3 The Curse of the Continuum

> The line of demarcation between the [public sector and the private sector] is constantly changing in accordance with the practical needs of the day. As to where precisely this line should be drawn, no great question of principle is involved.
>
> John Maynard Keynes (1981, p. 695)

In the previous chapter it was argued that the bourgeois public sphere which emerged with early forms of capitalism has become the dominant form of publicness in market-based economies today. While universal in name it is partial and limited in practice, creating a false sense of inclusivity and blurring the lines between collective interest and private gain.

This chapter outlines the ways in which this bourgeois public sphere has shaped thinking around "public services". Here too we see a world first, with notions of universality driving an unprecedented expansion of public services that are (theoretically) intended for all. Prior to this, the production and consumption of most goods and services were either restricted to the private household or distributed unequally through a formalized elite. With the emergence of a bourgeois public sphere we see the creation and extension of universal notions of collectivity.

But as with the bourgeois public sphere more generally, liberal conceptions of public services are inherently attenuated in practice; created and moulded largely in the interests of capital accumulation and essential to the growth of market economies. Gains in liberal public services have been considerable and widespread over the past 150 years – due in part to demands made by workers, women's organizations, racialized communities and other marginalized groups for a better distribution of economic surplus – but their primary function in a capitalist economy remains one of building and maintaining an adequately productive labour force and expanding mass consumption economies (Castells, 1978; Harvey, 1982, 2005).

The "public" label has played a critical role in legitimating this process, while at the same time obscuring their public-private distinction, muddying the meaning of what constitutes a public service and who produces

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them. The result is a liberal conception of public services which traps us on a public-private continuum in which private companies and state agencies are deemed equally capable of providing public goods. The effect has been a pendulum swing of public and private provision, depending on the material context of the time and place. The full theoretical expression of this rationale is be found in neoclassical notions of public goods from the 1950s (which I examine in the second half of this chapter), but its genesis dates to Adam Smith.

The pendulum effect of this theory is evident in "four moments" of liberal publicness, each outlined briefly below. I begin with the "invention" of public services in the 18th century, moving to the municipalization era from the mid-1800s, the Keynesian scaling-up period from the 1930s, and, finally, neoliberal forms of public-private partnerships and New Public Management from the 1980s. Each period highlights how "public services" have been used to facilitate private accumulation, how capital has responded to growing demands for inclusivity, how shifting back and forth distorts the public-private divide and how capital has increasingly captured decision-making authority on public services while at the same time seeking to expand a false allegory of inclusion. Similar practical and theoretical tensions continue to complicate contemporary debates about a post-neoliberal vision of public services and a "reclaiming" of public services. Hence, the reference to a "curse of the continuum" in the title of this chapter.

Adam Smith and the "invention of Public Services"

The theoretical foundations for liberal notions of public services in a market economy remain largely unchanged since Adam Smith made a (qualified) case for "public works" in Wealth of Nations in 1776 (1909). The introduction of public services was one of the earliest and most concrete expressions of a bourgeois public sphere, coming much earlier than moves to expand suffrage, institute collective bargaining or introduce welfare. Public services were also one of the few universal demands made by the early bourgeoisie, with water and primary education, for example, being intended for everyone in a geographical community, not just a property-owning elite. These services were never equal in quality or quantity – and the "barbarous natives" of the colonies were always excluded (Smith, 1909, p. 478) – but this period witnessed the first organized attempt to formalize public services on a large scale that were nominally intended for all.

The rational for these demands was that certain goods and services were critical to the reproduction of an adequate labour force and the expansion of consumer markets, with Smith (1909, p. 474) highlighting the importance of social and physical infrastructure for "facilitating the general commerce of society". Although the scope of such Smithian public services were restricted to a small number of sectors ("good roads, bridges, navigable canals, harbours", "water", and "education of the youth") their importance to the economy as a whole "is evident without any proof" (Smith, 1909, pp. 473–4).

From their inception, however, many of these "public" services were deemed best provided by the "private" sector. Where costs could be clearly apportioned and easily collected, Smith argued that it was best left to individual capitalists to take the risks and reap the rewards. If they failed, another private company could fill the gap, and market competition would keep everything in check. Using the example of a privately-owned but publicly used toll canal, Smith (1909, p. 476) argued that

> private interest obliges them to keep up the canal. If it is not kept in tolerable order, the navigation necessarily ceases altogether, and along with it the whole profit which they can make by the tolls. If those tolls were put under the management of commissioners [i.e. the state], who had themselves no interest in them, they might be less attentive to the maintenance of the works which produced them.

Smith also argued that public services should, for the most part, pay for themselves:

> It does not seem necessary that the expence of those public works should be defrayed from that public revenue, as it is commonly called, of which the collection and application are in most countries assigned to the executive power. The greater part of such public works may easily be so managed, as to afford a particular revenue sufficient for defraying their own expence, without bringing any burden upon the general revenue of the society.

In some cases, public services may even generate revenue for the state:

> The coinage, another institution for facilitating commerce, in many countries, not only defrays its own expence, but affords a small revenue or seignorage to the sovereign. The post-office, another institution for the same purpose, over and above defraying its own expence, affords in almost all countries a very considerable revenue to the sovereign.
>
> (Smith, 1909, pp. 475–6)

In other cases, however, direct state involvement was deemed necessary. When project costs are too high for any individual firm, for example, state subsidies may be necessary, or "joint stock companies" may be created (early forms of public-private partnerships), such as for "supplying a great city with water" (Smith, 1909, p. 484). Where costs could not be easily proportioned, or user fees not easily collected, it may be best left to (decentralized) public ownership:

> those public works which are of such a nature that they cannot afford any revenue for maintaining themselves, but of which the conveniency is nearly confined to some particular place or district, are always better maintained by a local or provincial revenue, under the management of a local and provincial administration, than by the general revenue of the state.

In these cases, costs "should be defrayed by the general contribution of the whole society, all the different members contributing, as nearly as possible, in proportion to their respective abilities" (Smith, 1909, p. 477, 487).

Here we see the foundational principles of all liberal notions of public services to come: goods and amenities deemed necessary for "facilitating the general commerce of society", with private companies capable of offering the best choice for consumers (with some limited state intervention to keep private self-interest in check). And so it was to stay for much of the 18th and 19th centuries in the early stages of capitalist expansion, with private or joint stock companies controlling most of the infrastructure we think of today as public services. The rapid industrialization of European and North American cities accelerated this growth in private firms providing services for the productive and consumptive needs of a growing working and middle class. Water, gas, transportation, waste management, healthcare and electricity services were among the networked amenities developed at that time, provided almost universally by private companies (Emmons, 1991; Melosi, 2000; Warner, 1987).

Where economies of scale and capital intensity mattered (e.g. water and electricity) there tended to be larger (and increasingly oligopolistic) players, with some of the largest private utility companies still in operation today owing their existence to this period (e.g. Suez, United Water, General Electric) (Granovetter & McGuire, 1998; Lorrain, 2005). More localized services such as waste removal were typically managed by small, sometimes informal, private providers, although consolidations quickly became the norm in these sectors as well (Melosi, 2005; Rosen, 2015).

It was not until the inherent inefficiencies of fractured private competition became evident in "natural monopoly" services – along with growing bourgeois fears of contagion when privately-owned services began to threaten the lives and welfare of a wealthy elite – that calls for state ownership, and more control over service decision making on the part of capital more broadly, ushered in the next phase of liberal notions of public services; the first of many along a public-private continuum.

The Municipalization Era (1850s–1920s)

The laissez-faire approach to public service development began to change in the mid- to late-1800s with a push to municipalize facilities – i.e. local governments taking ownership and control of services. This trend spread throughout Europe and North America and carried into the 1930s (Booth, 1985; Crofts, 1895; Kellett, 1978). The overarching rationale for municipalization was that service provision by multiple providers was illogical and wasteful, particularly with 'natural monopolies' such as water, gas and electricity for which it made little economic or regulatory sense to have duplicated personnel and infrastructure.

Health concerns such as cholera outbreaks added to the pressure. In Britain, parliament passed a series of public health measures as early as 1848 mandating local authorities to act. Sanitary reformers had exposed the gross inadequacies of a non-interventionist approach that had allowed nine companies in London to partition the water supply among themselves in what became a "nine-headed monopoly" (Lewis, 1952, p. 57). It proved impossible to regulate them all, and none of these firms was clearly tasked with supplying water for other critical municipal purposes, such as firefighting.

Similar concerns were raised with capital-intensive services such as transportation, gas and electricity, but the municipalization movement came to encompass an extraordinary range of public services. England alone had public enterprises numbering in the hundreds, including slaughterhouses, cemeteries, crematoria, libraries, refuse and sewage disposal services, a printing plant, a sterilized milk depot and a wool conditioning house. Leisure activities were also commonly provided for by local government and included aquariums, boys' clubs, parks, public baths, racecourses and theatres (Leopold & McDonald, 2012).

This state-owned enthusiasm nevertheless hid competing and often inconsistent ideological motivations for municipal takeover. On the left, some advocates of "municipal socialism" advanced a strong anti-capitalist sentiment – even in the United States where, at the peak of the Socialist Party in the early 1900s, "about 1200 party members held public office in 340 cities, including 79 mayors in cities such as Milwaukee, Buffalo, Minneapolis, Reading, and Schenectady" (Dreier, 2013, np, see also Fechner, 1929; Graicer, 1989). This brand of municipalization ridiculed the "robber barons" of the day, with explicit commitments to "fairness" and "universal access" based on "widespread anti-monopoly sentiment" that "flowed easily into calls for public production and distribution of basic goods and service" (Radford, 2003, p. 870). As Dreier (2013, np) notes of this time: "Progressive reformers fought alongside radical socialists to champion child labor laws, women's suffrage, and the establishment of public hospitals and clinics while leashing the power of landlords, banks, railroads, and utility companies" (see also Nord 1982; Radford, 2003).

Just how "socialist" this movement was disputed, however. Many critics saw these initiatives as too compromised – practically and ideologically – to create real social and economic change, with no less a detractor than Vladimir Lenin (1907, np) declaring the municipalization trend to be incapable of bringing about larger socialist transformation. These far-left critics disdained the gradualist municipal politics of the Fabians, rejecting the parliamentary road to socialism that they said gas-and-water enterprises represented. "The bourgeois intelligentsia", argued Lenin,

> elevate municipal socialism to a special 'trend' precisely because it dreams of social peace, of class conciliation, and seeks to divert public attention away from the fundamental questions of the economic system as a whole, and of the state structure as a whole, to minor questions of local self-government.

To the right were pro-market liberals who argued for municipalization on efficiency grounds, in part to combat the municipal socialist movement. John Stuart Mill, for example, took up the cause of water reform in Britain, criticizing the wastefulness of balkanized private supply. In 1851, he thought it obvious that great savings in labour "would be obtained if London were supplied by a single gas or water company instead of the existing plurality …. Were there only one establishment, it could make lower charges, consistently with obtaining the rate of profit now realised" (Mill, 1851, p. 88). It was an error, he argued, to believe that competition among utility companies kept prices down. Collusion was the inevitable result, not cheaper rates. Nor was water the only service that would be most efficiently provided by a single supplier. Mill also pointed out the benefits of centralization in "the making of roads and bridges, the paving, lighting, and cleansing of streets".

Similar arguments were made in the United States, where the commitment to municipal services was more a response to the corruption and ineffectiveness of private companies than any ideological strategy. There were also Republicans who ran and served as reform mayors (Radford, 2003). These pro-market municipalizers were exemplified by the "goo goos" (short for "good government") of Chicago in the early 1900s, whose

> chief interest was to introduce honesty and business-like efficiency into city government. Believers in individualism, the Protestant work ethic, and private enterprise, they strove for a municipal authority that, once cleansed of corruption, would be smaller in size and function and would guarantee lower taxes and enforcement of public order and private morality.
>
> (Morten, 2002, p. 28, see also Merriner, 2004)

It can be argued that the outcome (if not always the intent) of this initial wave of municipalization was to (re)invigorate capital accumulation, not to challenge it – a form of state capitalism that was to be a precursor to a more highly theorized, scaled-up and explicitly anti-socialist Keynesian project from the 1930s. Recognizing the inefficiencies and health dangers of fragmented private supply systems, policy makers and certain factions of capital saw municipalization as the most immediate and effective way to prevent market decay and enhance market opportunities. As MacKillop (2005, p. 26) notes in the case of early water infrastructure in Los Angeles, "public investments furthered private interests on a grand scale," as land developers pushed for public service extension to open new frontiers of accumulation. Capitalists allowed municipal socialism to develop and thrive, but only insofar as it suited their needs:

> Nobody wanted this [municipalization] venture to be too ideological or harmful to private enterprise …. The idea was to make the municipal water service work efficiently, to ensure the city's 'greatness', and without harm to the city's financial situation. As long as this didn't prevent the oligarchy from making money, they didn't object.

The colonial experience with municipalization, it should be noted, was very different. British administrative councils in Southern Africa, for example, had no pretence of serving the public as a whole. The municipalization of the water supply in Johannesburg in 1905 was prompted as much by the water requirements of the mines as by those of (white) city residents. And Johannesburg chose to run its water service at a profit rather than lowering the price to encourage consumption among poorer, black inhabitants (Maud, 1938, p. 130). Moreover, public health crises were often used by colonial authorities to justify the mass removals of non-Europeans from central city locations rather than expand public service provision. In what has been dubbed "the sanitation syndrome", white municipal administrations throughout Africa blamed epidemics on urban Africans and used this argument to rationalize the destruction of their housing and the creation of segregated cities, even though the rhetoric was one of municipalization for improved public services 'for all' (Swanson, 1977, pp. 338–9).

Scaling Up in the Keynesian Era (1930s–1970s)

Starting in the 1930s, and escalating rapidly in the 1940s, we see a winding down of the municipalization movement (particularly for "non-essential" services such as restaurants and theatres) and a scaling up of larger, networked state services to the national and regional level (Millward, 1997; Morton, 2002). Much of the latter took place in sectors where new technologies and modes of governance made large, networked services possible, such as with electricity and healthcare. Water provision, by contrast, stayed largely at the municipal level due to transportation costs, although policy and regulation were partly scaled up.

This nationalization trend was part of a larger paradigm shift in Western market economies at the time, with expanded public services seen as an essential part of a nationally coordinated stimulus package for production and consumption to recover from economic downswings (Keynesianism and the welfare state), and for building national competitive advantage (Fordism) (Harvey, 1982; Jessop, 1982). Combined with the growing authority and capacity of central states – driven in part by the demands of big business for centralized bargaining – the rationale of service efficiency and strategic planning that drove municipalization was now being employed in the nationalization agenda, to "ensure that the commanding heights of the economy remained in public hands and was subject to government directions" (Aharoni, 2013, p. 165).

The shift from municipal to national state ownership was particularly dramatic in Britain. In the early 1940s roughly 30% of local government income was generated by locally owned public services. Three decades later this had been whittled down to less than 2% (Sheldrake, 1989, p. 18). In the electricity sector, 65% of British local authorities supplied their own power, but these were nationalized at the stroke of a pen when more than 600 power producers were rolled into a single national authority by the Electricity Act of 1947 (Cheshire, 2013). By the 1960s, national-level public expenditures accounted for approximately 60% of gross national product, and a fifth of all goods and services were under national public ownership (Aharoni, 2013, p. 162).

Meanwhile, ostensibly non-essential services such as markets and municipal restaurants disappeared altogether, often vilified for creating unfair competition and stifling entrepreneurship, leaving the field open to private enterprise. In effect, the emergence of national welfare states took the wind out of municipal public service sails, advancing capital accumulation on an increasingly national/global scale while squashing the potential for more radical redistributive initiatives locally.

By the 1970s this nationalization project was hegemonic. The scale and pace of nationalization differed from place to place – as did the character of state welfare spending (Esping-Andersen, 1990) – but the trend towards national public ownership of key services was widespread throughout Western market economies.

The trend was pervasive in newly independent post-colonial states as well. Those not allied to the Soviet bloc invariably introduced some form of welfare service provision via new state-owned enterprises, or nationalized private entities left over from the colonial era, with the aim of accelerating development objectives that the market on its own would not be able to satisfy (with the simultaneous aim of creating a domestic capitalist class) (Sanyal, 2014; Sender & Smith, 2013).

The range and quality of these public services varied dramatically, depending on state capacity, colonial legacies and ideological makeups. Some regions – notably Latin America – initiated the state enterprise project earlier and more enthusiastically, while others – notably Sub-Saharan Africa – suffered from massive skills and infrastructure deficits that made large-scale public service delivery projects difficult (Bernier et al., 2020; Grosh & Mukandala, 1994; Saulniers, 1985). In virtually all cases, however, public services catered largely to an urban elite, lacking the accumulation incentives to extend state resources to an under-employed and under-consuming mass. As a result, state-owned public services, whether local or national, seldom resulted in universal or equitable provision, although the official justification for state ownership was to make services available to all. Post-colonial goals of "modernization" also played into the agenda. For example,

> much of the public health literature of the time was dedicated to the discursive depiction of 'private', 'domestic', and 'traditional' water use practices as 'backward' (e.g. the use of open canals for bathing), as opposed to the public, modern forms of government-supplied drinking water treatment and supply through large-scale 'reticulated' infrastructure networks.
>
> (Bakker, 2013b, p. 285)

Public services were also used to (re)build a nationalist ethic in many cases. As Marois and Güngen (2016) note of the late 19th and early 20th century formation of public banks in Turkey, including the Municipalities Bank in 1933 (Belediyeler Bank), government efforts were driven largely with the intent of creating a working class in support of national industrialization, mobilizing (local) public capital in the name of (national) private accumulation.

Neoliberal Publics (from the 1980s)

By the 1970s, a simmering backlash against state ownership broke out of its academic confines and into the public realm with the election (and imposition) of neoliberal governments around the world, beginning with Chile and the UK, with the pendulum of public service provision swinging back to the private sector (Haskel & Szymanski, 1993; Parker, 1999; Vickers & Yarrow, 1991). Blocs of capital that had once called for state intervention were now howling for its removal, demanding the right to own or manage virtually any public service on offer (see, for example, Zaifer, 2020).

Neoliberals argued that state ownership of key services had outlived their usefulness and had become a drag on, rather than a stimulant for, economic growth. Lacking financial incentives to perform efficiently or respond to user demands, state employees were deemed to have become sclerotic and unaccountable, creating distant, unimaginative services that were out of touch with local populations, unable to respond to the needs of a dynamic private sector in a rapidly changing and highly competitive global market economy (Biersteker, 1990; Lieberman, 1993; Williamson, 1990).

(Re)privatizing public services was seen to offer better responsiveness to market demands and improved accountability, by dint of transparent contracts that revealed the "true" costs and benefits of service delivery. The goal was a more efficient use of resources, lower service costs for end users, better choice for consumers, improved awareness of different service needs and more rapid economic growth by facilitating the expansion of infrastructure required for a mass consumption society. Privatization was also seen to be "pro-poor", insofar it is ensured cost recovery for sustainable provision and expansion of services to low-income areas by entrepreneurs targeting appropriate affordability levels. This was not a promise of immediate parity, but one of incremental progress that would ignite a virtuous cycle of public growth through the creation of private sector jobs without over-taxing an economy's potential for development (Komives, 2001; Komives et al., 2005; World Bank, 2002, 2003).

The 1980s and 1990s also witnessed the (re)introduction of private sector operating principles into the public sector, further distorting the lines between public and private service provision. New Public Management (NPM) is effectively an updated version of the entrepreneurial models of government first articulated by the "goo goos" in the 19th century, requiring the creation of stand-alone, state-owned service corporations which operate much like for-profit private firms. These corporatized entities are managed by the state but function at arm's length from government, with varying forms of legal status and autonomy. Water and electricity utilities are common examples, but the practice extends to a much wider range of goods and services, including airports, child care, public banks, universities, forests, hospitals, transport and manufacturing (Aivazian et al., 2005; Bilodeau et al., 2007; Fink, 2008; Marois, 2012; Meyer, 2002; Nelson & Nikolakis, 2012; Oum et al., 2006; Preker & Harding, 2003; Sumsion, 2006; Zatti, 2012).

Here we see public provision in name but private operating principles in practice, with many corporatized entities employing market tools such as pricing signals and market-based interest rates as primary factors in their decision making. Corporatized managers are frequently remunerated based on the "surplus" of their public agency, and investment decisions are guided by their potential financial returns. As Gilbert (2013, p. 9) notes, NPM (and its variants over time) is a "programme of deliberate intervention by government to encourage particular types of entrepreneurial, competitive and commercial behaviour in its citizens, ultimately arguing for the management of populations with the aim of cultivating a type of individualistic, competitive, acquisitive and entrepreneurial behavior". The result has been a further "broadening and blurring of the 'frontier' between the public and private sectors" and a "shift in value priorities away from universalism, equity, security and resilience towards efficiency and individualism" (Pollitt, 2003, p. 474). Not all corporatizations are designed to be neoliberal, but there has been a dramatic increase in the neoliberalization of corporatized entities in market economies over the past three decades (Baron, 2014; Bennasr & Verdeil, 2014; Chavez, 2014; Furlong, 2013; McDonald, 2016b; Padfield et al., 2016; Smith, 2004).

Corporatization has been popular with the private sector because it also opens up new possibilities for direct market penetration (such as contracting out and voucher systems (Lobina & Hall, 2014; Saltman, 2000; Warner & Gradus, 2011)) and can force public agencies to compete with private companies for their own public service contracts (Fang & Hill, 2003; Joskow, 1996; Osborne & Hutchinson, 2006). In some cases, corporatization is a mere segue to future privatization, instilling market-oriented management cultures and profitable bottom lines to prepare public services for private buyers. Indeed, corporatization is often seen as a necessary prerequisite for privatization in order to compartmentalize the actual costs and revenues of a stand-alone public agency, to instil a business culture in management, and to allow potential buyers to properly assess their potential for profitability while minimizing potential tensions with new private owners (McDonald, 2016b).

Corporatized utilities have become increasingly international in their operations as well (Chavez & Torres, 2014; Clifton et al., 2007; Furlong, 2015). In some cases, they celebrate their "public" status at home while aggressively seeking for-profit "private" contracts outside their jurisdictions. Rand Water and Eskom (electricity) in South Africa are illustrative of this trend. While declaring their role as public providers in a post-apartheid era they have taken up private sector contracts elsewhere on the continent, where they behave like (and are perceived as) private, profit-seeking multinational corporations (Gentle, 2009; van Rooyen & Hall, 2007). Publicly-owned water and electricity operators in Sweden and Canada have operated on a similar basis, advocating public delivery at home but acting like private companies abroad (Engler, 2016; Högselius, 2009). Little wonder that some critics see neoliberal corporatization as the proverbial wolf in sheep's clothing, offering a façade of public ownership while propagating market ideologies. Neoliberal corporatization may be public in name, but not necessarily in character.

Two additional concerns with the neoliberal corporatization model are worth highlighting here. The first is its inherently blinkered model of management. By their very nature corporatized agencies are compartmentalized into silos, making it difficult to coordinate management and finance across units, potentially undermining synergistic planning and economies of scale (Whincop, 2003). Neoliberal corporatization can make this myopia worse, emphasizing a (ringfenced) financial bottom line and promoting monetized forms of performance evaluation, even if these goals come at a cost to their sister units or to the larger public good. Under such conditions cross-subsidization can become difficult, if not impossible. Where incomes from revenue-generating services such as electricity might support non-revenue generating services such as libraries, managers are often disinclined (and disincentivized) to harm their financial situation by sharing resources. At the same time, elected officials may have lost their authority to demand inter-unit transfers (Nor-Aziah & Scapens, 2007; Pollitt, 2006; Pollitt & Talbot, 2004).

The result can be a focus on (full) cost recovery by managers within stand-alone agencies, on the assumption that they are unlikely to receive subsidies from other units or levels of government. This is an understandable decision by managers hoping to protect the financial sustainability of their public utility, but too much emphasis on recouping costs within a stand-alone public agency can create affordability problems for the poor, with cut-offs in services such as water and electricity potentially undermining public goods such as health and education (Bond & Dugard, 2008; McDonald & Pape, 2002). Monetized incentives can also serve to undermine personal interactions within government, eroding the kinds of "high-trust relationships" that "lower transaction costs within the public sector and make it more efficient than it would be if each action had to be negotiated and costed on a low-trust basis" (Hood, 1995, p. 94). The constant threat of privatization, or having to compete for one's own contracts, makes the sharing of information within and across corporatized utilities less likely, instilling a heightened sense of privacy and secrecy as information on costs becomes commercially confidential.

The second concern is that corporatization can accelerate and intensify the (at least partial) commodification of public services. Thus, services such as water, with its qualitatively different use values (e.g. religious practice, aesthetic beauty, recreational enjoyment, physiological necessity) becomes a more homogenized commodity in the marketized exchange process of corporatization (Bakker, 2003; Bond, 2010; Swyngedouw, 2005). Service users are increasingly seen (and come to see themselves) as "customers" instead of "citizens", with public amenities perceived more like private commodities to be bought on the market, dissociated from broader public goods and concealing the complex social and labour arrangements behind their exchange price (Clarke et al., 2007). This commodification process allows public utility managers to argue that the only way to truly "appreciate" a service is to pay for it (ideally at full market cost), side-lining or eradicating non-commodified valuations that may also be associated with a public good (Williams & Windebank, 2003).

Neoliberal conceptions of public have

> increasingly blurred [the] division between public and private provision functions, mask[ing] the fact that a good deal of public money is now used not directly, to help the most needy, but indirectly to subsidise market-provision for the not-quite-so-needy …. [This] blurring of public and private consumption tends to widen the gap between seduced and repressed, whilst simultaneously concealing the division it supports and accentuates in the process.
>
> (Clarke & Bradford, 1998, p. 378)

The Neoclassical Trap

Contemporary theoretical foundations for this exchangeability of public and private can be found in neoclassical economics. Mainstream economists have long argued that the only difference between public goods and private goods are their market characteristics, and that with the right form of state intervention any good or service can be delivered by the private sector (Holcombe, 1997). As Kaul and Conceição (2006, p. 9) note in their summation of the public/private decision-making process: "What makes a good or service public or private is its consumption properties" (see also Stiglitz, 2006).

In neoclassical theory, private goods are distinguished by the fact that they are "excludable" and "rivalrous", which means that the seller of a product knows exactly who is buying it and how much revenue they will receive from it (see Figure 3.1) (Samuelson, 1954). Clothing is a good example. If you buy a shirt from a store the owner of that shop knows who to collect the money from. If someone else wants the same shirt they will have to buy a different one for themselves. Under these conditions producers of private goods and services have confidence in the potential to make a profit, allowing them to argue that goods and services such as these are best provided by the private sector because individual business owners will be motivated to respond quickly and efficiently to specific consumer preferences.

Public goods, by contrast, are those deemed "non-excludable" and "non-rival", because it is difficult/impossible to deny access to an individual that wants to consume them and because one person's consumption does not take away from another person's enjoyment of that good or service. Street lighting is a good example. My use of a streetlight does not deny other people the ability to use that light at the same time. Nor does it reduce the

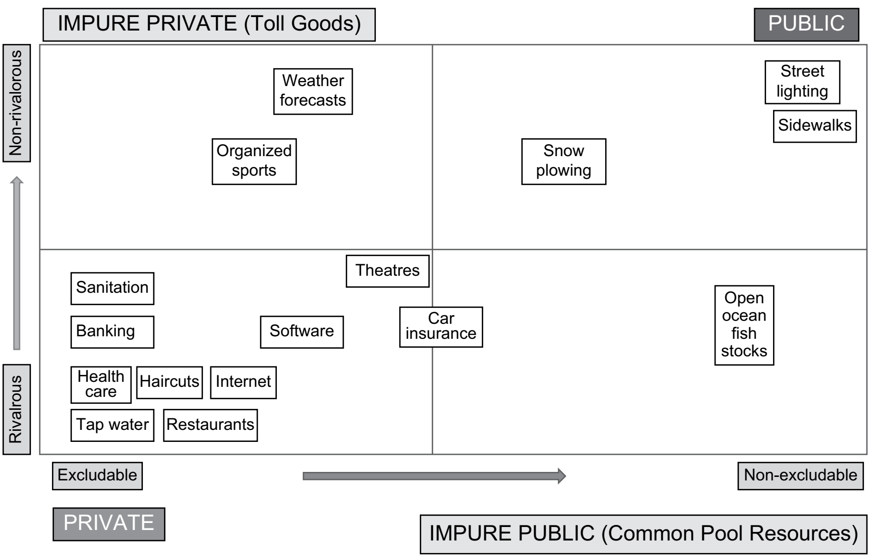

Figure 3.1 Neoclassical Model for Defining Public and Private Services

Source: Compiled by author

amount of light available. In these cases there is no incentive for a profit-seeking private firm to be responsible for the ownership and sale of street lighting because they have no way of tracking who uses it and they cannot easily determine how much to charge each person for the amount of light they have consumed (although the development of new biometric tracking devices could push services such as this into the private consumptive category (Sanders, 2017; Till, 2019)), and many street lighting systems were originally privately owned and operated in relatively wealthy neighbourhoods before being municipalized a century ago (Radford, 2003).

Neoclassical economists refer to these public goods as a form of "market failure"; not because capitalism is prone to failure, but because these types of public goods will not be produced in sufficient volume or quality by private firms if there is no potential for realizable profits (Cowen, 1992). They argue that it would be irrational (even immoral) for a private company to provide such public goods and services at a loss, putting themselves and their employees at risk while at the same time providing inadequate supplies of essential services required by the public as a whole, dragging down the entire economy. Hence the need for state intervention as a rational market response.

There are also "impure" public and private goods which are prone to market failure. Impure public goods are those that are non-excludable but rivalrous (e.g. open-ocean fish stocks, where anyone can catch fish but each boat reduces the number of fish available to others). Impure private goods are those that are excludable but non-rivalrous (e.g. movie theatres, where only those who pay can see the film but one person's enjoyment of the movie does not reduce the enjoyment of others in the theatre). Private sector provision of these goods and services are also prone to "failure" to varying degrees because market signals are never complete and not all revenues can be predictably captured, resulting in over- or under-production and an inefficient allocation and use of resources.

The neoclassical response to all of these different types of market failures is "collective societal action", either in the form of direct state provision or via state subsidies to a private company to ensure adequate private production of the good or service in question. Importantly, this is a purely technical matter for neoclassical economists. It is not an ethical choice. Decisions about public versus private delivery of impure goods are informed by "objective" market characteristics and the most effective way to address them. There are heated debates in neoclassical economics about the extent and form of state intervention based on factors such as informational and institutional asymmetries, but these arguments are determined by local market contexts and the specific nature of market distortions (Sheshinski & López-Calva, 2003; Stiglitz, 2004).

The eventual form of government intervention – either direct state provision or subsidization of a private company – is determined by economic calculations around optimal utility outcomes in any given situation.

As the Keynes (1981, p. 695, italics added) quote at the opening of this chapter makes clear about liberal economic policy: "The line of demarcation between the [public sector and the private sector] is constantly changing in accordance with the practical needs of the day. As to where precisely this line should be drawn, *no great question of principle is involved*". Determining what these "practical needs" are can be contested – and forms the basis of much of the debate over public/private service provision within liberal circles – but the notion that the private sector is capable of satisfying an adequate provision of public goods given the right conditions is never in theoretical doubt.

There are two important conceptual lessons to be drawn from this analysis. The first is that the overwhelming majority of goods and services in the world today can be considered "private" in neoclassical terms, with relatively few falling into the "purely public" category. Many readers may be surprised, for example, to see tap water listed as a purely private good in Figure 3.1. This is because tap water to individual homes is largely excludable and rivalrous – i.e. only those with permission to access it can consume it, usage can be tracked, revenues collected and one person's consumption reduces the amount available to others – a point that some mainstream economists themselves forget at times, allowing the politics of water provision to discolour their otherwise dispassionate neoclassical framework (Prasad, 2006; Worstall, 2016).

The second conceptual insight is that there is virtually no "public" service that cannot be privatized or commercialized in some way (Shleifer, 1998). As a former Chief of Public Sector Management and Private Sector Development at the World Bank once quipped: "There are virtually no limits on what can be privatized" (Shirley 1991, S25). The only constraint, according to neoclassical theory, is the capacity of a state to oversee private sector interventions, and whether there is a sufficiently robust and competitive market for private providers. As Kaul and Conceição (2006, p. 9) argue:

> If regulated and monitored well, and perhaps if subsidized to some extent, public goods and services can be produced by markets while still retaining their public consumption properties. While public support will have to be greater for goods or services destined to serve the poor, even poverty reduction programs can be implemented through public-private partnering and incentive schemes that allow private actors to take the extra step of adjusting their behavior to generate social (public) benefits as well as adequate private returns.

Armed with this logic, neoclassical economists can argue that decisions around public versus private service delivery are purely pragmatic, and that they lie along a seamless public/private spectrum. Market asymmetries require that policy makers think carefully about the type of public or private provision, and the balance between state and private services, but the underlying neoclassical assumptions around the interchangeability of public and private service providers remains essentially unchanged from the 1950s.

Conclusion

Herein lies the "curse of the continuum". In liberal ideology, what appears on the surface to be two fundamentally different concepts – public services and private services – are in fact two inter-related points on the same marketized scale. When conditions are right, private capital is deemed capable of producing and selling virtually any good and service imaginable, with varying degrees of state oversight and subsidization. But at times of general economic crisis, or when effective local market conditions do not exist (e.g. a lack of state capacity to regulate or the lack of effective private sector competition for bidding on contracts), neoclassical economists can call on heightened state involvement in the ownership and/or delivery of key services to help weather the storm. Whether public or private, the objective is to maintain the flow of essential services in the interests of capital accumulation, with the long-term aim of expanding the commodification process. As von Weizsäcker et al. note (2005, 3), what matters is "striking a good balance".

This is not to say that publicly owned and publicly financed services do not result in significantly different outcomes than private ones in market economies. Periods of heightened public ownership and control have, in many instances resulted in more expansive and equitable service delivery than in more private-oriented eras. Welfare experiments of the mid-20th century, for example, provided dramatic increases in quality of life for hundreds of millions of people around the world, including increased democratization of public service decision making in many countries. These are hugely important political and material gains.

However, these advances are necessarily limited by the demands of private capital and constantly prone to reversal by capitalist forces trying to reign in expenses. Expanded public ownership of public services can have positive effects on our social, political and economic lives, but we cannot lose sight of the inherent limits and constraints that private capital has placed on these developments, even in moments of dramatic expansion in public spending, such as those associated with the Covid-19 pandemic (Hermann, 2021b).

This theoretical argument needs to be a significant part of the debates about the future of public services. Local and national governments have begun to experiment with new forms of public control after failed experiences with privatization, spawning fresh deliberations about the aims and objectives of making services "public" once again (Hall et al., 2013; Kishimoto et al., 2020; McDonald, 2016a). Many towns and cities will also be making decisions about whether or not to renew service contracts with private operators, offering a once-in-a-generation opportunity to (re)build local and international public service networks, potentially in a different mould than the past (of which much more will be said in the second half of this book).

In doing so we must ask ourselves what kind of "public" is being fought for and how extensive the changes are that we want to make. One risk is to revert to neoliberal forms of corporatization, with public services run as stand-alone business units with cost recovery as their primary mandate. A second, more confounding challenge will be how to respond to demands for social democratic reforms. In many such cases proponents are clear about their rejection of commercialized forms of public service, but they are not always explicit about how reclaimed public services fit within a broader capitalist system, and find themselves having to negotiate with entrenched mainstream politicians. Such ideologically-diverse coalitions are unavoidable in many cases, and require strategic trade-offs, but they also run the risk of diluting original ambitions. In Uruguay, for example, where water was re-nationalized in the early 2000s, many of the social democratic movements that pushed for this reform have since been "subsumed under the left government's political project, which prioritizes international trade and continues the corporatist tradition of the Uruguayan state, thus limiting the scope of reform and restricting participation by civil society and the water sector trade union" (Terhorst et al., 2013, pp. 60–1). A (narrow) victory in national elections in 2019 by the right-wing National Party are likely to erode those gains further (Chavez, 2019; Chavez et al., 2020), with "outsourcing key areas and covert privatization processes" serving to submit water services to a complex combination of "state logic and a privatization logic, where public oversight and community participation are mentioned by some government authorities but excluded in practice" (Santos, 2021).

This is not to say that social democratic and community-led reforms cannot make a significant difference in people's lives or should not be pursued. It is exactly these kinds of public service reforms that I highlight in Chapter 5 to illustrate how even modest demands can significantly improve people's lives by expanding access to essential public services, raising awareness of environmental sustainability, incorporating public opinion into decision making and so on. These incremental changes can be used to leverage larger ones, helping to construct new imaginaries of public services and how they might be operationalized in the future.

Nevertheless, the limits of social democratic and community level reform remain, à la Lenin's (1907, np) aforementioned critique of municipal socialism as one of "class conciliation [that] seeks to divert public attention away from the fundamental questions of the economic system as a whole." With this in mind, it is important that discussions around the tensions and contradictions of capitalist forms of public service provision remain at the heart of any fight for a more progressive public service future. Mere recognition of these tensions will not resolve the problem. An effective pro-public movement needs to be frank and explicit about how it intends to engage with the inherent limitations of our bourgeois public sphere. Making services "public" will not, in and of itself, overcome these challenges. Public ownership can actually reinforce the problem if we are not careful, justifying the liberal circularity of a public-private continuum and (unwittingly) feeding into a perpetual cycle of commodification.

What is required for more radical change? I will argue in the remainder of this book that there are four fundamental pillars of thought and action. The first is a new and expanded non-marketized definition of what constitutes public and public services (and how and where it engages with "private"). The second is a critical discussion of what role state and non-state actors play in the delivery of non-marketized public services. The third is the need to develop new ways of defining and measuring the success of a public service that do not reproduce the commoditized norms of today, while at the same time allowing for localized interpretations of what constitutes good practice. And finally, there is a need for uncomfortable discussions about the challenges of developing a more radical pro-public international movement that address the inevitable tensions and disagreements around publicness in a capitalist world, while still accommodating a heterogeneous set of views that can support and encourage different pro-public positions.