What happens when public goods are privatised? (1)

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Social, economic and political security depend on public goods being readily available. In particular, the effects that the privatisation of public goods has on the living conditions of people affected by them and on social democracy must be taken into account in order to be able to intervene politically in the globalisation process. Fundamentally, globalisation means deregulation and privatisation of public facilities and goods. The extent to which the privatisation of health or educational services, old-age pensions, water and waste disposal systems, social or public security has become the focal point of the debates can be seen in disputes over the General Agreement on Trade in Services (GATS) or the conflicts in the European Union and within nation-states over privatisation measures -- from pension systems to the water supply. This involves becoming economically literate in the sense Pierre Bourdieu used the term, developing collective intelligence.

1. Introduction: The dispute over the Privatisation of Public Goods

What are public goods? As a rule such heterogeneous features as the following can be subsumed under this term: safeguarding natural living conditions (clean air, water, bio-diversity, public, social, human security), cultural heritage (as with the arts, architecture, customs), provision for sustenance (education, health, knowledge, and so on) as well as the supply and preservation of the material infrastructure (traffic routes, telecommunications for examples) and an immaterial system of rules and institutions (for world trade, the financial system, public security in the local community as well as in international and global relations). Kaul and his co-authors list all those global public goods that are specified in UN documents: from "basic human dignity for all people" to "global peace" to the "availability of international arenas for multinational negotiations between states as well as between state and non-state actors" (2). Thus 'good' is spoken of not in the material sense, but rather figuratively as that which is 'good'. Of course, the

question arises immediately for whom and what is something "good" or, conversely, 'bad' and therefore 'no good'. Obviously, in the dispute over public goods, normative definitions are unavoidable. In the following, therefore, the term 'human security' will have to be discussed in comparison with 'commercial security' and the security of states; public goods are supposed to convey security, but the question always has to be asked: whose security?

Whether and to what extent these 'public goods' are and remain in the public domain or should be privatised and/or commercialised, is just as contentious as the manner of privatisation. In trade agreements (whether it is the GATS, the Agreement on Trade-Related Aspects of Intellectual Property Rights or TRIPS, structural adjustment programmes of the Bretton Woods institutions, or the Broad Policy Guidelines of the European Union), the privatisation of public enterprises, facilities and services that hitherto have been operated by the state, from the local to the supranational level, is a dominant strategy. The privatisation of public facilities and services is an integral part of the concept of so-called 'good governance' in times of globalisation.

The effects of privatisation on the structuring of the public domain -- and hence also on the basic conditions for human security -- are far-reaching. We will deal with some of these in the course of this article. But first fundamental questions must be clarified: the connection between public goods and human and/or commercial security, which ultimately they are supposed to serve; and the concept of public goods in different theoretical traditions. It should also to be shown that: the public goods concept is by no means neutral with regard to class and gender; public goods present dilemmas that are not easily resolved; and public goods can be good for some but 'no good' for others.

Where privatisation of public goods is concerned, first certain forms of privatisation must be differentiated: they range from the regulation of access to natural monuments by charging admission fees to the brutal robbery of parts of the cultural heritage of humankind such as in the war against Iraq in 2003 by the international antiquities Mafia (in this case with the active assistance of public institutions in the form of the US Army. Then the historical prerequisites will have to be shown, i.e. what technical, political and economic conditions must be in place before privatisation can be carried out. It is also a

matter of forms of the privatisation, ranging from profit-oriented commercialisation to joint holdings or the formation of 'solidarity economics' cooperatives. Only after clarification of these questions can the effects of privatisation, commercialisation or joint holdings be assessed. But this is the hard part because there is little empirical research on the subject that also includes aspects of human security. This opens a field just waiting for investigation and the critical political situation it should provoke. But we can name the criteria needed to assess the privatisation of public goods. They will be the subject of the last part of this article.

2. Human or commercial security through public goods?

Human security means freedom from fear and freedom from want. The everyday threats of diseases, hunger, unemployment, crime, social conflicts, political repression and environmental damage have to come to an end (3). It is remarkable that these threats (and others as well) are also identified by the Commission on Global Governance as challenges to the necessity of developing a new "global governance" (4). Undoubtedly the end of the block confrontation contributed to the fact that now new dimensions of threat to human security have come increasingly into the focus of public attention.

The UNDP's concept of security is oriented more to the needs of people than to the security of nation-states and their elites and, as such, lays claim to universality. The state does remain the crucial guarantor of security. But, as the report of the UN Commission on Human Security declares, "(the state) often fails to fulfil its security obligations - and at times has even become a source of threat to its own people. That is why attention must now shift from the security of the state to the security of the people – to human security" (5). Security is brought about in different ways: (1) by reliable rules in a community; (2) by avoidance of instabilities and the re-establishment of stable conditions, if they were destabilized - as in financial crises; (3) by 'provision for sustenance' in those areas of human life in which individuals or families are not able to provide for education and training, preservation or restoration of health, old-age security or even for food and lodgings and access to water and sewage disposal from their own resources; (4) by access

to all those goods that are essential for human sustenance. In short, human security is ensured by the provision of public goods.

The areas in which human security is at threat at the beginning of the 21st century can be easily identified. They comprise environmental security in the sense of the availability of vital resources such as clean air, fertile soil and clean water. Closely connected with this is safeguarding the food supply, both in the sense of 'food security' and in the sense of 'food safety'. In jeopardy in all its different facets and in many places is also socio-economic security; as a consequence of worldwide displacement competition, unemployment is on the rise and work in the shady realm of 'informality' is increasing. In addition, the correlation between gainful employment and social security, which is so important when people are to take responsibility for their own lives, is being eroded (6). This phenomenon again is accompanied by inadequate protection against existential risks such as illness, accidents, old-age infirmity and unemployment, by cuts in health care and restriction of access to education. There are many reasons for this, but crucial in non-Western countries are stability-oriented structural adjustment measures and in the West ruinous global tax competition (and the declining public revenues ensuing from it). Both lead to the rise in public poverty and contribute to the tendency to privatise public responsibility for the provision of existential needs.

In other dimensions of human security, developments that are closely connected with economic globalisation increase the biophysical and social vulnerability of individuals and communities. Shattered is the psychosocial security that people derive from the sense of belonging to communities with which they share their ways of thinking and behaving. Finally, in many countries political insecurity is clearly on the rise in the form of armed conflicts, in which transnationally operating participants are involved, and financial instability triggered or accompanied by currency speculation, flight of capital, legal and illegal tax evasion and by widespread minor and major corruption. All these aspects of insecurity in whatever combination lead people to look for alternative means of access to vital goods and services. This search easily lets them drift off into the shady realm of informal activities or into illegal and criminal acts, or they leave their homeland and struggle through life as refugees and migrants.

Providing human security involves eliminating avoidable forms of insecurity that prevent people from leading a life of their own choice and taking collective action to build their future. Among the avoidable forms of insecurity we consider 'illegal work', where people are in demand as workers but in actual fact have no rights, are unable to exert their free will and are at the mercy of others - right down to modern forms of the slavery. Another avoidable form of insecurity are intrusions on the ecological system, the effects of which are unforeseeable, because there is no certainty about the consequences; radical restriction of these intrusions would increase human security. The same applies to systems of the old-age security based on the returns of investment funds. This makes the chances of having a decent income in old age dependent on the vicissitudes of developments in deregulated, hence liberalised and privatised global financial markets. These few references make readily clear that human security offered by private suppliers of security services in the market-place are inadequate and that they can be better guaranteed by the government supplying public goods.

This seemingly unambiguous statement is by no means uncontested. First of all 'human security' in a society structured by social conflicts does not have the same meaning for everyone. This becomes vividly clear in the neo-liberal understanding of 'order', which is supposed to offer security and reliability for management decisions. But whether 'corporate security' and/or 'commercial security' always coincide with 'human security' is more than questionable. Commercial security is a commodity, the sale of which is supposed to bring its suppliers profit. Human security, on the other hand, cannot be offered as a commodity to those people who do not have the purchasing power to buy it, and that applies the majority of people. For them either insecurity increases - the Commission on Human Security also reports on this - or security measures must be made available as public goods and not be 'sold' on the market.

Private, public and positional goods: There are fundamental differences between: (1) private goods, that is, commodities that are exchanged on the market for money; (2) public goods, that is, goods that are not commodities sold on the market, but rather goods that can be used by the general public; (3) common goods (commonly referred to as the global commons), that is, the natural and cultural heritage that came into being in the past and is available to the present generation; and so-called (4) positional goods, that is,

goods that are a commodity, but that can be produced or made available only in a limited quantity without losses in quality (as with a national park that should not be utilised by too many people otherwise its very qualities will be destroyed by overuse) (7). Similarly, education loses its character as a key to certain careers when many people have availed themselves of the education stipulated for this purpose and there is not enough room for all the graduates on the career ladder. The automobile becomes the auto-immobile if too many people are out driving at the same time and clog the roads and parking lots. Undoubtedly, we are confronted here with a dilemma of democracy and democratisation. Certain goods retain their use value only if they are 'oligarchic' in character, i.e. if they are not, in principle, available to everyone but rather reserved for a limited number (8). Positional goods with this characteristic are also called '*club goods'*, which, as a rule, are allocated according to '*plutocratic*' *criteria*, meaning according to purchasing power with which the membership in the club is acquired and not in accordance with the priority of needs to be satisfied (9).

Public goods, just like every private possession, have to be 'produced' in order to be 'consumed'. They should be treated as elements of the '*system of needs'* of the users and of the "system the work" of the producers (10). The systems of work and needs are interconnected and dependent upon each other. This distinction is essential for current definitions of public goods. According to the dominant economic logic, every good can actually become private property just by allocating proprietary rights. But the awkward situation arises that this allocation is not always possible. When this is the case, the good cannot become a private commodity offered for sale on the market, it becomes (or remains) a public good, the existence of which actually contradicts free market principles. Obstacles for the transformation of goods into private commodities are denoted by at least three characteristics, the first two of which are pivotal (11).

The first refers to the system of needs, the users of public goods and concerns the *non-rivalry of consumption*. In principle, innumerable persons can use a good in the same way; by being used it is neither consumed nor diminished in quality. An example is knowledge, which can be used by many people as soon as they have acquired it. Knowledge can be at the disposal of everyone without the consumption of knowledge by some people reducing its availability to others; knowledge is an exemplary public good.

A broader knowledge base even produces positive synergies, that is, the quality of the public good 'knowledge' improves when it is spread around. This consideration is the underlying principle of 'open-access' resources such as the LINUX 'open-source' computer operating system (12). Conversely, privatisation of the public good 'knowledge' would probably impede its dissemination and development; so from the point of view of efficiency and not only with arguments from discourses on democracy and justice, privatisation of the public good 'knowledge' should be rejected.

The second characteristic refers to 'the system of work' in the provision of public goods. This involves the principle of the *non-exclusivity*. In principle, nobody can be excluded from the use of the produced goods. The applicability of the 'exclusion principle', which in normal business transactions ensures that only those people that have paid for goods can use them, cannot be taken for granted. Once goods have been provided or simply exist as global commons and cultural heritage, they exist for everyone, for the community at large. But human ingenuity knows no bounds in overcoming the state of non-exclusivity 'alien to the market economy' and in assigning exclusive proprietary rights. Many technical possibilities and regulative measures (sucah as patent law and TRIPS) have been developed in order to exclude all those people from using these goods who do not (or are not able or willing to) pay for them. The non-exclusivity is thus by no means a natural or technical characteristic, but rather usually a social and legal construction resulting from political disputes/ normative decisions and sometimes even military force (13). The concept of security figures prominently here. Does it involve human security or primarily 'commercial security', i.e. the security to do business in a trouble-free environment? We will return to this later with reference to Adam Smith.

Positional goods are rather at odds with these definitions. Non-rivalry is a characteristic on the utilisation side, it characterises the 'consumers' or the users of public goods. The characteristic of non-exclusivity refers primarily to the availability side of the production of these goods. Hence, it involves both demand and supply of public goods, and only within this framework can positional goods be categorised. They come into being when the *production availability* of public goods is scarce and therefore limited in comparison with the *consumption use*. The public good of an intact natural landscape can be destroyed if its use flouts the rule of sustainability. Almost all goods, be they private or

public, are transformed into positional goods if they are overused. Here the importance of ecology for an adequate understanding of economics becomes apparent. Production and consumption of certain goods - or the system of work and the system of needs – come to cross-purposes (14).

In addition, there is a 'soft' third criterion in the definition of public goods: the circumstance of *positive external effects* during the production and consumption of these goods. This criterion refers to distributive effects of costs and advantages of public goods, since external effects do not by definition affect the original producers and intended consumers of public goods. The spatial and temporal range of external effects can differ considerably: locally and in the short term, but also globally in the long run. Some examples are the positive effects of health or educational programmes, from which even those people for whom the programme was not intended can profit. An impressive example is combating AIDS in developing countries, particularly in Africa south of the Sahara. These measures not only help the patients, they also uphold social structures that otherwise would be under threat of collapse. But external effects are very frequently negative, in which case they are social costs ('public bads') that third parties (society) as a whole have to bear: from environmental pollution, which goes hand in hand with industrialisation, to the 'inhospitability' of cities due to 'auto-mobility'. The negative external effects are inevitable because of the contextual character of production and consumption (15) and they cannot be internalised in their material effects as well. This is possible, if at all, only in relation to the *informational* effect of 'externalities' (16). Even if 'prices' speak the 'truth' about the social costs of road traffic, this fact will not undo the negative *material* effects such as accidents, noise and air pollution.

There is no way to 'objectively' define what is or should be 'private' or 'public'. Hence, the discussion of public goods is first and foremost a matter of normative decisions: why should certain needs of users be satisfied by private suppliers, although perhaps they have been satisfied since time immemorial (in some societies) by supplies of publicly acquired and available goods? Or the reverse case: public goods such as the regulation of the water supply may have been privatised or nationalised, and neither system functioned because in a certain culture a communal regulation of the water supply had evolved over the centuries.

Non-rivalry and above all non-exclusiveness are therefore not 'natural' or 'technical' characteristics of some goods or others, but rather they are attributed to them. This also applies to social costs, to the 'public bads' in the context of production and consumption of goods, which can assume formidable dimensions. But even these are not 'objective': they depend on the perceptions of societies, on their preferences and standards and the development of social movements.

Forums where the debates over public goods are articulated have sprung up in all kinds of ways over the past years of forced privatisation: from the conflicts over *cross-border leasing* of public facilities on the local level in the municipal councils of German cities up to the global level of the *World Social Forum* in Porto Alegre. Whether defining public goods or debating the social costs of the damage to nature or those of dismantling cultural institutions, in the end they all involve the structure of the territory a society occupies. They revolve around the question of what is included in and what is excluded from social democracy. Public goods concern the community, and for many people they are the only possibility to participate in the gratifications a society has to offer.

Public goods in the critique of political economy: Modern texts on public goods usually use highly abridged quotes from Adam Smith who – in functionalist fashion -- pointed out the necessity to supply public goods to fulfill the tasks of a community considered to be indispensable. "Certain goods," writes Adam Smith,

> which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature that the profit could never repay the expence to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect and maintain (17).

The criterion for providing private goods is the profit that can be realised with them. Goods whose production does not bring profit are not thrown onto the market and can only be offered as public goods, if they are nonetheless (despite the 'handicap' of not being able to be produced privately and for profit) considered advantageous for society. It is assumed that there is a social need for these goods that cannot be neglected and that

society has reached an understanding that goods which cannot be privately produced as commodities nevertheless should be made available *as public goods*.

Adam Smith treats material public goods in the chapter on "Expences of theSovereign". These entail expenditures for defence to guarantee external security, the judicial system for legal security, the education of youth, religious instruction of people of all ages and, not least, "public works and public institutions" (18). Elsewhere he states that they must serve the purpose "of facilitating the commerce of the society". In this understanding, public goods have an unambiguous function. They are supposed to be beneficial to "commerce". As examples of public works Smith mentions "good roads, bridges, navigable canals, harbours &c" (19). The expenditures to finance them must be "properly defrayed" from the public revenue. But then the public institutions can be operated on a private basis, for example, by giving toll rights to canals to private operators whose interest it must be to maintain the canal, as Smith writes (20). This could be interpreted as an example of today's 'public-private partnerships'. Smith discusses all public institutions under the aspect of the interests of commerce: "The object of the public works and institutions... is to facilitate commerce..." (21). Embassies abroad are necessary to promote British foreign trade or to support of British trading companies. But this applies only to "civilized nations"; for "barbarous" nations the maintenance of military "forts" is envisaged to support British "commerce" (22). Hence, public goods must be put at the service of British colonialism. Adam Smith deduces the normative justification of his functionalistic interpretation of public goods unequivocally from British colonial trade interests.

Marx, too, discusses public goods -- "general conditions of production" or "travaux publics" (23) -- as conditions for the smooth maintenance of the capitalistic reproduction process. Marx' arguments are just as functionalistic as that of Smith, but without the latter's positive reference to the interests of commerce. He assumes that "capital undertakes only *advantageous* undertakings, advantageous in its sense" (24). But there are also tasks that are necessary for a frictionless functioning of the reproduction process but that are not advantageous for individual capital and hence would not be undertaken if they were entrusted to individual capitalists. Consequently they must be financed and

made available by the public treasury. In agreement with Smith, Marx writes that funds must also be defrayed from the "country's revenue" through taxes:

> All *general, communal* conditions of production—so long as their production cannot yet be accomplished by capital as such and under its conditions—are therefore paid for out of a part of the country's revenue—out of the government's treasury—and the workers do not appear as productive workers, even though they increase the productive force of capital (25).

Here a twofold distinction becomes obvious that is important to Marx: first the distinction between individual capital and total capital, and second that between productive work producing surplus value and unproductive work, which may be necessary but does not produce surplus value. Public goods are necessary for the maintenance of the total capitalistic reproduction process, but for the individual capitalist they are not profitable. This is a contradiction that only the 'ideal collective capitalist', or the state, can resolve with 'public works' for the creation of general production conditions. The work involved does increase the productivity of total capital, but in the sense of individual capitalist production of surplus value it is unproductive.

The prevailing capitalistic tendency is the conversion of all work into productive work that increases surplus value. Therefore the financing of public goods from tax revenue is, according to Marx, rather an expression of backwardness. In the stage of highly developed capitalism, general production conditions can also be produced profitably on a private capitalistic basis, namely when (1) sufficient capital has been accumulated, which (2) does not strive to realise profit, but rather expects interest payments and compares returns from stock and bond markets, and (3) is able to offer public goods on the market because an assignment of proprietary rights has been accordingly arranged (26). Marx writes:

> The highest development of capital exists when the general conditions of the process of social production are not paid out of *deductions from the social revenue,* the state's taxes—where revenue and not capital appears as the labour fund, and where the worker, although he is a free wage worker like any other, nevertheless stands economically in

> a different relation—but rather out of *capital as capital.* This shows the degree to which capital has subjugated all conditions of social production to itself, on one side; and, on the other side, hence, the extent to which social reproductive wealth has been *capitalized,* and all needs are satisfied through the exchange form; as well as the extent to which the *socially posited* needs of the individual, i.e. those which he consumes and feels not as a single individual in society, but communally with others—whose mode of consumption is social by the nature of the thing—are likewise not only consumed but also produced through exchange, individual exchange (27).

There is a remarkable distinction between providing public goods financed from tax revenue and the investment of private capital in the spheres of public goods. On the one hand,

> But the question is precisely: can the capitalist realize the road [*den Weg verwerten*], can he realize [*realisieren*] its value through exchange? This question naturally arises with every product, but it takes a special form with the general conditions of production. Suppose the value of the road is not realized. But it is built anyway, because it is a necessary use value... for the commune, because the commune requires it à tout prix (28).

On the other hand, in the course of the development of capitalist society the public sector has increasingly become a potential sphere of investment for capital.

Valorisation is becoming a political project, privatisation of public goods the means to make the potential sphere of investment appetizing for capital investors. What is public and what is private also has to do with the developmental stage capitalism has reached, especially with the historical increase in importance of interest-bearing capital and with the deregulation of the financial markets – now on a global scale. Therefore, we cannot understand and evaluate the tendencies to privatise public facilities and goods all over the world without taking into consideration the development of the global financial markets. Marx' conclusions in the 1850's turn out to be very modern: the privatisation of public goods is a form of capital investment where everything depends on the conditions. We

must return to them when we discuss the privatisation of public goods and their financing by means of such 'innovative' financial instruments as cross-border leasing, through which currently a wholesale privatisation of public goods is being carried out.

3. Dilemmas of public goods

The concept of public goods is not consistent and neutral to class: Public goods encompass very heterogeneous items, and therefore we must distinguish between the kinds and the ways in which, by definition, non-exclusive public goods are made available and thus to a certain extent become the 'supply' for the 'demanders', to satisfy, without rivalry, their needs. Let us consider several examples.

(1) Natural public goods or global commons are the spheres of the planet earth: air, water, soil, organisms. Pure global common is the air we breathe: breathing air cannot be denied to anybody (non-exclusion). Billions of people can use the public good air

at the same time without their exhausting it (non-rivalrous), at any rate in areas, and if they do not pollute the air on a large scale and thus produce social costs, the result of which is the 'public bad' in the form of local smog or the global greenhouse effect. Here it becomes clear that non-exclusivity and non-rivalry depend not upon the supply, but rather on the use and the repercussions the use has on the supply. If air is used as a resource for breathing, different conditions apply than when the atmosphere serves as a dump for pollutants.

For the other natural spheres comparable contradictions can be demonstrated. If the supply is limited and not expandable, types of use compete with one another, and this is the main cause of ecological degradation. A plot of land sealed with concrete can no longer serve as a bio-top or water reservoir. There is also an infinite variety of interferences between spheres. Air pollution entails acid rain and ensuing water pollution. This, in turn, endangers the survival of sensitive organisms, so that the evolution of the life is affected, and so forth. The supply of the natural commons "land" is robust up a certain degree of degradation, beyond which, however, it becomes highly precarious. The public goods of the natural spheres is thus endangered by the 'public bad' of

environmental pollution. Global commons are thus not stationary in time, but affected and impaired by human encroachments.

(2) Cultural common goods are the cultural heritage of mankind, works of world literature, music, architecture, painting, science. Cultural diversity is the basis of social evolution. Cultural goods belong to all people. But there are many possibilities for exclusion from the use of cultural common goods – from having to pay admission to concerts or museums to targeted denial of access and subtle barriers to certain forms of education to outright theft of manifestations of the cultural heritage of mankind (sculptures, paintings etc.) by well-heeled private collectors. Cultural common goods consist only as common goods in principle (this similarly applies to natural common goods). As a rule, access and the possibilities to use them are not available to everyone, at least not at the same time and in the same place. Above a certain number of potential users, their use cannot be democratised. The 'public' aspect of public goods cannot apply to 'free access', but rather to publicly controlled procedures that legitimately direct limited access.

Cultural common goods are thus in many cases positional 'club' goods. The 'world cultural goods' are mostly collected in museums in Europe or the USA because of the colonial past, and not in the places where they were created; for example, the 'Egyptian museums' that exist in many European cities. Conversely, we search in vain for 'European museums' in Egypt or elsewhere. When nations have their cultural heritage at their own disposal, this strengthens their self-confidence enormously. Cultural goods are also symbols of the power of a state or a civilisation. The expropriation by privatisation (as was done recently in Iraq) is a horrendous act of rape, the scope of which cannot even be estimated.

Public goods 'inherited' from nature or culture are preserved by means of *conservation*. Goods from nature can not be reproduced at all or only under difficult circumstances. Although certain cultural goods (music, literature, films) can be technically reproduced in an unlimited number, the original act of production was unique. They must be preserved through rules that include the ban on destructive types of use, and secondarily through expenditures for their preservation, which as a rule is modest in relation to their

commensurable value. Also the time factor of common goods is important. Public goods have a history, they have either been around for billions of years in nature or were produced in the near or more distant past; they constitute a (positive) inheritance to be made use of and passed on to coming generations. Common goods cannot be identified without recourse to (local, national, global) history. Only peoples without history treat their cultural heritage nonchalantly.

(3) Public goods and services – 'public works' in the sense that Adam Smith used the term or 'general conditions of production' in the sense of Marx -- must be *produced* or provided, for example, in the the educational or health systems or in the sphere of material infrastructure. The provision of general, common conditions of production and reproduction is the responsibility of public institutions (on the basis of public decisions), when the goods cannot be supplied privately according to the *exclusion-principle.*

(4) Rules and Institutions are public goods (or are created by them as with public schools, economic stability, social peace) and do not have to be materially generated or supplied by a special service. At first glance these public goods appear 'cheap', that is, they can be set up without big financial expenditures as immaterial infrastructure (e.g. national legislation, international law) – if one disregards the costs of the public service sector necessary to dispense these public goods. But in the era of globalisation, the creation of these public goods is increasingly dependent on coming to agreements with the 'international community' and the valid 'soft' rules of '*good governance*' as opposed to the 'hard' regulations of the WTO or the '*aquis communautair'* of the EU. They are not always compatible with the interests of private actors in having as few regulations as possible apply to private business transactions. Indices that conservative foundations such as *Freedom House* or *The Heritage Foundation* use to measure the degree of market freedom and democracy, meaning the withdrawal of the state from supplying public goods, unambiguously prefer private supply to the provision of public goods. They view public legal regulations in contrast to private rules (*codes of conduct* or self-commitment) sceptically, except when it comes to providing public security through 'law and order'.

Public goods for some and public bads for others: The 'tragedy of global commons' (29) is that the individual actors overuse public goods and in the long run may even destroy

them (ozone layer, fish population, alpine pastures as examples) in the course of maximising their profits. Public goods become positional goods that cannot be distributed through the market mechanism or unregulated access. Use has to be rationed. Ostrom investigates institutions that have been developed by local people to regulate how they sustainably deal with public goods. Hardin envisions rationing through market prices. But this is where the problems begin. Market prices can have the consequence of excluding people from the use of public goods and violate the principle of equality indispensable in a democracy. In the dominant neoliberal discussion this is neither a disadvantage nor an obstacle. But it does undermine social, substantial democracy.

Another dilemma of public goods is their ambivalent, even conflicting effects. What is good for some is bad for others. Some uniquely private goods such as money can retain their value for the people who possess it only when it is protected for all who possess monetary wealth: by supplying the public goods 'financial stability', 'defence against fraud' (on the stock market, the financial markets and in corporations) and 'the guarantee of the integrity of financial institutions' (by combating money laundering, through supervisory financial authorities). The stability of its value is no longer an 'intrinsic' characteristic of money (in contrast to gold currency); it must be created and reproduced on an institutional basis, independent of the market. The value of the public good 'financial stability' can be measured by how much financial crises (debt, currency and bank crises) cost the countries affected by them. The drop in GDP caused by the currency and bank crises in the 1990s cost from 20 percent (Mexico) to 60 percent (Indonesia, Argentina) (30). Compared with this, the costs of prevention are infinitesimal. Some estimates place them at only US$ 0.3 billion (31). The question arises why, after weighing the costs, the path of financial stabilisation is not pursued. The reason this is not done is that the financial instabilities also offer the players on the financial markets an opportunity to make high speculative profits. The public good 'financial stability' would interfere with their private business.

But there is still more to this. We have to ask whether the public good 'financial stability' can be generated at all under capitalist conditions, whether this good is a fiction, and the attempt to supply it an illusion. Stability policy encompasses as a rule restrictive monetary and fiscal measures, which particularly affect wage-earners. Hence, provision

of the public good ‘financial stability’ entails social costs (for example, the costs of unemployment), and the question arises whether wage-earners are objectively able and subjectively willing to carry this burden to enable private persons to enjoy the advantages of the public good ‘financial stability’. The debates over the stability policy of the European Central Bank (ECB) revolve around precisely this question: the price to keep monetary wealth stable for its owners has to be paid by wage-earners in the form of job and wage cuts. The public good ‘financial stability’ is above all good for people who possess monetary wealth and thus protect their wealth and have it protected. If it is generated by a stability policy that does not take employment into consideration, then the public good ‘financial stability’ is bought at the expense of unemployment (by generating a ‘public bad’). The question brought up of ‘how public are public goods’ also encompasses the question of ‘how severe social conflicts can be regulated’.

4. The Global Strategy of Privatisation of Public Facilities and Goods

Now that the ‘living environs’ of people in their own homes have been conquered by the market in the course of ‘Fordism’ and permeated by capitalism, it is time for public goods to be privatised, to made a sphere for capital investment, to be valorised (32). Knowledge and water, roadways and opera houses, beaches or mountain scenery, public security and the fire department are becoming the targets of investors looking for return on their capital. As we will see further on in the discussion of ‘cross-border leasing’, the fact that the public goods concerned, for example an opera house, cannot be run profitably as a private enterprise is no obstacle. It is possible to tweak tax laws so that tax write-offs generate yield on capital. Just as unprofitable real estate has generated high profits for private investors thanks to tax regulations, public goods can be used to generate good yields as well.

The usual distinction between global public goods and regional or local and national public goods is only useful to a certain extent. It can be used to mark the scope of production and consumption of public goods that in reality are different from one another. But all public goods are subject to the ‘factual constraints’ of globalisation.

They can take the form of, for example, structural adjustment programmes of the IMF that recommend privatising the local water supply on the basis of 'private-public partnerships' in Bolivia. Local public facilities are turned into targets for capital investment by globally operating funds located in offshore financial centres, the 'black holes of the world market' (often via cross-border leasing). Regional public goods such as the monetary stability of the Euro are only achieved through regulation of global currency competition, thus they are imbedded in globalisation tendencies (on the world financial markets) and remain dependent upon them.

Privatisation has considerable ramifications on the way public goods can be produced (supplied) and consumed (used). Building a substantial (meaning not only formal and procedural) social democracy depends on access to public goods, to education and health services or public utilities. Supplying people with public goods is indispensable to guarantee human security (33). Public goods are useful to people in their capacity as citizens; they purchase private goods as consumers. The entitlement to the former derives from a political right, entitlement to the latter from the availability of purchasing power. From this differentiation arise the enormous consequences of privatisation that has been carried out in the past decades of neo-liberal domination.

Experience shows that the privatisation of public goods usually does not help improve them. People who are able to 'buy' services (such as, education, health, personal security) on the market for money may possibly be better off after privatisation. Those, on the other hand, whose purchasing power is limited, have to make do with a decline in the services of social systems. The privatisation of public enterprises, facilities, services and goods splits societies into market citizens equipped with the purchasing power to buy virtually anything they want, and in public citizens who have to cope with a reduced supply of public services. The conflict that John K. Galbraith pointed out for the society of the USA decades ago between 'private wealth and public poverty' are coming to a head everywhere that privatisation has been taken to extremes. The distributive effects of privatisation are regressive, the chances for democratic participation, hence social democracy, are undermined. This is also applicable when the protagonists of privatisation are modern Social Democrats such as 'New Labour' in Britain and the SPD of Chancellor Gerhard Schröder in Germany (34).

The privatisation of public goods requires different procedures, depending upon whether it pertains to natural and cultural common goods, public infrastructure, to sets of rules and institutions at the local level or at the supra-regional and global level. Here we can only mention a few of the privatisation strategies; they should be differentiated in case studies. The systematic evaluation of the privatisation of public facilities and goods conducted in countries of the Third World, or in the transformations in Eastern Europe and in the advanced capitalist countries over the past decades, has not even begun (35).

The privatisation of access to public goods: Privatisation can take place as a transfer of goods mostly made available by the government to private ownership and supply management by private actors (private enterprises, but also Non-Governmental Organisations (NGOs) representing civil society as well). The private actors make free access and the exclusive use of their goods (the 'free' signals of private radio and television stations) possible by soliciting donations or generating advertising revenue. All measures by which access to public goods is restricted take the process one step farther. They transform public goods into commodities that are no longer freely accessible. This form of privatisation can be induced by private (building a yacht-club on the shore of a lake) or government actors (introducing university tuition or education vouchers). A special case is *the contracting out of public goods for use for a fee* imposed by state institutions. Decisive is the level of the fee and how this level was decided upon (e.g. by scheduling fees or at an auction of licenses) and whether the people who have to pay the fees (e.g. university students) are partially subsidised. The question of fees is especially pertinent where the rights to use natural resources are concerned, such as the use of the atmosphere by air traffic (36).

Knowledge and information can be termed exemplary public goods, but the access to the public goods 'information' and 'education' can be regimented to such an extent that little is left of the 'public' aspect of these goods. The media can be manipulated, military strategies involve measures to restrict access to information or intentionally spread misinformation (37).

As a matter of fact, in the past decades there has been a tendency in all countries - partly encouraged by international *governance*-institutions (IMF, World Bank, GATS) – to give

preference to supplying public goods through the mediation of the market. On the one hand, this is expected to bring about a gain in efficiency and savings for the community. On the other, access is restricted and is only open to those who have the purchasing power or are provided with it by means of subsidies (vouchers) of some sort. Non-exclusive public goods thus are turned into exclusive private or semi-exclusive (usable only by a limited clientele) club goods. Thus the inequality of income and monetary wealth in each national society and in the world as a whole is replicated with respect to access and use of public goods. The privatisation of public goods is consequently a revocation of social democracy, even when privatisation (e.g. introducing tuition at the tertiary level of education) is justified with the application of rules of social justice (38).

Establishing exclusivity of access and its regulation through the market (with or without vouchers) has consequences for the supply of these goods. Now suppliers are subject to competition in which those institutions fail whose services are not in demand. That can be due to their services being of inferior quality or too expensive. That would be to good advantage. But the reason that they fail can also be that certain varieties have been eliminated in a process of standardisation of norms forced by private rating agencies. In the educational system vouchers can have the consequences that business administration meets with great demand, especially when they are in English, whereas social and cultural sciences in 'indigenous' languages dry up. The effect of regulating access could have an extremely negative outcome on the diversity and hence the evolution of knowledge and education both at the level of supply and use as well as for the political decisions applying to them.

The global commons seem to be a chaotic system because we have inadequate knowledge and understanding of their internal contexts and the global working of their spheres, of the processes of evolution and the correlations between local, regional and global ecosystems. Every intervention has consequences that are very difficult to assess. All this is well known to ecologists, which is why they usually take an integral, holistic approach. When it comes to the privatisation of the global commons, at least two effects must be taken into consideration. *First*, only those parts of nature are demarcated by proprietary rights can be valorised, others are not. Holistic natural processes are cut up into private plots. *Second*, common goods that cannot be valorised according to the logic

of private appropriation on the basis of private ownership rights are of no interest; they could be left to be destroyed or at least their maintenance could be neglected. Tearing apart these natural reproduction correlations can be detrimental to the whole ecosystem and could make it impossible to use the privatised part of the global commons. Examples are the impoverishment of the soil in the Amazon rain forest after deforestation to valorise the global commons for private cattle farming, or the decimation of the fish population in all oceans through private industrial fisheries.

Erosion of the tax base: In the process of globalisation, 'locations' and 'financial centres' also compete with their tax exemptions for mobile production factors, above all for monetary wealth and other forms of capital capable of 'flight'. Production factors that tend to be immobile, especially the work force reasons such as culture, language, family, neighbours, and so on, must bear an increasing portion of the tax burden to finance public tasks, including providing public goods. The decrease in the tax burden for income from assets and capital, which is played down ideologically in many ways ('we must not scare off the most productive members of society'), increases the private demand for goods

hitherto provided on a public basis. There is a demand for private schools, universities, old-age pension systems. The market mechanism mediates between supply and demand. The prerequisite for this is the deterioration of the supply of public goods and services so that private suppliers of these services usually can compete in spite of their higher prices, and their offer is bought by the 'demanders', who appear on the scene as consumers endowed with monetary purchasing power rather than as citizens of a civil society.

Because governments produce their own fiscal crisis by their tax policies, it is small wonder that the financial endowment of public institutions is so miserable and the provision of public goods has deteriorated quantitatively and qualitatively. In some cases (for example, telecommunications in various Latin American countries or public educational institutions in Japan), this is a strategy: let the supply of public goods deteriorate to such a degree that the privatisation will be considered a relief, even if the goods and services are more expensive.

Privatisation of public facilities and enterprises: What Bodo Zeuner called "state capital privatisation" can only be addressed here briefly, although it has played an

extraordinarily important role in the past decades (39). This has encompassed not only public goods and services pertaining to so-called provision for sustenance, but above all public enterprises. In the decades following the great world economic crisis in 1929 und after World War II, many industries were nationalised or reconstructed as state enterprises. Volkswagen, for example, was state-owned until it was privatised at the beginning of the 1960s. The railroad companies, energy supply companies, telecommunications companies, many banks and insurance companies used to belong to the government in the industrialised countries, all the more so in the 'developing countries' of the Third World, especially in Latin America. In central and eastern Europe there were practically no private enterprises of significance. All this has changed radically since the paradigm shift from the Keynesian interventionist state to the neoliberal model of the 1970s in the industrialised countries, the debt crisis in the Third World in the 1980s and the 'velvet revolution' in central and eastern Europe in the 1990s. Above and beyond this historical break-up, two tendencies are crucial.

First, public institutions and enterprises were often systematically ruined by mismanagement, to such an extent that the users wished nothing more ardently than that privatisation would end the technological backwardness, slovenliness, arbitrary management and corruption. Nobody mourned the demise of the state-owned telephone companies in Latin America when they were privatised.

Second, in the course of the economic upswing in the second half of the past century a world financial market emerged where enormous amounts of liquidity are looking for investment opportunities. Financial consultants are glad to lend a helping hand, and rating agencies provide the information indispensable to assess investment risks: beyond a doubt, these are privately created public goods for the owners of monetary wealth, although they are not with their pitfalls and drawbacks for all those people who have no monetary capital available. Rating agencies mete out 'private justice' in that they dictate rules, define where money should be invested and under what conditions. They even define the interest surcharge, or the 'spread' the debtors have to pay when the risk defined by the rating agencies changes. Because all investors depend on the same information, they react in the same way, namely as 'a herd', and in doing so can provoke just the crises they wanted to avoid by availing themselves of the assessments of the

rating agencies. Here once again we have the dilemma of public goods, even a tragedy in the sense that Hardin uses the term. Rational behaviour generates the exact opposite of what is intended.

But decisive in the context discussed here is Marx' assessment that public goods become an interest-bearing field of investment for capital. The managers of this capital are ready to invest huge sums in the privatisation of public enterprises and facilities if it is worth their while. It is worthwhile when the price it is sold at and the other conditions laid down in the contract of sale are accommodating enough for the private 'investor'. Privatisation took place in the various countries in very different ways (which cannot be further elucidated here). But virtually everywhere the result was that the government got poorer, not richer. We have already mentioned Argentina. Another example is the privatisation of enterprises in the former GDR from1990-94 after German unification, and in many other countries as well. We can sum up that the privatisation of public enterprises, facilities and goods did not improve the state of public finances, on the contrary, it produced debts that have to be served by the tax payer – in keeping with history, traditionally they are served from public revenue, the tax proceeds the state takes in.

Nonetheless 'state capital privatisation' has to be viewed from different angles. There really are areas where the supply of public goods has improved, as in the field of telecommunication. On the other hand, when public goods and facilities are privatised, the public sector shrinks not only quantitatively, but its character changes qualitatively. The state has less authority and capacity to intervene, if necessary, to regulate the economy and society. This was demonstrated quite dramatically in Argentina where after the nearly total privatisation of the public sector in the 1990s there was no societal instance left capable of intervening in the severe financial crisis that has shaken the country since 2001.

Feminisation of responsibility for the provision of public goods and services and first signs of a 'solidarity economy': In this form of privatisation in the industrialised countries, which the *mainstream* scientific community frequently loses sight of, the (unpaid) provision of public goods by private households replaces services that the public sector once provided. The invisible transfer of work and tasks to private households

within the framework of the gender-specific division of labour amounts to a feminisation of responsibility. This begins quite un-dramatically with the sorting of waste into different rubbish bins, extends to taking care of children when public kindergartens are closed or school lessons are cancelled because of a shortfall of teachers, to looking after people at home because of 'economising' in health services. In reality, the 'third self-help sector' is usually a domain of women, who balance out the impoverishment of services, hitherto provided by the public sector and with their activities compensate facilities absent in the public domain. In this way at least they try to maintain minimal standards of human security through private initiative. This sort of privatisation is non-profit oriented, actually a socialisation of services hitherto provided by the state – whereby this lop-sided socialisation at the expense of women is more an expression of deficiency than a demonstration of social self-determination (40).

5. Conditions for Private Capital Investment

Private capital investment is possible only when the exclusive use can be guaranteed on the basis of clearly defined proprietary rights. A number of conditions have to be fulfilled to achieve this. At least technical conditions must be met to effectuate the exclusion-principle barring all people from using a good or service if they have not paid for it. The political will to elevate privatisation to a principle is also essential. And, last but not least, there must be people interested in privatisation, investors capable of mobilising enough capital to take over public goods. Due to the predominance of neoliberal theories and moral concepts in 'Atlantic capitalism' in the past decades, 'private' is gaining principal precedence over 'public'. This precedence has also become a 'practical constraint' in the ideology of the social democratic movement, whose original impetus was to expand social democracy by providing public goods. This political turn to the predominance of 'private' over 'public' leads to the consequence that the technical possibilities to privatise public goods are now being extensively utilised, even technical methods are being developed to control exclusivity because a market has opened up for them. Moreover, all legal conditions are being put into place within the framework of international treaties to

provide security for privatisation strategies: in the EU, but above all within the framework of the WTO, GATS, and TRIPS.

The technical conditions for the establishment of exclusive proprietary rights: As a rule, a municipal street is built and paid for by public money and utilised free of charge. The transaction costs would be irrationally high if people were to be charged every time they go down to the bakery on the corner. Motorways are usually (but not always and everywhere) built with public money, but their use can be privatised by charging a toll, now facilitated by modern electronic, satellite-based systems. This is quite comparable to the canal Adam Smith mentioned, which was erected as a 'public works' but then leased out to private operators who collected the toll. As a rule, knowledge is generated on a private basis, but in and with the support of public institutions, in principle it can be used by everyone (non-exclusion; non-rivalrous). But its use can also be barred by patents or copyright regulations and only be conceded when a fee is paid (41). The set of rules in TRIPS serves this purpose. Even a public television programme can be made exclusive, as with pay-TV. These examples indicate that exclusion and thus allocation of proprietary rights can be established technically. Hence, the private or public character of a good is also dependent on the state of technology. Here we are concerned with the 'system of work' (the supply of public goods) which can be done on a private basis and not with the 'system of needs' (the use of public goods).

Genetic engineering creates the technical prerequisites for patenting living organisms, it makes it possible to privatise microscopic and even nano-structures of life. For the first time it gives private proprietors access to the process and pace of evolution. This has grave consequences, especially because of the influence exerted on the process of evolution and also because of the 'trade-offs', that is, the side-effects that privatisation of the knowledge of genetic structures will have for research and development and in combating diseases (42).

Politically innovative instruments such as rights to emit CO2 in climate policy have also produced new forms of private access to the utilisation of the public good 'atmosphere'. By issuing certificates, the pollution of the atmosphere is turned into a legal title that can be traded on the market (at 'pollution stock exchanges'). Or: ecological associations have

begun to acquire proprietary rights to ecological reserves (in the process of '*debt-for-nature-swaps*') in an attempt to save them from detrimental human infringements and from capitalistic valorisation. This could serve as an example of how tendencies to overuse goods of nature (common goods) can be thwarted even by means of privatisation; this would correspond to the intention of many rather conservative ecologists who think they can protect nature from damage by awarding exclusive proprietary rights (43). But this entails very many negative side-effects46, and the scope for this type of privatisation of public goods are quite limited (44).

Privatisation as a global capital investment; cross-border leasing: The deregulation of markets combined with tax relief for capital gains results in huge amounts of capital looking for profitable investments. But in times of crisis the opportunities for investment in the private sector are limited; therefore the public sector becomes highly coveted by private investors. To gratify this avidity, innovative financial conceptions such as 'cross-border leasing' are devised to turn public goods into private capital investments. Here the interests of the owners of private monetary wealth and officials responsible for communal finances meet. The former have financial liquidity at their disposal. The latter are in dire financial straits because of dwindling revenue. What could be more convenient than to alleviate both plights by creating conditions in which the owners of monetary wealth looking for investments could invest their capital with the treasurers of local European governments looking for financing? But how do they succeed in 'valorising' when, as a rule, public goods produce no saleable market values? Opera houses and public swimming pools, street cars and canal systems for sewage disposal usually have to be subsidised. Hence the transformation of unproductive into productive (i.e., producing surplus value) work that Marx mentioned does not pertain in this area.

But innovative financial markets and all the analysts and speculators, investment advisors and fund managers juggling around on them are nothing if not ingenious. First, they invented financial instruments to roll up 'emerging markets' of the newly industrialising countries. But after the Asian crisis business stagnated, they turned their attention to capital investments on the big stock markets, pushing stock prices of even the most dubious companies to giddy heights during the 'new economy' boom they themselves had kindled and kept going well into the summer of 2000. Then the bubble of shareholder

value capitalism burst and huge amounts of capital were destroyed. But enormous sums were still free and on the lookout for new investment opportunities.

A financial innovation of global calibre is cross-border leasing (CBL), which has been scandalized but is still being undertaken by a number of German local governments (at the beginning of 2003 there are estimated to be roughly 150) in cahoots with financial services companies and big investment funds. CBL is a sham transaction to pillage public revenue by making the investment of private capital in public goods profitable through tax avoidance.

Basically it works like this. A local government leases the ownership of a public good (for example, an opera house in Berlin, the sewage treatment plant in Dresden, the streetcar system in Zurich, the exhibition grounds in Essen) for 99 years to a U.S. investor (head leasing) using a fiduciary trust (located in an offshore financial centre beyond the sphere of influence of the tax authorities) as a go-between. The local government then immediately leases the opera house or sewage treatment plant or whatever back (sub-leasing) with the obligation to keep the facility operating in such a manner that it retains the value for the investor laid down in the leasing contract by technical expert (45). The leasing agreement is sweetened for the local government by the circumstance that it participates in the tax benefits that the investor claims in the USA. According to current US tax law, the leasing contract, which is valid for 99 years, is treated like a foreign investment to purchase property; it generates benefits in the form of tax write-offs on the depreciation of the purchased 'property'. The reduction of taxable profits achieved in this way can be discounted from the current value of the property over a period of three decades. From this sum the local government the facility was originally leased from usually gets paid 4-5 percent immediately as 'cash value'. This onetime payment is what interests the keepers of the municipal treasury because it supplements their depleted household finances.

CBL is thus a means of exploiting U.S. tax regulations for the benefit of private financial institutions in the U.S. with the cooperation of local European governments. The contractual construction is not without its absurdities, although they are no laughing matter. It makes the same object the property of two owners, namely that of the

municipality and that of the trust or investor. It is no coincidence that the business relations are extraordinarily complex and the contracts usually span several thousand pages; U.S. and European financial institutions, law and engineering firms, rating agencies and, last but not least, the municipalities themselves are all involved. And they all take their cut of this privatisation deal, a sham that brings material substance and financial profit only because deregulation tax laws permit this construction for the benefit of proprietors of great wealth.

This fictitious transaction to valorise public facilities through privatisation via CBL is a raid on public treasuries, first in the USA due to the possibilities to claim tax write-offs on allegedly purchased property. But the raid does not end there. The municipalities as well can become victims of the raid they themselves are party to. This would be the case if the trust in the offshore centre were to lose its tax benefit in the U.S., which could happen if the municipality were no longer able to keep the leased facility fully operational and if this were certified in value appraisals by the engineering firms (as stipulated in the contract). Were this to happen, the municipality would have to make good the inevitable loss of tax benefits in the U.S. (the 'damage' incurred by the investor from tax revenue) (46). And if U.S. tax laws that legalise this raid on public goods by capital investors were changed, the question arises how the complicated contract could be wound up in reverse, (47) and which partners in this fictitious deal would be ripped off (48).

In this way, local or national public facilities are turning into an area for capital investment and being integrated into the mechanisms of the global financial markets. In the case of CBL it becomes vividly clear now little global financial relations have to do with procuring capital for real investments; they have increasingly become innovative vehicles of legalised raids on public goods. The deficit-producing streetcar system in Dresden will not turn into a goldmine just because it is privatised, but rather because the CBL model makes it possible to withhold tax revenue from the public treasury by claiming tax write-offs for purchased property. Above all, the private protagonists of the CBL deal profit from this. So we end up with the paradoxical result that by privatising public goods – when they turn into an investment for private capital – the public means of financing public goods that stem from streams of income (i.e., from tax revenue) decline.

On the whole, the provision of public goods deteriorates through this kind of privatisation as do the conditions for human security.

6. Outlook: Public Goods and Human Security

We have only addressed a few aspects of the privatisation of public goods. Many aspects have to remain open, for example, the pressure to privatise public goods for the provision of sustenance within the framework of the GATS agreement, the obligations to protect exclusive property rights in the TRIPS agreement, and the role of the Bretton Woods institutions, the OECD and the EU play in conditioning the public sector for private capital investment. We completely omitted the important role corruption plays in the privatisation of public goods, which has destroyed whole societies. Nor was it possible to differentiate between countries and continent: not always, not everywhere and not in all sectors does privatisation produce negative results. But the evaluation would have to be gauged to criteria to be agreed upon. In this context a select committee of the German Federal Parliament on "Globalisation of the World Economy" spoke out in favour of assessing the consequences before assuming any more obligations from the GATS agreement (48).

The catalogue compiled there can be extended. When public goods are to be privatised the following factors should be taken into consideration.

- The consequences for market structures: will the public monopoly only be replaced by a private one?
- The consequences for the efficiency and productivity of the privatised facilities: will the expected increases be achieved?
- The effects on the employees: will the number of employees as well as the quality of their work, job security, and so on be maintained?
- The consequences for the security of provisions for general welfare: will general welfare, including of the environment and human health, be improved?

• The effects on the global framework: particularly with regard to EU regulations and GATS negotiations, will democratic accountability or private property rights be extended?

In the long run, the question at the centre of the debate about privatisation of public goods is that of the consequences for human security, the security of nutrition and the environment, public and external security, the water supply, educational opportunities and health services, etc. But even Adam Smith justified the provision of public goods and their financing from tax revenue functionalistically with the 'facilitation' of 'commerce', of commercial security. That is precisely the question: What does a society value more highly in the political debate - commercial, hence corporate, security for big enterprises, banks and financial funds? Or 'human security' for billions of human beings? When we try to answer these questions, we have to factor in the problems discussed in this paper.

Notes

1. This text was written as part of a research project about the effects that global transformation has on human security and public goods. In addition to the author, Birgit Mahnkopf, Dagmar Vinz and Beate Andrees took part in the preliminary work. Their ideas have become an integral part of this paper. The german version has been pubished under the title „Was passiert, wenn öffentliche Güter privatisiert werden?" in: Peripherie, Zeitschrift für Politik und Ökonomie in der Dritten Welt, Nr. 90/ 91, 23. Jahrg., August 2003: 171-201; english publication: What Happens when Public Goods are Privatised?, in: Studies in Political Economy, 74, autumn 2004: 45-77

2. Inge Kaul, Pedro Conceicao, Kattel Le Goulve and Ronald Mendoza, Providing Global Public Goods: Managing Globalization (New York 2003).

3. United Nations Development Program (UNDP), Human Development Report. (New York 1994).

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6. Elmar Altvater and Birgit Mahnkopf, Globalisierung der Unsicherheit: Arbeit im Schatten, schmutziges Geld und informelle Politik (Münster 2002)

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8. Roy Harrod, “The Possibility of Economic Satiety: Use of Economic Growth or Improving the Quality of Education and Leisure: Problems of United States Economic Development,” Committee for Economic Development, vol. 1(1958), pp.207-213.

9. Elmar Altvater, Der Preis des Wohlstands oder Umweltplünderung und neue Welt(un)ordnung (Münster,1992); Elmar Altvater, “Die Ordnung rationaler Weltbeherrschung oder: Ein Wettbewerb von Zauberlehrlingen,” PROKLA: Zeitschrift für kritische Sozialwissenschaft, N. 95 (1994), pp.186-226.

10. Karl Marx, Grundrisse der Kritik der politischen Ökonomie (Berlin, 1953).

11. Paul A. Samuelson, Foundation of Economic Analysis (Cambridge, Mass. 1953); Robert A. Musgrave, Finanztheorie (Tübingen1969); Inge Kaul, Isabell Grunberg and Marc Stern, Global Public Goods: International Cooperation in the 21st Century (New York 1999).

12. Sabine Nuss, “Download ist Diebstahl? Eigentum in einer digitalen Welt,”PROKLA: Zeitschrift für Sozialwissenschaft, N. 126 (2002), pp. 11-36.

13. In the terse wording of a news release: “According to the US development authority USAID the Iraqi harbour Umm Kasr is under civil administration. On Friday it was put under the supervision of the US-American company Stevedoring Services of America, it was said” (Tagesspiegel, 25 May 2003, p. 5). The US military managed to take the public infrastructure out of the hand of the resulting Iraqi state and transfer it to the “civil administration” of a private US company. The expropriation of private property no matter by whom has always triggered the most enraged protests, political demarches and even military intervention. But when a defenceless state is dispossessed for the benefit of private US companies nobody lifts a finger, there is not even a verbal protest against this outrage

14. Altvater, Der Preis des Wohlstands oder; Altvater, Die Ordnung ratiionaler Weltbeherrschung oder.

15. William K. Kapp, Volkswirtschaftliche Kosten der Privatwirtschaft (Tübingen1958).

16. Elmar Altvater, Gesellschaftliche Produktion und ökonomische Rationalität -Externe Effekte und zentrale Planung im Wirtschaftssystem des Sozialismus.

(Frankfurt,1969).

17. Adam Smith, An Inquiry into the Nature and Causes of The Wealth of Nations (Chicago 1976), Book 5, Ch. 1.

18. Ibid., pp. 244-282.

19. Ibid., p. 245.

20. Ibid., p. 247.

21. Ibid., p. 253.

22. Ibid., p. 254f.

23. Marx, Grundrisse, p.524.

24. Ibid., p.430.

25. Ibid., p.432.

26. Ibid., p. 428f.

27. Ibid., p.431.

28. Ibid., p. 424f.

29. Garrett Hardin, 'The Tragedy of the Commons' Science, N. 162 (1968), pp. 1243-1248; Elinor Ostrom, Governing the Commons: The Evolution of Institutions for Collective Action (Cambridge, 1990).

30. Charles Wyplosz, 'Global Justice. Beyond International Equity,' in Kaul et al., eds., Global Public Goods; José de Luna Martinez, Globalisierung und Finanzkrisen: Lehren aus Mexiko und Südkorea (Berlin, 2002).

31. Kaul et al., eds., Global Public Goods, p. 159.

32. Elmar Altvater and Birgit Mahnkopf, Grenzen der Globalisierung. Politik, Ökonomie und Ökologie in der Weltgesellschaft (Münster, 1999).

33. UNDP, Human Development Report; Kaul et al., eds., Global Public Goods.

34. Bodo Zeuner, "Das Politische wird immer privater. Zu neo-liberaler Privatisierung und linker Hilflosigkeit," in Michael Heinrich and Dirk Messner, eds. Globalisierung und Perspektiven linker Politik (Münster, 1998), pp. 284-300;

Birgit Mahnkopf, "Formel 1 der neuen Sozialdemokratie: Gerechtigkeit durch Ungleichheit," PROKLA: Zeitschrift für kritische Sozialwissenschaft, 30: 4 (2000), pp. 489-526; Egon Matzner, "A preliminary Note on Privatisation Mechanisms," paper presented to the European thematic network "Improvement of economic policy co-ordination for full employment and social cohesion in Europe" (2003).

35. Here we cannot deal with the privatisation of common land such as the Ejido in Mexico after the constitutional reform carried out when NAFTA was formed. Also lacking here are passages on privatisation by means of corruption, which in many countries (in central and eastern Europe, in East Germany after unification, in Argentina and elsewhere) have led to public expropriation on a massive scale for the benefit of private actors.

36. WBGU, Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen: Welt im Wandel. Neue Strukturen globaler Umweltpolitik (Berlin 2001).

37. At the Documenta 11 art exhibition in Kassel in 2002, the "Lament of the Images" collage by Alfredo Jaar clearly demonstrates the consequences of the privatisation of the 'information' public good by means of pictures. One example he draws upon is Bill Gates purchased 17 million pictures and is storing them in a limestone quarry in Pennsylvania in order to prevent public access to them until they are scanned and digitalised by Gates and made accessible only for a fee. In this manner the visual memory of a society is privatised and in any case manipulated and weighted in favour of those with private money to spend. A second example he adopts is the Pentagon's purchase of the exclusive rights to all satellite pictures of Afghanistan and its neighbouring countries to prevent pictures of the air strikes and their effects during and after the war of 2001

from getting into the public domain uncensored. The privatisation of a public good always involves a loss of public accessibility and hence a restriction of democratic participation.

38. Mahnkopf, “Formel 1 der neuen Sozialdemokratie”.

39. Zeuner, “Das Politische wird immer privater. Zu neo-liberaler Privatisierung und linker Hilflosigkeit”.

40. But in the meantime first signs of a ‘solidarity economy’ have also begun to emerge from this deficiency (as perhaps in Argentina and Brazil).

41. Weltbank, Weltentwicklungsbericht (Washington 1994).

42. John Sulston, “Das Menschliche Genom: Eine Entdeckung, keine Erfindung,’ Le Monde Diplomatique, Nr. 6928, vom 13.12.2002.

43. Hardin, ‘The Tragedy of the Commons’.

44. Elmar Altvater, Die Zukunft des Marktes: Ein Essay über die Regulation von

Geld und Natur nach dem Scheitern des ‘real existierenden Sozialismus’. (Münster1991).

45. After 30 years the local government can exercise an option to buy the facility back, i.e. cancel the contract. If it does not exercise this option, the ownership of the facility reverts for the rest of the time stipulated in the contract (69 years) to the investor, who then can have the facility run by private investors.

46. Conversely, the ‘damage’ incurred by the investor would be an additional source of tax revenue for the government of the USA, which would have to be paid by the German municipality. In this deal only the ‘investor’ cannot lose.

47. The contracts are drawn up in accordance with U.S. law (the jurisdiction is always New York). Usually only an abridged version is shown to the responsible people in the municipality. There is every reason to fear that in the case of legal disputes the municipalities will have a hard time asserting their position against the trust, law firms and investors in the jurisdiction of New York. That is why critics emphasise that CBL is high-risk venture.

48. Enquete-Kommission: Deutscher Bundestag (Hrsg.). Schlussbericht der Enquete-Kommission Globalisierung der Weltwirtschaft (Opladen 2002).