CHAPTER 4

The Privatization of Care

Betty Reid Mandell

*Selling Uncle Sam* is the title of a book on how to do just that, for entrepreneurs eager to make some money off of Uncle Sam.1 Sitting close to it on the library shelf is a book sponsored by the World Bank and the Fleming Bank, advising corporations worldwide on how to make money by privatizing their government’s various ventures.2 Both the World Bank and the Fleming Bank fund privatization ventures throughout the world. In their analysis of what has already been accomplished through privatization, they like most of what they see.

For the past three decades, businesses have been eager to take over every government function that shows promise of making a profit. Corporations are increasingly taking over basic services such as hospitals, prisons, crime prevention, sanitation, and even water. Libraries are starting to be privatized, while more city parks are operated by private services. Corporations are forming charter schools to compete with public schools, and vouchers are given to parents to allow them to pay for a private school. Over the same period, both neoliberals and neoconservatives have been trashing government while exalting the beauty of the free market, touting it as more efficient, productive, higher quality and cost effective than government because it is competitive. In contrast, government is described as monopolistic, bureaucratic, inefficient, and staffed with overpaid featherbedding functionaries. The solution, they say, is to farm government services out to private businesses.

“Privatization” implies an adversarial relationship between government and business. A more commonly used term now is “public-private partnerships,” which posits government and business as cooperative partners focusing on efficient management techniques. Stephen Linder suggests that the Labor government in Britain preferred to use the term “partnership” to distance themselves from the worst excesses of privatization under the Thatcher government.3

As capital searches for investment opportunities, privatization has become globalized, and no country is exempt from this. Chile was one of the first
developing countries to privatize, following the overthrow of Salvador Allende. The World Bank is fulsome in its praise of Chile’s “innovative” privatization of pension funds:

This move created a sizable and stable base of institutional investors for Chile’s equity market, allowing a number of large privatizations to be absorbed domestically. Pension funds acquired some 23 percent of the shares in divested state enterprises. Chile’s move toward private management of pensions has been emulated by other Latin American countries, including Argentina, Bolivia, Mexico, and Peru.4

The World Bank does not mention that since privatizing its pension funds, administrative costs in Chile ran to more than 15 percent of the funds, as compared to 0.8 percent for administrative costs of Social Security in the United States.5 Conservatives in the United States have been trying for years to privatize Social Security. It would be an enormous windfall for stockbrokers and a disaster for nearly everyone else.

Privatization in the United States

The U.S. government has been contracting out social services to private entities for a long time. Privatization in this country generally refers to expanding this practice, especially on the state and local levels. Government has also been privatized by withdrawing government funds from a service, as has been done with welfare, Medicare and Medicaid, the National Endowment for the Arts, and National Public Radio. When government funds are withdrawn, people are forced to pay for goods and services from private sources, or rely on private charity. This form of privatization is closely related to the conservative push for voluntarism and charitable choice. Vouchers are another form of privatization. Instead of building houses, the federal government gives Section 8 vouchers to families to subsidize their rent for private housing. Vouchers are sometimes used to allow customers to “shop around” for services such as providing training services under the Workforce Investment Act.6

One of the top priorities of privatization advocates is to break the back of unions, and especially the public unions, which have been gaining strength even as unions in the private sector decline. Closely related to this priority is their desire to lower wages for all workers. The relatively high wages for public workers at the lower end of the wage scale have been eroded by welfare reform, which has forced millions of welfare recipients into the low wage labor market and lowered wages for workers in the lowest third of the pay scale.

Corruption

Privatization often lends itself to corruption by both private and public officials. Since this is done in secret, it is hard for the public to find out about it.