Reflections on recent examples of public-private politics

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I have been studying the topic of privatization since I did my PhD. My PhD, which I did at Oxford University, was on the political economy of privatization in Latin America, in particular, in Mexico. One of the main privatizations there was the sale of the State-Owned telecommunications company, Teléfonos de México, or Telmex, from 1984. Since this time, I have continued to study privatization in Latin America and Europe. Of course there was a wave of privatization which many scholars followed, dating from around the 1980s to the beginning of the 2000s, then there was a "post-privatization period", when privatization activity slowed down, and some of the institutions and projects which had been previously charged to quantify privatization sales stopped measuring privatization, such as Privatization Barometer and the OECD, for example. However, more recently, we are actually seeing another wave, a different wave, of privatization in Europe, which I would say primarily can be seen in the periphery of Europe, including the South and the East. So, just when privatization seems to be running out of steam, and just when scholars start to move to new, relevant topics, privatization is back on the policy agenda. Actually the new, current form of privatization has some surprises, in particular as regards the way it is been implemented, so I will talk a little bit about that. And of course we have a wave of reverse privatization, of nationalization, as seen in the ways the state has propped up certain private banks in particular, until they are profitable and then they will be privatized once more. So the public is losing in two senses.

So, I turn to the questions that have been posed by the Res public project. Obviously I cannot answer all of these questions in the 15 minutes I have here today, but I will give you some reflections structured around general questions. What is public? Why should something be under public responsibility? Who determines what is public and private? Why, what are the justifications?

So, these are the general questions posed by Res public. I am reformulating them in a way that I can answer them best. Let's start with who has been determining the public-private line in the recent period? And there is the question why. And the second question: Why this might violate the public interest? How can be publicness be created?

As regards why anything should be public – one of the most interesting jobs I was asked to do over the last six months was when I was invited by the Greek government to help prepare documentation as part of the negotiations with the Troika (the European Commission, European Central Bank and the IMF). As part of the bailout packages signed between the Greek government and the Troika, a list of state owned enterprises which must be privatized was included. Before proceeding with the demands, the government wanted to have some detailed work, including theoretical, economic, political, social and empirical reasons, on why certain activities are best under state ownership. I went back of course to the classics, the work of Paul Samuelson and Inge Kaul, and, of course, to Elinor Ostrom. Essentially I have to map out a basic road map of why anything should be public, because the Greek government wanted to have this information when considering the so-called "structural demands" of the Troika. o I have been thinking a lot about this recently.

Turning to my presentation now, what I do is discuss the findings of some of my recent papers which go to answer the questions I posed above. The first question I am trying to answer is: Who is determining the public-private line. Recently, I finished a paper with two scholars, Lucia Quaglia, an expert on finance, Charlotte Burns, expert on the theory of policy, and myself, for my work on the privatization subject. Basically, we started to think: after the Great Depression there was a lot of ideological and policy change, but in this great Recession we have not seen these kinds of changes, so why not? Why did that not happen? This paper is just coming out in the Journal of European Public Policy. I am going to skip over the theoretical framework, because I don't have much time. But briefly, we used a framework called PET, which probably you are acquainted with if you are political scientists, the "punctuated equilibrium theory". Our main argument here was that, according to the policy literature, policy in general is quite stable, but there can be a "focussing event" which may bring around change. However, clearly, not all policies are going to change evenly across sectors and countries just because of a "focussing event". These events are not deterministic. Now, one of the things might go towards pushing policy change is the reframing of the policy. So, if you want to push a policy but find you can´t, due to institutional inertia inside where that policy is currently dealt with, this policy can be reframed as another kind of policy, moved to be dealt with in a different institution, and then it can be more easily developed. Hence, by reframing a policy, you might also change venue. This helps explain why policy might be more likely to change. What we do empirically is that we took a policy area – where we thought we should see change – which was financial regulation. According to many economists such as Joseph Stiglitz, as well as many policymakers, one of the major reasons for the crisis was the significant de-regulation in the financial sector. From this perspective, if policy failures are so clearly to blame, we should expect change in financial policy. Next, we take another area of policy where we would not expect change. Here, we take privatization. Privatization of ownership was not cited as the reason of the crisis, nobody said that. We might expect no change in this policy arena, but we did see in the end a significant reform. So we try to explain these two paradoxes.

Just to summarize briefly our findings, now, I will explain what happened in the financial sector and changes in privatization policy. As regards policy salience, the need to reform the financial sector was very salient: it was initially decided policy makers needed to do something. Privatization, however, was not a salient issue. However, studying actors and interests in Brussels we found that initiatives to reform the financial sector were taken very cautiously, and no big change was pushed. In comparative terms then it is quite astonishing, that in the case of privatization, a big policy change was made. This is interesting in particular because privatization is a policy area where the commission lacks competence if we look at the treaties. The Commission has great powers as regards competition policy and liberalization policy, but they must remain neutral on ownership. However, through the alliance we know as the Troika, created to impose austerity onto the periphery of Europe, certain countries were basically forced to privatize. Returning to the financial sector, alternative policy images of finance were made, particularly in the idea that the financial sector should move away from an Anglo-Saxon type of deregulated model but, finally, this did not actually happen. Policy image change in the case of privatization was in contrast successful. Traditionally, privatization was linked to discussions about how to improve firm efficiency. In particular, the idea is that private management manages better than its public counterpart. However, when it came to the crisis, privatization was posited not as a means towards better managerial efficiency, rather, simply a way for indebted governments to pay their debtors back. It went from a managerial concern to a fiscal one.

We also considered interests. Clearly, there was strong lobbying from core financial interests, including the City of London that opposed a move towards stronger regulation of the financial sector. In contrast, in the case of privatization, debtor countries and their banks were keen to push this policy on indebted countries as a means of having their debt repaid. Overall, policy change in the financial sector was relatively modest as regards its re-regulation and move away from an Anglo-Saxon model. In contrast, the new policy image for privatization allowed for the policy to be located in a new venue, the Troika. We argue the Troika is not a EU actor, rather, it is an example of "venue bridging" in the sense a venue was created between other official actors to implement this policy. All this to explain why the financial sector experienced incremental policy change and in the case of privatization there was significant policy change. To some extent this is not new: it is as if the Washington Consensus that was imposed in Latin America in the 1990s was brought to the periphery of Europe. Neither was this privatization plan imposed evenly across Europe – when you compare the economic restructuring plans designed for Greece to those for Ireland and other countries, it is clear that the Greek case was the most extreme in the drawing up of a long list of firms and assets to sell, including fundamental public services. So, just to conclude this little section about who decides about the public-private line, the latest privatization development has been particularly clumsy. It worst it has made the European Commission very unpopular in some periphery countries, which is not what it needs at the moment. To implement privatization, an agency was set up in Athens, and a lot of monitoring is ongoing as to what has been sold, when and for how much, and what still needs selling. Privatization has been decided top-down, at the supranational level, and there is a lack of democratic legitimacy in the process.

Why is the line being drawn as it is? I am going to talk about findings from my own research, I am not going to generalize. What we wanted to do after this study I discussed previously, is to look more broadly at the austerity in the so-called PI(I)G(S), which is a horrible term, but PI(I)G(S) refers to Portugal, Ireland, sometimes Italy, Greece and sometimes Spain. Most work to date on the consequences of austerity have been at the national level, that is, single case studies. We want to do a comparative, cross country study. This work is still ongoing. What we do here is take Jamie Peck´s theory that neoliberalism deploys a "strategy of displacement" to make others pay. According to his framework, which I am going to use for this paper, when there is a crisis and we impose austerity, we take the costs and the blame from the market to the states, from the elites to the marginalized and from the central government to local government. So, we are comparing the dynamics of Troika-imposed austerity by reading across all the economic restructuring plans to find out what the social, spatial and scalar dimensions of austerity was. We are seeing that austerity was highly uneven: at the two extremes were Greece, where austerity demands were very high, long-term, intrusive, complex and interventionist, and Ireland, on the other hand, perhaps with Cyprus, where austerity was relatively short, less interventionist and detailed, and much less demanding. For example, the long list of assets the Greek government had to sell was not included in the Irish plan. On the other side, the economic restructuring plans allow countries to recapitalize the private banks and trying to prop them up. In Greece, this was done to rescue the euro and debtors. So you are seeing what Jamie Peck talks about, the transfer of private liabilities to the sovereign debt burden. And they sell these when they became profitable once more. So provisionally we think this idea of Peck works quite well.

The final part of my presentation is totally different to the other two parts, because it is not a paper, it is a project and it does not just involve social scientist like us, but it involves technology companies and public administrations. It is a prototype Horizon 2020 project in that way, which is really challenging to us. It stretches us as social scientists, it is dissimilar to previous work I have done academically. So, we are working on a project on co-creation and I am sure that many of you will have heard about that word. It is a really hot topic in the Commission right now. This specific topic is on public service co-creation. Probably the earliest person to write on the topic was Elinor Ostrom, who won the Nobel Prize for economics, the first woman, as you know. How co creation is defined is contested, as most major concepts in the social sciences. A classic example of co creation would be Neighbourhood Watch, where your neighbours look out the window to check there are no problems and call the police if they see issues with their neighbours' houses. Other ideas could be peoples' collaboration on recycling rubbish and so forth. So, what we have been charged with in this project, and how it connects to the questions we are discussing today, is how to create more publicness. When we started to work together with the consortium to design the proposal, it was a challenge because we had to meet the technology companies and the public administrators and like many social scientists we had limited experience of working professionally with these experts. Intellectually, we did not know how to talk to each other. We came up with a model to try to "empower consumers" but we got stuck because that leaves out non-consumers, or, regular citizens. For example, it is all very well saying people can chose the best school for their kids or the best rate to pay for their electricity. Policy needs to empower these consumers to take the best decisions, which might be achieved through co creation. But what we also know is that sometimes, people benefit unevenly from competition. Sometimes, the most in the know, the most educated, literate, and so on, know more about what is going on and how to and when to switch service provider. The problem is are may be leaving out from the benefit of our policies people who find it harder to know when and how to switch.

So we came up with using Hirschman´s Voice, Loyalty and Exit model. The basic idea is: this is a public service, which some people use, if they are not happy, they complain – using voice. If they leave, they will find another service to replace the old one – sometimes you can't leave by the way, of course, such as the case of water supplier if there is a monopoly. If you are happy, you stay, that is, you are loyal. A lot of people don't use public services at all, or they use it improperly, or don't use them enough. But what about those who either are unaware of the possibilities of leaving/switching, or those without the information or confidence to do so? How do we include them? The fascinating thing about projects like these is you work with technology experts who are trying to develop models to respond to the social science problems we identify. So, we are preparing papers on co-production, we are going to see, where it happens, where it doesn't happen, what factors act as barriers and enablers of co creation. Not only which sectors is co creation more common in, which kinds of people are more likely to co create, when and why. For example, are gender, age, ethnicity, where you live, your employment status, your attitudes, relevant when co creating? We are finding they are. Once this is mapped out, we can return to the Hirschman model and think: Can we use technology to get more people in – and stay? Can we overcome barriers to co creation? Can we increase or leverage the enablers? If we can, we are fusing social science and technology to make more publicness!