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## Real Costs and True Potential

John Hanson

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# **To steer or to row: Contemplating the role of privatization**

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*At the "Rethinking State Government" conference held at the University of Maine in January 1993, a panel explored the issue of privatization -- of using private enterprise to provide public sector services. In introducing the panelists, Patricia Collins, chair of the University of Maine System Board of Trustees, noted that privatization has been proposed to address societal needs that can no longer be met by traditional methods. With too many demands and too little money, and with the prevailing view of government as inefficient and unresponsive, the State of Maine asked the Special Commission on Governmental Restructuring to consider new solutions and present recommendations to the 115th Legislature. Among the ideas proposed was that of privatization.*

*According to Collins, advocates of privatization quote E.S. Savass, chair of the Department of Management of City University of New York, who said, "the word government is from a Greek word which means to steer. The job of government is to steer, not to row the boat. Delivering services is rowing, and government is not very good at rowing." Or they quote Mario Cuomo: "It is not government's obligation to provide services, but to see that they are provided." Opponents caution that there is much to be lost by privatization, that there are risks of inequities and poor service. Indeed, they stress that some government services should never be contracted out. The following statements by the four panelists in this discussion reflect this same wide range of perspectives.*

## **Real costs and true potential**

*by John Hanson,  
Director, Bureau of Labor Education  
University of Maine*

Privatization is a vital public policy question. Government seems committed to a policy of greater privatization with little consideration of the consequences. I am not referring to the traditional private sector provision of certain services at the federal, state, and local levels. Rather, there is today a new push toward privatization of longstanding public services. This radical change of policy raises several areas of concern.

First, we must recognize the self-interest of those who enthusiastically endorse this privatization in order to expand their own businesses. Several large firms are preparing for what they hope will be one of the expanding businesses of the 1990s: the privatization by states and cities of their energy authorities, toll roads, water systems, liquor stores and even prisons, and colleges.

Secondly, the administrative efficiency of private versus public delivery of services needs to be considered.

Privatization does not necessarily ensure administrative efficiency. There is no inherent reason why a privately-run enterprise should be more efficient and less expensive than a publicly-run

endeavor. Privatization does not magically overcome the common problems of poor management. Contracting out a greater number of government services will incur costs in the oversight of these new arrangements.

Third, I am concerned with the accountability of private contractors to citizens. Our government representatives are directly accountable to the electorate. In turn, these representatives work to ensure that the agencies they administer and the government activities that they prescribe and control are responsive to their constituencies. Privatization insulates service providers from the direct political consequences of doing a poor job.

Fourth, a very critical concern is the possible reduction of employment opportunities for women and minorities. Historically, one of the greatest areas for affirmative employment activity has been in the public sector. Will the increased privatization reduce the employment gains made by women and by cultural, ethnic, and racial minorities?

Cautious and careful consideration of these matters, as well as of the real costs and true potential for improved services, is required before rushing toward a dramatic increase in privatization of government services.

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*John Hanson is director of UM's Labor Education Center.*

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