

## **PRIVATIZATION**

Although privatization has been a hallmark of the neoliberal economic policies that have helped to drive the forces of globalization since the 1980s, the idea is contested between different ideological currents and thus difficult to define in its common core. Due to the increasing impact of counter-ideologies, it is also difficult to predict what its global future will be.

In any case, the concept of private ownership and the practices related to it are central to the modern Western mindset of individualization and secularization since its very beginnings. In fact they started with the Roman “invention” of a jurisdiction that for the first time in history systematically used private property as a tool to structure, balance and control society. As a consequence, privatization was—and remains—inextricably interwoven with the positive features but also with the problems associated with the Western mindset as such. Among these features—which in part constitute also its problems—are the measurement of values, personal worth and achievements by material goods; the primacy of profit, personal freedom and self-reliance; a human-centered universe; and the belief that competition between individuals and groups is good for the whole of society, because it forces everybody to increase both productivity and responsibility, thus ultimately fostering the increase of wealth for all.

### **Definitions**

The term *privatization* derives from the Latin word *privare*. This was one of the core terms at

the basis of the first global empire in history, the Roman Empire, which (together with the Greek civilization) gave birth to the Western mindset through the implementation of a public law for the first time centered on the individual and its rights. The literal meaning of *privare* ranges from “to bereave,” “to dispossess someone of something,” “to disseize,” “to take away,” “to steal from others” to “to hi-jack something,” including all terms in between. Among the intermediate meanings are “to keep something for oneself (or for a defined group) by detracting it to others,” “to withdraw something from the common wealth for one’s own benefit,” “to take care for something by personal ownership,” “to occupy something” as well as “to enjoy something for one self, by disregarding the enjoyment of others.”

Particularly in its passive form of *privatus* (i.e., the ontological status where the activity of *privare* is accomplished) the term today has two main logical meanings closely intertwined, making it one of the great “fundamentally ambivalent” and equivocal lead terms of humanity. It denotes

1.           the status of the good that has been detracted from common ownership, for example a piece of land or a public resource like a creek or a wood, or a service formerly provided to the public by the government or other public institutions now passed on to private business;
2.           the person or group who has been bereaved, despoiled or ripped of something, i.e., the one who is the victim.

It follows that *privatization* in principle means the process of transfer of ownership, sometimes also of permanent or long-term usership, of a formerly common or public good to individuals and/or groups operating for private profit, i.e., its passage from public to segregated owner- and/or usership. As the specific double meaning of the term suggests, this

process is in principle a benefit for some at the disadvantage of others. Is it disputed whether this must always be the case and under what circumstances it may not be.

## **History**

Historically, the start of the concept took place in the Roman ages. Roman emperors divided conquered land and donated it to veterans. Later, Roman law instituted a civil law decisively based on private property connected with individual and in part also with citizen (voter) rights. A written jurisdiction sustained by the necessary bureaucracy was needed to implement the principle of private property, which was not the case before the Roman Empire, becoming one of the decisive factors of its unprecedented success. In essence, the Roman ideology about the basic value of individual property understood as *privare* as well as its political and societal derivatives remained stable throughout the subsequent ages. Although contested by Christian religion in its early years and then again in the middle ages, as well as by the early European peasant socialist movements at the start of the Renaissance (e.g., Michael Gaismair), it continued its ascendancy with the birth of the modern nation-states in the 17<sup>th</sup> and 18<sup>th</sup> century. In the age of industrialization and enlightenment (18<sup>th</sup> and 19<sup>th</sup> century), it gave origin to the structural dichotomy that since then characterized the basic dialectics in modern history: capitalism/ownership versus socialism/dependent workers, as well as between their respective habits, social forms and cultures.

As a consequence, the term was disputed since its early modern years. While a famous British saying asserts: "Privacy creates democracy," the ideological founder of modern socialism, Karl Marx, on the contrary stated that private property is theft, and privatization in principle a crime against humanity.

## **Role in Colonialism**

It has often been underestimated how central the role of privatization processes was during the epoch of colonialism, e.g., for its implementation and enforcement. Almost all political colonialization processes in Africa, Asia and Latin America between the 17<sup>th</sup> and the 20<sup>th</sup> century were preceded by economic privatization processes made possible by the ascent of entrepreneurial capital and financial liberalism supported by the political and military powers of the European nation-states. In essence, colonialism was an economic expansionism through the medium of privatization followed by political annexation. It was typically carried out in four steps: (1) a contract that opened a country up for trade and allowed foreign enterprises to exploit resources, (2) the resulting dependency of rulers and governments on Western credits to buy their goods and services, (3) the sale of land in exchange for credits and capital, resulting in the private ownership of large portions by foreign investors, (4) the “protection” of these private assets through the creation of protectorates, and as a consequence often the annexation of a country by—or its inclusion into—the colonizing motherland. Thus, expansive capitalism, privatization practices, political imperialism and military power of nation-states were intertwined. As the history of the British Empire shows, though, the overall development was almost exclusively for the benefit of private firms, with the national-states essentially financing the development of their private “globalized” firms by public means.

Interestingly, some of these practices continued after the end of “classical” imperialism. The following describes how the “soft” economic expansionism of post-colonial capitalism worked throughout the second half of the 20<sup>th</sup> century until (at least) the financial crisis of 2007–10: the buying-up of assets of the national economies of strategically important countries by Western firms was politically supported by the plea of their governments for

economic and financial liberalism. After the restriction of these practices in the West by the governments of the United States, Germany, France, and the United Kingdom between 2007 and 2010, China now seems to be taking these practices over by using “private” global firms, which in reality are 100% state owned, to buy strategically important assets, mainly resources and technology, on a large scale to enlarge its radius of influence, for example in Africa, but increasingly also in the Western hemisphere.

### **Role in Capitalism**

Privatization practices also played a decisive role within the development and the differentiation of Western capitalism itself. We must discern the privatization (1) of the means of production (including land), (2) of capital, and (3) of formerly public goods and services. The third dimension is the consequence of the combination of the first and the second ones. While the core driving force for the development of capitalism in the 18<sup>th</sup> century was the privatization of the means of production, its center since the second half of the 19<sup>th</sup> became the privatization of capital and its resulting concentration in the hand of a few major investment clusters. During the radically pro-privatization neoliberal epoch beginning in the early 1990s, masses of private capital became increasingly able to influence the economies of whole nation-states through speculative private capital shifts, like the cases of Italy and Thailand showed.

During the past centuries, privatization policies thus were transformed in their focus and their structure, while the core procedure remained unaltered, also with regard to their instrumental use by national interests and global politics. Nevertheless, as Paul Starr and others have pointed out, the policies of privatization were not in the forefront of Western

domestic politics until the early 1980s, when conservative governments in the United Kingdom, the United States and France started repeated waves of broad privatization of their domestic public and governmental goods and services, accompanied by deregulation. The General Agreement on Trade in Services (GATS) discussed during 2003–2006 intended to privatize all services, including energy and water provision, but met fierce resistance from the rising global civil society. The simultaneous massive international privatization campaigns of the International Monetary Fund, the World Trade Organization and the World Bank were influenced by the neoliberal mindset and produced little good for developing and emerging countries, in many cases increasing debts and dependencies. At the same time, worldwide privatization processes throughout the past half century have contributed to dramatically reduce poverty and underdevelopment, reducing it by a third, by incentivizing investments from the developed into the developing world, therewith creating work and stimulating production.

## **Expansion**

The main change of the past decades is the continuing expansion of the societal fields, spaces and themes in which privatization was actuated since the second half of the 20<sup>th</sup> century, particularly since the end of the Cold War in 1989-91. First mainly constrained to means of production, capital, resources and land, the principle of privatization was now understood as a general and universal “progressive mechanism” for producing greater efficiency and productivity, and thus it was subsequently expanded to fields such as cultural and architectural heritage, health care, public transport, educational services, military services (e.g., Iraq), social security, radio and TV (e.g., Silvio Berlusconi’s Italy), detention facilities,

genetic manipulation of nature or the basic provision of water and electricity. This led to a situation where Indian farmers had to pay a Swiss private firm copyright fees for their harvest, because the latter had privatized (i.e., monopolized through copyright) the very plant itself. A similar development took place in the increasingly important field of intellectual property within the global knowledge society, where processes of privatization (e.g., through technical access and distribution) were closely interwoven with processes of expropriation and/or disfranchisement (e.g., through the practices of global enterprises like Google to copy and publish books on the Internet initially without permission from the copyright holders, or through the increasing importance of “access” to modern tools of mass communication like the Internet, which leads to new, though indirect forms of exclusion).

Since the end of the Cold War and the resulting rise of neoliberalism under the sign of an alleged “end of history” (Francis Fukuyama), there were increasingly three main dimensions/definitions involved under the brand of privatization:

1. the passage of goods and services from a government and/or a public administration to private businesses and enterprises that operate for private profit;
2. the transition from publicly traded goods (e.g., in the stock exchange) to not publicly traded, that is, their “detraction” from other investors;
3. an overarching ideology that believes that private services and operations are in principle increased in efficiency and quality when run privately because private owners care more for cost reduction and profitability.

The driving force behind this development towards an universal expansion of the

principle of privatization was the conviction of neoconservatives and neoliberals—i.e., the classical right-of-center parties and movements—in the idea of “small government” (i.e., in the reduction of state spending and in self-reliance as basic values of modern societies). Nonetheless, the “classical” American Dream of the second half of the 1800s returned during the 1990s (the drive towards the West exploited the land from the Native Americans by “privatizing” it, thus making privatization at least in part the embodiment of the American Dream, i.e., of the idea “to make it” for oneself in competition against or without the others). It was an ideology that was concentrated in the neoconservative slogan of Ayn Rand that “selfishness is a virtue” and in the neoliberal slogan of the Chicago School of Economics that “if everybody thinks of himself, everybody is thought of.”

It is contested though, whether these claims hold true in practice to the extent in which they were proposed by the neoliberals. As leading scholars such as Joseph Stieglitz, Ernst Ulrich von Weizsäcker or Oran Young have pointed out, history shows that privatization does not necessarily improve efficiency or reduce prices for most people. As Sharon Bender puts it, there is some evidence that public services produce a better cost-delivery package than privates, as exemplified by the case of provision of electricity in the United States, where public enterprises offer cheaper electricity to householders and cover areas that private enterprises are interested in covering because they lack sufficient profitability. A similar case is the privatization of cultural heritage in Italy, where, since 2000, many valuable historical sites including medieval palazzi, castles, temple sites and islands were degraded after their passage to privates. Other privatization examples, like the implementation of private military services in Iraq, have also pointed towards the ambivalence of using the principle of privatization as an indistinct and universal tool of progress.



## **Current and Future Issues**

The main point to problematize in view of the future of globalization is therefore not privatization itself, but the extent to which it was expanded, and the fields it came to cover during the neoliberal years since the 1990s. The main question today is if basic public goods and services necessary for the survival of a human being can and should be privatized as a matter of principle, and if yes, where, under which conditions and for how long, and to which extent that may imply, or not, the mid- and long-term risk of conflicts and rifts in a society. Thus, the question today is about the differentiation and rationalization of the principle of privatization, and thus investigating where its limits of validity are (i.e., where privatization is good, to which extent and in which fields, and where not). It is a question that is not about anti-privatization, but about improving the use of privatization. This question has to be differentiated with regard (1) to the domestic and (2) to the global dimension.

One blueprint to answer this question could be to introduce a conceptual difference between the basic provision of goods and services needed by every human being to survive, thus conceived as a basic (and public) human right, and fields of “open” provision of non-basic goods and services, to be treated as private issues and enterprises. While in the first case privatization should be applied only with great care if not avoided at all; in the second it should be implemented *ad libitum*.

Another question is in which fields a comparatively strong regulation of privatization may be useful, and in which it should be accompanied by a comparatively wide deregulation. Last but not least, a further important question is to which extent and how privatization processes are still used as a tool of domination and imperialism, and how this might be avoided in the future. Previously, privatization was often used as a tool to secure influence

zones particularly in developing countries and in the Third World. Privatization in this sense refers not only to private ownership but also to a temporary lease of land and capital. For instance, in Ethiopia, the government has, since 2005, lent large portions of the best agricultural land to foreign (mainly Indian and Chinese) firms, which de facto treat the land as private property secured by private militias, producing almost exclusively for the world market and forcing the local population to become landless workers dependent on them. Like Ethiopia, other emerging and developing countries still often apply radical (i.e., irresponsible) privatization practices that ultimately tend to exploit the population and to create social imbalances that become origins of social conflicts. Accordingly, one last question of globalization and demographic development over the coming years will be how much privatization can and should be allowed with regard to natural resources and the ownership of public spaces and goods, including outer space. For example, the race for ownership of the moon has already begun, with new processes of using privatization as means of political colonialism.

In recent years, counter-tendencies against privatization have emerged. Some national states like New Zealand have decided to withstand the tendency towards the universal privatization of public goods and basic life services like electricity, transport and natural resources. Given that under the conditions of globalization combined with technologization, privatization increasingly becomes a problem of access, new “liberation technologies” try to contrapose the related trends of exclusion. One of the most pressing issues of the future will be the privatization of water; today, more than half of the earth’s population has no or unsatisfying access to clean drinking water, and the increasing privatization of this vital resource, as well as of food, will likely be the source of upcoming “water and food wars.”

Subsequently, the question of where the limits of privatization are becomes one of the

very basic systemic questions that will co-determine the future of globalization. What role will privatization play for the rise of a first truly global society of the 21<sup>st</sup> century? A rather positive or a rather negative one?

Some critics have argued that privatization has come to its historical, quantitative and qualitative limits; other commentators assert that it is just at its beginnings. According to the latter, following the example of the old polluting technologies of the 20<sup>th</sup> century that almost destroyed the environment before being replaced by green technologies in the 21<sup>st</sup> century, capitalism in the form of universal privatization almost destroyed social peace before being replaced by new, more sustainable and balanced forms of privatization. Such forms could, for example, be public-private partnerships within selected fields. There is discussion about the potential extent, purpose and efficiency of such partnerships, to which extent they are tied to democracy, and thus if they are supposed to be functional mainly in the so-called First, or also in the Second and Third Worlds (where in many cases democracy does not exist).

Privatization according to scholars like Paul Starr remains a “fuzzy concept,” because it “covers a great range of ideas and policies, varying from the eminently reasonable to the widely impractical” (Starr 1988, 6). It has produced immense goods during the past two centuries and was one of the main driving forces of globalization both on a qualitative and a quantitative level. On the other hand, it has created new imbalances and favors a greater concentration of wealth in the hands of less people to the disadvantage of others, because the private ownership of capital, natural resources (soil) and the means of production of goods and services tend to function as a magnet to attract more of the same. As a consequence, governments, the rising global civil society and “third way movements” are searching for new, “medium” terms of privatization, able to combine both public and private interests. Critics have argued that neither of the approaches proposed so far has created an appropriate

“integrative concept” of privatization able to be put into practice, and neither have the big overarching organizations of the global community like the United Nations, UNESCO or the International Labour Organization been able to produce such viable proposals.

In the process towards an intermediate or moderate position about privatization it seems to likely that radical anti-privatization positions like those of the left (e.g., David Ruccio, Antonio Calliari, Antonio Negri, Michael Hardt), which in essence hold that privatization is always bad, will be as equally inappropriate as pro-positions such as those of the remnants of neoliberalism, which continue to think that privatization is always and independently of its field of application good. An intermediate position is likely to hold that “privatization is good, but that there should be not too much of a good thing” (Ernst Ulrich von Weizsäcker 2005, 7) in order to avoid societal, political and economic rifts within the global society, as well as within their major single players. Whatever the outcome of this debate might be in the coming years, the challenge of “making globalization work” (Joseph Stiglitz) in a concrete policy-oriented view will increasingly mean “making privatization work” by rationally and soberly discerning its beneficial and unfavorable uses, not least by identifying (and continuously re-discussing) its proper and improper fields, levels and mechanisms of implementation in a continuing—and in principle never-ending—dialogue between governments, global institutions, private businesses and civil society.

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***See also*** Globalization; Neoliberalism; Conservativism; Capitalism; Deregulation; Civil Law; Public-private Partnerships; Economic Expansionism; Emerging Countries; Third World

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