1. Introduction

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The spread of the privatization ethos has been remarkable. At a simplistic level, it began as a political initiative under Margaret Thatcher in the United Kingdom and became a global movement. But this enterprise sales policy was always one part of a bigger story. This book traces how the strength of the privatization idea has grown in application, and how it has spread around the world to become a central dimension to public policy concerns.

At the broadest level, privatization is a philosophical stance. It is a statement as to the existence of an economy founded on a market of privately owned companies and firms, as distinct from a centrally controlled economic engine based on public ownership. The demise of most centrally controlled economies over the past two decades showed that the latter idea seemed to work far better in theory than practice. Whilst in concept the idea was to generate wealth for the common good, in practice it fell far short on almost every test of effectiveness. The ideas underpinning the privatization stance, whether they are economic, philosophical, political, cultural or even religious, have as their essence a belief that the engine of economic growth is fundamentally private.

IDEAS AND LESSONS IN THE PRIVATIZATION DEBATE

This privatization belief, perhaps understandably, has been one side of what has been termed ‘the privatization war’ over the past few centuries (Hodge, 2002). The privatization war has been raging on at least three fronts. First, it is a part of a philosophical battle between individualism in preference to collectivism. The collective good as a priority over one’s own individual private interests is the lifeblood in the role of government. All public policy decisions are about determining how best to serve the interests of citizens and the public, rather than solely private interests. The second front of the privatization war has been on the territory of service delivery, and the question of whether the public or the private sector is best placed to deliver government services. On the one side, privatization reformers attack with claims of inefficiency and service incompetence from government bureaucracies. Critics of

privatization return fire with observations of cutting corners to increase profits and unethical corporate behaviour. The third fighting front for the privatization war exists through the eternal struggle of capital interests against civility in society and human rights. This territory witnesses ongoing battles between the powerful and sometimes shadowy influence of capital owners with a voracious desire for higher rates of investment return on the one hand, and the welfare of human beings, their human rights and governing for social cohesion on the other. All three fighting fronts exist within the battleground of political and social change.

The lessons to date from the battlefield of privatization have been many. Our collective experience suggests that the privatization rhetoric offered by political and investment actors does differ from the empirical realities of citizens and consumers living on the battlefield. The single overarching lesson for governments around the globe has clearly been for far greater care to be taken when adopting privatization policies. Privatization can be a useful policy servant, but it can also be a poor ideological master.

Our experience suggests that privatization policies have usually seen strong winners and losers. This implies that, as well as care in decision making, policy debates should be open and thorough. Empirical studies suggest that whilst there are often economic gains with the sale of public enterprises, for instance, these tend to be relatively modest on average, and fall short of grandiose political promises made (Martin and Parker, 1997; Hodge, 2000; Cook and Kirkpatrick, 2003). Contracting-out public services as well has provided some gains in efficiency, but again these have been modest on average, and far short of the political panaceas promised.

Looking above the various techniques towards the national level of policy, it is evident that strong communities nowadays need both strong government and a strong private sector. The dominance of one over the other inevitably leads to poorer communities in terms of liveability. Returning to a theme from history, that of 'the mixed economy', it is apparent that the critical issue is that of balance rather than supremacy of one sector over the other. Clearly, strong communities need wealth in order for resources to be available for public policy purposes as well as private purposes. But equally, private markets do not naturally serve the public interest – they require good governance and regulation in order for market games to be played according to fair and effective rules for all. Reflecting on our earlier comment regarding the power of the private sector engine to drive economic growth, we might add that it is the public sector's governing role which ought properly steer the engine towards societal goals.

Looking back, privatization was always as much about power and influence in times of change, as it was about economics. In this respect, and perhaps paradoxically, privatization initiatives have always required greater attention

to improving public accountability if governments are to avoid the hostility of citizens intent on continuing to receive essential services at reasonable cost and quality. The learning here has been that we now need stronger and more capable government as a result. The rise of the 're-regulated state' is the physical manifestation of this learning.

THE PRIVATIZATION POLICY FAMILY

So, whilst the privatization movement was most commonly identified initially as the sale of enterprises in the UK, it has now developed into a broad family of techniques. These number several dozen and now have global relevance, covering multiple activities from denationalizing, load-shedding, subsidizing the private production of goods, deregulation/liberalization through to the introduction of user charges (Hodge, 2000:15). These days, we might posit the strongest threads of the privatization movement to be:

- Enterprise sales
- Contracting-out of government services
- Public-private partnerships, and
- Private sector development strategy.

Critically, this family of privatization ideas has been bolstered by the philosophies and techniques of the New Public Management (NPM) movement. There has been much debate over the past decade on just what constitutes NPM, but it is broadly conceived as the greater use of private sector techniques in a government of reduced size and scope, restructured bureaucracies and the introduction of competition through internal markets and contracted-out services, and the stronger use of performance management and auditing techniques (Minogue, 2004). It is hardly surprising therefore that this movement has been mutually supportive of privatization policies. Of particular importance, though, have been two thrusts. First has been the progressive contractualization of government service delivery arrangements. Contracts have themselves risen from simply being a tighter arrangement through which commercial services such as cleaning and maintenance can be delivered, to becoming a governing mechanism for several coming decades in the case of public-private partnerships. Second, there has been an increasing focus on better performance measurement in all areas of government. The performance measurement and management literature has had a long history over the past half-century, and the promise of performance-based contracts in government has represented a recent holy grail to some proponents.¹

In this age of the privatized state, there is also now a renewed emphasis on

better understanding the major dimensions of competition, ownership and regulation, with a renewed desire to separate out the effects of each of these dimensions more clearly in our debates. And above these concerns, we have also rediscovered, albeit belatedly, the need for stronger governance as the underpinning political and institutional foundation of a vibrant market and society.

THIS BOOK

The aim of this book is to inform readers interested in assessing privatization and market development on a global scale in an accessible manner and to outline some of the more important understandings on how these ideas have moved around the globe. Following the ideas of writers such as Rogers (1995), Stone (2000) or Bennett (1997), there is a need to better understand the processes by which ideas have spread, and practices and policies have diffused. Bennett's references to 'ripple effects', and Stone's challenge to better understand lesson drawing, policy transfer and international diffusion all provide sensible foundations on which to build stronger empirical understandings of the phenomenon of global privatization policy. The transfer of privatization policies around the globe, according to Bennett (1997) might potentially involve penetration, harmonization, elite networking and policy communities or emulation (Bennett, 1997). Each of these mechanisms is likely to have different implications.

The book therefore brings together a range of contributions with two purposes. First, it aims to trace how the privatization idea has grown in application, and how it has spread to become a central policy idea – many would say 'solution' to governance concerns. Second, it aims to bridge the divide between developed economies and developing economies and provide space for reflection and thought on the importance of these policy ideas. This book is oriented to public policy readers.

Book Structure

In terms of structure, there are two broad thrusts to the book. The first thrust focuses on each of four components of privatization; enterprise sales, contracting-out government services, public–private partnerships and private sector development strategy. Key ideas to be followed up here are numerous, to my mind. Some of the critical questions for us to consider include:

- What is the policy idea, and what has it now become?
- How has the idea spread, why and through whom?

- How effective has the policy idea been based on empirical evidence to date?
- How can the effectiveness of this idea be improved now?

In terms of the global spread of policy ideas, we might also consider questions such as the roles of the international institutions, including the World Bank, International Monetary Fund and the OECD. And, as well, we ought assess which lessons are being learned internationally now, and which are not.

The second thrust of the book investigates a few of the myriad of market development issues influential as markets develop. We look primarily at three areas.

The first observation is that ‘change in government’ has today become a global business. In other words, reforming the public sector has intrinsic value not only in the sense of the search for better management and capability, but such business financial transactions have also begun to play a part of the economic engine of the economy itself. Indeed, with some privatizations such as the sale of public enterprises, success is now judged as much on the size of the financial transaction, as it is on the effectiveness of reform outcomes. But to what degree are governments now dependent on business advice and leadership, and should governments be reducing their dependence on buying such business reform policy advice?

One of the most notable characteristics of the past two decades has been the rise of the re-regulated state as efficiency in the production of essential services and competitive market structures have both been pursued. This is the second focal point for our discussions on market development. There appears to have been a global diffusion of common regulatory practices and institutional frameworks. But how have governments themselves applied such regulatory notions, how have these ideas spread and, importantly, to what degree has such re-regulation been successful from experience to date?

Thirdly, the international level of markets has been lubricated by the global availability of finance. And governing such global markets has become an increasingly important dimension to today’s privatized world. But what are the multilateral mechanisms being adopted for governance here, and where have these policy ideas come from? How have these ideas spread, and how effective are they in meeting the needs of global citizens?

CONCLUSIONS

If there is one single theme throughout this book, it is that the global movement of privatization and market development ideas has been a central factor in business over the past two decades. It is also likely that this movement will

continue with strength over future decades. If some of the elements underpinning this global movement are better illuminated through this book, we will have succeeded. If we can, as well as understanding this phenomenon, also learn to better control its excesses and encourage its benefits to a global citizenry, this book will have more than earned its place on library shelves.

NOTES

1. The increasing managerialization of government has seen an emphasis on purchasing defined services. This has been a part of a broader performance measurement movement under way over the past century. From the influential observations of Frederick Taylor on the nature of production work efficiency numerous advances in measuring performance included zero-based budgeting, programme budgeting, programme priority and planning, performance indicators and performance budgeting, to name a few. Each reform promoted greater specification, more measurement and greater control over the production agent. The simple underlying belief here was that better specification through contracts promotes better performance.

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