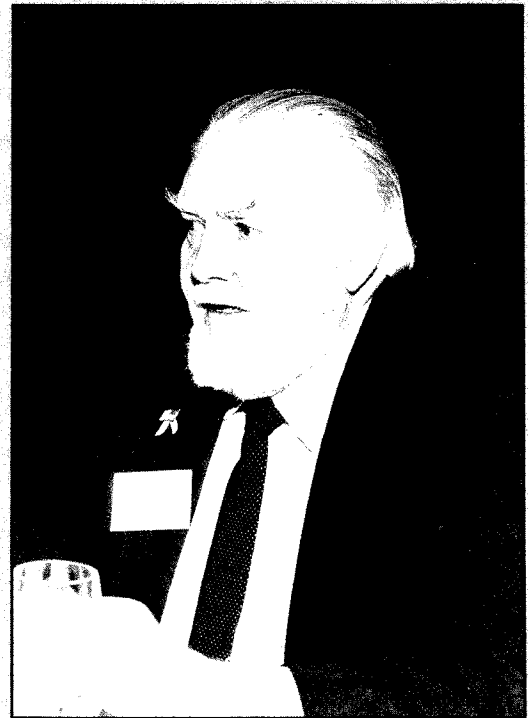


Carnegie Council \ DRT International Privatization Project

Labor's View of Privatization



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April 26, 1991

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Thank you very much. I think we should clarify from the very beginning that American labor is not opposed to privatization; we are for any economic system that works. We are American pragmatists. We apply the Oliver Wendell Holmes theory of economic development: the economy that provides the greatest good to the greatest number of people is a good economy. Now, more often than not, that happens to be—and particularly with the demise of the Soviet Empire and the 70-year experimentation with Communism—the free market economy. The best economy happens to be the economy that most of the successful Western countries, including Japan and the countries of the Asian Rim, practice. If you look at the northern-tier countries, where there are powerful economies, and where the workers and the people live well, it is in Europe, both prior to and after 1992, it is in North America, it is in Japan, increasingly in Korea and in some of the countries of the Pacific Rim. I think that you have to attribute that to the fact that they are not deeply embedded in inefficient, unproductive state socialism. I think that's a given. But I must also remind you that in all those same countries that I've just named, there is a very strong and viable labor movement that helps to interject ethics into the system that is basically directed toward the bottom line, directed toward allowing a man to own property as a sacred right and to progress through hard work and be rewarded for it. Now, some people are excessively rewarded, in our estimation, and that's where you have to become ethical about the whole thing. But we happen to believe that without a free trade union movement—powerful, united, positive, non-revolutionary, contributory—you can't have a successful privatized system that will really work. Now that's our view and our theory, and I think we can establish and prove it. Our purview goes beyond, however, economic theory and economic development. We are political animals. We believe in politics. We believe in democracy. We believe that privatization is good because it's the best form to promote democracy, and that without democracy it's hard to envisage privatization. But I will tell you that during the late 1970s and 1980s many an American banker, many an American investor, took a look at some countries in Latin America, in Africa, and particularly in Central and Eastern Europe, that were still controlled by dictators and said, "Look, we don't care about the political system. We only want to know whether they can

repay." But they got stuck. They made unbankable loans and they were not repaid. But that was their criteria: don't tell me what their politics are, tell me whether they can repay. If they can repay, they get a loan. And they made a lot of mistakes, for which, unfortunately, the people of a lot of those countries are paying today. Labor doesn't say it that way. Look at the miners in the Soviet Union today, in their seventh week of strike. Those miners are not just for better shirts and more sausage. They're talking about dignity and freedom. Just as

Lech Walesa did. The miners are calling for the demise of Gorbachev's government. And they want, as good solid leftists, capitalist experimentation. They support the left, who in this instance are the privatizers, and the Yeltsinites, so that the left becomes right, and the right becomes left.

"I think we should clarify from the very beginning that American labor is not opposed to privatization; we are for any economic system that works."

Latin America's Labor Movement

I did not answer a question too well last night. I was asked to do some comparative rating of the labor movement in Latin America, and how politically effective it is. Long before we did, they turned to the political agenda through direct participation, so that if you look at Latin America, from Mexico all the way down to Chile and Argentina, right or wrong, regardless of whether you agree with the political parties in which they're involved, you see there's a good share of Peronists within the Argentine labor movement that became Congressmen and Senators. There weren't too many supporters of Pinochet that became Congressmen and Senators, but there are a lot of Christian Democrats in Chile today that are Congressmen and Senators and also workers. We just had the pleasure within the last few months of watching the tightest, most vicious, meanest oligarchy in the world, that of El Salvador, see eight workers go to the polls and get elected. Six of them were elected as Christian Democrats, one of them as a member of the Socialist party, and another as a member of the independent party, but they're there! There are fourteen labor Senators in Mexico, and there are 34 members in the Mexican Congress. In fact, they told us, on our visit to Mexico City about ten days ago, "Look, unlike you, we do have a voice in our Congress. We're on the Senate Committee that authorized our President to pursue this negotiation with your President. And if things happen where we don't feel that Mexican workers are going to be getting a fair shake in terms

of the social and political aspects of an agreement that's negotiated, we'll make our view known. We can take care of ourselves, thanks. We don't need your help." Of course, they're all for free trade, and we're all against it, but we agreed to disagree. But we also agreed to establish a permanent committee, where we're going to share information in terms of the negotiations, as they proceed, whether it be on Fast

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Track or Slow Track. I think that's the alternative that the Administration hides from the public generally: that there are other ways of doing things than Fast Track. Of course, in our ultimate dedication to democracy, we don't think that Congress should be denied its voice in this process, and that's why sometime during the month of May, there'll be a vote up or down on that issue. And I don't think the world will come to an end if Fast Track is laid aside, as a matter of fact I think there'll be more careful negotiation.

Necessary Conditions for Privatization

That gets me into the whole concept of privatization. You can't divorce the concept of economic restructuring and talk just about privatization. You have to talk about debt. You have to talk about the social and political consequences as we move from inefficient state-owned enterprises to a more efficient private system. I think you have to talk about the conditions necessary for privatization and free enterprise to work. We happen to believe there has to be a good judicial system. You know, somebody takes an airplane more often than they should on occasion, and maybe your savings & loan system gets raped every now and then, and you have to re-fix things, and there is even, under our judicial system, the possibility of fraud, but we don't have a fraudulent system. We're doing something about it. There are people going to jail. I think you have to have a judicial system, whereas in most of the Latin American countries, there is not one I can think of, maybe with the sole exception of Costa Rica and of course the former English-speaking colonies of the Caribbean, with a judicial system that any of us in this room would be willing to live under. It's that simple. It's not only that you're guilty when you walk in, but it's worse than that: the judges are fixed. The judges in El Salvador are bought off, and if they're not bought off, they're intimidated; that's why they can't come to a determination of who killed our guys ten years ago. We had American labor leaders that were killed in El Salvador because they were involved in land reform. And who killed the Jesuit priest? Now, I also

happen to believe that we have to attack the problem of corruption, but I see them as intertwined. I was also reminded that competition is a very important element in making privatization work. And then, we would add, the other ingredient is a strong and free and democratic trade union. We're active all over the world, and at no point, as you can see by our tone, do we come out and say that we are against privatization. No, in effect, what we do say is that Communism and state socialism is an utter and abject failure, and all you have to do is ask the workers of those countries, and you'll find out that indeed it is. It was all the time. And that it just won't work. You need some form of private ownership, private enterprise. If possible we would like to see a greater degree of

worker participation, but we know that that it's not always a realistic alternative, so we go for collective bargaining. We believe that if workers have representation that will then give them a voice, perhaps not on a par with the owners, but at least give them a voice, that good things result.

As a matter of fact, some good things result in this country from companies that are not organized, simply because they're trying to avoid getting a union. I certainly would not deny that IBM has some of the best wages and working conditions in the country—Procter & Gamble, Eastman Kodak, a whole host of very large corporations in this country do—but the reason they are doing this is the pressure from the labor movement. They don't want us in, so to keep us out, they pay decent wages and give decent working conditions and have good grievance machineries and even have some stock option plans.

I was with Lane Kirkland over in the Soviet Union for Labor Day last year (I didn't think we'd get a visa but we did and in fact our Ambassador hosted a lot of independent unions in the embassy that we met with), and there is just no question about the fact that the workers we met with in the Soviet Union detest communism more than any of us ever did because they had to live under it and they're the ones that are leading the fight to change that system.



William Doherty speaking at private dinner for business executives.

Labor's Worldwide Involvements

We, as an international organization, are involved all over the world. I should tell you that we are still working in Nicaragua. The elected President, Violetta Chamorro, will tell you very frankly that she attributes her election to the fact that the free and democratic labor movement was very active. In October of 1988 on the four days that the Sandinistas allowed people to register, we were out en masse with transportation getting out the vote and getting people registered, who, the following February, then voted against the Sandinistas. The workers voted against the Sandinistas; they didn't want communism either. And we remain, perhaps more than any other element

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of our society, the most active supporter of freedom in Cuba today. We not only have a Cuba Committee, we're not only beaming radio broadcasts and we're getting TV Marti into Cuba, we're getting people out of jail and we're going to have the great honor of receiving two of the plantados (that's what they call them because they will go to jail and they will not accept any kind of amnesty from Castro.) One of them by the name of Mario Chanos has been in jail for 30 years and gets out in July; he is a brewery worker; and a fisherman just got out of jail two days ago, all because of the pressure that we're bringing and the fact that growing inside Cuba there is a human rights movement and there are workers that want to be free. Frankly, we're trying to work for the establishment of a free trade movement in that totalitarian dictatorship—which now far outstrips the totalitarianism of even Joe Stalin, in terms of the brutal terror that Castro foists upon the people, and of course in the confines of an island it makes it a lot easier—but one of these days he'll go and one of these days I'll be standing up here and my boss Lane Kirkland will tell you the AFL-CIO had something to do with it. I already met ten days ago with the Cuban National Foundation made up of most of the very successful, very wealthy Cubans that have come to this country and bought the state of Florida and they passed a resolution that they want to go back, reinvest their capital, and they want to privatize the system in Cuba as quickly as they can once Castro falls, but they want to see that there is a free trade union. That gave me great heart to see that these people that had every reason to be anti-union (because once you're pro-union you're saying to yourself in the name of ethics we're going to share some of our profits with the people that

helped us to produce it) were actually pro-union. The guy that innovated that was Mr. Ford many years ago when he said, “Five dollars a day, I'm making all these model Ts, I have a market, so I'm going to have these workers make something they can afford to buy” and he did. Frankly, the cars that are being made in Mexico today are not being purchased by Mexican workers.

The Free Trade Agreement

Last night I gave a perfect example of the most modern automobile plant existing in the world today in Heracilla, Mexico. The Mercury Tracers are made there. None of them are sold in Mexico—because of the agreements they obviously got with the protectionism of the Mexican Automobile Industry—they're all sold back here in the United States. The plant has all of the innovations that Ford has in Germany—they even went to Japan—and they recruited their first 500 workers out of the University of Mexico. These are university graduates who have

pumped into them, “Don't be union, don't be union, don't be union.” The plant has the Japanese team work methods, their productivity is the highest rate in the world, and we can't possibly compete with them because when our guys in the automobile industry are making \$14/15 an hour plus benefits, they're making \$2/3 an hour without benefits. You know, they don't have unemployment insurance and some of these other things that we pay for that help us ease in and out of economic declines and help us readjust within our own economy as companies come and go and as recessions come and go. We have some basic social-net type protection. That Mexican car is sold in the United States to American workers who can afford to buy it; it happens to be in the lower line, I think it's around \$8,000 or \$9,000 and probably could be sold at a profit for about \$4,000 or \$5,000, if you look at the total cost factors that are involved in the production of it. Everybody always says, “Labor is not that big a factor in the bottom

“I think there's too much of a tendency to give privatization credit for all the good things and give it the blame for all the bad things.”

line production figures.” Well, nonsense. In the last four and a half years 1,900 U.S. companies have moved to Mexico to the Maquiladoras programs, not only making the Rio Grande the world's largest “Love Canal”—they don't have to pay anything in terms of environmental standards and they don't worry about the safety and health conditions of the workers—but they also don't have to worry about paying more than a couple of bucks a day, and they are down there because they

make more money and they make more money because they are exploiting Mexican labor and that's why we're afraid of the Free Trade Agreement. It will be more exploitation of Mexican labor at our expense. That's our view. And we're going to fight for it and if we lose, we lose. But we're going to try because we feel that we've lost upwards of 500,000 jobs in that five-year period with U.S. companies that closed their plants in the United States and moved to Mexico. And they are telling us we didn't lose any jobs! Well, I tell you, no Americans went down there to get those jobs. And the plants are gone!

I'll give you an example of an AT&T plant. A beautiful plant in Radford, Virginia, with about 1500 workers. AT&T went into Radford, which is in the foothills of the Alleghenies, in 1985, and built this brand new plant. Hired 1,200-1,500 workers, signed a contract with the Communications Workers of America, operated at full strength for about a year and then all of a sudden the union turned around and watched while big chunks of the work force was being cut and the lines were being closed down and the union was being told that it was economics, that there was no market. They didn't know what was happening until they were down to about 200, when all of a sudden it dawned on them, maybe it is operating elsewhere and most of those workers went back on welfare, most of them back into the Appalachia highlands, because they found out that that plant was moved to Matamoros, Mexico. Low wages, no unions, same plant, same people.

We also find that that particular company, as dynamic as it is, doesn't hesitate to increase its chief executive officer's salary by 105 percent in any one given year. It doesn't keep that management from taking very good care of itself but where are the ethics to endorse something like that to American workers? And how long do you expect American workers to continue to support a system that is increasingly reducing our living standards? The bottom 80 percent of our society in the past ten years—and I don't pick out those ten years for any particular political reason—has gone way downhill while the top 20 percent of our society has increased commensurately. There has been a redistribution of wealth from the workers to the already well-to-do within our own society. If we have to

“It's democracy that we all fought for in Eastern and Central Europe so we have to make democracy work and I don't know an economic system that can make it work any better than a privately owned system, if it's done ethically.”

compete with those wages in Mexico, that's not only going to continue, it's going to mushroom in terms of even, I think, causing political repercussions in this country: a throw-the-rascals-out syndrome amongst the workers and, hopefully, make privatization work in the United States because of the solid support of the American trade unions. I guess I'm supposed to leave time for some questions—are you liable to throw rocks now? ■

Questions and Answers

Q Regarding both the judicial system and the problem of corruption, isn't the judicial system a product of the society, its unions, and if so, how do you break the circle of the corruption?

A I think the easy answer to that is yes, unfortunately. Our government made a valiant effort during the years of the Reagan administration, under the Agency for International Development. Having perceived that this was a problem, the current assistant administrator of AID in Latin America, Jim Michael (he was then the deputy assistant secretary and later became our ambassador to Guatemala) started a project with Congressional support and a substantial amount of money to try to reform the judicial system and he started from the ground up. He had to start with police methods and investigative methods and forensics; he had to start with systems for appointing judges; he had to start with systems for appointing supreme court judges; and he had to start with things like low salaries that lend a judge to corruption. He also had to begin with figuring out how to eliminate intimidation, how to set up personal protec-

tion for witnesses and for judges. In fact, it is very difficult, short of the way we did it in Germany and Japan, to export a judicial system. I'm quite proud that we democratized both countries. There was no democracy in either Germany or Japan till they lost the war to us and we established democracy. MacArthur helped set up the first free trade unions in Japan, as a matter of fact. I, in 1945, had the pleasure of travelling with the then AFL delegation as a very young soldier brought up by General Clay from Italy to seek out all the Social Democrats and try to reestablish the German trade union movement. They got reestablished and it's functioning well today thanks to the office of the military government of the United States. And I'm proud of that role in our history. But the point is that it is hard for us to export the judicial system and we're not proclaiming that ours is the best. There are some countries that have better judicial systems than we do. All we're trying to say is that privatization has to look at this problem. That's one of the elements, I think, that will make the free enterprise system fair, free and fair. And it's not one that works today in many of the Latin countries unfortunately.

Q What is the labor union movement in Japan?

A The labor union movement in Japan is a product of its own society and a product of its own culture. By our standards, probably more docile than we would like to see them and perhaps more willing to cooperate in a corporate type community, where the corporation is the way of life. They're rewarded for that; they don't get fired; they don't get laid off; they keep their jobs no matter what happens. They do have some elements of collective bargaining, and, frankly, their living standards are going up, but if they were unorganized, I think things would be even worse in Japan than they are now. When we talk about privatization we believe that in the inherent national security interest and national interest of the United States and our preservation as a nation-state—because there are still some patriots left—we believe we ought to have an industrial policy. We believe that management in this country, business in this country should be able to sit down with our government and sit down with our labor movement and say, "Look they're keeping us out of Germany, they're keeping us out of Japan, they're taking advantage of us all over the world and they're all trying to sell into a market that is decreasing in terms of its purchasing power because of what's happening to the work force in this country. Let's work out a policy that's at least as good as the rest of the world has." I'm not saying make us into a Sweden; I don't know many workers that would like to go live in Sweden, to be very frank with you, and that's one of the most capitalist societies in the world. I'm not using Sweden as a model. Look at the labor movement in Japan. It's not our kind of a labor movement, but it exists, and I think they have an impact on the quality of the life of the workers over there. Maybe as many as half of the Japanese companies in this country have unions, the other half doesn't, but there again if you look at the Honda plant in Marysville, they're paying union wages and union standards and the reason they're doing it is to keep the union out. So we take a little credit.

Q What about the work rules in Japan?

A I'm not from the automobile industry, but I had the privilege last week to see Paul Brazil at an international forum on labor management relations, with the vice president in charge of labor negotiations at Chrysler Motor Company. The issue before them was whether they did the right thing by firing Owen Bieber from their board. That was the issue before the crowd, but when he made his presentation, he cited a whole host of things where the union at Chrysler has cooperated with management to revise the work rules and is now approaching the Japanese team concept of production. He was boasting about Chrysler's high levels of productivity that in effect have been victimized by the market but they are equally as productive as the Japanese and they're turning out a product equal in quality. It was amazing, the degree of

cooperation that exists between labor and management in that industry, because labor wants that industry to survive in our country if they can come up with fair work rules that help delegate authority closer down at the shop floor, and help bring management out of its ivory towers.

Q You had asked: where is ethics, when discussing the movement of plants to Mexico which has cheap labor and really no benefits for the workers. But remember, the bottom line for corporations is the main criterion; how does one counter that?

A Well, that's what disturbs me. And that's why I'm glad you're debating that. I don't deny that the bottom line is the bottom line and without a good bottom line you don't stay in business and you do what you have to do to create the bottom line. But I think that there is a decent way of doing it. You know, capitalism with a heart, call it what you will, but I do know this, that in Western Europe they are not acting toward their poorer cousins in Portugal, southern Italy, southern Spain and Greece (and now including north Africans as they come into the European economic sphere of 1992) the way we are toward the Mexicans. They are not exploiting. They have created a social development fund of some \$68 billion which in effect is destined to try to level up conditions of the workers, under a privatization scheme. But they've already done it. I mean those of you that were in Italy twenty years ago, when you go back to Italy today and see what they've done it's amazing—and by the way that happens to be one country with less privatization than most of the other countries. They still have hundreds of their large industrial undertakings in the hands of state corporations, I guess a throwback to the days of Benito. But the point of the matter is that's what we want. We don't want to lose our jobs in the attempt to try to develop Mexico. We want Mexico developed; we want to be a good neighbor; we want them to be a good market; but we don't want to level down to their level. We want them leveled up to ours. We've worked too long and too hard to make this country successful, to watch it be thrown out of the window because of the greed on the part of certain corporations that don't have ethics, that just go out for the bottom line.

Q I understand your immediate interests in Mexico, but what about the larger problem of continuing the tremendous growth in trade which has created jobs? We've lost jobs obviously in the recent past, but aren't jobs created over a longer term with a freer trading system in the world?

A We're not against expanded trade. We want to be competitive. We understand that global competitiveness is a reality, but we don't want the American workers to do all the competition. All the fat cats in this country sit back and reap all the profits off that process. Our national debt is part of our problem. It makes it difficult for us to compete because when the Japanese and the Germans

stop buying our treasury notes we're going to be in trouble. Thank God they're still buying them, because we're dependent on them. We've become very dependent. And there is an interdependent world where global competitiveness means something. We used to be the highest paid workers in the world up until about ten years ago. We don't mind taking eighth place in the world marketplace of worker earnings now. We don't mind that the Swedes, Norwegians, Danes, Germans, now the French, and soon even the Italians make more. More take-home pay per hour than we do. Why? Because they're bringing everybody up to their level. They're not doing it at our expense. They're making it on their own and they're trying to help the people in their trading block to make it. That's all we want in this hemisphere. We want to see a Western hemisphere of expanded trade, but we want it to be a fair trade area and we don't want to finance it off the backs of American workers. We want our whole society in an ethical way to join in to help bring this about. And that's why I try to get involved in issues like corruption, judicial systems' competition within the industry, and the fighting against the oligarchic practices of pure mercantilism of the past, when I talk about privatization. We feel strongly about this and we're going to be joined in the battle by those that feel differently and we may lose or we may win. That's the beauty of democracy.

Q Privatization seems to be joined by the U.S government moving away from a concern for the social contract: health care, education, and so forth. How can we support the kind of privatization going on in this country today when it has accompanied situations that cause the workers to suffer through inadequate and expensive health care, and public schools going downhill—how can you support privatization as it's currently set in this country?

A Well, I think there's too much of a tendency to give privatization credit for all the good things and give it the blame for all the bad things. And that's why I tried to say at the very beginning we're for an economic system that works, that is ethical. I don't think it's only privatization that has led to the things you mentioned, I think it is the greed of the medical profession, and the gross salaries that doctors and dentists charge. You can't blame it on the hospital workers. We just adopted a policy, after a lot of debate: are we going to go for the Canadian system, and a lot of our members wanted that; are we going to go for the German system, and a lot of our members wanted that; and we finally compromised and said we are going for an American health system. My boss talks with the president of the American Medical Association now, because there is a general recognition that when you're in a nation that claims to be modern and fair and ethical and denies 34 percent of its population basic health care, it isn't fair. Something's wrong with it and we want to change it. Now we're going to be labelled "in favor of socialized medicine" and all those other nasty words



William Doherty (left) and Joe Burn, deputy COO, DRT International.

and so to get those people off our back, we even protect privatized medicine as long as it's accessible to everybody and we can all afford it. Labor has an agenda: we're trying to keep workers from being fired when they're on strike; we're trying to let the Congress have a voice in a free trading policy; and the third item on our agenda is a more decent health care system for our nation.

Q Industry and the union movement in the United States have lost a lot of jobs to Korea, Taiwan, Japan, which are 12,000 miles away, so the biggest threat hasn't been Mexico. What I think you should look at is what's happened in Mexico in the past year or two—what's happened is that Americans can now totally own companies in Mexico. Hewlett-Packard just brought out their own factory in Mexico, this brings jobs from the United States into Mexico with American companies.

A I've heard the argument, when the Caribbean Basin Initiative was created, why are we letting all our jobs go to the Asian Rim? Of course, they're not going there now because the Koreans have gotten their wages up to a level where it's no longer economically viable to send American jobs to Korea. We don't know how many jobs we lost in that process. It's hard to count. The Caribbean Basin Initiative, in effect, was supposed to bring back Asian capital and Asian investment in the Caribbean to help the workers in the Caribbean get into the U.S. marketplace. Much as the maquiladoras were. But you know and I know that in the Tijuana area of the border right now, there's more Asian capital going in than American capital. A lot of Hong Kong capital, a lot of Japanese capital is going in and instead of making Japanese cars in the U.S., they're going to be making Japanese cars in Mexico and exporting them to the U.S. They're going to keep exporting to the U.S. market as long as the market doesn't explode and goes nowhere. As long as there are the minimum number of workers still able to buy something, the American market is going to be the motor of the world, in terms of what people want to have access to. Frankly, we'd like to go organize Japanese firms, but when the Japanese build a plant in the U.S. and hire American workers to turn out a product that they're

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selling to American workers, we like that. What we don't like is the fact that we don't feel that there are any jobs created for us as a result of sending parts down to Mexico, have them fabricated, and then sold back in bond to the U.S.

Q Yesterday Polish president Lech Walesa said in London that if industrial countries are not going to help Poland with its economic problems, they will face massive migration. But we know the main problem is not even Poland, but the Soviet Union. If and when they adopt their law on exit and entry, according to some estimates about 7-8 million people—unskilled laborers, a few intellectuals, but not people who could adjust to our system quickly—will go to Europe and they will want to go to the United States. What is your policy with regard to this problem and what are you trying to do to prevent it in the Soviet Union?

A The problem in the Soviet Union is that this short-lived era of perestroika and glasnost did not lead to the economic reforms that were necessary because Mr. Gorbachev is still basically Leninist and he still governs with the help of the KGB and the military. He's got those pressures from his right that used to be his left and he's got those pressures from the left that are now his right to open up more and to allow privatization, to allow the so-called cooperatives to operate, and I think that's an enigma in the Soviet Union. None of us have an answer for it. But we do know this: that

when masses of workers go hungry and when masses of workers have a grievance that they cannot satisfy through the political and economic system, they turn to the Hitlers, and they turn to the Mussolinis, and they turn to the Stalins, and it would not surprise me to see the Soviet people—the workers themselves that are now asking for a fair shake and a new political system—in utter desperation turn to another form of some type of dictatorship. And I think that's not just a problem in the Soviet Union, it's a problem in Eastern and Central Europe. In other words, it's democracy that we all fought for so we have to make democracy work and I don't know an economic system that can make it work any better than a privately owned system, if it's done ethically. ■

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