Socialist Party of Wisconsin Exposes
Myths and Reality of Privatization and Outsourcing

The Preamble of the US Constitution reads: “We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.”

Socialism is a set of economic and political principles supporting the idea of a government set forth by the above Preamble. The following sums up what each person should expect from government:

1. Rule of law (justice),
2. Protection from evil forces (common defense and domestic tranquility) and
3. Balance the need for the common good and the rights of individual freedoms (promoting the general welfare and securing the blessings of liberty).

This brochure focuses on the topic of privatization. The Socialist Party of Milwaukee finds that privatization (and outsourcing) are policies and programs that are often opposed to the ideals of good government. Privatization often lowers worker’s wages, reduces the power of unions, add to the costs of governing. Additionally, privatization reduces accountability to taxpayers and often leads to graft and corruption. The following explores the MYTHS promoted by advocates of privatization and presents the REALITY of the effects of privatization.

WHAT IS PRIVATIZATION?

The term privatization covers an array of actions, some described by other terms such as outsourcing, contracting-out or public-private partnerships. Privatization activities may include:

- Outsourcing jobs performed by public employees (such as parks maintenance, food service, security and janitorial services) to for-profit or private non-profit companies
- Giving private, profit-making companies and/or non-profit organizations managerial or operational control over public services such as the distribution of health and welfare benefits or diverting Medicare and Social Security resources to Wall Street
- Diverting tax dollars from public education to for-profit and not-for-profit (including religious) school corporations, including “virtual” schools”. Additionally, the providing of tax breaks for contributions to scholarship funds for private schools or other charitable school activities.
- Leasing, selling or giving away public assets such as highways, parks and airports – or income from those assets – to for-profit or not-for-profit businesses or groups of investors

Myths and Realities

MYTH #1: Privatization saves taxpayers money. REALITY: In a study of privatizing inpatient psychiatric services, Robert Brent found that there were no savings to the public when services were privatized. Costs actually went up when one considers non-hospital services that are often shifted to the communities.


MYTH #2. Privatization uses private enterprise to provide services, therefore privatization leads to more efficient services. REALITY: In theory privatization would introduce competition and market-place efficiencies and save money. However, in a worldwide analysis of solid waste and water services, there was no empirical evidence that privatization saved money. In another study, Jeff Tan finds that the nature and goals of most public services are not conducive to market competition and often results in costly corruption.


MYTH #3: Privatization helps the economy. REALITY: Elliot Sciar maintains that privatization is nothing more than an exercise that shifts the costs of government from the rich to the middle class. Part of this process is reducing the wages of public employees, thus lowering a local community’s purchasing power.


MYTH #4: Privatization is good governance. REALITY: Derek Prall found in a review of numerous case studies that the lower wages and reduced benefits paid by private firms frequently leads to the same workers having to rely on public assistance. In New Jersey food service workers had wages cut and benefits cancelled when jobs were outsourced. The food service companies have some of the highest levels of workers enrolled in state assistance programs. Nursing assistants in Michigan found their wages of between $15-$20/hour with benefits reduced to $8.50/hour with no benefits. To no one’s surprise turnover became a problem and the quality of services deteriorated.

PRALL, D. The hidden costs of privatization. American City & County Exclusive Insight. 5, June 4, 2014.
**CONCLUSION**

Some privatization is inevitable. However, the Socialist Party of Milwaukee finds that communities should be careful when contracting out services, as privatization favors corporate interests at the expense of the well-being of the people!

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**“Privatization . . . means you take a public institution and give it to an unaccountable tyranny.” Noam Chomsky**

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