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Crisis of Privatisation – Return of the Public Sphere

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Neoliberal privatisation is suffering from a legitimacy crisis, an efficiency crisis (concerning prices, quality and access), and a crisis of profitability – but crises do not necessarily lead to an end to privatisations, rather they lead to new ways and strategies for making them more effective. Politicians and investors are looking for other (investment) opportunities. Nevertheless, we can observe shifts in the social climate that enable successes in anti-privatisation campaigns, foster remunicipalisations and the debate about the public sphere.

Mario Candeias, Rainer Rilling, Katharina Weise

The water supply for the population of Paris is to be completely restored to public ownership from 2009 on, [as the Socialist mayor Delanoe announced on June 2nd 2008]. To date, the clean water treatment is the responsibility of SAGEP, a semi-state-owned limited company, while the distribution to the consumers is in the hands of Veolia and Suez, the well-known transnational corporations. But their contracts will not be renewed, and this will enable a municipal restructuring with the long-term aim of "stabilising water prices". After Grenoble, this would be the second spectacular case of remunicipalisation of water in France. The examples of Potsdam or Fürstenwalde show that this is also happening successfully in Germany. It seems to have become easier to mobilise people against the sale of their water utilities. In this way, it was possible to stop a planned water privatisation in Hamburg with the aid of a successful citizen's referendum. The Berlin citizen's initiative to disclose the water privatisation contracts is heading in the same direction.[1]

1. Crises of Legitimacy

So, liberalisation, deregulation, and privatisation – the dissonances in this triad of neoliberal modernisation are becoming loud and clear. The dispossession and valorisation of public property was a decisive element in opening new investment possibilities for excess capital and private enrichment. These policies of appropriation lead to disastrous social effects – reduction in public employment, conversion of regular to precarious working conditions, price increases on [previously affordable] public services, restriction of social rights and of opportunities for democratic decision-making (cf. Dickhaus/Dietz 2006; Weizsäcker et al. 2006; Huffschmid 2004) – as a price for partially better and 'more efficient' services for those who can afford them. Due to these disastrous effects, demands are raised for protection against intensified competition, with calls for regulation and public control. Now there is growing resistance to the selling off of public companies.

An opinion poll carried out by the German weekly newspaper *Die Zeit* (on August 9, 2007) showed that 67 per cent of those asked would rather have companies like the Deutsche Bahn (German train services), Telekom and the provision of energy left under the responsibility of the state. According to another opinion poll (by the dimap-Institute in Germany), more than 75 per cent reject a privatisation of water. The state is "fashionable again", the FAZ complained, the most important conservative newspaper (on August 5,

[1] Cf. www.berliner-wassertisch.net

2007, p.32). The political promotion of the project to privatize the German train services especially led to a rapid increase in scepticism in public opinion (cf. Forsa, 2008), in the political parties and in the media. The theme of privatisation was first considered as politically relevant in 2007 and was clearly and critically reported on in the media.

According to a poll of the Forsa opinion research institute in January 2008, only 47% of the population still accepted a privatisation of public services. Privatisation experiences are seen to be more on the negative side by 52%. "Further privatisations are considered more critically." General acceptance has clearly decreased compared to the 1990s.

At the same time, however, 80% of the population believe that the state works more bureaucratic and less flexible than private services; 71% think that private companies are more efficient, cheaper (61%) and also friendlier (58%). And this despite the fact that the private sector only seeks high profits (74%).

This not only shows the sustainability of the privatisation ideology but also a “bizarr” composed general “common sense” (as Gramsci would say): Although the majority believes that private companies were cheaper and more efficient, the majority believes at the same time that they raised prices in an uncontrolled fashion (68%) and that only the state guarantees a provision for all regions (58)%, with adequate prices (52%) and the maintenance of service quality (49%). Very contradictory.

This is not a crazy thing, but reflects different experiences: privatisation politics used to enjoy broad acceptance because it promised the restitution of efficiency with respect to the really deteriorating state of many public utilities, it promised a reduction in costs and prices in the course of competition, a new freedom of choice for customers because of the diversity of providers and products, as well as solutions to the public finance crises through profits from the sales. But 20 years of experience with privatised services showed: the promises were not kept. The reduction in services has uncovered the efficiency gains through privatisation as a myth; instead of a reduction in costs we face higher prices for energy, gas, water, health; the new freedom of choice turns out to be an opaque chaos with respect to tariffs, and is offered by only a few providers which are partially organised as an oligopoly; and the crisis in public finances was also only reduced in rare cases on a short-term basis by privatisation gains, usually by selling off the “family jewels”, especially in the municipalities, and this led to long-term income losses or high subsequent costs for municipalities; and far too often privatisation massively fostered corruption.

This dismal reality leads to a new “privatisation disenchantment”, and at the same time it revives political action against privatisations as well as direct democracy. Over 160 citizen's referendums against privatisation have been initiated in Germany, and 32 were even successful, others were terminated after privatisation projects were forced to be abandoned beforehand. The recent case of Leipzig attracted a lot of attention, where 87 per cent of the city's voting population voted against selling the city's companies [on 27th January 2008]. The moratorium on privatisation in Leipzig is initially valid for three years. In Freiburg, Heidelberg and Rostock, selling off municipal housing was prevented by citizen's referendums too.

2. „Failed Privatisations“ – Crisis of Efficiency and Profitability

Meanwhile, we often hear about „failed states“ – now the serious legitimacy crisis of privatisation is also increasingly nurtured by failed privatisation projects. The best known example is the disaster of the British railway system. Its tracks were finally taken over again by the state. State interventions such as these become necessary to assume the debts of bankrupt companies and to secure the provision of important public goods (cf. Rügemer 2008). The most spectacular recent resocialisation of railways is to be observed in New Zealand. The privatisations in the housing sector also fail to meet entrepreneurial expectations. Municipalities sold vast areas of city housing to big international private equity funds that promised a long-term involvement, and also to adhere to social standards and still increase profits. However, big corporations like Cerberus resold their new acquisitions after a short time because profits were very much lower than expected. Spectacular buying plans were repeatedly postponed.

In this situation, investors increasingly move from direct performance and control attempts to a strategy of valorisation through financialisation and Public-Private-Partnerships – private investment, public management, and high interest instead of profits. One example of a crisis of profitablity is water supply and sanitation: investment funds now "do not want to manage water but want to manage money," Eric Swyngedouw writes (2008). No satisfactory profits can be made with water because of the enormous infrastructural requirements (especially in countries of the 'global South'), *unless* state subsidies are made available. If this is the case, "then", Marx writes in the *Grundrisse*, „capital rolls off" the provision of respective reproduction conditions "to the state" (MEW 42, p. 437). Correspondingly, Adam Smith already advocated that such "public goods" have to be provided by the state.[2] Meanwhile, even the Federation of German Industry (Bundesverband der Deutschen Industrie, BDI) is complaining about international competitiveness being endangered because of the lack of investment in power plants, electricity supply, and roads, and therefore calls for "ten per cent more state investment in infrastructure" (FR, 27 May 2008). In this sense privatisation becomes unproductive for the overall profitability of capital.

So, at a first glance, the heydays of privatisation seem to be over (Rilling 2008). The number of privatisations as well as the privatisation gains in the EU decreased from about 70 billion Euros in 2005 to about 40 billion Euros in 2007. The largest proportion of 41 per cent of the gains were achieved with the privatisation of financial institutions and banks, followed by the sale of electricity providers (21%) and telecommunications companies (19%; PB 2008, p. 11). The main focus of privatisations worldwide has shifted away from the European Union to China and Russia (also to Eastern Europe).[3] In addition to the legitimacy problems, decreasing privatisation gains and projects are caused by the fact that the significant and especially the profitable areas of public property have already been privatised, that the prospects for stable profits in the remaining areas are rather sparse and that currently the financing of further privatisations by investors - especially private equity funds – have "started to splutter" due to the subprime and credit crisis (cf. Candeias/Rilling 2008). It is to be expected, however, that the big state funds of China, the Arab states and others will play a much larger role in the future in financing privatisations (cf. Kaufmann 2008). Currently, the investors' interest at the moment is more than ever focussed on profitable jewels, as hospitals or railways-systems in Germany and France.

So, the assumption that the investment possibilities would increasingly start to diminish is wrong. In total, Germany and France were still top of Europe in 2006 with nearly 9 billion Euros of privatisation gains but Germany lost the dubious title in 2007 with only a little more than 6, 7 billion Euros in privatisation gains, far behind France with nearly 14,7 billion Euros (PB 2008, 9).[4] The politics of privatisation are increasingly shifting to the

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[2] „Certain goods which though they may be in the highest degree advantageous to a great society are, however, of such a nature that the profits could never repay the expenses to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect." (Smith 1776/1976, Book V: 244).

[3] Privatisation gains in China are steadily increasing at an incredibly fast rate and already reached nearly 42 billion euros in 2007, for instance by selling companies like PetroChina (6,14 billion euros) or China Shenhua Energy (6,07 billion euros; cf. PB, p. 7).

[4] The Privatization Barometer provides handy internationally comparable data, however, in the case of Germany, they only consider privatisations on the municipal and regional level to an inadequate extent, and therefore systematically underestimate the number of privatisations.

municipal and regional level, and are relatively unimpeded in enforcing Public-Private-Partnerships as the new magical solution for privatisation, concentrating on the areas of health, education, and transport. Every third city is still planning further privatisations (Ernst & Young 2007). Even housing privatisations are still continuing: in June 2008, the government of North Rhine-Westphalia sold 93,000 flats to the US real estate fund Whitehall despite the protest with a citizen's referendum that collected 66.000 signatures. Whitehall now owns approximately 800,000 rented flats in Germany.

But, as I said before, public opinion is contradictory concerning privatisation: a majority believes that some areas as theatres and museums, public transport, and even employment offices could be privatised. Following Smith's reasoning, a public good is only an exception "in the general common sense" from the otherwise well-functioning market-lead (capitalist) production. Other areas are considered to be the core part of public ownership and control: an overwhelming majority of over 90% endorse the idea that justice, police and the fire brigade should remain in the hands of the state, together with financial administration, schools and universities as well as pension funds, [according to the Forsa opinion research institute].

3. Deprivatisation and Remunicipalisation – but how?

This contradictory public opinion is reflected also in politics. More and more often, waste disposal, water utilities, electricity supply or housing are being deprivatised or remunicipalised. Not only Paris, but even every tenth city in Germany is planning to reverse privatisations (cf. Ernst & Young 2007). Only a minority of 16% of the population still approve further privatisation of municipal property, and already 28% support the option of deprivatisation. Thus the myths of privatisation are hardly believed any more but the project of privatisation itself is still being continued – although in a modified way. This is also due to a lack of alternatives.

Moreover, remunicipalisation alone does not solve any problem, since this does not automatically mean an exit "from the microeconomic (or neoliberal) logic" of competitiveness, profit maximisation, and pure economic rationality (Holm 2008). Therefore, the 'public' must be considered more comprehensively: it has to guarantee the general conditions of reproduction for each single person within the meaning of a social right, this means to provide everybody and every region with low priced (or even free) high quality services, and at the same time to maintain high environmental and health standards, to create qualitatively good employment with standard wages, to secure investment in all important areas like the careeconomy (including cross subsidies) and to enable far-reaching democratic participation in the production and distribution of public services for all – including employees and consumers, also – in the end – to gain "control in association with others over" the relevant living conditions (Holzkamp 1987, p. 14).

Translation by Ann Stafford

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Author

Mario Candeias, Dr., is a political scientist and a consultant for criticism of capitalism at the Rosa Luxemburg Foundation, member of the ppg network www.who-owns-the-world.org. Mail: candeias@rosalux.de