

PUBLIC AND PRIVATE

A couple of months ago, I was listening to *The World at One*, which was running a piece on public services. Naturally enough, they referred to Beveridge; surprisingly (or possibly not) they stated his political affiliation as being 'Labour'. An indignant telephone call to the duty officer to point out that Beveridge had sat as a Liberal MP and subsequently peer was met with the question 'Is that Beverage as in drink?'

This editorial, however, is not about the dumbing-down of the BBC! When Beveridge wrote his famous report about combating the five giants of want, disease, ignorance, squalor and idleness, he never advocated giantism as his preferred structure for the NHS. Indeed, in the Parliamentary debates on the establishment of the NHS, many Labour MPs argued for a decentralised structure with strong involvement from the communities to be served by, say, each hospital.

Elsewhere in this issue is a somewhat technical article by me on the form of corporate vehicle that might be used in a decentralised public sector. This editorial addresses the wider canvass.

If there is something I profoundly distrust in British political dialogue, it is what I call 'bogus adversarialism' – the concept of 'either/or' rather than 'both/and'. It applies, for example, to the shareholder/stakeholder debate; I endeavoured to unpick this in my 1997 IALS lecture on the issue. It certainly applies in the so-called 'debate' on the rival merits of the public and private sectors, where too much of the argument has hitherto been devoted to arguing the exclusive advantages of the one and the ineptness (or greed) of the other.

This brings us on to the nexus of issues relating to the private finance initiative and/or public/private partnership, where too many mastodons have been bellowing at each other across the primaeval swamp of *idées fixes*.

The PFI pluses are as follows. Given the constraints on immediate government expenditure, investment is accelerated, and private sector management can often bring a breath of fresh air to a public sector, which is too frequently over-administered and under-managed. Negotiating a PFI contract forces a concentration on strategic objectives over a longer period.

There is also a list of minuses. PFI is effectively forced on local authorities without offering them a free choice of other options, and the small number of tendering contractors does not provide an effective market. The criteria for establishing the applicable investor rate of return (IRR) are dubious, transactional costs and negotiating time are excessive, and lengthy contracts are, inevitably, undemocratic in nature.

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What, then, is the conclusion? It is simply that there are good and bad PFI contracts, and that there will be more good ones as the public sector develops its experience and expertise in negotiating them. That in turn means that such experience and expertise should be positively cultivated within the public sector.

But the choice of whether or not to adopt the PFI route should be decentralised to the nations and regions of the United Kingdom, not be imposed by Whitehall rigging the balance of advantage. After all, if the Government proclaims itself in favour of decentralising the public sector, a first step would be the loosening of Treasury control over financing methods.

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