



FESSUD

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE DEVELOPMENT

Working Paper Series

No 192

Paper on Theoretical Framework for Assessing the Impact of Finance on Public Provision

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ISSN 2052-8035



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Abstract: The paper poses a theoretical approach to public provisioning based on the system of provision, sop, approach that addresses the material and cultural specificities to take account of the whole chain of activity, bringing together production, distribution, access, and the nature and influence of the conditions under which these occur. Consumption is fundamentally affected by the material properties of a good or service, and the factors that shape cultural systems are grouped under 10 headings (known as the 10Cs). These interact with the elements of the chain of provision which are understood in terms of relations between agents, embedded in historically evolved structures and processes. All of these elements combine to derive a sop which is unique for a specific good or service in a particular location at a given time. Drawing on case studies from the UK, the paper shows how finance is understood in the sop framework in terms of relations between agents in the chain of delivery. The sop approach embraces the messy, conflicting and contested arena of the real world and, thereby, opens the way for a more grounded interpretation of policy impact and outcomes.

Key words: System of provision; public provision, material culture, financialisation

Date of publication as FESSUD working paper: December 2016

JEL: G00, H11, H4, I38

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Acknowledgments:

The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800.

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Preface

Any paper on the theoretical framework for assessing the impact of finance on public provision is of potentially enormous scope, from grand theory (of the nature of contemporary capitalism and the state within it), through the macroeconomics of state expenditure, to the microeconomics of sectoral provision in terms of state versus market. It possibly ranges over public and private finance, as well as ethical and cultural considerations (politics and ideology), as determinants in public provision. And across economics, let alone other disciplines, there is a huge range of theoretical frameworks that can be brought to bear. Clearly, such a wide coverage is beyond our paper, and we have needed to be selective.

In being so, we have been mindful of the overall programme of work attached to this Task, and the goal of examining public provision (especially of housing and water) in light of financialisation. We have been guided by work already undertaken for this Task, and yet to be delivered. In particular, as comparative studies of housing and water for five EU countries are to be undertaken, we have drawn upon the pilot studies that have already been undertaken for the UK and which were completed earlier than the others in order to act as a guide if not rigid framework for them. In addition, we have been able to benefit from work under Work Package 5, in which there has been delivered work on the material culture of financialisation and case studies of housing and pensions (as leading elements in personal finance underpinning well-being), see especially Fessud Working Papers 2 and 9-15.

Through this and earlier work represented in the Fessud proposal, it was already determined that a (public sector) system of provision, (ps)sop approach would be adopted and developed in framing the relationship between finance (and financialisation) and public provision. In addition, this approach is highly inductive in content in the sense of not being atheoretical or purely descriptive but in insisting that appropriate theory can only be fully developed in the context of attention to the specific public provision (and its relationship to finance) under consideration – in other words, our framing suggests no general theory to public provision (and finance). Possibly, this general, negative theoretical conclusion is the most important



to be drawn as it leans against most other approaches which seek to take theory off the shelf and apply.

To a large extent this negative conclusion on a general theory is reflected in the paper that follows, drawing on empirical illustration of the diversity of the content, form and factors in public provision. It is also, by the same token, a paper at an intermediate stage in the research programme since it denies that there is a linear process of developing the theory, which is then complete, and then applying it. In contrast, we expect to refine the theory and framing in light of the fuller set of case studies once they are completed. And, whilst we have drawn upon the earlier work that has already been done on sops, whether for this Work Package or for Work Package 5, we have not considered it appropriate to reproduce what has been done before as opposed to illustrate its significance through select topics and illustration (privatisation and material culture for example).

As a result of all of these considerations, this paper is not and cannot be either tightly structured nor sequenced. It is "bitty", developing and applying some aspects of the sop approach without doing so fully in and of themselves nor comprehensively across all aspects. It is both work in progress and a guide and raw material for future work. It should be assessed as such and not seen as intended for publication prior to integration with work that has already been completed (the working papers) and the case studies that have yet to be carried out.



1 Introduction – Why Do We Need a New Theory?

Private finance is making increasing inroads into the delivery of public services as privatisation, at one stage a radical policy, introduced tentatively into limited sectors, has now been repackaged as public-private-partnerships (PPPs) and, across the world, has become core policy, adopted to varying degrees, implemented by governments, and promoted by international agencies. In the UK, the government spends about £187bn each year on goods and services and about half of this is allocated to contracting out services (NAO 2013b). In Europe, countries are increasing the role of the private sector in essential services with the European Commission insisting on water privatisation in the indebted countries of Greece and Portugal. Elsewhere the World Bank's International Finance Corporation (IFC) is promoting greater private sector involvement in health and education as well as water and energy. Moreover, privatisation is increasingly a vessel for financialisation as elements of a previously public service become tradable assets and are, thereby, (potentially) incorporated into circuits of global (financialised) capital. Economic theory is as yet ill-equipped to deal with the multiple effects and interactions of such transitions which need to address privatisation, social policy and global trends.

Traditionally, welfare economics presents social policy as a response to market imperfections generating the need for social intervention and/or targeted, if possibly universal, support. Privatisation is supposed to increase efficiency because ownership brings profit from operations (and lower costs), ownership can be bought and sold, and the public sector tends to be staffed by self-interested bureaucrats.¹ In the parallel literature outside of welfare economics, Esping-Andersen and his followers have approached matters differently, seeking to organise the diverse approaches of different (nation) states to social policy into groupings of ideal types in the welfare regimes approach (WRA). However this has resulted in a burgeoning number of regimes and limited classificatory coherence as a result, especially across the different elements of social provision. In addition, the approach is static with limited explanatory scope or implications for how policy might be changed in light of the determination of welfare regime at a country level with underlying determinants, Fine(2014a).



There are then considerable limitations in the theoretical literature when it comes to the growing permeation of public services by private finance, especially in light of a global context of considerable diversity of substance and forms of continuing public and relatively recent privatised provision. Significant issues are ignored or glossed over, especially those related to diversity of outcomes. Healthcare, education and social care are hugely different fields and different again from water, housing and roads. Differences also emerge in the financing of welfare and public services and with the coverage (universal, means-tested or based on qualification criteria). What applies to one service or commodity may not apply to another or to the same one in a different country or at a different time.

Diversity also stems from the structures within which goods and services are embedded. Such structures may include neoliberalism, globalisation, financialisation which may impact differently across sectors as well as locations. Other factors, for example, the level of development, may have an impact on the level and effectiveness of public services – especially as the teleology of development as modernisation towards some form of welfare state has been rudely disturbed over the three decades of neoliberalism.

A further limitation of existing theoretical frameworks is that relations between agents are only superficially understood. For example, according to privatisation theory, the private firm is considered to be a single entity with managers, financiers and workers all potentially working harmoniously in the pursuit of greater efficiency in order to maximise profits, albeit subject to conflicting interests more or less efficiently resolved through market or non-market forms. But such theory tends to say relatively little about the contestation within the firm, whether over production itself or for the achievement of broader goals. Yet greater profits are achieved by lowering wages and increasing effort from, or deteriorating conditions of, the workforce. Such efficiency gains accrue to the owners and the impact is regressive (Shaoul 2008). Originally, in the WRA, reference was made to the access to power, and the resources to pursue it, but these considerations have tended to fade in deference to identifying, rather than explaining, ideal types. This is despite a transformation in the way in which power and resources have been configured within neoliberalism in general and through financialisation in particular.



Finally, then, as just indicated but on a more general scale, the theoretical literature with regard to both privatisation and social policy is patchy in the way in which it deals with the rising impact of finance and emerging financialisation. The expansion of the neoliberal paradigm has been associated with a substantial increase in the scale and scope of the financial sector over the past thirty years, particularly in the UK and USA but with global reach. The impact has been varied but there are profound implications for the relationship between the state and private sector, discussed below, and not least for public provision.

A theoretical framework, then, needs to incorporate the diversity of social policy and public services which differ across sectors and locations and over time rendering each case unique. The risk is that little can be said beyond the fact that 'it's complicated'. However, it is essential both to address the nature and significance of underlying and general influences. These include the nature and influence of neoliberalism and globalisation and the role of financialisation in determining social policies both directly and indirectly. Further, as demonstrated in Fine (2014a), these grand variables are not at all forces for homogenising social policies but are fundamental in bringing about their heterogeneity.

This paper proposes an alternative theoretical approach from those already discussed, and others. It derives not from typologies or idealised states but takes the system of provision (sop) as the frame of analysis. The sop approach aims to provide a theoretical framework that can be applied to different research questions to plug some of these gaps outlined above. The sop approach was developed in the 1990s and was originally devised as an alternative perspective to orthodox understandings of consumption, applied to food and clothing industries, Fine and Leopold (1993). In contrast to neoclassical economic theory, where consumption patterns are assumed to derive from the aggregated decisions of rational, self-serving individuals, the sop approach sees consumption as inherently linked to integral and distinct chains of production which, in turn, are shaped by many parameters including social, political, economic, geographical and historical factors Bayliss, Fine and Robertson (2013) for a recent overview.

This paper seeks to expand on the earlier sop work to apply the framework to public consumption or public sector sops (pssops). This term is not entirely prescriptive. States vary in their functions and activities and a wide literature exists on what should be the role of the state, see below. Some states have privatised elements of services such as health and education and some aspects of



infrastructure. Private sector pensions are increasingly widespread. This paper focuses on the provision of basic goods and services for which the state has some or all responsibility (even though these may be provided by the private sector). This includes services such as: health, education and social care; utilities and infrastructure; and welfare as well as other areas that are traditionally the realm of the state but where the private sector is increasingly present such as security and defence.

The sop approach is built on the premise that different services, goods and commodities are derived from different and diverse integral systems or chains of provision. The aim is to devise a mechanism for examining the provisioning and consumption of a service or commodity with reference to the mechanics of the system that provides it. The sop approach offers considerable advantages over traditional approaches to consumer theory largely because it is firmly anchored in real world practices. To achieve this, requires recognition of the complexity and diversity of goods and of the societies in which they are consumed. By locating consumption in the context of a chain of processes and structures brought about by relations between agents, the sop approach opens the way for a more grounded interpretation of policy impact/outcomes.

This paper sets out something of the history of the sop approach and its original applications. This provides a generic framework and raises key issues that need to be covered in sop analysis. The paper then turns to the specific research issue of the impact of finance on public provision. Two sections set the scene for the sop approach. The first provides a brief discussion on the role of the state, drawing on different theoretical schools, and the second considers the role and nature of finance and the rise of financialisation. These themes are brought together in the following section on public sector systems of provision which highlights the distinctive contribution and innovative approach provided by sop approach. Moving more towards practical application, this is followed by an overview of material culture as applied to public services in general and privatisation in particular. This serves the dual purpose of both framing privatisation in terms of the sop discourse instead of more traditional, orthodox approaches, as well as providing a practical example of the way that sop analysis can be applied. Then comes an overview of some of the issues and questions to be addressed in framing a sop analysis of the impact of private finance before the final section concludes.

The sop approach provides an innovative approach to a long-running research question which stems from the impact of privatisation on public services. While the focus is on the theoretical

framework, sop is about real-world practical application. The paper draws on examples, often from the UK and in particular from two case studies that have been undertaken using the sop approach in the UK as part of the FESSUD research programme, one on housing, Robertson(2014), and one on water, Bayliss(2014). The paper moves on from stale debates organised around state versus market that has been too crude and misplaced to address both diversity of outcome in practice and how that diversity is underpinned by structures, agents, processes and relations. The sop approach presented here aims to provide an alternative framework for understanding and interpreting the way in which states interact with private enterprise and finance. Possibly, one of the paper's most important conclusions to theory of its subject matter is to acknowledge how such theory must be inductively engaged in order to address its diversity. This explains why the paper engages both theoretically and empirically with its object rather than remaining at a theoretical level alone.

2 An Overview of the Systems of Provision Approach

As mentioned above, the sop approach was originally devised in response to the limitations of consumption theory, rejecting the notion that different disciplinary perspectives on consumption (for example, from economics, sociology, psychology) can be collated to derive a general theory universally applicable to all goods as is often found, for example, in various forms across marketing studies. The sop approach, in contrast, is built on a vertical analytical framework in which the study of consumption (and the consumer) is attached to distinct, and distinctly structured, systems that are commodity-specific. The premise of the application of the sop framework to public consumption is the same. The way in which different public services are consumed is shaped by the way in which they are produced and distributed as well as paying attention to their specific material cultures and how these interact with provisioning.

2.1 SOP – Origins and Inspiration

A system of provision (sop) for a good² is understood as the integral unity of the economic and social factors that go into its creation and use. Each sop is seen as distinct from, if interacting with, others and to vary significantly from one commodity (or commodity group) to another. The sop approach, then, examines consumption in terms of commodity-specific chains of provision, appropriately acknowledged in popular discourse and understood as food, clothing, energy, housing systems, etc.

The sop approach was originally developed in detail by Fine and Leopold (1993) in a comprehensive response to the perceived failings of consumer theory across the social sciences. At one extreme,

the orthodox approach to consumer studies has been built on neoclassical economics where the processes of production are assumed to be more or less "harmoniously and efficiently linked through the free play of the market mechanism", Fine and Leopold (1993, p.20). Individual utility is both a determining explanatory factor and a desirable outcome giving rise to the idea of consumer sovereignty. Production systems are assumed to respond to the whims of consumers. For Fine and Leopold (1993, p.20), according to orthodox theory:

The system of production responds as a servant to the needs and wishes of consumers subject to the availability of resources. In this sense, consumption can be traced back from the individual, through exchange, to act as a determining moment upon production – even if allowance can also be made for distortions in efficiency and competitiveness along the way.

Neoclassical economics, then, conceives of reality as a departure from an idealised equilibrium (with deviations accounted for by monopoly, externalities, merit goods, etc). Essentially the starting point is a pro-market position and specific goods are examined in terms of market imperfections. This approach is built on a raft of unrealistic assumptions, taking as its model the perfectly competitive industry, with well-informed consumers, and rigidly formed or inherited preferences and meanings of goods in and of themselves and to the consumer.

Within neoclassical economics, but at the other end of the spectrum from consumer sovereignty, are approaches where monopolistic producers predominate over consumers, not only through pricing but also through heavy reliance on manipulative advertising. Theories of consumption within mainstream economics have also been attached to Keynesian considerations of aggregate effective demand. In a way, though, this reflects a failing of more micro-oriented studies in which the understanding of consumption is generalised and universalised across different goods.

The other extreme in consumer theory, taken as critical point of departure by Fine and Leopold, was the exploding presence of postmodernism across the social sciences in general, other than economics in particular, and its overwhelming presence in an expanding field of consumer studies. Whilst for neoclassical economics, the subjectivity of the consumer has been tied to a mechanically-applied optimisation of a given utility function (across objects of consumption with given meanings), the postmodern consumer is subjectively capable of endless and unlimited reinvention of the objects of consumption and own identity. In this parallel universe to orthodox economics, reference



to the material properties (and provisioning) of commodities tends to evaporate by giving way to deconstruction of the meaning of consumption to the consumer and the latter's own inventiveness.

Between, these two extremes, Fine and Leopold also found a common set of deficiencies across consumer theory more generally. First, the study of consumption had been heavily organised around a disciplinary division of labour to the extent that one or more 'horizontal' theories were applied within each discipline – utility theory for economics, semiotics for postmodernist study, emulation and distinction for sociology, and so on, usually with commodity-specific consumption taken as a universal and generalisable norm. It is no accident, for example, that the postmodernist invention of the deconstructing consumer should focus on the more fantastic as opposed to the more mundane items of consumption and those subject to heavy advertising or cultural prominence, the better to be able to deconstruct. In formulating the sop approach, the idea was rejected that these separate, generally mutually inconsistent (by method and concept), horizontal theories could be stacked to give a general theory universally applicable to all goods (although that is how consumer or marketing studies might be conceived with their appetite for combining different approaches for the practical purposes of selling goods or working out, however successfully, which marketing strategies might or do work and why). The sop approach, in contrast, is built on a vertical analytical framework in which, as already indicated, the study of consumption (and the consumer) is attached to distinct, and distinctly structured, systems that are commodity-specific.

Second, then, it was recognised that the varieties of factors that make up the study of consumption across the social sciences could be integrated, if only inductively according to their weight of presence, mode of combination and specific (historical and social) context as well as incidence across society. There are, for example, different issues for consumption by reference to gender, not least in clothing, and the factor of fashion correspondingly has a different presence for men and for women. Further, the water system is different from the housing system by virtue of what is provided as well as by national and other contextual considerations. In this way, it follows, for example, that gendered consumption is itself sop-specific in terms of how commodities are provided and perceived, with different and shifting gender content of consumption across commodities (from fashion to motor cars at opposite extreme of content and more mundane objects such as TVs being more gender-neutral).

Third, the approach initially drew some inspiration from the example of a particular sop, the UK housing system as addressed by Michael Ball. His work from the mid-1980s took its point of departure from two aspects of the contemporary literature. On the one hand, there was a major preoccupation with the role of landed property in the housing system (drawing upon rent theory). On the other hand, the issue of forms of tenure was also extremely prominent. Ball persuasively argued that these issues needed to be located in relation not only to one another but also to the chain of activity running from access to landed property through the processes underpinning provision of, and access to, housing by consumers. Such an approach to the housing **system** suggested that other items of consumption should be similarly regarded as belonging to integral chains of activity that were specific to themselves. In this way, the conundrums associated with different disciplinary approaches to consumption could be resolved by attaching consumer theory to specific sops rather than overgeneralising horizontally across factors, such as gender for example (for which housing as no obvious and immediate bearing). By the same token, as already emphasised, each sop takes on its own features in provision and culture to be discerned empirically.

Finally, the aim was to place emphasis upon **norms** of consumption. On the one hand, these involve not average but different levels or quality of consumption by socio-economic stratification. On the other hand, norms of consumption interact with the how as well as the what of provision, linking consumption (or living standards) to the sop itself.

The approach is heavily inductive in application, leaving researchers to identify particular sops in practice. Given its inductive nature, the application of the sop approach in practice is not simple, not least, for example, in identifying where one sop begins and another ends (for the sops themselves and the object of inquiry). Indeed, there has been debate over whether the approach is legitimate at all given the interactions across different sops, whether within broader groups such as food systems as opposed to individualised sugar, meat and dairy systems. In a sense, this is to revisit the horizontal/vertical dualism in the study of consumption. This is itself acknowledged within the sop approach by both seeking to identify integral forms of provisioning whilst also acknowledging that these interact with one another. Sops also share common horizontal factors even if integrating them differently in extent and manner, at both national and international levels and across conditions such as equity and quality of provision, labour market conditions and macroeconomic



impacts. Again, the example of gender is instructive but by no means unique as all manner of horizontal factors, such as socioeconomic status, affect and are affected (and effected by) sops in differentiated ways. Hence, as suggested, horizontal factors are different for different sops and so need to be examined within the framework of the sop approach.

The sop approach is also methodologically and theoretically open to a considerable degree although this does not mean that it is analytically neutral. Indeed, it definitely rejects many other approaches, not least where they are inconsistent with the sop approach's more open stance (as against the universalising demand theory of mainstream economics for example). Finally, if to some extent easing rather than impeding application, the sop approach allows for incorporation of other lesser comprehensive elaborations of production-consumption relations, in particular picking up and incorporating contributions that focus upon particular elements of the sops themselves. This might, though, involve transformation in the understanding of these elements in and of themselves and by virtue of locating them more broadly within the sop approach (as with advertising for example and emphasis upon who advertises what and why and not just how as with semiotic treatments).

Significantly, the sop approach was described over a decade ago by Leslie and Reimer (1999: 405) as "perhaps the most comprehensive elaboration of production-consumption relations", and as has also been seen as one of the main approaches to the study of consumption, and cited as such in Jackson et al (2004, p. 8). It has also been adopted in an OECD study, OECD (2002, p. 8):

To analyse the key forces shaping consumption patterns, the report use the system of provision framework. The systems of provision approach analyses consumption as an active process, with actors seeking certain lifestyles, and constructing their identity by selective consumption and practices. The "systems of provision" is defined as the chain that unites particular systems of production with particular systems of consumption, focusing on the dynamics of the different actors (producers, distributors, retailers as well as consumers). In this light, it becomes clear that by the way governments design and transform energy, water and waste systems can either enable or obstruct household behaviour towards sustainable consumption.

The *systems of provision* framework for understanding consumption patterns stresses the importance of exploring the mechanisms that shape everyday practices related to

commodities and services and the extent to which they can be seen to support or impede sustainable consumption behaviour. In this light, household consumption is not the sum of individual behavioural patterns, each consciously motivated and evaluated by the actor. Instead, household consumption is a whole set of behavioural practices that are common to other households ... They are social practices carried out by applying sets of rules and shared norms. They are also connected to production and distribution systems (technological and infrastructure network) that enable certain lifestyles that connect consumers to one another.

Such is an apt description of the sop approach.³

3 The Importance of Material Culture

More recently, especially in Fine (2002) in an updating of Fine and Leopold (1992) to take account of developments in the field of consumer studies, the sop approach has been influenced by, and responded to, the concept of material culture.⁴ With reference to the study of consumption, material culture has emerged in response to the rise of neoliberalism and a corresponding waning of postmodernism in which discursive practices have become increasingly perceived to be a consequence of material circumstances (as well as giving rise to a proliferation and sequence of post-postmodernisms of various hues). As a consequence, the sop approach has no longer sought to present itself in terms of departure from the two subjectivist extremes of rational choice and postmodernism but has focused on how to address the relationship between the material and culture in terms of the practices and meanings associated with consumption and the relationships between the two. It is not just the factors involved in the delivery of a service or the inputs into a good that constitute the sop. Also relevant is the culture and meaning with which a good or commodity is associated, for both consumers and providers alike. Goods and services have cultural significance associated with modes of provision, as has been readily recognised in terms of the meanings of water contingent upon public or private delivery systems (which are themselves each subject to considerable variation).

Each sop needs to be addressed by reference to the material and cultural specificities that take account of the whole chain of activity, bringing together production, distribution, access, and the nature and influence of the conditions under which these occur. The material properties of a good or service fundamentally affect consumption patterns (for example water has different material

attributes from housing) and goods and services are imbued (often subtly) with cultural significance. For example, owner-occupied housing has different cultural meanings than privately rented tenures, and the narrowly defined physical characteristics attached to provision, and consumption, are necessarily culturally endowed in the widest sense. Such cultural content is also subject to wider considerations (such as gender, class and nationality) that range far beyond the immediate provision of the good itself.

A key example of the way in which our relationship with goods, services and commodities is culturally and socially dependent is demonstrated in the paradox of the recent parallel expansion of both unhealthy diets and healthy eating campaigns. This demonstrates that there is considerable complexity in the way in which information is translated into "knowledge" and culture, and these in turn into behaviour. The provision of a good or a service, or of "information" about it, does not necessarily mean these will be used as intended or anticipated. The sop approach recognises that the cultural perceptions and identities of the users will be significant in the consumption and production processes, and these are heavily influenced if not rigidly determined by the material practices attached to the corresponding sop.

The cultural content of a good is related not only to the material system of provision but also to wider cultural influences (again, reference can be made to gender, class and nationality, etc). Each sop is attached to its own integral cultural system, and this cultural system derives content from each and every material aspect of the sop. But consumers are reflexive and not passive recipients of culture. Nonetheless, the factors that shape cultural systems have been grouped by Fine (2013) under ten headings (known as the 10Cs) and these interact with each other in complex and diverse ways as follows:

1. Constructed - the cultural systems attached to consumption are constructed in that they are influenced by the material practices of the sop. Commodities have associated meanings for consumers, which may be variably responsive to what they know and experience of the chain of provision, and its distinctive material properties. These may also be subject to change and to manipulation (e.g. drinking a particular brand of bottled water may project a certain image as well as quenching one's thirst; buying a house in some locations may be a financial investment as well as a place to live).



2. Construed – objects of consumption are endowed with qualities construed by consumers. These can float free to a greater or lesser degree from the material properties of the objects themselves. The process of construal is influenced by a multiplicity of factors and these are derived from context. Sources of experience and knowledge are reacted to, or against, and imbued with meaning rather than simply received passively by the consumer.
3. Commodified - to greater or lesser degrees, cultures may be influenced by commodification even if the good is not. In the UK, even supposedly non-commodified services such as the health service may be understood in commodified terms with, for example, pressure for greater cost efficiency, or non-commercialized aspects of a good used as a selling point (e.g. home-made). The process of commodification serves to frame ways of thinking and interpreting what is consumed, including closing of certain cultures (as is explicitly recognised in notions of consumer society or consumerism as driving our consumption).
4. Conforming – regardless of what choices the consumer makes, meanings to them are influenced by the circumstances of provision, whether social as opposed to private housing is seen as a right or as a dependency for example. Commodity provision also, for example, tends to frame consumption in terms of market versus the state.
5. Contextual – cultures of consumption differ in time and place and what is consumed is not only located in specific circumstances (high or low price, good or bad quality) but these are associated with particular and variable meanings to the consumer (for example, an item of clothing may have different significance depending on the situation). One person's necessity may be another's luxury and, even for given consumption item, the distinctions may change over time, location and across income levels.
6. Contradictory – different agents and forces compete to give content to the cultural systems and these may provide a stimulus in opposite directions (e.g. compulsions to spend and to save; to eat and to diet).
7. Chaotic – material cultures draw together (or not) a multiplicity of practices and influences across a multiplicity of dimensions which are reflected on by households going about their daily life and so will be riddled with inconsistencies. This does not mean that there is no rationale but that these may differ and lead to tensions and unpredictable outcomes.

8. Closed - there is unequal participation in a sop and unequal and differentiated roles in constructing cultures (e.g. in the financial sector, while everyone may be involved, the process of intervention is both by and for an increasingly powerful financial elite with a corresponding loss of democratic accountability and rise in inequality; e.g. trade-marking standards, branding, regulations all shape cultures but only a select few are involved in their making).
9. Contested - different cultures of consumption may come into conflict for example with the Occupy movement or with global protests against privatization of water. Contestation may also occur in terms of the conditions attached to the material practices along the sop chain.
10. Collective – contestation is usually collective. While individuals may carry out acts of dissent, collective action is likely to be a more successful, unavoidable and enduring form of contestation.

The relevance and usefulness of the different Cs will vary depending on the type of good, the sop and the reason for which it is being investigated. For each sop, consumption is, by virtue of material provision and material culture of consumption, differentiated in its own way in terms of socio-economic and socio-cultural characteristics. Patterns of consumption will be affected by gender, age, income level, location, occupation and (un)employment, race and ethnicity and so on, but in different ways and with different outcomes according to the specific sop itself. As a result, the norms of consumption specific to each sop need to be identified with a subsequent corresponding explanation for how these are reproduced or transformed, and the differentiated meaning to which consumption norms are attached.

4 Specifying SOPs in Practice

In principle, each sop needs to be addressed by reference to the material and cultural specificities that take full account of the whole chain of activity, bringing together production, distribution (and access), and the nature and influence of the conditions under which these occur. Even at the level of empirical narrative, this leaves open some degree of ambiguity and choice. In part, this is because of the already indicated need to identify the scope of individual sops themselves. Thus, for example, private and public housing may not be integral with one another, as may be the case with private rented and owner-occupation, even though each will share some of their elements in common. Similarly, bottled and piped water will almost certainly be perceived as belonging to separate, if

overlapping, sops. In addition, even if the sop itself, and its elements, has been empirically identified, possibly uncontroversially, it is still open to be understood in very different ways both within and across disciplines, conceptualisations, methods and theories. Once again, the approach remains open in this respect (other than to approaches that are not open and especially if deterministic as with, for example, appeal to the optimising behaviour of individuals characteristic of mainstream economics). As a result, we draw freely upon standard ways of conceptualising and theorising across the social sciences by appeal to the following general, overlapping categories:

- i) **Structures** – broadly, this includes the historically-evolved and socially-specific institutional forms of provisioning, not least patterns of ownership, control and delivery. There may be structural divisions between public and private supply as well as demand, structures in access by price and quality, and so on.
- ii) **Processes** – each sop is shaped by the interaction of the activities of labour and consumers, of service providers, of the state but also by wider processes such as commodification, decentralisation, globalisation, commercialisation and so on. It may be that a public sector structure of provision is subject to the process of privatisation so it important to specify the dynamic of each sop, how its structures and processes interact and may be in tension across and with one another.
- iii) **Agents/agencies** – sops are determined by the participants in the processes of production through to consumption. Incorporated are those who produce and those who consume but also wider bodies such as trade unions, consumer groups, regulators and those who affect delivery of finance, investment, technology and so on. Agencies reflect and interact with both structures and processes, again either reproducing or transforming in tension or conformity with one another.
- iv) **Relations** – structures, processes and agents/agencies are necessarily far from neutral, contingent upon who exercises power, and how, and with what purpose (and meaning to participants). So the relations upon which (ps)sops are founded are differentiated by the roles of capital (or state as employer) and labour in production and other commercial (or non-commercial) operations through to the relational norms by social characteristics that are attached to levels and meanings of

consumption. Significantly, the relations attached to, and underpinning, sops are crucial in understanding what and how conflicts arise and how they are or are not resolved.

Clearly, this is not the place to put forward a general framework for undertaking social theory although, at least implicitly, this is to some extent unavoidable. What we have sought to do, however, is to pincer the specification of sops between two ways of framing them. One is to follow the action, as it were, seeking to specify the chain of provision from production through to consumption at a more immediate empirical level. This approach also allows for a synthesis of the literature by locating what are often partial analyses (dealing with one or more aspects of the sop alone) within the framing of the sop as a whole. The other framing is to follow the chain of determinants across structures, processes, agencies and relations. Each of these aspects of analysis requires close attention both to the integral nature of the sop and to its historical, social and material specificities (water is not housing). In addition, whilst we place emphasis on the integral nature of sops, we are also mindful that a focus can be placed on one particular element for closer analysis, either because it is of immediate concern and/or because it is particularly decisive in the functioning of the sop itself, whether in promoting or obstructing delivery for example. And a particular focus is the purpose here, with respect to financialisation, with the presumption that the presence of finance will be differentiated across both national sops of the same type (the national water or housing systems) and the same sops across nations. And, whilst this is something to be explained by virtue of the sops taken as a whole, by the same token, the impact of financialisation will be differentiated, irrespective of the weight and form of its presence, dependent upon how it interacts within and on particular sops as a whole.

When it comes to practical application, sop analysis does not offer a blueprint because by its nature, each sop is different and specific. A sop is, potentially, huge in analytical demands, if all aspects of material culture and production are connected to consumption. In practice, the way a sop is identified depends on the research question at hand, and it is usually necessary to shine a spotlight on the elements of the sop that are of particular relevance. For example, Ball's structures of provision approach originally served to argue that researchers interested in the incidence and impact of state subsidies on housing outcomes, especially distribution, needed to take into account considerations beyond tenure balance because the way that housing was provided determined the

characteristics of different tenures. This is not the same as saying that *every* element in the chain of provision plus every relevant contextual or "horizontal" factor needs to be thoroughly investigated before questions of subsidy and distribution can be addressed. The research framework needs to be narrowed down for practical application. In her investigation of housing and financialisation, Robertson (2014) identifies the relevant elements of the housing sop. Some important wider elements of the sop (such as Housing Associations, DIY, repair and maintenance, architecture etc) are not covered in her study because of the need to focus the analysis on the research question. Similarly looking at financialisation of water in England and Wales, Bayliss (2014) focuses on interlinkages and distributional outcomes from modes of financing. Important components of the water sop, such as river basin management, hydrology and climate change, are not addressed because they have lesser immediate relevance to the specific research interest.

4.1 Public Sector SOPs and the Role of the State

Having outlined the broad principles of the sop approach, the paper now turns to consider the specific application of sop to the role of finance in public services. To address this research question requires, first, consideration of what could or should be provided by way of public services, which leads to a deeper interrogation of underlying notions of the role of the state. Second, through this prism, this section looks at finance and financialisation, and how it is engaged in public provision in and of itself and as a more or less important determinant of the sop or pssop. Does, for example, finance merely serve the funding of public service provision or have a profound effect on the provisioning processes themselves. This is addressed in more detail at the end of this section.

The sop approach was originally devised as an alternative to theories of consumption that were entirely focused on private demand and supply although it was noted how traditional approaches tended to overlook public sector provision for individual or collective consumption. Effectively government provision tended to be seen as distinct from (private) consumption by being alternatively designated as social policy and/or as belonging to the welfare state. But such goods and services can also be understood as being attached to their own sop. A theory of social policy must accommodate a variety of structural determinants, how they interact across agencies, processes, relations and institutions to give rise to a diversity of shifting outcomes. The conceptual gaps in consumption theory apply equally, if not more so, to provision within the public sector. Applying the sop approach to modes of public provision gave rise to what Fine (2002) has termed the public sector sop or pssop approach.

5 The Role of the State

States are complex and diverse. While an extensive review of the literature on the role of the state is not possible here, some general themes can be highlighted. From a neoliberal perspective, states are at most required to respond to market failures that are generally deemed to be exceptional (and subject to cure worse than disease!). States do this (to varying degrees) by enforcing property rights, providing public goods and defining rents and raising taxation for social distribution, all of which is embedded in specific institutional structures. A successful state is deemed to be one that supports the market in delivering strong economic growth. Generally, however, states are considered to be constrained by diverse and opaque objectives as well as the utility-maximising interests of the individuals that attach themselves to its institutions broadly conceived. Accordingly, interventionist policies were subject to considerable criticism from the 1970s, particularly in the context of international development and the constraints imposed by tariff protection and financial controls. This gave rise to the notion of "state failure" and calls for the role of the state to be limited to supporting market operations, Chang (1999). The Washington Consensus (WC) emanating from the Bretton Woods institutions put forward a ten point plan based around these themes, Williamson(1990). Subsequent modifications, in the form of the post-Washington Consensus (PWC), brought adjustments to take account of market failures and externalities but the underlying principles were unchanged (for example, the World Bank 1997 World Development Report "The State in a Changing World").

Others, in contrast, see the state as essentially a means of defending the dominance of the capitalist class, and this may take different forms (capitalist, democratic, autocratic etc). Jessop (2007) provides an overview of some of this literature, from Marx to Weber through to Miliband and Poulantzas. According to the Gramscian notion of cultural hegemony, the ruling class acts with the consent of the subordinated groups due to the cultural ethos that pervades society. In current conditions, and for the focus here on public provision, this raises issues of how the ruling class rules in the context of financialisation, with what substance and effects and how it reproduces legitimacy in doing so, especially in the wake of the global crisis.

In terms of the appropriate functions of a state, the neoliberal perspective is of a minimalist state which facilitates the operation of a free market. State activities are limited to enforcing law and order and addressing the most serious market imperfections. The ideology of a free market

suggests a neutral approach to policy in terms of interests but even to deliver the free market requires substantial state intervention. And such policy is far from neutral in relation to interests, as is most evident in labour legislation for example. In any case, in practice, neoliberalism relies heavily on extensive intervention. The state needs to set the rules for property rights, for labour laws, for regulation. But the state has a deeper significance. For welfare provision (and economic and social infrastructure more generally) is essential to social reproduction. Of course, this was acknowledged and targeted in the post-war boom and commitment to Keynesian/welfarism. Whilst the ideological thrust of neoliberalism is to withdraw such intervention, and to rely upon private capital and provision, the extent to which this has materialised in practice is extremely mixed and is caught on the dilemma of how to respond to the dysfunctions and inequities of neoliberalism itself, as is evidenced after the global crisis in the massive intervention in favour of a financial system putatively committed to free markets or at least deregulation. Such dilemmas extend beyond finance to public provision.

Alternative theories to neoliberalism inevitably suggest that states must play a major role in economic development. This was central to early theories of development economics. Chang (1999) cites Gerchenkron, Rosenstein-Rodan and others to show how states were considered crucial to industrialisation and economic transformation, and weakly interventionist states were contributors to underdevelopment. The Developmental State Paradigm (DSP) emerged in the 1980s as a major challenge to WC orthodoxy drawing upon the success of the East Asian Newly Industrialising Countries (NICs) which had been achieved success with extensive state intervention, especially in industrial policy, and explicit rejection of the policies of the WC.

The DSP has since been weakened by the crisis of the NICs themselves from 1997/8 as well as for other reasons, see Fine et al (eds) (2013) for extensive discussion. Furthermore, there were limitations to the theory. It was narrowly focused on industrialisation and late industrialiser catch-up, and based on a state-market dichotomy. Other aspects of development were neglected. Class interests were confined to those of capitalists alone (in dealings with what was presumed to be the relatively autonomous state, or industrial ministry within it), and global developments were treated as external to the national structure and so were only considered in terms of how governments accessed trade, finance or technology, etc, and not in terms of the way in which the systemic functioning of the world economy is built on the integration of nation states. With the expansion of



the range of explanatory factors used to explain the presence or not of developmental states, ranging across social, cultural, political and institutional factors, the DSP became so diluted as to lose meaning, especially when any example of developmental success (as opposed to developmental transformation) attracted the moniker of developmental state.

Studies of the state have also found it difficult to account for the great diversity observed. The Varieties of Capitalism (VoC) literature emerged in the 1990s to explain differences in types of capitalism and the role of institutions and national political economies and the extent to which they shape economic performance and social well-being, Hall and Soskice (eds) (2001). The approach is also constrained by its foundations in what might be termed methodological nationalism and, as with the WRA critically addressed above, marred by dependence upon ideal types that cannot accommodate the diversity within and between national economies, and see Jessop (2011) for a detailed critique that points to concessions to neoliberalism.

What the DSP, VoC and WRA approaches all share in common are their deep roots in the conditions of the Keynesian/welfarism post-war boom irrespective of how well they capture that period. The ethos is to explain comparative economic performance in which the world economy, and most individual economies, are expanding as never before. This has a profound influence on how issues are framed, not least of course, in nostalgically seeking to reproduce the best facets of that golden era. As a result, apart from the methodological nationalism already highlighted, there is a failure to address the global and systemic conditions and failures of the neoliberal era, as if these can simply be overcome by adopting policies other than those associated with neoliberalism (such as best practice Keynesian/welfarism). But that earlier era has been left behind together with the higher global levels of economic performance as particularly demonstrated by the global crisis. More specifically, these approaches have failed to acknowledge sufficiently what we have taken to be a defining feature of the neoliberal era, together with its influence on the role of the state and what policies might be possible and desirable. This is financialisation to which we now turn explicitly.

6 Financialisation⁵

Theories of the state have failed to address the extensive growth in financialisation witnessed in recent years. Relations between finance and the state have led to profound changes in the role of the state with implications for the delivery of public services. Financialisation is a broad term and



different definitions have been proposed.⁶ According to Epstein (2002, p. 1), “‘Financialisation’ refers to the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international levels.” For Palley (2009), similarly, financialisation is a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes. Others perceive financialisation in terms of a shift of emphasis and power from the “real” to the “financial” economy, Stockhammer (2010) and Rossman and Greenfield (2006) and where profits accrue through financial channels rather than trade and commodity production, Krippner (2005).

Financialisation can be observed in the escalation of activity on financial markets compared with real economic activity. For example, the financial sector’s share of corporate profits has doubled since the 1980s; the stock of global financial assets has increased 9-fold in real terms from 1980 to 2007, Palma (2009), three times faster than global GDP. Financialisation has led to an increase in the number of non-financial firms that are owned by the financial sector. These shareholdings have become assets that are traded, with ownership changing hands according to financial market indicators without a basis in real production, productivity, or jobs. This has the effect of financialising non-financial activities from healthcare to provision for old age. Privatisation, in the context of financialisation, has transformed the supply of welfare services into private assets, from the sale of social housing in the UK to the privatisation of water. The result is that provision is subject to the vagaries of stockholder and asset value, which has encouraged speculation, sell-offs, and sub-contracting at the expense of direct production.

Financialisation is associated with increased inequality. Rentier incomes (interest, dividends, and capital gains) and financial sector bonuses have increased while wage shares have fallen. The fall in the labor share of income reflects a shift in the balance of power between capital and labor (Stockhammer 2010; Rodriguez and Jayadev 2010). Managers, judged by the stock price, increasingly prioritize shareholder value, and the maximization of return on equity overrides other objectives. Stock options have been used to align the interests of managers with those of shareholders, Rossman and Greenfield (2006). As Epstein (2002, p. 6) puts it, financialisation has “magnified their rentier motivations”. Non-financial companies have an incentive to trade in financial products rather than to produce goods and services. Overall, the effect is to withdraw



capital from production and divert it towards financial markets (Krippner 2005) with a negative effect on (real) investment.

The state has played a key role in supporting the flourishing of finance and has supported the emergence of the rentier class with policies that are in their interests such as prioritizing low inflation, the promotion of anti-union legislation, and financial deregulation Jayadev and Epstein (2007). Financial agencies are also proactive in trying to shape policy in favourable directions, as is most obviously demonstrated by the aggressive promotion of owner-occupation and mortgages by the US subprime mortgage lenders. Revolving doors between private finance and government positions have supported the position of finance in government. Finance has become so complicated that governments rely on the 'big four' accounting firms to help them design policy, further cementing the position of the financial sector at the heart of the state.

The recent economic crisis has further supported the rentiers according to Palma (2009) with minimal demands on big business in return for the state supporting this financial elite. Despite the role of the financial sector in causing the crisis, financial firms have recovered remarkably unscathed (apart from a few significant casualties). The emphasis has been on protecting shareholder value while losses are socialised. Public attention has focused on government spending as if it this is the cause of the crisis. Following this logic, social spending has been depicted as "unaffordable and burdensome", Ortiz and Cummins (2013, p.11). Austerity measures have been the result.

Austerity policies have had devastating effects in some countries as, for example, cuts in health expenditure have crippled service provision. While government spending contracted in many affected countries, there were increases in household expenditure and healthcare services covered by private insurance. Public contraction has led to an increase in private financing of health services, Morgan and Astolfi (2013). This has been the case in other sectors where the government's fiscal position has been constrained (after bailing out the financial sector) leading to a perceived need for more private investment in economic and social infrastructure. However, privatisation does not bring finance in an of itself. Any funds provided by the private sector need to be repaid (with a profit margin) out of payments by end users and/or tax payers. But privatisation is attractive as a means of financing infrastructure when there are severe constraints on government spending, and this has been magnified since the financial crisis. Thus, the financial crisis has lead

to calls for greater involvement of private finance in areas of public consumption despite its catalytic role in the recession. Those that caused the problems are now being assigned the task of fixing them,⁷ suggesting that alliances between states and finance capital are stronger than ever. This theme is picked up in more detail below.

7 PSSOPs

As mentioned above, theories of the state and social policy have been oriented around two broad framings, either a regimes approach (WRA and VoC) or the new welfare economics (market imperfections). Aside from other weaknesses, both of these framings are limited in the way they unduly homogenise over contextually-specific policies and practices that are differentiated by programme and country. This is so whether by appeal to ill-fitting ideal types of welfare regimes or more or less efficient incorporation of marginalised if optimising individuals into a situation of one type of market imperfection or another. Moreover, both implicitly eschew earlier political economy approaches to social policy and the welfare state that locate them in terms of the contradictory tensions between economic and social reproduction.

In contrast to other theories, for the pssop approach, there is not necessarily any grand theory of the state or ideal-type states. The aim of sop is to highlight diversity rather than to squeeze different structures into regime-shaped boxes. Sop studies are oriented towards specific chains of provision. The state is disaggregated into its different elements which are understood in their specific context in terms of the relations between agents. The sop approach takes a systemic view. The origins and outcomes of policies are considered to be context-specific and part of a linked process. States consist of many layers from the administrative to the political and includes the formal legal framework and informal social norms. The role of the state will vary across countries and across sectors although some cross-cutting themes are present, if unevenly so, not least financialisation. Outcomes from state activities reflect social and political priorities as well as the bargaining strengths of different groups. While there are global structures and processes, the specific impact will be contextual.

The state can be involved in varieties of ways along the chain of provision, reflecting both material and cultural, including political, factors. These have been expressed traditionally in terms of factors such as aspirations for universal coverage (as with health, education and housing) or as a response

to market imperfections whether as externalities or economies of scale and scope. For many pssops with the objective of universal access or provision, there are significant issues of production and distribution, with corresponding issues of spatial differentiation in provision whether for water or housing, for example, with corresponding interactions with other elements of social construction of space in light of standards of public and private provision of social and economic amenities.

While broad trends are observable, there is considerable diversity across pssops. Housing is different from education, for example, so that different principles and issues in delivery will arise. The essence of the approach is that each element of the sop is attached to an integral and distinctive system – the health system, the education system and so on. Recognising diversity allows greater understanding of the issues which are historically specific and depend on comparative location. As mentioned above, mainstream economics tends to take a market-oriented stance and interprets decisions as to the respective roles of the public and private sectors in terms of market and state failures. So, for example, externalities may require state regulation. However, the nature of such 'failures' is sector-specific and requires a deconstruction of the nature and attributes of a good or service within its context.

As with sops, consumption from pssops is also differentiated by socio-economic and socio-cultural characteristics that cannot be determined in advance in terms of which of these characteristics are liable to be salient. They can range over gender, age, income level, location, occupation and (un)employment, race and ethnicity and so on. As a result, the norms of consumption specific to each (ps)sop need to be identified, with a subsequent corresponding explanation for how these are reproduced or transformed, and the differentiated meaning to which consumption norms are attached. Thus, there is not only differentiation in access to, and quality of, housing by forms of tenure but also the meaning of housing to occupants is different, and potentially changing, across and within these forms of tenure. On the other hand, in case of water, it is the greater degree of homogeneity in access and quality (if not always use) of public supplies that provides the basis for privatised forms of bottled water as a form of consumption distinctive from that of the tap.

The pssop approach provides an appropriate mix of the general and the specific. It can focus on specific details such as the link between housing and finance (although these are incorporated), but

necessarily sets these in context of the sop as a whole. At the other end of the scale the sop approach is inductive and avoids abstract universal principles or posturing (as for example would be characteristic of a focus on market imperfections) as the aim is to recognise the difference between systems for different goods and services - the way water is provided, and the nature of provision, is very different from housing or health, for example, in what it means, as well as in how and to whom it is provided and the interactions between these, see next Section. In terms of policy, the sop approach allows for much clearer specification of objectives and the paths by which these should be achieved. A systemic analysis of the chain of provision signals where provision is impeded or dysfunctional, and why and how it might be remedied.

8 A Material Culture of Public Services

The 10Cs introduced above were devised in relation to consumption studies and can be applied equally to public consumption. Each aspect of service delivery has its own culture (of consumption). Rather than assuming that individuals are rational utility maximisers operating in a vacuum, the sop approach suggests that consumption is shaped by the nature of the provisioning of the good in question and the consumer. As a result, when it comes to devising a theory for public provision of goods and services the possible permutations and combinations for outcomes are extensive. An off-the-shelf blueprint approach is impossible. Hence this paper looks inductively at the stages and the processes by which one might devise a comprehensive analytical framework for addressing public provision rather than a universally applicable structure.

The sop approach requires an assessment of the material culture and the way in which it impacts on the chain of production and consumption. In contrast to orthodox economics, the sop does not take a set of preferences as given but seeks to determine the way in which cultures of consumption emerge and change over time. Once it is recognised that there is great diversity in the way that services are provided and consumed, ideal-type construction has limited use.

Taking, for example, the case of housing in the UK, Robertson (2014) shows how preferences for owner-occupation, as compared with other forms of housing tenure, have changed over time. She attributes this to a range of factors including the decline in quality and availability of other tenure types and to changes in use values, as housing has become a financial asset as well as a form of

shelter. In addition, successive governments have shaped cultures of consumption in the portrayal of home ownership as the tenure of choice for hardworking citizens.

For water, there are material attributes that affect the way in which it is produced and consumed. It is heavy to transport and, therefore, tends to be used close to source. It is transported by pipes and pumps, and duplication is costly, with limited substitutability (aside from bottled water) so delivery is inherently monopolistic. It is essential for life and so there is a strong social element in sector policy. While in developed countries water is largely homogenous, cultural associations around water vary across societies and across different types of consumers from households to agricultural producers, and will depend on the level of scarcity. Water, then, has a unique material culture that is specific in time and location, Bayliss (2014).

Components of welfare have their own material culture stemming from different elements of the 10Cs listed above and these will be different across sectors. The material culture of education will be different from that of, say, physical infrastructure such as transport. Even within sectors, material culture will vary, for example, across different elements of healthcare (e.g. heart surgery as opposed to vaccinations), or for nursery as opposed to university education.

The introduction of private finance into the delivery of traditionally publicly provided services brings about fundamental changes in the pssops. Finance – and financiers - needs to be located in the chain of provision. The extent and impact of private finance derives in part from the inherent characteristics of the service in question. Some elements of private provision of health and education have long co-existed alongside state provision in most countries although the relative weight attached to each varies across locations and over time. Thus, housing has been extensively provided by the private sector and even more so in the wake of reductions in social housing in the UK and elsewhere. In contrast, while the private provision of policing has emerged to some degree in the use of private security firms for personal or business protection, on the whole, policing remains in the public domain. So, some sectors have seen more privatisation than others. Some countries have privatised more than others. Privatisation itself can be considered to have its own material culture.

9 Material Culture of Privatisation

The diversity in the extent of privatisation across sectors, locations and over time indicates that the reasons for privatising (or not) derive not from empirical observation or theoretical analysis but rather are based on other factors such as the thresholds of political acceptability of the reaches of private capital as well as the appetite for particular investments on the part of the private sector. Privatisation is rooted in politics and often continues even when there is clear evidence of adverse impacts. In this way, privatisation can be considered to have its own material culture. This is explored below with reference to the 10Cs outlined above. These are not in any particular order and the relative significance will vary across research questions.

First, it has been made clear in the above discussion that the material culture of privatisation is **contextual** varying substantially across locations and over time. Some countries such as the UK, have privatised more than others. Privatisation in the so-called transition economies played out in a different way from privatisation in developing countries. Parker and Saal (2003) compile an extensive collection of case studies and conclude that results are mixed. The extent of what is deemed privatisable changes over time. For example, in the UK, the postal service was sold off in 2013, a step which was considered unacceptable a few years earlier. And there would also appear to be creeping privatisation of the health service through enforced or induced subcontracting.

Second, support for privatisation is **constructed** in part through preparation of public entities for privatisation (through commercialisation) but also through external pressures and considerations. Going back to the Thatcher government in the UK in the early 1980s, privatisation was a political initiative with economic theory added later, see, for example, Kay and Thompson's (1986) Economic Journal paper entitled *Privatisation: A Policy in Search of a Rationale*. The original privatisation programme in the UK was in large part driven by a move to improve the government balance sheet with a shift to off-balance sheet financing. Political objectives were to weaken trade unions and popular capitalism with wider share ownership and the right to buy council housing. The economic rationale came later.

More recently, the need for private finance is constructed in the terms and practice of policy. For example deficiencies in infrastructure around the world are described as reflecting a "financing gap," a term applied across public services from infrastructure to health provision which condenses all the complexities of service delivery down to a need for finance. And in the context of tight



government budgets, itself a matter of policy and priorities and not of necessity, the obvious implication is that there is a need for private in the (constructed absence of public) finance. This can be so even though reliance upon private finance and participation can be more expensive than providing finance through the public sector directly, see next.

The way in which the culture of privatisation is constructed is also demonstrated in evaluation processes. According the UK's National Audit Office, NAO(2013a), the methodology used to evaluate private concessions *ex ante* is biased towards the private sector. Use is made of a "public sector comparator" which does not use the relatively cheap cost of government borrowing but instead uses a considerably higher "social time preference rate." This inflates the comparative public sector cost. Furthermore, public sector procurement costs are assumed to be front-loaded compared with the annual unitary costs of a private project. Again this biases evaluation in favour of private outcomes. The Treasury does not consider comparison with the cost of government borrowing (as is the approach used in the USA) to be appropriate because this is related to wider issues of fiscal policy. When the NAO reworked the VfM, Value for Money, calculations for six PFI, private finance initiative, projects they found that in five of them, once these assumptions were changed, private costs were found to be higher than those of government procurement. According to Shaoul (2008, p.9): "it is therefore difficult to avoid the conclusion that the government designed a system of appraisal that would provide a public justification for its policy of using private capital in public services."

Austerity measures are also used to justify cutting public finance, thereby increasing the space for private finance. As Uppenberg et al (2010, p. 7) put it: "perhaps the decisive factor for a growing private role in financing and operating infrastructure has been the fiscal constraints facing governments, even though the actual economic case for this is weak."

Third, polemical debates continue to plague the cases for both public and private provision according to how privatisation is **construed**. For privatisation to continue, it is essential to perpetuate a discourse that denigrates the state and promotes private capital. There are cultural associations attached to privatisation and private services (although the empirical foundations for these are weak). The private sector is associated with efficiency and dynamism while the state is often considered to be lumbering and bureaucratic. Private education is more attractive when state schools are seen to have lower attainment levels. Private healthcare is boosted by media stories of

inefficiency and incompetence in the UK's National Health Service. Private health care and education have different cultural associations from those provided by the state, and these distinctions will vary across locations and over time. They can become self-perpetuating as the more that is (cherry-)picked up by the private sector, the more the state is left with the harder to serve (and social housing, for example, can be seen as inferior to owner-occupation if deprived of repair and maintenance). The public sector in some circles has become synonymous with inefficiency and overspending.

Fourth, privatisation is **closed** in that most consumers have little understanding of, and participation in decision-making in, the complexities behind the delivery of public services. Decisions on financing are left to experts both in the government and in international agencies such as the IMF, World Bank, EU and ECB. Decisions are restricted to an elite. Advisers are from a closed club (revolving door). In southern European countries, privatisation is imposed by the troika and in developing countries it is heavily promoted by the WB leading to a democratic deficit.

Fifth, public services are increasingly **commodified**. This does not necessarily mean that services are provided for profit but their provision is evaluated in monetary form. According to Fine (2013), monetary calculation can enter into our consciousness even if it does not enter practices. However, commodification offers advantages as a precursor to privatisation. Once a monetary value is calculated for public services, the way is clearer for engagement of the private sector.

In the UK, public services have been transformed in the post-war era from national or local council provision towards a network of contracts with private providers. Along the way this has shaped state provision so that day-to-day operations are fused with financial criteria. This process of subcontracting "turns what remains of the state sector into an archipelago of financialised operating units", Bowman et al (2012, p.10). Some aspects of health services are now subcontracted and public and private providers are required to compete for contracts. This can benefit private providers over public counterparts due to their expertise and experience in competitive tendering and they can select the easiest and most lucrative services, with the denigrated state remaining responsible for provider of last resort to those least commercially viable to serve.

Sixth, the privatisation of basic services can be regarded as **contradictory** because the process introduces values and systems that run counter to public provision. Private financial capital is

associated with certain attributes. The search for profits leads to fragmentation of services (as a result of cherry-picking), speculative short-termism and loss of transparency in the name of commercial confidentiality. These are not compatible with public services and infrastructure, with essential services often provided on a monopolistic basis from which households have no option but to consume (consider water and energy). Regulation is required to mediate these diverse interests that pervade once privatisation is introduced.

Seventh, **contestation** comes from several angles. Privatisation is contested across the world as, for example, global groups protest against water privatisation, and organised workers struggle against both privatisation itself and its effects, thereby also indicating the **collective** (eighth C) content of the material culture of privatisation. Different interests reflect different attitudes to, and understandings of privatisation. At the local level, protests take place against for example hospital closures and nationally against programmes of cuts (most noticeably in Greece, Portugal and Spain). Yet opposition has failed to make much of a mark on policy. Organisations see workers and managers contesting wage settlements and globally the right to shape national policy is contested against, for example, the Troika in Europe and the World Bank globally.

Ninth, the way in which privatisation has emerged has been haphazard (**chaotic**). In the UK where privatisation gained considerable momentum under the Thatcher administration in the 1980s, there was never a master programme. Rather the approach was ad hoc and piecemeal, Parker (2004).

Finally, privatisation debates are increasingly **conforming** with neoliberal criteria of performance, and accepted or rejected on these terms. Empirical validation is based on whether or not private firms are more efficient than public providers, see for example Gassner et al (2009). Public providers are assessed on the extent to which they are like private entities with evaluation in terms of efficiency.

10 Agents, Relations, Structures and Processes

The sop approach consists of two strands. First there is the material culture of the good or service or policy in question, outlined above although, second, the material culture is contingent upon the chain of provision from production to consumption. The material aspects of the sop approach is explored in more detail here. This section moves towards practical application of the sop approach,



highlighting some general themes and issues which would need to be adapted for a detailed specific sop analysis, drawing on examples from the UK.

According to the sop approach, outcomes are derived from the vertical chain linking consumption to production. At each stage of the process there exist agents which have specific interests and bargaining strengths. Agents' practices will be shaped by the institutional and legal framework as well as by social norms and power relations. The organising framework for a sop study usually starts with a research question related to a specific good or commodity. The approach was originally devised in relation to consumption (for example of food and clothing). Recently completed FESSUD studies examine the role of finance in the UK provision of water and housing, with corresponding attention to material culture, Bayliss (2013) and Robertson (2014), respectively.

10.1 Structures and Processes

Relations between agents are embedded in context- and service-specific structures and processes. The sop approach offers a particular advantage over traditional perspectives on social policy in the theoretical recognition of such diversity. Chains of provision will differ for various services and for participants in the process. This systemic approach aims to show the interconnected processes by which sops are shaped, rooted in a specific context but not limited by national boundaries. International processes such as globalisation, neoliberalism and financialisation have had a profound impact on sops, but on some more than others, the impact depending in part on the nature of the sop.

Relations between agents are rooted in contextual systems and processes. Cross-cutting trends meet with historically evolved structures to create systems that are unique in location and in time. Social structures and relations are both shaped by, and shape, the behaviour of individuals. According to Fine and Milonakis (2009 p.155):

This does not mean that individual behaviour is totally determined by these properties of collectivities, only that individual action is necessarily *filtered through* and *conditioned* by these structural and social factors and institutions. In such a framework the individual is no longer the asocial, ahistorical, rational individual of standard economic theory but a social individual situated within a proper social and historical context.

Structures shape the behaviour of individuals regardless of whether they have the memory, habits or ideas that are associated with them. Fine and Milonakis (2009, p.156) cite Giddens's 1979 notion of structuration: "structural properties of social systems are both the medium and the outcome of the practices that constitute those systems."

Global processes in privatisation, financialisation and globalisation have had a significant, but variable, impact on the extent and impact of private finance in basic service delivery. Other social norms such as gendered capitalist relations have an impact on the sop. For Wöhl (2014) for example, the state represents social relations and, therefore, is an expression of gender relations which have been shaped by masculine hegemony. The result has been that women have suffered far more than men as a result of the financial crisis, MacLeavy (2011). Meanwhile others, including van Staveren (2012), question whether there would even have been a crisis if women rather than men had been in charge of the financial sector.

The vertical approach is not to deny that there are complex cross-cutting themes (e.g. labour markets, gender etc) but the impact of these varies across sops. As mentioned above, the sop approach is heavily inductive, and each case requires the researcher to identify the relevant details. What is significant in one sop may not be in another. The approach does not provide a blueprint. Furthermore, the details of the chain of provision may not be obvious, and drawing the boundaries requires judgement. Public services in particular are interconnected with multiple and overlapping sops. Pensions, for example, interact with the broader system of economic and social provision including health, housing and social security, and then pensions are also linked into financial markets. Arguments to constrain the financial sector can also be seen as limiting the incomes of pensioners. Similarly primary healthcare is only one element of public health which relies on nutrition, sanitation, water, shelter, etc.

10.2 Agents and Relations

Sop studies are derived from the complexities of real world dynamics. The notion of systems is already commonplace (for example, the health system, education system and the transport system). To operationalise the sop framework requires careful disaggregation of systems from production through to consumption, to expose the details of relations between agents. Typically this then includes producers and consumers. The other agents in the analysis will depend on the research question at hand. To address the impact of finance on public services, agents will include

the state and financiers. Within these groupings lie further sets of agents. For example, "producers" will include workers as well as managers and owners of enterprises, which may be state or private shareholders. And there are different types of private enterprise, for example, in the health sector ranging from a private hospital to a pharmaceutical company. Private finance will include debt and equity financing raised from shareholders and/or lenders. The state includes the frontline staff (if a service is not privatised), central and local government staff, possibly a regulatory authority, as well as the elected political party at the central and local levels that may be driven by political ambitions.

A focus on agency relations is not unique to sops. Other theoretical constructs are also derived, if more subtly, from the interactions between interest groups. According to orthodox theory, privatisation is said to improve the efficiency of an enterprise as the switch of ownership from the bureaucratic state to the profit-maximising private sector is supposed to sharpen and streamline the monitoring function. The essence of the theory is that private owners will make the operation run more efficiently because they stand to benefit financially. Unlike the sop approach, orthodox privatisation theory makes standard neoliberal assumptions of atomistic utility-maximisers operating in circumstances devoid of context and so has questionable relevance in the real world. However, it is important to note that the introduction of the private sector brings a shift in agency relations.

The issues and implications for the sop depend on the agents involved and the terms under which they are engaged in the delivery system. This section advances a methodological framework for assessing the impact of private finance on the provision of public services, organised around three main agents: citizens, the private sector and the state (although each of these incorporates internal groupings of agents). This is proposed as a loose organizing framework and not to suggest that these agents are in ring fenced categories. There will be overlapping issues. For example, politics and elite power may run across public and private sectors. In addition, national boundaries are also fluid, not just with flows of private capital but also with supra-state agencies, such as the EU, the IMF, the ECB and the World Bank, taking a decisive role in policy making in some countries.

10.3 Consumption

Clearly, to some degree, consumption is shaped by demand. However, the sop approach rejects the notion that production moves in response to the whims of consumers and considers that provisioning is itself a major determinant of demand. It may be that producers actively push consumers to raise demand levels. Advertising, for example, attempts to imbue commodities with specific associations to increase their desirability and thereby to shape demand.

For the sop approach, consumption is considered to be shaped by production. What is consumed is determined to some extent by what is available, and the way in which it is delivered. For example, households receiving piped water consume far more than those that obtain water from a standpipe. Housing production in the UK has failed to respond to increases in demand. Consumption then does not conform to demand. Many live in rented accommodation or with their families that would prefer to buy but are constrained in their ability to do this because of lack of supply, Robertson (2014). Consumption and production are thus integrally related. This is explored in considerable detail and with further examples in Fine and Leopold (1993) and Fine (2002).

Consumption and the role of consumers will vary according to the good or service in question and socio-economic and socio-cultural status (for example, gender, age, income-level, etc). Consumers will have more bargaining power in competitive, non-essential sectors. Basic services do not usually fit into this category. The state plays a significant role in the delivery of certain goods and services because they have particular qualities, for example, their consumption is socially desirable, they are monopolistic and/or their provision is required to meet certain basic human rights.

Introducing the private sector into the delivery of basic services can change production-consumption relationships as citizens become customer-consumers, although the impact depends on the good in question and the way in which the private sector is engaged. Subcontracting of hospital cleaning has a different impact from the private provision of primary healthcare services.

However, despite such diversity, the introduction of private finance focuses the attention on revenue (and costs). Where finance is repaid from user fees, the relations between provider and consumer becomes a commercial rather than a social one. Pricing can become a contested area. The price paid by customers needs to cover costs but what costs, and at what price? The state may intervene to regulate prices particularly where supply is monopolistic. However, in England and Wales,

considerable reliance is placed on private firms to address social policy where consumers face affordability constraints. In the delivery of water, it is left to the private provider to decide on a social tariff for low-income households subject to the proviso that other consumers must approve any cross-subsidy (placing, as it were, social policy on the basis of contestation between groups of consumers), Bayliss (2014).

10.4 Production

Orthodox privatisation theory considers that enterprises will become more efficient in the hands of the private sector because the profit motive will provide incentives for more effective monitoring and innovation. For the sop approach, the impact of privatisation varies greatly, and can only be assessed in the context of the specific good, and the nature of engagement with, and the type of, private provider. The type of service and the nature of private involvement will also affect the details of the sop. There is a spectrum of private sector involvement ranging from subcontracting to divestiture. Furthermore, the location of a private contract has great implications for the outcome. In the UK investors are attracted to public sector contracts because they are considered to be relatively low risk, NAO(2012a) for PFI concessions and Bayliss (2014) for private water contracts. In contrast, efforts to introduce private finance into the water sector in developing countries are widely considered to have failed. After two decades of privatisation of provision, the amount of private finance raised was virtually zero Marin (2009). Accordingly, context has a major impact. Furthermore privatisation has been shaped by wider processes such as financialisation and globalisation.

Private sector involvement in the provision of public services takes many forms including direct provision, lease/ concessions, supply of products (as for example with the pharmaceutical industry), and the provision of finance. The private sector can incorporate large conglomerates and small local providers. As a result, it is not possible to make general predictions about what the "private sector" will do as outcomes depend on the circumstances, the contractual framework, the sector, the country and an extensive range of other variables. This is why empirical assessments of the impact of privatisation lead to diverse conclusions, and assessment of outcomes can be used to support arguments for and against.⁸

As mentioned earlier, sops have been shaped considerably, although to varying degrees, by financialisation. This has led to changes in the role of private enterprise in the delivery of basic services. Where privatisation may at one time have led to a takeover by an infrastructure company, now private financial capital is increasingly involved in basic services and is seeking new markets. In England and Wales, four of the ten water and sanitation companies, that were listed on the London Stock Exchange in 1989, are now owned by global consortia of private financial firms. In Senegal and Cote d'Ivoire, the long-term private water concessions have been sold by infrastructure firms to a private equity company, Finagestion. A similar process can be observed in the development of other infrastructure concessions in the UK. Long-term contracts under the PFI scheme often involve private equity investors at the start which then made considerable returns on the sale of equity to secondary investors in an established project, NAO (2012a).

Privatisation in this context goes beyond the simple transfer of ownership to increase efficiency but is about a fundamental reshaping of the mechanisms of service delivery. Infrastructure has become an asset class and in ways that are a far cry from the notion and anticipation of shareholder democracy that was used to underpin the initial denationalisation programmes in the UK. Shareholders are often financial institutions such as investment or pension funds, themselves operating on behalf of private investors. The ultimate beneficiaries of dividend payments are, therefore, several steps removed from the company itself. Privatisation serves to place the delivery of basic services in the hands of, or at least under the influence of, the financial world, forming a component of investment portfolios of global capital. The sop approach highlights relations between agents to show that payments either from taxpayers or from end users trickle up into the revenue of the firm and create investor returns in a systemic fashion that may be extremely "distant" from the processes of service delivery themselves.

Globalisation has also shaped privatisation outcomes. Whereas at one stage local services may have been located within a municipal structure along with other local services, privatisation leads to a local decoupling and an alignment within a global portfolio of investments. Where a local municipality may have collective responsibility for service provision, privatisation has locked these into global chains.⁹ Private finance is often an international collective. Investment funds around the world buy and sell stakes in financial companies and these invest in assets delivering basic services. The effect has been to realign service delivery on global lines. Taking the example of water

in England, these companies now form part of multi-country investment portfolios. Whereas local provision of water would have been grouped with the delivery of other local services (as is still the case in many countries), privatisation has lead to regional water companies becoming parts of global conglomerates, for example, headquartered in Hong Kong or Malaysia, or pyramided in ownership structures that ultimately reside in tax havens.

Aside from privatisation, the private firm is already the site of considerable contestation. Workers, managers and shareholders typically compete for shares of revenues. The profits that accrue to the owners increase if workers are paid less and/or work harder. Workers' bargaining positions affect their share of income. Meanwhile, managers mediate between owners and workers. They are answerable to shareholders, and measures are taken to align their incentives with those of the owners, for example, with some elements of remuneration taking the form of a bonus, payable on achievement of specified targets as well as a proportion of shares allocated to managers (and sometimes employees). For the sop approach, then, the role of the private sector needs to be unpicked to identify the specifics of the interaction with the other agents in the process of delivery.

Bringing private enterprise into the delivery of basic services creates further contestation when firms are operating in an area that is associated with social welfare and where social rather than commercial objectives are expected to prevail to a greater or lesser extent. Introducing private finance raises particular forms of conflict in the sop. Private firms are under pressure to maintain the share price which puts the emphasis on maximising shareholder revenue. This puts upwards pressure on prices and downward pressure on costs. In some circles this can be considered to be an improvement in efficiency but, first, lowering wage costs can be exploitative and lead to a more vulnerable workforce (zero hours contracts); second, there is no guarantee that such gains will be shared with society and not just accrue to the private owner; third, private equity is also associated with short-termism and asset stripping which is arguably not compatible with the social interests associated with public provision. Finally, in accordance with the financialisation thesis of Palley (2013), privatisation has lead to high levels of gearing and debt finance, Bayliss (2014) and NAO (2012a). This has the effect of creating high interest payments which are tax deductible (unlike dividends) but high gearing can create a more vulnerable financing structure, which is arguably not in the social interest.

11 Regulation and the State

For the sop approach, the state is not a monolithic entity. Different state agencies co-exist, often with competing priorities, for example, one that focuses on environmental impacts may have an agenda that conflicts with one that is devoted to economic issues. Reference has already been made to the wider issues regarding the role of the state. When it comes to the sop approach, the state's role is extensive in setting the parameters for different activities and the details would need to be specified. However, the details of a sop analysis will depend on the sector in question. This paper focuses on one specific role of the state activity in the context of private finance - that of a regulator.

Much has been written about how best to regulate privatised enterprises, for example, the relative merits of "rate-of-return" as opposed to "price-cap" regulation. These were originally devised with a view to mimicking the impact of competition in monopolistic sectors. For price-cap regulation, firms are allowed to make what profits they can, subject to a price set by the regulator, thereby providing an incentive for firms to increase efficiency as they would if they were a price-taker in a competitive market structure.

But this regulatory structure provides incentives for firms to do other things such as to overstate costs in the price-setting process, to withhold information from the regulator, to engage in transfer pricing, to skimp on quality, to reduce wages and increase workloads. Firms also have an incentive to misreport data on performance targets where these affect the allowable returns. Efforts to strengthen regulation by increasing the extent and complexity of reporting requirements has not led to greater effectiveness, see Bayliss (2014) on the water sector and Haldane and Madouros (2012) on the financial sector. Bowman et al (2012 p. 5) citing Engelen et al 2011 describe market "bricolage" in the financial sector where regulation does not impose constraints so much as create an input for further more elaborate forms of creative profit-making. An alternative interpretation of regulation is that, rather than setting parameters for firms in the form of regulations, the state is setting obstacles that need to be overcome.

Regulation is less scientific and bounded than orthodox theory suggests, in part because of the blurring of agency relations between the state and the private sector. The perception of a state/market dichotomy is not valid in practice. One way in which boundaries are crossed is with the use of private consultants who work both for the government and for the private sector. For concession contracts in the UK, government evaluations of PFI are carried out by financial

consultants with a vested interest as advisers, private sector partners in PFI deals or major subcontractors, Shaoul (2008). This is also the case in the design of tax policy where the government relies on the “big four” accounting firms who then advise clients on how to avoid paying tax, HoC (2013, p. 4).

But the state increasingly needs to use consultants because they do not have the capacity for regulation, in large part because of the growing complexity of financial transactions. The state lacks the ability to regulate the private sector effectively. In the UK, the National Audit Office found that this was the case for PFI concession contracts, NAO (2011). There is also growing evidence of this for the financial sector. Indeed, Bowman et al (2012, p.14) suggest the faith that the elites and the masses continue to hold in finance, despite mounting evidence of its failings, stems partly from the “scientisation of central banking which turned financial regulation into an arcane matter understood only by a small number of elite figures in the financial markets or in central banks and regulators.” Increasing financial complexity driven by greater involvement of finance in non-financial companies makes the task of regulation more difficult.

Regulatory strength is also weakened by consolidation in the private sector as this effectively shrinks the pool of potential participants. In finance the “big four” accounting firms dominate financial advice both for private firms and the government, Froud et al (2011, p.12). In the UK, regulation is constrained by a shrinking number of service providers in the wake of industry consolidation. It has also led to four firms dominating subcontracting in the country (G4S, Serco, Capital and Atos). This gives a sense of too big to fail and limits the extent and application of sanctions in the event of transgressions, NAO (2013b).

Regulation may be compromised by conflicting state agendas. While, on paper, the regulator is tasked with reining in the excesses of private exploitation so that the privatised sectors work in the interests of society, the privatising government does not want to see privatisation fail. For that reason, states need the private sector to make profits and the terms of regulation not to be too onerous. In the UK privatisations are often under-priced so investors see an immediate gain from the share price increase. State capture also emerges from political alliances. The financial sector has close ties with the government in the UK, for example with political donations (Froud et al 2011, p.13). Revolving doors between government and the private sector promote the private sector agenda.

12 Conclusion: Multiple and Contested Sops

This paper outlines an innovative approach to conceptualising the impact of finance on public provision. Until now, assessments have largely been in terms of the way that privatisation has or has not led to improvements in productive efficiency. Critiques have raised concerns regarding the conventional methodologies and approaches, but no significant appropriate alternative has been offered.

The literature on the impact of finance on public provision is notable for its ideological content. For some it is a great success while for others an abject failure. It has become increasingly clear from the empirical debates that there are no guaranteed outcomes when it comes to privatisation. The only valid conclusion from a review of the literature is that the private and the public both contain the best and the worst of performers. The sop approach is more nuanced. There are winners and losers and interpretations will vary according to the underlying assumptions and perspectives of the researchers.

There is, then, only small mileage to be gained from thinking in terms of the state/market dichotomy and far greater insights can be obtained from a systemic perspective. By shifting the approach to a vertical analysis, the emphasis is on the processes by which outcomes are reached. While the sop approach starts from the premise that each case is different, the thematic approach does not preclude cross-sector and country analysis. Cross-cutting themes play out in different ways across cases, and these differences give greater insight into the workings of national socio-economic relations. In some ways it is easier to understand one case in terms of how and why it differs from others. For this reason, the Fessud research programme is sponsoring a cross-country sop study of finance and financialisation in the delivery of housing and water in five case-study locations.¹⁰

The inductive approach of sops has potential drawbacks in being, necessarily, contingent upon case study application. However, the level of abstraction and underlying assumptions of supposedly scientific econometric analyses also exhibit major failings, see Bayliss (2011) on water privatisation. For the sop approach, considerable responsibility rests with the researcher. Perceptions of the sop boundaries, the material culture and the vertical production- consumption chain are subject to framed judgements. However, this is a feature of much economic research, although elsewhere this is largely implicit. Theoretical and empirical approaches have been limited by attempting to mould

heterogeneity into systematic patterns with ideal types and syntheses of regimes. The real world is messy, complex and unpredictable with multiple and conflicting systems and processes, operating simultaneously with their own material culture, historically and contextually determined ethos, and path dependence. For the (ps)sop approach, this diversity is welcomed as the starting point of analysis. As such, it is anticipated that this will offer a useful framework for understanding and shaping policy outcomes.

¹ For critique of privatisation theory for its grounding in rational individuals operating in a world devoid of context and history, see Bayliss and Fine (2008) and Bayliss (2011) for example.

² The sop approach was initially applied specifically to commodities for consumption but it can equally, if mindfully, be carried over to non-commodity provision. In part, this can be justified by the “mimetic” forms taken by non-commodity “sops” especially in view of their location within capitalism and the greater or lesser pressures towards commodity forms and calculation.

³ Recently, the sop approach has also been adopted in other major research projects addressing provision of UK physical infrastructure, a comparative study of social policy in developing and emerging economies, and a comparative study of social provision and social compacting.

⁴ For more on the material culture of financialisation, see Fine (2013).

⁵ See also Fine (2013 and 2014b)

⁶ The following paragraphs draw on earlier work on this subject covered in Bayliss (2013).

⁷ This is the case in other privatisation cases. For example, in the UK, several regional health providers are in financial difficulties, in large part due to payments to private providers for infrastructure services under concession arrangements with private providers. The response has been to increase franchising of services to the private sector to help these providers in managing their finances, NAO (2012b).

⁸ See Bayliss (2011) for more on the ‘cup half full or half empty’ interpretations of water privatisation.

⁹ For example infrastructure in the UK is owned by companies with a string of global assets including airports and hotels as well as electricity providers. The biggest largest private



provider of private hospital services in London is a company called Hospital Corporation of America, HCA.

¹⁰ UK, Turkey, South Africa, Poland and Portugal. The country studies and synthesis reports will be completed by June 2015.

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Financialisation, Economy, Society and Sustainable Development (FESSUD) is a 10 million euro project largely funded by a near 8 million euro grant from the European Commission under Framework Programme 7 (contract number: 266800). The University of Leeds is the lead co-ordinator for the research project with a budget of over 2 million euros.

THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

THE PARTNERS IN THE CONSORTIUM ARE:

Participant	Participant organisation name	Country
1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
7	Tallin University of Technology	Estonia
8	Berlin School of Economics and Law	Germany
9	Centre for Social Studies, University of Coimbra	Portugal
10	University of Pannonia, Veszprem	Hungary
11	National and Kapodistrian University of Athens	Greece
12	Middle East Technical University, Ankara	Turkey
13	Lund University	Sweden
14	University of Witwatersrand	South Africa
15	University of the Basque Country, Bilbao	Spain

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Published in Leeds, U.K. on behalf of the FESSUD project.