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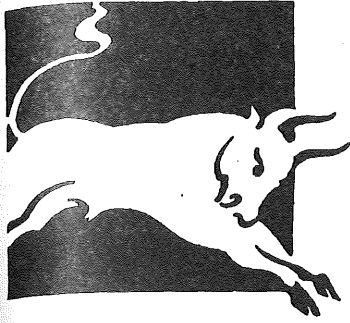
Wickham, G. (1990) *Damn the owner*. Australian Left Review (122). p. 9.

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CHINA SHOP

Damn the Owner

Privatisation is a giant red herring, argues Gary Wickham.

The Hawke government, like its Thatcher counterpart in Britain, seems convinced that good government in the late 20th century necessarily involves privatisation. This simplistic formula hides many problems, both from its advocates and its opponents.

In essence, privatisation means governments selling off state-owned enterprises or expressing a keenness to do so and portraying all instances of big, centralised government as bad. By 'bad' the proponents of privatisation mean 'inefficient' and 'overly regulatory'.

These proponents fail to see that the criteria of efficiency and the criteria for assessing necessary levels of regulation have a habit of changing, depending on where and when they're used. And quite reasonably so: for example, efficiency in motor car assembly and efficiency in dentistry can only be equated by ignoring the special conditions of each.

Advocates of privatisation have to face some basic facts of life in the late 20th century. Amazingly, their zeal seems to have kept from them the realisation that most people in most countries, but especially advanced Western countries, are much more concerned about things other than funding sources and ownership when considering services. Certainly people want the

highest possible quality delivered at the lowest possible price for services like telephones, electricity, running water, health and transport, which are now as much basic needs as food and shelter.

But in expecting high quality, people take into account many things other than price; things like safety and health are essential, even if they mean a higher price. And in taking these things into account people recognise the need for careful, sensible regulation.

Whether an airline is government-owned or privately owned is never going to be as important to people as whether the planes have a tendency to drop out of the sky. Careful regulation is obviously necessary here. Similarly with water supply - a privatisation campaign of much controversy in Britain. Who cares whether water authorities are publicly or privately owned? People care much more about the quality of the water provided. Again, careful regulation is obviously necessary.

There is a far greater awareness in the wider community of the complexities involved in providing large-scale services for huge populations with even a semblance of equity than the advocates of privatisation, lulled into stupid oversimplification by the fantasy of their objectives, are willing to acknowledge.

Because of this, people are much more loyal to reasonable attempts at providing such services than advocates of privatisation would like. For example, surveys continually show large majority support in Britain for the National Health Service (as is the case in Australia with Medicare). The surveys do reveal a widespread recognition of the weaknesses of the system (long waiting lists, for instance), but they also reveal a recognition that there is no feasible alternative.

The opponents of privatisation are usually as unaware of these basic facts of life as its advocates. While the above examples demonstrate many problems associated with arguments in favour of privatisation, we can also easily find examples which demonstrate problems associated with the maintenance of full public ownership of service-providing enterprises. Let's briefly consider welfare and education.

Again in these cases people frame their expectations about quality and cost in

line with other considerations, like those of compassion, fairness, the worth of skill, the cultural benefits of an education and other things to do with maintaining a 'good' quality of life.

While the welfare state and state-run education in Australia and Britain are reasonably popular and have much to recommend them, shouting the benefits of public ownership and funding does not alleviate the weaknesses they are widely seen to display. Pouring public money into them or strengthening public ownership arrangements will not, of themselves, solve problems like the lack of flexibility, bureaucratic insensitivity and the stifling of initiative.

As well, the opponents of privatisation delude themselves if they believe that there is a 'natural' majority of people in favour of public ownership and public funding. Very few people wake up each day comforted by the knowledge that Qantas or (most of) the Commonwealth Bank is safe in the hands of the government. Fortunately, most people are much more sceptical.

The various examples offered suggest that 'good' government is about debating what constitutes good services. It is not about simplistically equating good services with one side or the other of an argument about privatisation.

The truth is that debate about good services in most complex societies will very rarely reveal a compelling case either for or against privatisation. It is much more likely to reveal a good case for a mixture of public and private ownership and funding coupled with some careful regulation. Privatisation is a giant red herring.

Ensuring good services and ensuring wide debate about what constitutes good services were not easy tasks in Roman times. They are much more difficult now when the populations being managed are infinitely larger.

Perhaps the Hawke and Thatcher governments believe that the ritualistic chanting of 'privatisation' will help spirit away the danger of them falling from office in the way the Roman civilisation fell. Unfortunately, it also spirits away their responsibilities as governments of complex, large-scale, modern, democratic countries.

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