens, as requested by Kofi Annan, to go around the world urging *governments* to finance the Millennium Development Goals. That is beautifully said, but for states that have large deficits, that cannot properly pay for their universities, that are provoked into a rapid deconstruction of social services and that let their communities wither, such that their swimming pools close – to have such states finance the Global Marshall Plan is unfortunately an illusion.

However, we have not come very far with the daily political suggestions. We must once again, unfortunately, go back to basics. I mean specifically that we need nothing short of a new Enlightenment!

In 1748, when Charles de Montesquieu developed the separation of powers as the founding principle of democracy, there was absolutely no separation of powers in absolutist France. The king had all administrative, legislative and judicial authority. This was, of course, a great misfortune for anyone who did not belong to the royal court. At some point the masses seized Montesquieu's enlightened idea and stood up for themselves. In America the Declaration of Independence was composed and later it was decided that the Constitution would be based on Montesquieu's idea. The notion of Enlightenment and democracy spread across the globe. Enlightenment can be amazingly powerful!

Today is about showing how the world has been become unbalanced due to the absolutism of the global market.

I will now speak of a special "enlightenment" in which I take part in. I, with my friends Prof. Oran Young from California and Prof. Matthias Finger from Lausanne, Switzerland have produced a report entitled, "Limits to Privatization" for the Club of Rome, for which we in the last two years have compiled around 60 examples of privatization. Privatization has truly become a world wide trend, most importantly and especially in developing countries. The proportion of state-owned enterprises in developing countries has dropped dramatically. In middle-income countries, the trend is not as strong and it has barely touched us here. Still we have had huge disconcertment here and rightly so. British Rail, many community water works, postal systems and telephone networks in several towns and several others.

The dissatisfaction with privatization is highest in developing countries, and it continues to expand. Seventy to eighty percent of the population consider privatization to be an evil. Not surprisingly! Especially if one remembers how the citizens of Cochabamba, Bolivia protested against the privatization of the waterworks, where the price of water increased so suddenly that the people felt they could no longer afford to buy it. Or the privatization of African militaries, which makes military protection only available to the rich. Or the privatization of electricity, telecommunications, insurance and education. In Kazakhstan today the rich can afford an education and the poor can only scarcely.

I was very pleased that Prince Hassan had mentioned our friend Vandana Shiva. She had exposed the privatization of ancient Indian knowledge about the "Neem tree." Pharmaceutical companies all over the world tried to steal the people's traditional knowledge and turn it into private property. This meant that the Indian people would have to buy their own culture knowledge. It was seen as a huge scandal in India! They protested against it quite rightly with the official slogan "No License for Theft!" on a banner in front of the European Patent Office in Munich.

The market also greatly influences research priorities. If you look at how much pharmaceutical research is done in the exploration of new elements for tropical diseases, it is pitifully little – only one percent. The rest goes for medicinal products for the rich. Today there is more money going into pharmaceutical research for the fight against obesity than the fight against all the tropical diseases put together. Why? Because the "fat" are rich.

The poor are still held within governmental insurances. In Chile, for example, the poor continue to rely on medicare. Only the rich can afford to use private health insurance.

Yet wealthy people sometimes fall victim to privatization themselves. This can be seen with the German property owners. Following neo-liberal Zeitgeist and EU guidelines, building insurance had to be liberalized and then privatized. Anyone who read neo-liberal economic textbooks thought that the premiums would go down because the state was deemed an inefficient juggernaut. But what occurred was the exact opposite. The premiums *went up* by about 50 %! Why? Because the state had a monopoly and had absolutely no interest to commission insurance agents for the purpose of alienating customers from the competition. Private businesses did exactly the opposite, which means that someone has to pay the insurance agents. In the end, the cost fell on the customers.

The religious belief in market efficiency and government inefficiency is empirically false. Yet policies are made as if it were true. The sway of what international capital, provided by the state should do, goes straight to privatization, and is completely disassociated from efficiency.

Let us now look at another example of privatization: telecommunications in Mexico, Uruguay and Argentina. Mexico is a textbook example for a *successful* privatization. The systems in all the countries were government-controlled, inefficient, out-of-date and expensive. Then Mexico, partly by pressures from their northern neighbor, privatized. After five or six years the system was private, modern and inexpensive. In Uruguay, however, they did *not* privatize, but had the same progress as in Mexico! In Argentina the system had not much improved although it *had* privatized and it remains worse than in Uruguay. Neither a social or economic textbook can explain this. One must look directly at what the reality is. That is also the goal of our new report for the Club of Rome¹.

Another example from the book: in Grenoble the national water supply was privatized. The price immediately sky-rocketed. Worse still was that the capital investment stagnated. The system became out-dated. Then it again became partially government-owned. The price sank a bit and the investments rose again. That was not enough so the system reverted back to being completely government-owned, and today the investments have achieved a level that can keep the system up to modern standards. Now we can say, “lucky Grenoble”, they had enough money to re-socialize their system. This is no longer possible for most of the cities in this world.

We have tried to find both good and bad examples of privatization. We have not put in any hidden ideology. This is also seen by the subheading of the book “How to Avoid Too much of a Good Thing?” We believe that privatization is a good thing, but it should not be too excessive to maintain balance.

Reality is shuffled and mixed, and we must try to draw out a conclusion.

We need a strong state that sets the rules.

We should not privatize that which should remain as a public good.

We do not need ideological privatization.

The state must, not only maintain a right of returns, but it should also have emergency monies for this purpose.

¹ Ernst Ulrich von Weizsäcker, Oran Young und Matthias Finger (Herausgeber). Limits to Privatization. How to Avoid Too Much of a Good Thing. London: Earthscan. 2005.

And finally, we need a third sector between private and state that is also good for balance. I think, as an example, of the semi-public banks. Currently the small savings banks finance the middleclass that build the small businesses. Foundations are very important. Next we need civil society that can contribute to re-establish the balance between the public and private sector. They are not a part of the state and sometimes cooperate with private business, but they act for public interests.

I sincerely hope that this kind of enlightenment can substantially contribute to bring financing for the Global Marshall Plan and the Friuli Manifesto into a tangible vicinity. For the private sector appears to have forced itself to become cautious because of the newly arisen countervailing power, as was the case during the first Enlightenment