

# Growing Trends of Privatisation

## Outline

### 1- Thesis statement

In the predominantly capitalist world, the trends of privatisation are increasing in the national and global economies.

### 2- The trends of privatisation are increasing because;

- (a) Global Capitalist World demands privatisation i.e., IMF conditions to privatize public sectors.
- (b) Political leadership needs to be focused on Political decision-making
- (c) Competition suits privatisation and it is a way to innovations.

### 3- Rationale behind Privatisation

- (a) Fueling merit-based system i.e., (PSRP) Public School Reorganization Program.
- (b) Quality service by private owners to attract consumers
- (c) Self-regulatory market backed by effective competition
- (d) An opportunity for young



Entrepreneurs to ignite their skills

- (e) Seeking Improved HDI
- (d) Creation of jobs

#### 4- Drawbacks of Privatisation

- (a) Elite Capture: Exploitation of masses at hands of capitalist
- (b) Privatization of food and health department may lead to social crisis.
- (c) Risk of losing morality
- (d) Negative competition: among private owners

#### 5 - Conclusion



Privatisation is the process of transferring the state-controlled institutions to the private owners.

Privatisation is the need of an hour. The global system that prevails in the world today is capitalism and privatisation suits capitalism. According to the Raul Prebisch's model of economy, the developed economies of the world make the developing economies dependent upon them and developing economies has to follow the footsteps of developed economy. For example, United States of America is the most developed economy today and it has influence over the developing economies like Pakistan and USA exercises its influence via IMF and Bretton Woods System. Recently, Pakistan is in the debt trap of IMF and is seeking further economic aid from IMF. IMF in return is ready to aid Pakistan but on conditions like Privatisation etc. In And developing



Economies are left with no choice but to agree on conditions.

The second important factor behind privatisation is economic liberalism.

Economists like 'Adam Smith' and 'David Ricardo' are the strong advocates of "Laissez Faire" economy that means 'let competition grow'.

Economic liberalism supports competition and privatisation is the tool to materialize the competition. Private owners do business and with sole purpose of gaining maximum return, they come in competition with other businessmen. Such kind of competitions initiate creativity and lead towards innovation. For example, the sudden boom in the field of IT is somewhere backed by the competitive environment.

Another important factor of why privatisation is necessary is poor political decision-making. Politicians are more interested in money-making instead of making sound political



decisions. They need to shift their focus from economic decisions to political decision-making to ensure political stability. To rule is the most crucial task as there is a proverb, "Heavy is the head that wears Crown". To ease the rulers and to share their responsibilities

privatisation is a sound idea.

If we talk about the rationale behind privatisation, there are various advantages of it.

Amongst them, the most obvious one is the promotion of merit based system. For example, the Chief Minister of Punjab has initiated a "Public School Reorganization Program". The aim of this innovative step is to privatise the Public schools where quality of education is low and administration is worst.

According to this program, three person can apply for taking a school and school would be transferred to the group that fits the merit. So, in privatisation process, the merit is



Promoted.

An privatisation process not only merit is promoted but also the quality service. The private owners need to attract their consumers and to attract consumers, it is necessary to give them quality service. For example, if we take the same example of Public School Re-organization Program (PSRP), the group that would own the school would have to give their best possible services to attract the students.

In the same way, the private food companies like Lays, Tehzeeb etc are growing and flourishing due to their quality products.

Another benefit of privatisation is effective competition. When different competitors are struggling within the same field in the market, this will lead towards innovation. The evident innovations in the field of Artificial Intelligence, Information technology and Science are all the



products of competition. No effective competition will make the market a self-regulatory one. For example, in economic analogy, when there would be competition due to businessman's greed, quality product will be made, demand would increase and prices would be consumer's friendly. In this way, private market sets its own dynamics instead of fixed rigid state-controlled economy.

A private market provides the opportunity to show their skills of young entrepreneurs. **David Ricardo** model of economy explains the opportunity cost. His model urges the young entrepreneurs to recognize their area of expertise and take advantage of opportunity cost. For example, if all the doing the same business, have expertise in something different and earn an opportunity cost. To achieve such expertise, young entrepreneurs think unique and do innovations.

The privatisation



also aims an improved Human Development Index (HDI). Human Development Index seeks best education, health and standards of living. Private Institutes can help in improving HDI due to their quality services. Competition demands quality service and quality service improves HDI. It is evident that all these institutions that are state-controlled are somewhere lacking in providing quality services due to multiple reasons. In comparison, among private owner, there is competition that demands quality. A very recent example of this is worsening condition of Pakistan International Airlines (PIA), as compared to private airlines such as Shaheen Air Blue. The privatisation of PIA is a hot topic these days. In the same way private school such as 'Beacon House' and City Schools etc are more innovative as compared to govt government school. On the similar page, the private food companies are providing more quality products as compared to



general stores

Another important benefit of privatisation is job creation. Multinational companies built their networks in different countries and provide job opportunities. UNICEF is also a global project and provides job opportunities. In the same way, when the public institutions are privatised, these leaves the vacuum for new labour. Privatisation leads to more businesses and more businesses means more opportunities for jobs.

Besides these benefits of privatisation there are some drawbacks of this process too:

Karl Marx was against the capitalism and privatisation because he was of the view that in privatisation, the means of production would be owned by elites and they would exploit the masses. He said there would be **Elite-Capture** in the world. The society would be divided into two classes of



haves and have not. Maximum labour would be given by masses and the product they themselves made would be inaccessible to them. In this way, the masses would be exploited by the capitalist class.

The second possible threat of privatisation is social crises. Privatisation of some specific sectors such as health and food can cause serious social issues. Because private owner is the one who only thinks of his benefit even at the cost of someone's life. Greed to have more makes the people blind. They overlook the morality. For example, in private businesses, the prices of products are usually and there are far from the reach of poor people. Health and medicines are basic needs of people. Their cost should be public friendly.

Another drawback of privatisation is the negative competition among private owner. They follow the Beggars thy neighbour policy. They try



distort the image of their competitors. They try to build their empire upon the misfortune of others. The best ~~ex~~ example of this are the content creators and influencers. In the post-modern world Information Technology and Artificial Intelligence is flourishing, and competition is increasing. So, to minimize the use of **TikTok**, a widely popular social media application, the United States of America has banned its use in USA. To let down the competitors in the market, different propagandas are promulgated.

Another risk of privatisation is loss of morality. When people are in competition with one another, they only think about winning. They don't care if someone's sentiments are hurt or not. In every field, there are lobbies of private owners who aid one another. There are chains to exploit people. For example, let us take the



field of medicine. When patient visits a doctor, doctor recommends him unnecessary tests that <sup>are</sup> only ~~aid~~ the for sake of getting money from the patient. In this way, those who are ignorant get trapped at hospitals. Such kind of attitude shows down-graded humanity.

To conclude, Capitalism is the prevailing globe system to whom privatisation suits. There are multiple advantages of privatisation such as it causes competition in merit-based system that leads towards innovations - It provide change to the young entrepreneurs to show their skills practically and causes job creation - It also ensures improved Human development Index (HDI).

Besides many advantages, there are some disadvantages too like elite-capture, negative competition among 'competitors', the risk of losing morality and social crisis.