

Lunch Speech Franz Fischler, World Commons Forum Sbg,
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"The concept of the Global Commons within the framework of the Eco-Social Market Economy and its implications for the population at large"

Ladies and Gentlemen!

Moliere once said „I live on good soup, not on fine words”. I definitely agree with him. Nevertheless, our host asked me to deliver a luncheon speech today which I am very happy to do. I hope, though, that I will neither ruin your appetite nor put you off your soup and deny anyone the well-earned pleasure of our lunch together.

“Every crisis is a gift from destiny to working people”, said the Austrian famous writer Stefan Zweig so fittingly. I don’t want to go into the details of the present crisis. You all know the facts and we all know enough to understand that things cannot continue as they are. Almost one billion people are starving from hunger, the climate- and the economic crises are plain enough signals of the failures of our global current economic and social system. Our way to live is not sustainable in any way: Neither socially, nor ecologically, nor even economically. Alan Greenspan, the former head of the US Federal Reserve, said in a speech following the outbreak of the financial and economic crisis that his whole structure of belief and fundamentals of his decisions, had totally crumbled. These are very clear words from a man who has played an important role in the global economy like few others have on this planet in recent years. These are also words which should encourage to contribute to a more sustainable economy and a more just world.

Today here in Salzburg we are occupied with global commons and the question of what we *must* do and what we *must not* do in order to hand over our global commons to the next generations as unscathed as possible. This is what sustainability means. Therefore we must find a new and better answer to the question: How do we have to shape the economy so that it fulfils three goals at the same time? That is to say firstly, the preservation of our ecosystems, secondly more cohesion and justice in our social fabric, and thirdly a long-term economic added value. At the outbreak of the current economic crisis a critical economist basically surmised that a system regularly creating crises which can only be resolved by suspending

the basic principles of its very system – the keyword being the nationalisation of banks – can not be the answer. Very true. We therefore need the courage today to start thinking outside the box and to broach and tackle issues that were taboos only a short time ago. And we also need the trust that this necessary change is not frightening but doable and will induce many positive developments.

What are the challenges of this change from the perspective of the ecosocial market economy which we here in Austria are renewing on the occasion of its 20th anniversary? Please allow me to mention only some key problems – without being exhaustive:

One of the key problems is the “overconsumption of resources”: The consumption of natural resources has increased immensely due to worldwide population and economic growth. In the 1980s almost 40 billion tonnes natural and not renewable resources were taken from the global ecosystem. In 2002 this figure grew to almost 53 billion tonnes which represents an increase of one third in 22 years. If the current trend continues then the extraction of resources could rise to 100 billion tonnes by 2030.

People in rich countries consume 10 times more natural resources than those in poor countries. On average North Americans use around 90 kilogrammes of resources per day and capita, Europeans around half of this and in Africa the per capita consumption is around 10 kilogrammes per day.

Another one is the “Economic growth paradigm“: High economic growth is still the single parameter to measure human wealth. Exponents of the prevailing growth paradigm regard economic growth as the most important social economic and political goal. Growth would increase prosperity, employment and would reduce unemployment; growth facilitates structural change and improves the working conditions, growth resolves conflicts over revenue distribution etc. But we all know that economic growth has made the resource and environment situation on our planet dramatically worse and we also know that not all forms of economic activities are also creating additional welfare.

The standard response of “growth optimists” to this dilemma is to attain a decoupling of economic growth from its negative impacts on the environment. Even though impressive results in raising productivity of resources were achieved in the past, the total dematerialisation from economic growth remains an illusion. An

annual economic growth rate of 2 % and the goal to reduce CO₂ emissions by 80 % by 2050 – which the G20 countries have agreed to – mean that the resource productivity of fossil energy sources would have to increase by around 5 % each year. In reality productivity of the use of energy in the industry sector grew by 2.5 % annually between 1965 and 1995 in all the OECD countries. Sustained GDP growth is therefore an extremely unlikely scenario in the long term. Ultimately, infinite material growth is just not possible in a finite world.

And what about “Distribution justice“:

Here the developments are very different. We see positive economic developments in countries like China or India. But we also register the situation has not improved at all in many poor countries f. e. in Africa. In addition the income gap within the national societies is getting wider, not only in emerging and poor countries. A World Bank comparative study of 100 countries illustrates that the world’s poorest 5 % have lost 25 % of their real incomes in recent years, whereas the world’s richest 5 % have gained a further 12 %. Worldwide 2.7 billion people living in poverty have to share as much income as the 50,000 richest.

Joseph Stiglitz regards the increasing income disparity since the beginning of the 80’s as a key structural reason for the current world economic crisis. As the propensity to consume amongst wealthy households is lower than that of lower income groups then growing inequality leads to an immense weakening in demand.

What does this incomplete ramble through the challenges for the ecosocial market economy agenda mean?

Firstly: One of the most important things to do is to change the aims of our economic activities and how we measure it. It’s not the growth in gross domestic product alone but also what counts the raising of our living standards which means on the one hand improving existential security, health, social cohesion, education, work as well as the natural environment, it also means improving individual well-being, something which is very subjective.

GNP is a very limited indicator on which, among other things, the destruction of the environment and its repair has a positive impact, whereas avoiding environmental damage often has a negative influence. And it does not reveal anything about the gap between

the rich and the poor. Bringing quality of life to the fore front means that we must find new ways to measure the progress of wealth in our societies. The EU Commission published recently its project “beyond GDP” and is looking for new indicators for economic activity. In France a commission chaired by Joseph Stiglitz recently presented a report for President Sarkozy on new measurements for the economy. These examples show that we are on the right track.

Secondly: We must succeed in establishing cost transparency in our economic system. Ernst Ulrich von Weizsäcker said „the price has to tell the truth”. There are, in our opinion, above all two possible approaches in the area of climate change at the moment: On the one hand the further expansion of CO2 emission trading for the purpose of climate justice and on the other a stronger “greening” of tax systems. Taxing energy and or CO2 emissions more ardently and at the same time unburdening labour could be key tools to bring our economies back on the right track. Following recent research in the EU a correctly implemented greening of the tax system is not only a positive thing for the environment but also for the economy as a whole and for more employment.

Thirdly: At the moment the international community is still lagging behind its development cooperation promises. Instead of the promised 0.7 percent of GNP a mere 0.3 % was spent in 2008. Therefore, it is urgent, particularly now in the economic crisis, to increase development aid, put an end to tax havens and improve the international rules. DOHA was meant to be a development round, so far it is a perpetuation of old conflicts.

Fourthly: It is beyond any doubt that the financial markets got out of control due to liberalisation and deregulation of the financial industry. In the meantime a number of measures are agreed to partly reverse this development. Experts are, however, putting a big question mark over whether these measures are enough. The control and supervision of banks but also hedge funds must go much further. But how should this happen if again the same experts who created as CEO's and CFO's of investmentbanks or as fonds-managers the whole disaster are now invited to rescue the financial systems. It is a real disaster. The financial industry created a totally untransparent system which nobody from outside the financial world can understand therefore they are really needed to bring some light into this jungle. But who can believe that it is now in their real interest to create a fully transparent financial industry with the aim to support the real economy and to stop fictions assessments. In my

view it would also be necessary to think about a ban or compulsory registration of certain financial products. The financial market has to become a servant of the real economy again – and not a disconnected giant bubble from which only a few benefit. An important element from our point of view is the introduction of a levy on financial transactions which would not only bring around 80 billion euros revenue in the EU alone, but would also lead to higher stability and more transparency on the financial markets.

Ladies and Gentlemen, let me conclude:

President Obama said in his first speech to the UN assembly: “Now is the time for all of us to take our share of responsibility for a global response to global challenges. If we are honest with ourselves, we need to admit that we are not living up to that responsibility“ He is absolutely right, let us do more – not only for us, but for our children, for our future generations.

Thank you very much.