Study explores resistance to 'marketisation' [1]

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Marketisation is supposedly the only game in town. Putting a price on everything enables competition that makes money for business and improves standards and value for the public. Good news all round.

Except it isn't quite. For although marketisation works well in so many areas of life, there are a number of sectors where it consistently fails. Education, childcare and health have all resisted successful marketisation – but why? Is it simply that we can't put a price on public good? Or, in the case of childcare, love?

"It is a factor," says Professor Shaz Ansari, Professor of Strategy and Innovation. "Public uptake ultimately drives whether marketisation is successful – and the bigger direct stake they have, the greater their influence."

Ansari's latest research focuses on the Dutch government's attempts to marketise the Netherlands' childcare industry – which failed, despite there apparently being no impassioned resistance. His team reported that attempts to "price the priceless child" struggled from the start because of immovable Dutch attitudes to a mother's role: "The traditional family logic was based on full-time mother as caregiver and father as breadwinner. The detachment of mother and child was seen as sinful and a woman's decision to work equated with selfishness."

Conflicting logic, such as welfare state, neo-familial and market, contributed to politicians stumbling through efforts to marketise childcare – first regulating it, then deregulating it – as they tried to find a model that worked. While the government had set out to marketise the field with new legislation in 2005, it was not prepared for childcare organisations closing down. In 2006, the Minister of Social Affairs and Employment announced a financial "injection" for childcare of about 200 million euros annually: part of this flowed back to parents and subsidised their childcare costs, while the rest was dedicated to quality improvement and supervision, a task the government largely took back from childcare organisations.

Ultimately, says Ansari, the dissonance between the logic and the fact that "quality" of childcare means different things to different players were the reasons they failed. Essentially, basic human emotion was always the sticking point. "Even though parents are not unconcerned about efficiency, utility and cost, the 'final goods' in childcare are 'satisfaction and happiness' and the processes involved are therefore far removed from the concept of market rationality," he says. "Even market-oriented managers struggled to conceptualise childcare purely as a money-making business." Childcare involves a sense of intimacy and commitment, and does not work on the principles that markets are meant to – impersonality and emotional neutrality.

Other sectors have also struggled to put a price on public good. In January, the UK House of Lords narrowly defeated a motion that would marketise universities, with the objectors claiming a private sector drive for profits would lower institutions' educational standards and Britain's academic reputation. And recently, the NHS Reinstatement Bill, which aims to reverse all marketisation of Britain's health service since the days of Margaret Thatcher, got its second reading in the Commons.

Marketisation of such fundamental public services is often driven by ideological agendas, says Ansari's fellow Cambridge Judge academic Dr Kamal Munir, Reader in Strategy and Policy. "That's because privatisation transactions can lead to the privatisation of profits and socialisation of risks."

Munir's own recent research explores why many of Pakistan's attempts at marketisation failed – despite the insistence of the country's politicians and policy makers that it hasn't. In contrast to the Dutch childcare marketisation, which failed to take hold because so many conflicting logics (including the role of mothers in the workplace) undermined the process, Munir concludes Pakistan's political leaders simply are, for one reason or another, blindly carried away with neoliberal ideas without sufficient concern for public interest.

"In Pakistan the hegemony of neoliberal thought appears complete among intellectuals and policymakers," he says. "There was a distinct lack of debate around privatisation. They have an unshakeable belief that it must and will work eventually – after all, it's worked in other Asian countries, such as South Korea. Pakistan's policy-makers had a zealous commitment to privatisation, even when competitive forces were absent and the state was not strong enough to regulate economic activity."

But he says the problems stem initially from the global neoliberalist movement. "International finance institutions, such as the World Bank and the International Monetary Fund, continue prescribing privatisation as a panacea for developing countries. But if a country doesn't have the capacity to discipline business interests, those interests have the freedom to obtain state-sponsored rents without bringing the associated benefits."

Munir's co-authored paper, "Privatization in the land of believers", details the failure of the marketisation of the energy and banking industries. In the former, government offered investors overgenerous deals – guaranteeing profits under all circumstances and ensuring an absence of competition. In the latter, the market was highly concentrated with five major banks which, due to their market power, were able to keep deposit rates so low that they were ultimately forced by regulators to adhere to a minimum rate.

"In both these cases, marketisation essentially failed because it led to privatisation of profits but socialisation of losses," says Munir. "Particular interests were advanced in the name of universal ones, and carrots offered without sticks. All risks remained with the taxpayer while lucrative returns were guaranteed to the investors. And in both cases, any opposition at the intellectual or policy level was conspicuous by its absence."

The common thread between Munir and Ansari's findings appears to be that marketisation carries no guarantee of public welfare. According to Ansari: "A lot of these services, and the values associated with them, ultimately seem incapable of marketisation – because they are seen as priceless." And even when they are marketised, Munir adds, "it is not the market but the state that needs to be ultimately held responsible for consumer welfare. If the state is weaker than the business interests, there is a great possibility of consumer exploitation."

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