





School of Economics



Redefining Res Publica - Shifts from the Public to the Private

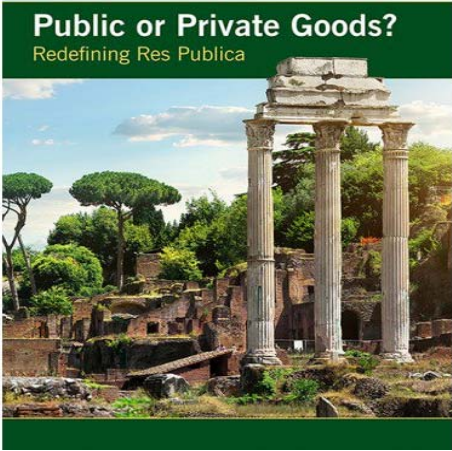
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Public or Private Goods? Redefining Res Publica



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Overview

1. Egon Matzner's Manuscript on Redefining the 'Res Publica'
2. Shifts from the Public to the Private
3. At the Search of Egon's 'Res Publica'
4. Justifications of 'Res Publica'
5. Policy Areas Studied
6. Who Defines the 'Res Publica'?
7. Regaining the 'Res Publica' in Europe
8. Conclusion

1. Redefining Res Publica

Egon Matzner: TU Vienna, WZB Berlin



Egon Matzner's Manuscript 2001 – *Redefining the Public Purpose. On the socio-economics of a global Res Publica.*

- Public provision of goods and services is replaced by private ones
- Liberalization of markets in EU is an attack on public institutions such as schools, the health system etc...

1. Redefining Res Publica

Egon Matzner On Liberalisation of Markets in EU

- Three types of globalization:
 1. decisions of global actors as opposed to national actors
 2. global effects (sum of indiv. external effects) = public goods or bads
 3. global goods sold by global companies (= private goods)

What to do with public bads?

- We need a new definition of a modern role of 'the public', of the RES PUBLICA
- Which role should public property have? What should be public goods and what private?
- Which role should institutional diversity play? - Variety is Europe's strength, its cultural inheritance.

2. Shifts from the public to the private

- Public Defense* → Private army
- Public Security* → Private security
- Public Prison* → Private jails
- Public Police* - Private traffic police
- Public Utilities and Works* → Privatized natural resources, private airports
- Public Traffic* → Private busses
- Public Post Office* → Private postal services
- Public Space* → Sale of Greek temples, of Italian beaches..
- Public Power Monopoly* - Sponsoring of embassies
- Public Education* → Private ground schools
- Public Banks* → Private banks and insurances

Private army of Ukrainian billionaire Igor Kolomoisky



2. Shifts..Example Security In Europe- increase in private security

- In the case of private security only six countries (Cyprus, Denmark, Estonia, Hungary, Italy and Slovakia) out of 25 have witnessed a decrease in the **number of private security guards** between 2004 and 2013.
- The remaining 19 countries have seen **increases** that range between 8 percent in Germany and 166 percent in Finland.

2. Shifts...Example Security – Provision versus Financing

		Provision	
		Private	Public
Finance	Private	Private Security Guards (for example in gated communities) Private security guards or private military hired by the State (military contractors, private security to reinforce events, etc.)	Police when hired by private events
	Public		Security Services Police, Military , etc.

3. At the Search of Egon Matzner's Res Publica

	Description (positive) Who are and were the actors?		
	State	Community	Market
Provision			
Funding			
Regulation			

3. At the Search of Egon Matzner's Res Publica

	Description (positive) Who are and were the actors?			Justification (normative) Why should the public intervene?		
	State	Community	Market	Equality	Community/Morality	Efficiency
Provision						
Funding						
Regulation						

Res Publica: Table to jointly compare projects



4. Justifications of Res Publica

Why should something be of a public responsibility?

Three justifications for public intervention

1. Redistribution or equality
2. Community or morality
3. Efficiency

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4.1. Justification - Equality

Market economies arrive at democratically unacceptable distributions of income and wealth

- Conflict between the principle of marginal productivity or the “free play of market forces” and principle of social need or entitlement, as certified by collective choice (Streeck 2011).

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4.2. Justification - Community/Morality

State should engage in activities that purposefully limit the scope of markets (cf. Etzioni, Walzer, Sandel).

- Government must ensure **the material conditions which are necessary for individual autonomy and democratic citizenship**.
- This model often rests on a presupposed '**public sector ethos**' (Heath 2011: 21), by which the public sector produces goods based on **different motivations** compared to the private sector:

*While private corporations are driven by profit, the state, communitarians argue, is driven by the public interest and '**certain moral and civic goods are diminished or corrupted if bought and sold for money**' (Sandel 1998: 94).*

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4.3. Justification - Efficiency

The state as an "an insurance company with an army" (Krugman)

- State serves as just another, more efficient, way to reach production of certain goods, resolving issues of collective action:
 - Natural monopolies
 - Imperfect markets
 - Incomplete markets
 - Information failures
 - Externalities
 - Public goods

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4.4. Adam Smith

Three tasks which are better served by the public

- 1) '(...) **a public bank** which is to support public credit, and upon particular emergencies to advance to government the whole produce of a tax, to the amount, perhaps, of several millions, a year or two before it comes in, **requires a greater capital** than can easily be collected into any private co-partnery.
- 2) **The trade of insurance** gives great security to the fortunes of private people (...) in order to give this security, however, it is necessary that the insurers should have **a very large capital**.
- 3) **..canals, and the works** which are sometimes necessary **for supplying a great city with water**, are of great and general utility, while at the same time they frequently require **a greater expense** than suits the fortunes of private people, is sufficiently obvious.'

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5. Policy Areas Studied in our Res Publica Book

1. **Introduction** (*Brigitte Unger, Loek Groot and Daan van der Linde*)
2. **Value-based demarcation between the public and the private domain**
(*Klaas van Egmond*)
3. **The fight against money laundering: a public task?** (*Joras Ferwerda*)
4. **Natural disasters and (future) government debt** (*Ian Koetsier*)
5. **The advantages and disadvantages of different pension system designs**
(*Ian Koetsier*)
6. **Pension provision: (still) a public task?** (*Florian Blank*)
7. **Protection against unemployment: a res publica?** (*Brigitte Unger*)

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8. More **health care** or more beer? A curious paradox of making some economic tasks a *res publica* (Frans van Waarden)
9. ECEC: **childcare** markets in the Netherlands and England (Trudie Knijn and Jane Lewis)
10. **Housing policy** and spatial inequality: recent insights from Vienna and Amsterdam (Gerlinde Gutheil-Knopp-Kirchwald and Justin Kadi)
11. Funding of **protected areas**: a purely public task? (Grazia Withalm)
12. The role of governments in **conserving** and financing **cultural institutions** (Michael Getzner)
13. The **income distribution** as a public task: the redistributive preferences of (mis)informed voters (Daan van der Linde)
14. **Conclusions** (Brigitte Unger, Michael Getzner and Daan van der Linde)

6. Who defines the Res Publica?

- **Politics, the Polis – Res Publica is mainly a Political Choice**

Along history (van Waarden) from


1. physical protection (safety and security)
2. legal infrastructure (trade, contract law and tort law)
3. physical infrastructure (water, roads, streets, market places... (= often 'public goods' or 'natural monopolies')
4. monetary and financial infrastructure


- Shift **from state provision** of public goods to **public funding** and **regulation**
- With this, part of public expenditures becomes **invisible**
(see *Daan van der Linde*, *the submerging state*)
- **Part of private tasks become public** (public private partnerships..) very expensive for the public sector
- **Justifications of Res Publica** mainly efficiency reasons. But there are also community/moral and equity concerns
- The **public sector got heavily transformed** during the **financial crisis**. Tax money was given to banks to repay their debts to other banks...The state became a guarantor for the financial system rather than for the Res Publica and the welfare state
- Liberalization of capital has created new niches for capital to **escape taxation** (Panama Papers...).

7. Regaining the Res Publica

We are richer than we ever were – and suddenly cannot afford a welfare state?
(Kurt Rothschild)

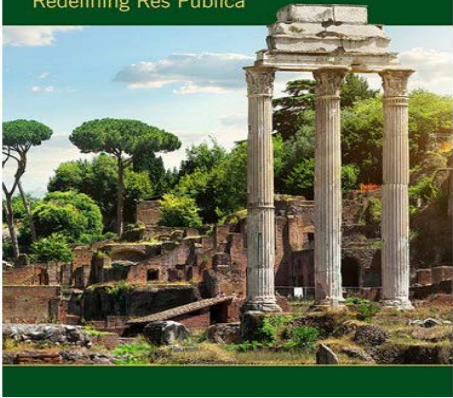
We have to regain and redefine the res publica
(Egon Matzner)

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Public or Private Goods?
Redefining Res Publica



May the cover picture of our book inspire you to work on rebuilding the Res Publica

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Thank you!



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