

Summary of the Discussion

The thrust of the argument is that we are looking for some way of counterbalancing the profit motive which governs the movement of capital, that is some other motive which can help to protect labour in the difficult situation in which it finds itself. By definition, labour market deregulation means the abandonment of all protection and leads to the negative effects which have been detailed for Eastern Europe. Therefore we should try to focus on how Christian social ethics can attempt to regulate the new profit-motivated ability of capital to dominate to the detriment of labour.

The market economy has been greatly restrained by its social commitments in Germany and without such restraints the stone age version of Manchester capitalism would be perpetuated. It is not in fact the aim of business to maximise capital gains but to optimize them. Capital is only half the picture: the other half is innovation, research and development with an eye to the future. Therefore the pure maximization of capital gains would be detrimental to the future of the enterprise.

As concerns the participation of workers, this should be envisaged more broadly than direct industrial involvement and should also apply to investors. In Germany 82% of capital comes from investors which means millions of people leaving their money on bank deposit. There are various new initiatives to enable citizens to have the freedom to invest directly in schools, hospitals and other projects funded from regional taxes. The involvement of citizens as investors in profit and non-profit making enterprises fosters their direct involvement and closer identification. This model is advantageous in general, for today's investment creates tomorrow's jobs.

(Prof. Vymetilik). Such participation is desirable, but it will only come about through the initiative of management for it is impossible for workers to impose it. Thus business has to be won over to this outlook which is part of Catholic social thinking. Yet it is difficult even to persuade a Catholic entrepreneur of this and there are many examples where Catholic businesses are in a worse state in this respect than their secular competitors.

Returning to the question about countries in transition from state socialism. With the end of collectivization, did privatization genuinely allow citizens a share in the ownership of companies? Secondly, although there is now a younger generation being formed according to the principles of the market economy, is it not the case that the managers of plants and enterprises are still the “old guard” who think in terms of the collective economy and expect the State to underwrite companies rather than striving for efficiency?

(Prof. Vymetilik). As far as sharing in the ownership of companies is concerned, the “coupon” privatization was potentially good but was abused in practice, with large corporations buying up coupons at a high price in order to consolidate industrial control. Secondly, it is indeed the case that present managers largely come from the ranks of old management. To them the market economy simply means, take as much for yourself as you can.

We use the term “tunnelling” for this. For example, if a bank is short of funds, but has contacts with previous managers in good positions, loans are transacted which buttress the bank. This then gives credit against a fictitious collateral to relatives and friends. Such loans are never repaid in full although the banker receives personal payments which he transfers abroad. There are many other methods such as establishing limited liability companies for the small sum needed to register them and then selling them off for vastly more as they are privatized.

Does this not mean that a certain mentality is a pre-requisite for privatization to work, for example the mentality of a shareholder who knows not to sell to the first bidder? If so, how can the mentality of the population gradually be changed so that a market economy can function?

(Prof. Vymetilik). Because more people now are taking an interest in ethical matters the need which springs from this change in attitudes is the general desire for the concept of the “market economy” to be modified. It is crucial to have concrete examples of a market which functions according to ethical principles and that these concrete exemplifications are highly visible. The concern is that, on the contrary, there is so much rank abuse in the Czech Republic. So many of the excesses of entrepreneurial capitalism are not checked because of the weakness of law enforcement. Public accountability can only be realized when more progress is made towards regulation of the market.

Nevertheless, there is something very positive about the new markets which are opening up with increasing globalization, especially in the media

and service industries. As much support as possible should be given to those entrepreneurs who are pioneering in the creation of jobs in this way.

(Prof. Vymetilik). Certainly there need to be conditions which support market development and in particular tax incentives. However, the greatest need is among the small entrepreneurs in the Czech Republic who have difficulty in obtaining the capital needed in order to expand. The problem which has been inherited from State Socialism is that the only people who can raise money are the "old gang".

The paper was important in that it examined the impact of de-regulation not only in the Czech Republic, but also raised this topic at a global level. At that level there are many variations; in Eastern Europe de-regulation is working much better than in others like Russia, Bulgaria, Romania and especially Albania; in developing countries the situation is changing fast with some emerging countries like Singapore now having a higher standard of living than in France and with this improving rapidly in Argentina, Chile and Mexico; in rich, developed countries new pockets of poverty are emerging even in Canada where the standard and quality of life is reckoned to be one of the highest in the world. This means, on the one hand, that we need to look for new tools for analysing the wealth of nations which go beyond the standard comparisons of nation states as used by the World Bank and IMF. On the other hand, this means that what are properly called "structures of sin" cannot be analyzed in terms of a simple North-South dichotomy, but need to be examined as inherent to every society, where some section of the population is being marginalized on some criterion.

Returning to the problematic transformation of Eastern Europe and its complexities, one of the basic difficulties was the need to destroy old mentalities (i.e. those advocated under the socialist/communist systems with its expectations of "full employment") and then to build up new attitudes and institutions. But transition is a long and not a direct one towards the market economy model. In Poland the term "social free market economy" is used because as yet we cannot dispense with the adjectives: similarly "privatization" had a different meaning in the Czech Republic because a national investment fund was created, comprising of various enterprises, in which people could participate by buying vouchers. The most crucial change from destruction to reconstruction concerns the meaning of the "right to full employment" and the need to educate people away from the notion of full employment without responsibility and to develop an infrastructure in which the right to work can be guaranteed.

(Prof. Vymetilik). In the quest for suitable models, I return to the success of Mondragon, which although not a pure example of the original notion of a co-operative, does provide an example of Catholic social teaching in action. It is not the only possible model but it does serve to show both that economic democracy can work and also that this form of interlinkage between banking and enterprises can foster economic development.