

MYTH #9: Whatever Governments Do, the Private Sector Can Do Better

“From the results, one can easily see that the whole point of privatization is neither economic efficiency nor improved services to the consumer but simply to transfer wealth from the public purse – which could redistribute it to even out social inequalities – to private hands.” – Susan George¹

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Privatizing the Public Purse: Efficiency and Effectiveness or Just More Inequality?

Conduct a quick internet search on the term *privatization*, and a range of sectors appear: prisons, war, water, electricity, transport, pensions, health...the list goes on. In country after country, whether due to pressure from the International Monetary Fund and World Bank, to financial shortfalls, or to political ideology, governments are privatizing basic services and industries. While it is sometimes sensible for governments to contract private companies to deliver services, that is a far cry from outright privatization. In cases in which the government holds the purse strings and sets the terms of the contract, the government can actively monitor whether the company performs its limited activities properly. Under privatization, the government hands over the entire operation to a private company, which is then given the power to decide how to carry out the activity. There is a critical difference between a government hiring a private firm to lay water pipes and handing over the entire water service for the company to design and run, with no input or oversight by the government or recourse for the customer.

Privatization can sound appealing. Imagine a popularity contest in which the private and public sectors compete. On the one hand, people see clever, amusing, attractive advertising featuring cute dogs and gorgeous women to promote wondrous products like magical weight loss pills. On the other hand, they see unattractive and boring politicians, uncomfortably crowded buses, and seemingly endless and cumbersome bureaucracy. The private sector offers people the pleasure of choosing how to spend their money; the public sector presents them with the burden of paying taxes. It is clear which contestant would win. However, while the private sector is very seductive, much of its appeal is superficial.

As with the other myths presented in this book, it helps to remember who benefits from the belief in question. Those who stand to gain financially from allowing the private sector a greater role in the provision of basic services loudly claim that the public sector is corrupt, inefficient, and ineffective, and that the private sector is well-managed, efficient, and avoids waste. Claims based on self-interest do not, of course, equate with truth. There are several reasons for rejecting the overly simplistic idea that private sector management is inherently better than the public sector and that the government should privatize more and more services.

People need access to basic services

When governments provide services, everyone (at least theoretically) has equal access to them. Universal access stems from an understanding that some services are essential to the wellbeing of the community and should be available to all, regardless of whether or not people can afford to pay for them. In the private sector, the goal of the provider is to make a profit. When a service is privatized, the price typically goes up. People who can no longer afford the service cannot access it. Absent is the belief that people should look out for each other and that a society cannot function well if some of its members are deprived of basic services. For these reasons, the privatization of basic services is morally abhorrent.

The private sector prospers by passing costs on to the public

Some private companies make a lot of money, while others go bankrupt. A company may do well for years and then suddenly fail. The idea that companies must operate efficiently to succeed is not particularly meaningful, particularly in light of the recent revelations that several successful, multi-billion dollar enterprises have been 'cooking their books' for years and engaging in other fraudulent practices. The retail company Tesco has recently been accused of having overstated its profits by about \$424 million.² The fraudulent practices of Pennsylvania soft drink maker Le-Nature has cost lenders, vendors, and investors around \$684 million.³ America's second largest long distance phone company, WorldCom, committed accounting fraud to the tune of over \$7 billion.⁴ The financial services company Lehman Brothers hid more than \$50 billion of loans by classifying them as sales. The energy company Enron engaged in various schemes, aided by the corrupt accounting firm Arthur Anderson, which cost shareholders \$74 billion.⁵ Defence contractors in Iraq and Afghanistan wasted or lost to fraud as much as \$12 million a day from 2001 to 2011, for a total of \$60 billion.⁶

The fact that some companies succeed in making a lot of money for decades is not proof that those companies know how to deliver services in a better, more efficient fashion than governments. That is, unless 'efficiency' is defined as being effective at shifting one's costs onto others, ignoring the damages of one's actions, and making a profit regardless of the poor quality of the services one delivers. Nor, as the recent scandals show, is there any reason to believe that corporations are any less corrupt than governments.

Wasteful or otherwise 'inefficient' companies can make sizeable profits in many ways. They can secure government contracts by means other than competitive bidding, whether through the influence of employees who were formerly government officials, bribes and kickbacks, personal connections and family ties, or other means. For example, a local government official in the American state of Alabama

was convicted in 2009 of accepting bribes from JP Morgan, an American multinational banking and financial services holding company. Local officials then hired JP Morgan to advise them on how to refinance the debt on their sewer system. JP Morgan's services required the locality to pay \$120 million in fees, or six times the normal charges. The result: a \$277 million *increase* in local government debt that required the government to raise sewer rates repeatedly in order to avoid bankruptcy. Since sewer rates are based on use, not ability to pay, the price increases fell most heavily on the poor.⁷

Wasteful corporations can also pass on many of their costs to the public at large. This can take the form of bypassing environmental regulations, underpaying workers, and evading taxes. In the United States, underpayment of fast food workersⁱ costs the government almost \$7 billion a year to support those same workers through welfare and other poor relief programmes, essentially subsidizing the companies to pay low wages.⁸ While it might seem cheaper to bring in a fast food franchise to supply school lunches rather than having them prepared by people hired directly by the school system, some of the costs (support of underpaid workers and health effects of eating fast food) simply fall back on the public.

Hint: *When someone suggests the need to privatize a government service in order to save money, look at all the costs that are involved and whether the privatization will benefit the public, or just the company and a few of its friends.*

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Efficiency is elusive everywhere

The idea that corporations operate more efficiently than governments is repeated so often that it has become difficult to even question the notion. However, where is the evidence that corporations are more 'efficient' than governments in providing services?

Businesses and governments both consist of individuals operating under a set of motivations and incentives. The primary incentive of businesses is to make a profit. The primary incentive of government, when things work properly, is to serve the public. That is the main difference between the two. Another key area of difference between the two sectors is transparency: reporters and citizens have at least some access to public government records and accounts, and can find and publicize government inefficiencies. The public typically has no such access to

ⁱ The proportion of fast-food workers who receive food stamps rose to almost twenty-seven percent in 2010, compared with fifteen percent of all Americans.

corporate accounts.ⁱⁱ As for management, both governments and large corporations can be hopelessly bureaucratic and inflexible. With size typically comes bloated bureaucracy and rigidity. With any human enterprise come errors; the private sector can excel at incompetence at least as well as the public sector. For example, the American state of Indiana had a \$1.34 billion contract with IBM (hardly a small or newly established company) to deliver government assistance to the needy. During the two-year period of the contract, some of the families who qualified for benefits (including food stamps, health coverage, and financial assistance) never received them due to company 'errors'; the company's work was also marked with frequent delays. In 2009, the government cancelled the contract.⁹

The argument that companies cannot afford to be inefficient is belied by the fact that large companies are sometimes protected from failure no matter how badly they perform. They can save money by evading regulations. They can lobby obliging governments for a number of subsidies, such as tax holidays, profitable contracts, and pressure on other countries to buy their products. They can persuade governments that their failure would do irreparable harm to the entire economy – that they are 'too big to fail'. A recent case was the bailout of American automakers and banks. If private companies are so efficient, why do they require so much financial help from their 'inefficient' governments?

Governments do not have a monopoly on corruption

A further manifestation of anti-government, pro-business prejudice is the widespread belief that governments are corrupt while businesses are not. The media regularly reports on corrupt government leaders who steal millions or billions of dollars from their country (but had an awful lot of nice shoes). Forbes has even created a top ten list of all-time corrupt government leaders, topped by Mohamed Suharto (Indonesia), who embezzled an estimated \$15 to \$35 billion and Ferdinand Marcos (Philippines) who stole \$5 to \$10 billion.¹⁰ In some parts of the world, people hear about daily corruption, whereby citizens must pay bribes to obtain even the simplest services, including a doctor's attention in the hospital. In other parts of the world, daily corruption may be less but periodic scandals reveal that it is common there as well. This belief in the inherent corruption of the public

ⁱⁱ Theoretically, publicly-traded companies allow their shareholders access to some information and input into decisions. Given the size and complexity of most companies, in reality (according to John Kenneth Galbraith) shareholders are highly unlikely to have access to enough information to provide any meaningful input, and shareholder meetings are simply a means by which the company formally passes the decisions it has already made.

sector begs the question: who bribes governments? When a corporation bribes a government official, why do we consider only the public official to be corrupt?ⁱⁱⁱ What is the correct term for companies that pressure governments to provide a range of subsidies, benefits, and exemptions from worker and environmental protection laws? The same act labelled as corruption when governments engage in it is labelled good business practice when corporations are involved.

In addition to bribes received from businesses and individuals, a major source of government corruption is aid money. International lending agencies such as the World Bank and Asian Development Bank fund projects to the tune of hundreds of millions of dollars but provide little genuine oversight or quality control. They regularly – and publicly – condemn government corruption and demand accountability, without asking whom it is that consistently and continually provides the aid monies that are then misused or outright stolen.^{iv} If so much aid money really is being stolen, while little or none of it is being put to any productive use in a given country, then there must be a simple explanation. Either the World Bank and its partners are not as concerned about corruption as they claim to be, or there is another reason that they continue to prop up corrupt governments through aid. If the funders do not object to corruption, it is unlikely that the recipients will.

Wherever there are people and money, there can be corruption. Increased vigilance by aid agencies and the public can help to make governments less corrupt. But while governments are, to some extent, accountable to their citizens, corporations are only accountable to their shareholders. Worse, shareholders generally have very little information or ability to insist on accountability. Too often, handing over the control of vital services to the private sector simply hides the corruption rather than making it go away.

Cost savings from privatizations are often a mirage

One reason regularly given for privatizing government services is that it will save taxpayers' money. There are a few problems with that notion. One is that companies are often only concerned with the short term. For example, contracts

ⁱⁱⁱ It is true that in some cases people, including businesspeople, have no choice but to pay a bribe to get something perfectly legal done. Bribery is sometimes written into the system: policemen must take bribes to pay back the bribe they paid to get their job. If people valued honesty more than wealth and received decent pay, some corruption might decrease on its own. However, those minor bribes are only a very small part of a much larger picture of overall corruption.

^{iv} I once attended a seminar in which the Minister of Transport said that he would be transparent in all large-scale transport projects because that is what donors want. Perhaps his cynicism reflects the fact that the donors themselves are rarely transparent.

given to private companies to manage water supplies are typically only for about five or ten years. The short-term nature of the contract and the fact that the system will then revert to the government (or be put up for tender again) creates a strong temptation for the company to skimp on maintenance and to delay making repairs for as long as possible. After all, why invest heavily in something that may be in someone else's hands in the near future? If the operation ceases to be profitable, the contracted company can simply hand the mess back over to the government and let the taxpayers pick up the cost of repairing the damaged infrastructure. In the long term then, governments may pay more to contract out a service than they would have spent to carry out the service themselves. For example, the American city of Gary, Indiana cancelled a ten-year contract with United Water after a government inspection found many problems, including broken equipment, inadequate monitoring reports, and failure to meet deadlines. The city anticipated a fifty percent reduction in costs (a savings of \$8 million per year) simply from *cancelling* the contract.¹¹

Another way private companies may cut costs is by reducing their workforce. A recurrent theme in critiques of 'inefficient' governments is that they hire too many people, as if employees only represent a cost. Proponents of privatization ignore the fact that many or most of those workers were performing a useful service, and that their unemployment will generate a different type of social cost. In fact, when former government workers become unemployed and rely on the government for assistance or can no longer pay income taxes, there is simply a shifting of the cost, not a true savings. When those employees were performing an important service and are not replaced, there is a further cost.

When private companies take over the running of prisons, there is an economic incentive to see higher rates of incarceration – more prisoners translate into more profit. Prisons are also more profitable if operating costs are kept low. Those operating prisons can save costs by cutting back on guards and by training and paying them less. However, a lower guard-to-inmate ratio can lead to more outbreaks of violence and create more dangerous working and living conditions. The government can end up spending more when it must send in police to deal with riots and other violence than it saved by hiring the company to take over the prison. Another cost-saving measure is to overcrowd cells and supply less than adequate health care to prisoners. If a disease outbreak occurs – such as of fungal diseases or multiple (or extremely) drug-resistant tuberculosis – it is the government, not the company running the prison, that bears the costs.¹² The United States has the highest rates of incarceration in the world; it also has a high rate of privatization within the prison sector. Rather than save money or increase efficiency – the arguments used to justify corporate control of the prison system – privatization has

made existing problems worse. Privatization has also reduced the ability of the government to solve those problems, since it has already passed much of the control of decision making to private companies.¹³

What happens when basic services are privatized?

Despite the glowing remarks of its proponents, the literature on privatization is full of disasters. Reading the history of privatization makes it clear that some sectors should never be privatized because they are too open to abuse or are too critical for the population. While abuses are particularly likely where civil society is weak, history shows that abuses occur even in that 'bastion of freedom and democracy,' the United States. One example is the experiment conducted in the state of California with the deregulation of electricity in the year 2000. As summer temperatures rose and people turned on their air conditioning, the company that had received the contract realized that it could increase its prices as much as it wished, and people would be forced to comply. The company raised the price on some days by as much as *seven thousand* percent and collected billions of dollars in surcharges. The price increases had nothing to do with a supply problem; privatization simply opened the door to profiteering.¹⁴ Governments do raise the price of utilities also, of course, and in some countries, there are regulatory agencies that allow or disallow such increases; but government officials generally keep the increases modest because they wish to be re-elected. Private companies have no such constraints.

In Bangladesh (until recently), the price of a train journey had not increased for thirty years, meaning that rail was, and still is, an exceptionally affordable system of transport. On a business level, the lack of fare increases is 'inefficient,' because the government's revenue from the sale of tickets is not keeping up with its cost of running the train service.^v No company would overlook such a great source of potential revenue. If the system were privatized, price rises would likely make the cost of tickets unaffordable to many riders. Because containing costs would be a priority, cuts in personnel and on maintenance schedules might make the service less safe. Nor is the problem limited to low-consumption countries: rail privatization in Britain has led to higher fares and more accidents.¹⁵ In Canada, a recent

^v Throughout the world, governments do not expect to make money from roads; expenditure for roads is commonly considered an 'investment' whereas expenditures for intercity rail and public transit are considered an 'expense' or 'loss.' Roads, which are profitable to the makers and sellers of cars, to truck operators, to oil companies, and to road builders, receive regular and huge inputs of cash; trains and other 'alternative' transport are treated as an unaffordable cost and receive vastly less funding.

tragedy in which a train carrying explosive crude oil derailed and exploded in the centre of a small town, killing forty-seven people, was shown to be caused, in part, because the owner of the rail company had cut back on train personnel and on safety measures.¹⁶

Then there is the case of the privatization of water services in Cochabamba, Bolivia. According to a Public Citizen report, water rates in Cochabamba increased by as much as two hundred percent immediately after the local water supply was privatized. Some families were paying \$20 each month just for water, while trying to survive on an income of less than \$100 per month. The price hikes led to a four-day general strike in January 2000. Finally, the government cancelled the contract and re-nationalized the water system. The Public Citizen report finds that "In this case, [the American engineering and construction firm] Bechtel and the British-led consortium of investors put up less than \$20,000 of up-front capital for a water system worth millions. Consumers suffered rate increases, while the company was expected to earn an annual income of \$58 million."¹⁷ Despite the value of the deal, the government received almost nothing for it, although some public *officials* received bribes to approve the privatization.¹⁸

Similar events have occurred in Argentina. The Public Citizen report noted above quotes Fernando de la Rúa, then mayor of Buenos Aires, as saying,

Water rates, which Aguas Argentinas [the private company running the water system] said would be reduced by 27 percent have actually risen 20 percent. These price increases, and the cost of service extension, have been borne disproportionately by the urban poor. Non-payment for water and sanitation are as high as 30 percent, and service cut-offs are common with women and children bearing the brunt with health and safety consequences.¹⁹

What does the World Bank have to say about water privatizations in Latin America?

Efforts to reform utilities can affect poor households in varied, often complex, ways, but it is by no means certain that such reform will hurt vulnerable households. ... Many myths have been perpetuated in discussions of utility reform – and in many cases poor households have benefited...The good news is that many measures can be taken to improve the chances that poor households will benefit from reform. Chief among these is promoting competition, where possible.²⁰

It is clear that by 'reform' the World Bank means privatization. Just two quick comments: Saying that the work that one does will not *necessarily* hurt the poor is hardly laudable. And how is one to promote competition for the provision of

utilities, which by their very nature are a monopoly?^{vi}

Certainly, governments do not always do an acceptable job of providing affordable water or other basic services. Many people in low-consumption countries do not have access to clean water, and as a result, some must pay high fees to obtain water from private suppliers. The solution is not, however, to toss the entire system over to the private sector. Rather, it is to pressure (or assist) the government to improve its services. According to one report, the private sector has done no better than governments at providing new water connections in various countries in which it has received privatization contracts in sub-Saharan Africa, South Asia and East Asia. Where more people have received water connections under privatization, in most cases the government actually paid for the new connections, not the private company. The number of people who lost their connections due to their inability to pay the bills must balance any gains that have occurred through privatization.²¹

Similar abuses have been documented concerning privatized sewage systems, with raw sewage sometimes being dumped into waterways instead of being taken to treatment plants. For example, in addition to the price increases for water mentioned above, Aguas Argentinas also failed to fulfill the obligations in its contract to build a new sewage treatment plant.²² The result has been that over ninety-five percent of the city's sewerage is dumped directly into the Rio del Plata. If people are not happy with their provider of water or electricity or sewage, they can neither switch providers nor stop purchasing the product. This is just the sort of situation that companies crave – and the informed citizen fears – and is another reason why governments should never hand these services over to the private sector.

The problems that have resulted in country after country, city after city, have led to a growing international movement to fight the privatization of water. Many cities that had previously privatized water systems have since re-nationalized them. In Johannesburg, a private water company installed pre-paid meters that would only issue a certain amount of water against a token. The amount of water provided per household at no cost was far too little for even basic survival. Finally, the High Court, citing the Constitutional right to water, decided that the system had to be changed so that families could receive an ample quantity of free water per month.²³ Both the Netherlands and Uruguay have laws against the privatization of water.²⁴

^{vi} They would compete, of course, to win the contract, including competing to pay the highest bribe to the decision-makers.

Health care

In all industrialized countries (other than the United States), the government provides health care for all of its citizens, funded through taxation. Only in the United States do private sector health insurance providers play an enormous, and enormously expensive, role as intermediaries. Having insurance companies act as intermediaries in the health care system also makes it more difficult for people to obtain health care: since insurance companies make higher profits if they pay fewer claims, they resist paying, even on the slightest pretext. Involving an insurance company – whose goal is to make a profit – in critical medical decision-making is inherently inefficient; when companies deny coverage to those with pre-existing conditions, or find other excuses to refuse to pay claims, it is unethical. This system raises the cost of medical care enormously. Not only must the insurance companies pay their staff, the companies must make a profit for their shareholders, and the doctors and hospitals must hire additional staff to fill out all the widely varied forms required by all the different health insurance companies. All of this makes the per capita level of American health care spending one of the highest in the world. France, for instance, spends \$300 per person on administrative costs each year, while the average cost in the United States is \$900.²⁵ In the recent past, the cost of simply screening patients in the United States for private health insurance was \$350 billion per year, and that is before any care is even provided.²⁶

Where the government pays directly for health care rather than delegating it to private insurance companies, similar or better results are achieved for far less money. Per capita spending on health care in the United States, at just over sixteen percent in 2012, was the second highest in the world in terms of percentage of GDP.^{vii} That is the equivalent of more than \$8,000 per person per year, or two and a half times more than most industrial countries, including France, Sweden, and the United Kingdom.²⁷ Even with this higher spending, though, life expectancy in the United States, at 78.2 years, is less than the average of 79.5 years among OECD (Organisation for Economic Co-operation and Development) countries. More troubling, despite the high national costs, is the reality that many Americans still have little or no access to health care. According to the United States Centers for Disease Control and Prevention, more than forty-eight million Americans, or eighteen percent of those under the age of sixty-five, are uninsured.²⁸ (This should be improving under the Affordable Health Care for America Act, derisively and

^{vii} Although GDP is a lousy measure of wellbeing, it does give an idea of the level of consumption, and thus provides some sort of comparison among countries in terms of how much is spent on health versus other products and services.

misleadingly labelled by the press as ‘Obamacare’.) The government program Medicare already covers Americans over the age of sixty-five. Medicaid covers the poor, at least to some extent. It is not as if the United States does not have any government-provided health care. But efforts to expand the existing ‘socialist’ system to cover the entire population have been met with increasingly fierce resistance, in part because it threatens corporate profits.^{vii} This is not an exclusively American problem; despite its obvious inefficiencies, many non-Western countries have adopted some sort of private health insurance modeled on the American system.²⁹

If the United States implemented a system of universal, free, government-funded health care that did not require its citizens to go first through private insurance companies, then major illness would no longer result in personal debt and bankruptcy. Instead, people could have treatment minus the bills. Where government programs cover the entire population, expenditures to evaluate the risk that those they insure might get ill become unnecessary. As a result, one large cost of providing health insurance declines. A single payer system would greatly reduce the role of private insurance companies in determining who gets health care (since they would only fill in the gaps left by the government) and in driving up the cost of that service. A single payer system would thus be far simpler and would mean great cost reductions, with the potential of lower spending actually buying better results – if only one could overcome the lobbying of the insurance companies.^x

Private health insurance is only part of the picture. Another aspect of the privatization of health is the provision of some degree of health care through private, user-pay clinics and hospitals. Private health care facilities may be more attractive and more pleasant than public ones, but one pays a high price for those benefits.^{xi}

^{viii} If government paid directly for most health care, then the health insurance companies would play a much smaller role. If government negotiated better prices from the pharmaceutical companies, their profits would decline.

^{ix} I mentioned to a Canadian colleague recently that a private health care provider in Thailand hadn’t billed me for a rather ridiculous doctor’s visit that it had insisted I make. She smiled and remarked that the very idea of being billed for seeing the doctor is odd.

^x Obama’s plan, thanks to that lobbying, is not a single payer system, and thus maintains much of the bureaucratic inefficiency that makes health care in the United States so expensive and inadequate. Other countries would do well to learn that lesson.

^{xi} I have personally witnessed unashamed gouging of patients at private hospitals in Bangkok. I know of a private hospital that refused to release a dead body until the bills were settled. The same hospital deliberately racked up the cost of care, including charging \$1,000 for each high-tech (but malfunctioning) bandage, for a foreign patient with an amputated leg who was about to be transferred to a far more affordable public hospital.

It would be wiser to lobby the government to improve its services than to encourage the opening of private clinics. In Bangladesh, for example, private clinics and hospitals are attractive, clean, and generally well-managed. They are also expensive. They have just one small problem: they tend to lack doctors. In some private hospitals, the doctors make their rounds only after 10 p.m. (after they finish their public sector work and, presumably, go home for dinner).^{xii} Public hospitals in Dhaka, on the other hand, are typically dirty and poorly managed, with dusty floors and small cockroaches crawling on the beds. However, they have some excellent medical staff, usually the same doctors who moonlight at the private hospitals and clinics. Public hospitals can provide treatment, typically not the most modern care, but sometimes stunningly effective. It would not be difficult to improve conditions in the public hospitals, since most of the problems result simply from poor management and poor hygiene. If activists could convince the upper echelons of government that it was important to improve government-provided health care, then management and sanitation would improve almost immediately. Governments do sometimes make stupid, expensive decisions, partly but not always due to private sector lobbying. It is still safer to keep control of basic services in government hands than to hand it to the private sector, which has a direct profit motive to externalize as many costs as it can.

The pressure to privatize

Multinational organizations (for example, the World Bank, the International Monetary Fund, and the Asian Development Bank), aid agencies, and even some NGOs regularly push for greater private sector involvement in areas formerly under government control. That pressure is often tremendous, forcing governments into privatization deals even if they realize the dangers. According to a report by Public Citizen, "Cash-strapped and indebted countries like Bolivia rarely reject IMF and World Bank advice, because they don't want to risk being denied future loans and international aid."³⁰

Experience with privatization has been so negative in so many cases, however, that those pushing for privatization have begun to talk instead about public-private partnerships, or PPPs. Unfortunately, this is just the same arrangement under a more appealing name. According to the website of the World Bank, a PPP

^{xii} I have seen patients admitted to a private hospital, only to be informed that the doctor is away for the weekend. I know people who searched in vain for a doctor in the emergency rooms of various private hospitals before finally resorting to a public provider. I have also heard the stories of private hospitals refusing to admit anyone with a serious condition for fear that they might die and the hospital be investigated or get bad press.

usually involves a medium to long-term arrangement wherein the private sector takes over some services that the public sector would normally carry out. 'Partnership' is simply a code word for handing over control to the private sector.

Sometimes corporations lobby for privatization directly, without the intervention of multinational agencies. In India, for example, biscuit-making companies have tried for years to take over the school meal program. The Indian program currently hires local women to prepare hot cooked meals for 120 million children. The meals contribute to better nutrition and to higher school attendance (and, one assumes, to children being better able to concentrate in class). According to an article about the effects of capitalism in India,

The Biscuit Manufacturers' Association (BMA) launched a massive campaign for the replacement of cooked school meals with branded biscuit packets. The BMA wrote to all members of Parliament, asking them to plead the case for biscuits with the minister concerned and assisting them in this task with a neat pseudo-scientific precis of the wonders of manufactured biscuits. Dozens of MPs representing most of the political parties promptly wrote to the minister and rehashed the BMA's bogus claims. According to one senior official, the ministry was 'flooded' with such letters.

Thanks, however, to the active efforts of state governments, nutrition experts, and the public, who were shocked at the crudeness of the attempt to undermine a vital program, the proposal did not go through.³¹ The India case, alas, may be an exception: the joint pressure of private companies, government financial shortfalls, and pressure by international agencies can be too much to resist.



Towards a Better Way: Resisting Privatization and Strengthening Community

"...we do not aspire to live better than others. We do not believe in the line of progress and unlimited development at the cost of others and nature. 'Live well' is to think not only in terms of income per capita but cultural identity, community, harmony between ourselves and with mother earth."

– Evo Morales, President of Bolivia³²

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When bad policies cause enough damage, eventually people will resist. By now, there have been so many bad experiences with privatization in so many communities and countries that resistance is widespread. It should not be difficult to find groups to join and organizations to support to resist privatization. If a group to fight a planned privatization does not already exist in a local community, start one.

Sadly, governments do not always act in the interest of their citizens. Nevertheless, they remain vastly more accountable than private companies do. It is up to citizens to work with governments to improve their record. Sometimes this will involve friendly cooperation; at other times, explicit criticism is needed. What it will always require, though, are a sufficient number of vocal, energized, strategic people working together. In other words, it requires community.

There are various ways to help strengthen local community, which can in turn act to rein in corporations and push government to act on behalf of all its citizens, including the poorest. Public schools are a good place for parents to meet their neighbours and to learn how to become engaged in civic affairs. Public places can become venues for organizing, displaying posters, and holding meetings. Social media can also play an important role, but it is important not to forget the significance and vibrancy of interpersonal encounters.

An exciting possibility is participatory budgeting, which allows the public to have some role in discussing and deciding how to spend part of a local government budget, including identifying and prioritizing projects on which to spend money. Participatory budgeting emerged when local mayors in Porto Alegre, Brazil in 1989 decided to address corruption and wasted resources in a context in which too often local governments seemed to be unconcerned about the people they served. Rather than having government officials make decisions behind closed doors without public input, the local population now engages in debate to define and decide on investments, priorities, plans, and actions. Public participation involves meetings with community members to allow them to give input. Significant results include a more active and involved public and greatly improved public services. Participatory budgeting has increased school enrolments and the quality of education, and helped get citizens more involved in local decision-making.³³ People in many other cities around the world are now trying this same approach.

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The inspiring movie A Convenient Truth shows just how effectively government can contribute to employment while also improving the physical environment.³⁴ The film is about the city of Curitiba, Brazil, a low-consumption city in a poor region of Brazil.

Mayor Jaime Lerner wished to support good works as long as it cost the government nothing. One of the initiatives he undertook was a recycling program that serves not only to clean the environment and improve public health, but also to create jobs. The government uses bus tickets to pay people from the slums to bring in trash. To provide rehabilitation while also performing a useful service, the city-run recycling centre mostly hires those with alcohol and drug problems to sort through the trash. The employees, meanwhile, are trained for better jobs. Some of that job training involves computers rescued

from the garbage. When government officials in Curitiba provide housing for the low-income, they ask the recipients to give input into the design of their home, which usually has a workplace on the ground floor, so that the person feels genuine ownership.

The government also provides job training and support for starting a home-based business. (These initiatives were meant to address the common problem of public housing being built on the edge of cities where jobs are few and those housed feel no ownership and thus mistreat their dwellings.) The entire documentary is an example of how much can be done on a shoestring by creative government officials eager to reduce poverty while improving the environment. Curitiba could serve as a model of beneficial government actions for other cities.

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Remember Prakash from the beginning of the book, who was struggling to get by? His life is difficult enough; do not make it worse by forcing him to pay for services he gets from the government at no cost. Instead, since he seems to have a good head on his shoulders, invite him to your next community meeting in which you will discuss how to work together to convince government to be more attentive to community problems.

Notes

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