

Statement by Commissioner Danuta Hübner

**Panel debate on "Markets and Solidarity"
at the Conference "Conditions for International Solidarity"**

25th Anniversary Conference of the Institute for Human Sciences

9 November 2007, Vienna

Panel on "Markets and Solidarity" guided by the following questions: Does capitalism provide a sufficient basis for international solidarity? Are market mechanisms (as opposed to, say, to state intervention) the best or the only means to overcome cultural, religious and other barriers and bring people together when necessary? Or is capitalism rather harmful to global community, does it undermine the very preconditions of intercultural and international solidarity?

Speakers in the panel: Leszek Balcerowicz, Kurt Biedenkopf, Danuta Hübner, Michael Sandel, chaired by Ute Frevert

President Fischer, Minister Bartenstein, Ladies and Gentlemen,

Let me make 4-5 points which I find relevant in the context of the questions.

First on markets and solidarity: At first sight, the notions of market and solidarity look **different**, if not contradictory: Markets are rather a means. Solidarity, by contrast, is rather an end but only to the extent that there is agreement within the society.

That's at first sight. When we take a closer look, however, we see quite striking **similarities**:

- Both, markets and solidarity, shape human relations and interactions;

- Both have a common starting point, namely unequal distribution of resources (goods, opportunities, knowledge, etc) which triggers an adjustment process;
- Both influence the allocation of resources and the distribution of wealth, for the better or the worse.

It will not come as a surprise to you if I say that societies around the globe have different preferences when it comes to the intensity and the expression of solidarity. Human behaviour does encompass compassion, love, and empathy, hence in small social groups, such as families, tribes, villages etc., solidarity comes more naturally than for bigger groups such as nations. If solidarity is to be achieved in such bigger groups, we need a common and shared identity as the foundation upon which we then build a democratically defined institutional framework.

The real challenge here is to develop a solidarity culture related to the way people think. We have a variety of solidarity cultures, as people around the globe think differently. For example, we often refer to the 'European social model' but in reality there is no such thing. Social models across Europe are far from being uniform, in fact they are very diverse, because people think differently about solidarity.

Second, what is the question - capitalism and solidarity – actually implying? The way it is put implicitly suggests a contradiction, as if individual and social benefit were mutually exclusive. This is a pretty old-fashioned view; leaves a rather stale taste. I believe that they can actually be complementary. Why?

First, the entrepreneur's individual utility is legitimate and I would even say it is vital for the economy. But there is also social utility. I believe that

to achieve and sustain solidarity, we ought to make use of the same human qualities that drive economic activity. There is no need to look for other qualities.

Maybe this strikes you as odd but I hope you would agree with me that the *homo oeconomicus* has died quite some time ago. I find more modern approaches to economic theory, notably behavioural economics, which try to capture the less rational side in human beings - better explained by psychological theories - more convincing.

What seems to be obvious is that there is sufficient space for solidarity within capitalism. Solidarity is not in contradiction to the market economy; it is more about acting outside the mainstream market mechanism but not against it.

Of course, capitalism, if reduced to mere rent-seeking, can indeed generate a lack of solidarity. But our societies have developed far beyond the ultra-liberal "*Nachtwächterstaat*" of the 19th century, where the *laissez-faire* of governments revealed market failures for the first time. And of course we agree that some policy intervention is needed to correct the inefficient resource allocation induced by market failures.

So, solidarity can be seen as a way to reach objectives which markets cannot achieve. That would probably mean that there is an economic value of solidarity. And markets and solidarity can efficiently pull each other forward. Yet, they can actually do it via regulating institutions. The best institution to bring out this synergy is democracy which can merge strong individualistic values with solidaristic ethics. So the criterion of economic effectiveness should apply. **The problem here is to find right policy mix, the right dose and to frame this within the right institutions.**

My third point is on **international solidarity**:

Notwithstanding my belief that solidarity – within a nation – exists, let me challenge what seems to be the *leitmotiv* of this conference: **Does international solidarity exist in the real world?** There I would start by arguing, in the real world only if it is forced upon us. It is a reactive phenomenon, a response to crises, catastrophes, and wars - at least historically speaking, when international contracts were concluded mainly to avoid trouble. So I would say that it is not that easy to identify best practices of solidarity.

And where are we now? There is no international best practice as regards successful solidarity, except for the EU: Created upon the ruins of Europe, it has evolved, withstood tough tests and is now running relatively smoothly. It is widely accepted and acknowledged by EU citizens but not necessarily loved. And over time - and that is the striking difference to the historical experience - the EU, has become a creative force, too.

We all know that it took quite some political vision to get to where we are today, and the belief that market mechanism can actually trigger international solidarity. Jacques Delors in his memoirs recalls that what actually created the single market was not the political decision for the 4 freedoms but

- competition which is a stimulating and incentive-creating factor
- cooperation which strengthens
- solidarity which unites.

In order to launch a new, large and complex undertaking such as the single market (or the euro later), our countries needed to know and trust each other. And they also needed to need each other, in order to fertilize and let grow a feeling of solidarity.

So, in the EU context I would say that the debate on EU solidarity is a debate on what keeps societies together. In EU such a debate would involve

- commonly shared values,
- subsidiarity which means applying policies where they are most effective,
- partnership,
- but also diversity .

In the EU context, it is clear that **solidarity is not charity**. It is not redistribution. And it is not paternalism, either, which often only leads to aid dependency. It is much better, if international solidarity is driven by self-interest, if it creates a win-win situation. Because only then it is sustainable without leading into the dependency trap.

My fourth point would be that we must not isolate this discussion from **broader themes**. We need to seriously look into the context, such as globalisation, ageing, migration, climate change etc.

All those new phenomena generate new social demands, new social risks, and in general new demands on democratic systems. Globalisation, too, exposes vulnerable institutions, which we need to modernise before we come to the unfair conclusion that capitalism excludes solidarity.

Our institutions were also designed for a different reality. And the inefficiency of our institutions makes us think that capitalism and solidarity belong to different worlds or that there is no solidarity.

So, to **conclude** let me say that instead of discussing how markets, capitalism, competition, globalisation jeopardise solidarity, we should rather discuss how all these phenomena can support solidarity.

Markets have gone international a long time ago. Instead of feeling overrun by these developments, solidarity needs to go international, too. And for that to become a reality, we need good politics, good policies and good political institutions.

We need to adapt our social, political, and the European institutions to make solidarity deliverable. The institutions have to have the capacity to absorb the consequences of processes which jeopardizes solidarity.

Can we have **global democracy**? One could say that unless the issue of democracy is tackled efficiently at global level, it would be difficult to conduct policies in the collective interest.

And I do not know whether we can have a global framework for democratic control. Institutions are so crucial here because democracy can operate at different levels but it is dependent on institutions and how they serve the common interest.

So I do not know whether we can find a solution to the deficit of global solidarity unless we **solve the democratic deficit in global policy making**.