

## PRIVATISATION IN IRELAND: LESSONS FROM A EUROPEAN ECONOMY

---

**Donal Palcic and Eoin Reeves**

Palgrave Macmillan, 2010, 288 pp., £68.00 (hb), ISBN: 9780230248922

This book was submitted for publication in July 2010, just before Ireland negotiated its November 2010 bailout from the troika of EU/ECD and IMF. The subsequent 2011 Fine Gael–Labour Programme for Government commitment to raise 2 billion through the sale of non-strategic state assets reflects the bailout programme Memorandum of Understanding which commits the Irish government to consult with the troika to set appropriate targets for the possible privatization of state owned assets. The book could not be more timely or relevant in the theoretical and empirical light it shines on the key question of who benefits from such privatization and the real social costs of privatization.

Explaining privatization requires a true political economy approach, one that makes the deep connections between globalized capitalism and modern states or democracies. As the authors of this book so clearly argue, politics, power, and ideology matter hugely in determining the size, scope, and shape of privatization policy; the political economy approach taken by the authors very effectively uses hard evidence to expose the limits of property rights and public choice theories and assertions that privatization leads to greater efficiencies or improvements in quality. In the first very useful two chapters, which review the history of privatization in Europe and the theory and evidence of privatization, the reader is struck by the very different privatization experiences across different Europe states and the degree to which the United Kingdom's adoption of privatization policy was 'largely based on faith' (p. 21).

The book's strength is its very detailed and forensic investigation of just one area of privatization policy: that of the sale of state owned enterprises (which they also very clearly define). Of course this means accepting the absence of any investigation of other privatization strategies, including the ubiquitous public–private partnership model now so dominant in provision of Irish housing, health, education, and infrastructure. The reader is rewarded however with a significant level of detail in case studies of privatization of state owned enterprises. This includes chapters on the history of public enterprise and privatization in Ireland, the performance of financial cost of privatization in Ireland, the uniquely Irish Employee Share Ownership Plans, and a case study of the Irish telecommunications privatization failure. Through all of these chapters the role of different political actors shines through. The European Union (in particular the Stability and Growth Pact and Economic and Monetary Union), the ideologically driven Irish political party Progressive Democrats (now defunct), the role of social partnership and

separately the power of private business, all surface in stories of Irish privatization policy, suggesting that policy was perhaps less pragmatic than it might appear.

Many privatization failures are evidenced in the book. Chief among these failures was the privatization of telecommunications company Eircom in 1999, the subject of a very useful chapter in the book. The authors locate a central fault line in the government's decision to relinquish complete control of Ireland's telecommunications network. Having already partially privatized in 1996 and divested 15 per cent of shares to an Employee Share Ownership Plan in 1998, the government made a unique decision in 1999 to sell its entire remaining stake in one go. This central fault line meant not availing of standard practices for governments to maintain minority stakes or golden veto shares and so exercise some control over the future ownership and structure of the company. This decision to maximize revenue from the sale at the expense of future control of the industry came at a high cost in enabling competition in the industry (p. 178). This, the authors argue, had many unintended consequences that were disastrous for many stakeholders including consumers, citizens, business, and competitors. Ultimately the way telecommunications was privatized severely impacted on prospects for an Irish knowledge economy, its legacy being to leave Ireland among the worst in Europe for roll out of high speed broadband services. As the authors correctly argue, this decision to cede complete control by selling in one go is difficult to understand. A little more probing might have thrown more light on the politics and power dynamics behind such an unfathomable decision.

There are clear lessons to be garnered from the Irish experience of privatization. The authors are clear that it is less ownership and more regulation, competition, and governance that determine economic efficiency. They also raise key questions about welfare impacts for different stakeholders including shareholders, tax payers, employees, and poorer citizens who depend most on public utilities. There are also consequences for national sovereignty. Public enterprise still has a key role to play in securing the capacity and autonomy of the Irish state and its regional economy. The issue is similar for Greece, Portugal, and others under pressure to sell off state owned enterprises. The lessons from the privatization of Eircom are clear: governments need to resist pressure to maximize revenue from sales at the expense of future control of key sectors of their national economies.

The book records how the 1920s Minister for Industry and Commerce (Patrick McGilligan T.D.) concluded that electricity as a public utility was simply too important to be controlled by interests whose only objective was maximization of profit. It is ironic that the Irish Minister for Communications, Energy and Natural Resources (Pat Rabbitte T.D.) announced in September 2011 his reluctant intention to honour the previous agreement with the troika and sell 30 per cent of the Irish semi-state electricity company, Electricity Supply Board. Ministers in Greece and Portugal are making similar announcements. This book is essential reading for anyone debating the merits of such decisions or interested in protecting national strategic interests in the context of pressure to sell state owned assets. The lesson is clear. Governments need to be long sighted in their approach to strategic state assets.

Mary P. Murphy  
*National University of Ireland Maynooth*