

Common Error No. 41 [1]

Written by [Dr Madsen Pirie](#) [2] | Thursday 21 February 2008



41. "Privatization has given to a few hands industries and services which should belong to all of us."

The term 'public ownership' is a misnomer. The state sector may have the name of the public filled in on the dotted line, but the public do not own it in any meaningful sense of the word. All of the attributes of ownership, such as control, the right to determine what use is made of it and under what conditions, is determined by the bureaucracy in command of it. Far from being owned by the public, it is owned in effect by the people who administer it. The public actually has more influence, via its choices and purchasing decisions, on private sector businesses than it can ever have over state industries and services. In those cases its influence is diffuse and diluted through the political process.

Because the public has no choice over whether to pay for state services, or to choose what quality of service is appropriate for them, they have no power over them. In their absence it is the managers and workforce who increasingly direct the services to meet their needs and convenience instead of those of the public. The phenomenon, called 'producer capture' by economists, results in services which score low in customer satisfaction, and in the output achieved for the funds they receive.

When parts of the state sector are privatized, they are moved into that part of the economy over which people do have some control, and influence. It is the public sector which is in the hands of the few, and the private economy which is subject to the will of the many. And where state industries are privatized by widespread share issue, large numbers of the public do achieve some genuine measure of ownership, as opposed to the total myth which is what public ownership has always been.

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