

PRIVATIZATION: THE PUBLIC POLICY DEBATE

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(The following is a summary from a report by Nora Leech, a member of the LWVEF Education Study Committee on Privatization of Government Services, Assets and Functions.)

Privatization is a movement to deregulate private industry and transfer many government services, assets and functions to the private sector. The Privatization movement began as a reaction to the Progressive Era of the early Twentieth Century, which itself was a reaction to the hardships of the laissez-faire, free market policies of the late 1800's. Unregulated boom/bust economies, corruption of government and industry, unacceptable labor conditions, child labor in textile factories and coal mines, epidemics of diseases like malaria and cholera, and unsafe food supplies, all led to greater government action to protect the well-being of the citizens by regulating business and the economy. After the Great Depression in the 1930's, more programs were added like Social Security, unemployment insurance, and a minimum wage.

In the late 1970's and early 1980's, disillusioned with the Progressive Era vision, and with the rise of conservative governments in the United States, Great Britain and France, political, intellectual and business leaders, increasingly global, believed that these progressive measures were hindering free trade and that the unleashed free market could solve all problems. They promoted efforts to dismantle many of these programs such as restrictions on financial lending, elimination of worker's compensation, elimination of control over food and environmental safety, and revamping the tax system. The intellectual inspiration behind the privatization movement include Milton Friedman of the Chicago School of Economics and Fredrick Von Hayek, author of the book *Road to Serfdom*.

Arguments for privatization: democratic political systems have inherent tendencies toward government growth; the private sector can provide increased efficiency, better quality and more innovation than government; smaller government will reduce costs to the taxpayer; and less regulation will create more jobs. *Arguments opposing privatization:* the mandate to make a profit may endanger public safety and reduce services; costs to consumers might increase; transparency, accountability and oversight will be compromised; corruption between for-profit private companies and government will be increased; privatizing ports, utilities, defense programs can put the country at risk; and chronic high unemployment, low wages and abusive labor practices leading to greater inequality will result.

Strategies to accomplish downsizing government: transferring specific public programs to the private sector like Social Security/Medicare or transportation; direct sales or leases of public land and infrastructure to private interests like

federal and state parks or libraries; government financing private services through contracting out or vouchers like charter schools and prisons; and deregulation of entry into activities previously treated as public monopolies like utilities, water and ports. The current economic recession has escalated the move to privatize.

“The public agenda of privatization requires a close examination of the proper relationship between government, business and civil society. What should the role of government be in protecting the environment, helping the poor, defending the nation, providing justice, ensuring democracy, protecting public health, ensuring public safety, providing education, promoting a thriving economy, and ensuring safe work environments and a living wage? Our country must seek a pragmatic balance between social and economic returns.”

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