Reversing Privatization, Rebalancing Governmental Reform: Markets, Government and Citizen Participation

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Overview

- Late 20th century experiment to expand role of markets in local government service delivery
- Privatization experience uneven
  - Lack of cost savings (Bel and Warner 2008a, 2008b)
  - Increases Inequality (Warner 2006)
  - Undermines Citizen Voice (Warner and Hefetz 2002)
- Reversals appear in the late 1990s
- Not a return to old bureaucratic delivery, instead
  - A shift to a new mixed position – markets and public delivery
- Rebalancing Governmental Reform – Pragmatic Approach
Understanding Reversals

- Limits to Market Approaches
- Critical Role of the State
  - In constructing the social and legal foundations for markets to function
  - In acting as a market player - ensuring competition, regulation
  - In promoting innovation
  - In creating spaces for democracy and community building
  - In public planning to build a long term view
- Challenge – Finding the right balance
Reversals

- United Kingdom

- New Zealand
  - 2002 Local Government law to restore governmental capacity and build an accountability framework.
  - Recognize multiple roles of local government
    - balance economic development, social wellbeing, environmental management and civic engagement.
Reversals

- United States – pro-market orientation but privatization never compulsory
- Contracting Out Peaks in 1997
- Rise in public and mixed public/private delivery
  - ensures government capacity – internal knowledge, innovation
  - market management - competition, benchmarking &
  - citizen voice in service delivery process
Contracting Peaked in 1997
Dynamic Process of Innovation and Reform

US Privatization Peaked in 1997

Average provision as % of total provision
Reverse Contracting

- Local governments re-internalize (in source) previously contracted services

Reasons: (Managers’ Views)
- Problems with service quality (61%) and lack of cost savings (50%),
- Internal process improvement within the public sector (33%)
- Citizen interest in bringing work back to public sector (25%)
- Problems with Contract Management (17%)
  - (lack of competition, monitoring difficulties)
Most Delivery is Stable (contract or public), Experimentation is at the Margin

Average percent of total provision across all places.
Cycles of Reform: #1 Bureaucratic Management

**Problem** – corruption, cronyism

**Solution** – Public Bureaucracy - Technical Management, Expert Driven Planning, Separate Politics from Administration, Attention to Due Process

**New Problems:**
- Bureaucratic Rents
- Unresponsive, inflexible
- Inefficient
- Oversupply public goods
Cycles of Reform: #2 New Public Management

**Problem:** Inflexible, unresponsive, slow

**Solution:** More Market – Competition, Privatization, Consumer Choice, Performance Management

**New Problems:**
- Markets concentrate – competition erodes
- Contracting expensive, hard to monitor
- Relational contracting leads to collusion
- Citizen voice ≠ consumer choice
- Competition creates inequality
- Decisions not socially optimal – preference misalignment, information asymmetries
- Loss of democracy and due process
Cycles of Reform: #3 Reassertion of a State Role

**Problem:** corruption, costs increase, lose control

**Solution:** Rebalancing Reform – Markets, Government and Citizen Participation

- Balanced Approach to Governmental Reform
  - Markets: Competition, Management & Consumer Choice
  - Democracy: Citizen Participation, Public Accountability
  - Government: Management, Internal Innovation, Due Process
Learning from Past Reforms - Need to Balance Market and State

- Institutional Framework for Markets is Socially Constructed
  - Often lags market development (e.g., Post Socialist Transition)
  - Requires governmental capacity (regulatory standards, anti-trust law, enforcement capacity)
- Many Public Services are Natural Monopolies – public monopoly better than competition (Warner and Bel 2008)
- Human Interaction is more than market exchange: Redistribution, reciprocity, engagement
  - Privatization shifted the social contract, undermined citizen rights to services
- Community building is the ultimate public good
  - Public services provide the mechanisms for citizens to learn to engage heterogeneous differences
Government Role

- Market Manager – ensure competition, create institutional foundation for markets, regulation
- Bureaucratic Management - technical expertise, broader, longer term vision
- Deliberative Space – public engagement

Public Service Provision is about more than cost & quality,
  - Includes accountability, voice and redistribution

- Reversals not a return to public delivery of the past
- Reflect a new balanced approach: Markets, Government and Citizen Participation
Role for Unions: Frame the Debate in a New Way

Old Myths
- Markets are superior to government.
- Public sector workers are selfish and inefficient

Current Realities
- Markets are short term, self interested and unstable, but are also a source of innovation
- Government provides
  - the infrastructure that supports the economy and social wellbeing
  - the space for a collective conversation about long term societal goals.
- Public sector workers are innovative, service oriented and stewards of the broader public good.
Role for Unions

Within Country
Promote Internal Process Improvement – This is Critical
Recognize Need for Labor Flexibility
Recognize Need for Customer Service
Ensure Accountability – be the whistle blowers
Reclaim the Public Service Ethos - Protect Citizenship Rights

Internationally
Ensure contracting and labor standards, regulatory authority of sub-national governments
Watch GATS negotiations (Gerbasi and Warner 2007)
Sponsor a global conversation about the positive role of government
References


