Managing the Social for Private Interest: On the Historical Roots of Public Private Partnerships

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Introduction

Privatisation represents one of the three classic processes that have come to be associated with neoliberalism along with deregulation and marketization. For Mansfield, privatization's connection with the creation of private property relations distinctive of capitalism gives it special significance as 'the premise on which commodification, marketization, and deregulation are built' (Mansfield, 2008). The privatizations of the neoliberal era, however, have often not involved a simple zero-sum movement of public assets to private investors. Very often, and especially since the 1990s with the social democratic turn of neoliberalism, privatization has taken the form of so-called Public Private Partnerships (PPPs). These new state-capital assemblages involved using private finance or management know-how to remake the delivery of public services or as new sources of private funding to construct public infrastructure.

This growing involvement of capital in running, rather than displacing, the public sector through PPPs has been identified by Colin Crouch as a 'paradox of privatisation' (Crouch, 2015). Despite arguments for privatisation resting on the idea that creating competitive pressures would produce efficiency gains in delivering public goods, the opening of the public sector to private contractors has instead resulted in a deeply politicised oligopoly that he terms 'corporate neoliberalism'. Contracting out public services proved to be rife with accusations of clientelism and bribery – accelerated by the massive procurement demands of the COVID-19 pandemic response. While the hoovering up of public infrastructure assets by global investors secured huge pay offs for shareholders more interested in profits than quality public services. Stephen Wilks makes a similar argument that outsourcing has created a 'new corporate state' where 'the standard mode of delivering public services has become either partnership with the private sector, or outright delegation of service provision to companies' (Wilks, 2013).

Critical scholars have understood these dynamics as part of a shift to a new era of capitalist accumulation that neoliberalism set in motion. A frequent concept invoked to understand privatization has been David Harvey's 'accumulation by dispossession' (Harvey, 2005). The concept captures how accumulation in the neoliberal has become increasing driven by upwards redistribution, rather than productive investment, with firms' political connections to the state becoming a major determinant of their economic vitality. The reshuffling of the public sector through privatization has from this perspective been part of a wider shift of firms reverting to increasingly rentierist and predatory accumulation strategies (Christophers, 2022).

One of the challenges of accumulation by dispossession as concept, along with fellow traveller frameworks of rentierism, has been to make sense of the peculiar role the state seems to be taking in dynamics of capital accumulation under neoliberalism. The fact that capital relies on institutional support and sponsoring for accumulation is certainly nothing new to capitalism. Indeed, the original Marxist notion of ‘primitive accumulation’ that Harvey’s concept was founded on precisely worked to highlight the forms of violence involved in creating the social relations peculiar to a capitalist system. What Harvey’s accumulation by dispossession pointed to was the historical continuity of this reliance. The question, though, emerges from this of what exactly was provoking this conceptual innovation that has accelerated since the 1990s that stresses the importance of political institutions to economic accumulation, given the state’s perennial connection to capital? If the state has always been crucial to capitalism, how exactly did the state-capital relation shift under neoliberalism? This has always been a challenge for the notion of accumulation by dispossession as articulated by Harvey and subsequent scholars. The concept has often been critiqued for being overly elastic. While politically powerful, it has been used to make sense of far too many dynamics to provide analytical purchase in making sense of capitalism in the neoliberal era.

In this article, we pick up on one particular novelty that seems to emerge with neoliberal privatization – the rise of so-called PPPs. We argue that the modalities of this form of privatisation cannot be understood without a closer historicization of its practices. Following a radical historicist approach that focuses on tracing the historical lineages of social practices, we argue that privatisation has been carried out in different ways historically and that this evolution must be taken into account to understand the specific privatisation trends under neoliberalism. More specifically, we argue that the distinct template for privatisation that revolves around PPPs has a longer history than often recognised. Rather than the social democrats of the 1990s/2000s, a ‘partnership’ approach in fact goes back to the late 1960s USA and President Lyndon Johnson’s War on Poverty. Tracing the US origins, and then the later evolution of these practices in Tony Blair’s United Kingdom, we shift focus of the stakes of privatization away from the highly unequal ownership patterns that has been a consequence of reforms. We instead focus on how accumulation dynamics of neoliberal privatization are connected to a historically specific shift in visions of governance and the kinds of state-mediated money making they made possible. What this suggests is that privatisation is not just tied to a retrenchment of government activity nor about the state just underwriting capitalism (any more than it always has) – it has actually been about the massive expansion of public sector activity as a group of corporations begin to have a vested interest in expanding social policy given their ability to accumulate around how it should function and the new way in which corporations are mobilised by the state in the delivery of reform agendas.

In making this argument, we build on broader work that we have developed elsewhere which highlights the changing nature of governance in the age of neoliberalism. This article takes a further step to reflect on the staggering success of what we call ‘managerial governance’ despite its numerous failures (Dutta, Knafo and Lovering, 2021). As we argue, a key reason for the tremendous spread of managerial governance practices despite their recurrent failings is that corporations have found it very pliable as a framework for strategies of accumulation. Our goal here then is not simply to trace the history of these practices of privatisation, but more importantly to understand how and why managerial governance has been so suited for corporate interest.

Privatization as Accumulation by Dispossession?

Scholars have increasingly argued that neoliberal privatization did not just involve an increasing prevalence of private sector actors in running of public services, but has driven a change to capitalism itself. Most prominently making this argument recently has been Brett Christophers' work on 'rentier capitalism' (Christophers, 2022). Rentierism for Christophers is 'income derived from the ownership, possession or control of scare assets and under conditions of limited or no competition' (REF). For Christophers, various structural changes since the 1970s has produced a new mode of capitalism predominantly shaped by these rentier logics. Privatization takes an important place within these trends. The outsourcing of public services, and emergence of infrastructure as a global financial asset class, has produced a form of 'contract capitalism, or contract rentierism' of a small band of massive semi-conglomerate firms and equity groups leaching off public sector contracts (Christophers, 2022, p. 254). For Bob Wylie, the infamous collapse of British facilities management company Carillion reveals how privatization 'has led to a Britain in ransom to rentier capitalism, where the extraction of wealth by its most powerful classes, and not its creation, has become paramount (Wylie, 2020).

This dynamic of a reliance on public money to fuel rentier accumulation strategies has been similarly picked up by Marxist literature. Most recently, Robert Brenner and Dylan Riley have argued that decades of neoliberal reform has produced a kind of 'political capitalism' (Riley and Brenner, 2022). For Brenner and Watkins, 'this new form of accumulation is associated with a series of novel mechanisms of "politically constituted rip-off"… [where] all these mechanisms of surplus extraction are openly and obviously *political.* They allow for returns, not on the basis of investment in plant, equipment, labour and inputs to produce use values, but rather on the basis of investments in *politics*' (Riley and Brenner, 2022, pp. 6–7).

In many ways, these new perspectives on how privatization has shifted the nature of capitalism build on David Harvey's earlier idea of 'accumulation by dispossession'. Earlier conceptualisations of privatization often understood it as a generic process of capitalist logics being injected into the public sector – both through the outsourcing of the financing and delivery of public services and infrastructure. Representative of this view, Julien Mercille and Enda Murphy argue that the outsourcing of public sector actors opens government activities to profit-making organisations who are incentivised to accumulate through lowering labour costs. The drive for efficiency that enters into the public sector is from this perspective tantamount to subjecting it to a capitalist logic. They write that 'as labor is made more "flexible", profits can thus increase' (Mercille and Murphy, 2017). Similarly, Ursula Huws has argued that outsourcing of the public sector involves repackaging public services into objects amenable to capital accumulation. She writes how privatization involves 'activities already carried out in the paid economy for their use value (such as education, or health care) are standardized in such a way that they can be traded for profit and appropriated by capital: use value is thereby transformed into exchange value' (Huws, 2012).

In contrast to these more zero-sum interpretations of privatisation as the opening of the state to capital, the concept of accumulation by dispossession has been particularly influential for thinking about how privatization has instead changed the nature of capitalism itself. The term was coined by David Harvey to make sense of what he identified as the 'New Imperialism' of global capitalism with the onset of the US-led invasion of Iraq in the 2003. Harvey combined Marx's notion of primitive accumulation with Rosa Luxembourg's work on imperialism to argue that capital had entered a stage of semi-permanent predation. In the context of what many Marxists identified as a crisis of overaccumulation, where capital was lacking new sources of profitable investment, Harvey argued that the new imperialism involved the violent state-led opening of new outlets for capital. Whereas Marx located primitive accumulation as a generative stage for capitalism, Harvey claimed that it was instead a permanent feature of late capitalism.

The result, according to Harvey, was a profound shift in the logic of capital accumulation. It was no longer said to be predominantly driven by continuous productivity increases endogenous to economic dynamics within firms and driven by competitive pressures. Instead, 'accumulation by dispossession' marked a new dynamic of capitalism that relied heavily on extra-economic forces (namely of the state) to appropriate wealth. Importantly, whereas capital accumulation had long been understood as the appropriation of surplus value created by labour in production, for Harvey accumulation by dispossession did not involve this surplus value creation through the transformation of commodities but, instead, was a 'redistribution of assets that increasingly favoured the upper rather than the lower classes' (Harvey, 2005).

A key novelty of Harvey's concept was to recentre the idea of primitive accumulation traditionally used to analyse what was considered to be capitalism's outer spatial edges as a process increasingly important for processes at the core of the Global North (Glassman, 2006). Privatisation, Harvey believed, was particularly important in this process. He described it as the 'cutting edge of accumulation by dispossession' (Harvey, 2005). As Harvey writes, 'Privatization (of social housing, telecommunications, transportation, water, etc. in Britain, for example) has, in recent years, opened up vast fields for overaccumulated capital to seize upon' (Harvey, 2005, P149).

Scholars highlighting the privatisation of the public sector as accumulation by dispossession (or more recently 'political' or 'rentier' capitalism) draw attention to how profits are now increasingly generated by moving away from accumulation through exploitation in production to instead state-sponsored predation of a capitalist class on life support, feeding on public resources in attempting to compensate for the overaccumulation of capital and the lack of attractive sources of profit in production.

Such views on the practices of accumulation under neoliberalism has often reverted to a broader debate on the nature of capitalism with scholars debating whether these practices represent a real departure or not from capitalism. Many have disputed the idea that outsourcing represents a corruption of the logic of capitalist accumulation, arguing that this form of predation has always been central to capitalism. Bin, for example, argues that when it comes to privatisation in the public sector, Harvey misleadingly starts from a rose tinted conception of publicly owned corporations and more generally the public sector as if 'state-owned assets […] were a commons' (Bin, 2018). Bin highlights how publicly-owned corporations of twentieth century were not operating outside of capitalism before the process of privatisation. While they were governed by different directives, they nevertheless worked to a profit motive that they sought to deliver through productivity increases while competing on the world market. Moreover, their privatisation did not involve any significant change to the social relations underpinning them besides a 'simple transfer of ownership' from the state to more varied shareholders (Bin, 2018). For this reason, recent trends of privatisation of 'public institutions' does not involve a wholesale shift in their operation with a new concern with profits.

While there is much to learn from these debates, we find it striking that they bear so little on history. Instead of tracing concrete historical lineage to explore what these practices of privatisation represent, where they emerged and how they evolved, the literature has instead taken to discuss vague analogies with feudalism (Durand, 2022), 19th century gentlemanly rentierism (Christophers, 2022), or soviet bureaucracy (Innes, 2021) to draw out the significance of these developments. Working on the basis of conceptual resemblances they largely address this development in theoretical rather than historical terms. As a result, we are left with the unappealing choice of either recognising the novelty of these practices by falling back on pre-capitalist reference points, or denying that there is anything new other than an extension of the logic of capitalist accumulation.

By contrast, we argue for the need to bring the debate back to history, a move that starts from refusing to collapse outsourcing and privatization with all other types of profiteering that have proliferated under neoliberalism. As we will show, tracing the lineages of PPPs reveals a series of problems with the idea of accumulation by dispossession as developed by Harvey and the ways it has been rearticulated since.

The first problem concerns the complex historical trajectory of PPPs which does not fit easily in the generic periodisations proposed by Harvey or Christophers. Traditional histories locate PPPs as a product of capitalist crisis in the 1970s. They are seen as a functional state fix to dwindling capitalist profits. In contrast, it is striking that the modern idea of PPPs can in fact be traced to the 1960s US and President Lyndon Johnson's efforts to expand the social state through his 'War on Poverty'. Here, PPPs had little to do with curbing the role of the state. Instead, they had all to do with finding ways to extend state in a contradictory context of a capitalist boom and social unrest. While new conglomerate defence and technology firms were the vanguard of significant post-war growth in the 1960s, and huge public revenues with it, the US was in the middle of major urban conflict driven by civil rights and anti-war movements. Revisiting this era, we will see, offers important insights into the nature of the outsourcing that has flourished under neoliberalism.

Placing the origins of PPPs in the 1960s provides greater clarity on why they resurged only in the 1990s and 2000s. Rather than the usual tendency to read privatization as a product of both 1970s/1980s anti-state politicians looking to dismantle welfare, and capitalist interests facing a profit crisis, reading PPPs through the history of the 1960s places greater perspective on their connection to expanding the social state in a context of capitalist boom rather than crisis. This explains why it was 'Third Way' social democrats in the second wave of privatizations, at a time of economic boom during the 'Great Moderation', that most significantly drove the PPP form.

This is important because it leads to another problem related to the way in which we frame these processes. As we have seen, looking at generic features of these practices suggests conclusions that can be misleading. A common reasoning that flows from the idea of dispossession and rentierism is that these practices rely on various 'political' cheats to avoid competition. Firms' political connections, or the state's dependence on them, is said to mean they do not have to compete and can claim resources without having to contribute anything for them. The emphasis in this way is often placed on the backdoor processes at play to win contracts, rather than the actual practices of outsourcing and PPPs that produce such dynamics in the first place.

As we will argue, while such framings rightly highlight the political scandal that privatization often brings, they often miss the novelty of the state-capital relations that has defined neoliberalism. Public money has always been a source of corruption and rent seeking. But the peculiar way in which it has been organised through competitive tenders and complex financing arrangements is historically novel but under-explored. Importantly, as we will show, there has been a two-fold significance of PPPs. First, it has been tied to a novel reformulation in the nature of governance itself, creating new dynamics that cannot be grasped through superficial comparisons with regimes of the past or generic outrages at wasted public money. Scholars often underestimate the profound impact of PPPS on the public sector when they simply read this as a constitutions of fiefdoms granted to privileged companies to claim public resources without having to do much. Second, these changes in governance opened new opportunities for firms looking to capitalise them in ways that fed significant corporate and financial innovations creating historically unique accumulation strategies that need to be accounted for. In the end, the ability of certain firms to invade the public space and capture various public cash flows speaks to a profound change in the nature of governance and capital's relation to the state that cannot be grasped through the dualist categories of capitalist production versus rentier redistribution.

This neglect of how changes to the nature of governance feed into issues with the framing of privatization is connected to a third problem with – namely the exclusive privileging of ownership and neglecting questions of management. The privatisation of public corporations, state assets, and council houses indeed involved profound shifts in the ownership of capital away from the state and into internationally dispersed shareholders. These have had important political consequences that have been widely studied by scholars. Often neglected in these discussions, however, is how for state elites at the time of privatization, a key part of their arguments in making these shifts was a view that ownership provided only a limited means to effectively govern publicly owned enterprises or services. Rather than consequences of privatization have consequently, and importantly, been read in terms of unequal ownership, what is important to consider is how the politics of privatization were often articulated at the time in terms of questions of management and 'effective' control. While this is often reduced to neoliberal critiques of from public choice, this was merely the libertarian edge to a much wider set of discourses coming from institutional economics and organisation studies. Of major importance here was a profound shift in perspective that ownership did not necessarily mean control, and new ways would be needed to make decisive interventions. As we will show, it is in this context that policies of privatisation were turned to, and it is a managerial function that governments turned to in order to develop the means of intervention that ownership had struggled to provide. Only by isolating and understanding this new managerial function can we then re-evaluate the modes of accumulation it made possible.

The Origins of PPPs in Lyndon Johnson's 'War on Poverty'

Governments have always used the private sector to both deliver public goods and as a source of money making for capitalists. Perhaps most obviously in the modern era is the New Deal. In the US, the use of huge public works organised through government agencies shovelled federal money into the hands of private contractors in a Keynesian effort to restimulate an economy in response to the Great Depression. What has been distinct about neoliberal partnerships, however, has been how corporations appear to have taken on a much deeper proximity to the centres of policy making. Firms are no longer just recipients of public money administered and directed by state officials. Increasingly, through the outsourcing of the design and delivery whole packages of public services, the heavy use of consultants in top-level decision making, and the private financing and construction of public infrastructure, corporations are not just recipients of public money but their accumulation is also predicated on deciding the very purpose public policy. The origins of this are often located in the so-called 'hollowing out' of the public sector as a response to both the fiscal pressures of the 1970s and anti-state rhetoric of neoliberals. From this angle, a vindicated and cash-strapped public sector is said to have deferred to the private sector for a cheaper means to deliver state functions. What is perhaps surprising, though, is that the idea that *business* should take a lead in pursuing public purpose in fact comes not from the crisis of the state in the 1970s, but the height of welfare capitalism in the 1960s.

The Rise of Partnerships and the 'Social-Industrial Complex'

The first use of the idea of a 'partnership' between government and business came from Lyndon Johnson in the 1960s as part of his so-called War on Poverty. This package of legislative reforms and agency initiatives, spearheaded by a new federal agency Office of Economic Opportunity, was meant to end poverty in the US through housing reform, welfare-to-work programmes, and healthcare programmes. Crucially, business was targeted as having a central and unprecedented role in delivering the plans – not just as a target for funds as in the New Deal, but in coming up with solutions and spearheading programmes. Johnson, for example, described the plans as involving a 'new partnership between business and Government' (quoted in Hoffman, 2013, p. 55). This turn to business in the War on Poverty came out of the peculiar context of 1960s US. On the one hand, and providing the racialized motivation behind the turn to tackling poverty as a policy objective, Johnson's plans were unfolding in a context of significant social unrest in the US (Hinton, 2016). Waves of violence in several US cities in the 1960s, moral panics about urban decay after post-war 'white flight', and a growing civil rights movement, gave the War on Poverty a particular racial politics seeking to both deal with segregation while at the same time restore social stability. For Hinton, 'the War on Poverty is best understood not as an effort to broadly uplift communities or as a moral crusade to transform society by com- bating inequality or want, but as a manifestation of fear about urban disorder and about the behavior of young people, particularly young African Americans' (Hinton, 2016, p. 32).

While this context of urban crisis in the 1960s is familiar, the fact that Johnson turned to corporations as the actors to solve it is often overlooked. Unlike the New Deal where the federal government was mobilised to restore a capitalism on the brink, the big social policy efforts of the 1960s came at a time of a booming post-war economy. In particular leading this boom were new technology firms like IBM or Xerox, massive new conglomerates like Litton Industries, revolutionary retail firms like Walmart, as well as older familiar firms like Ford or General Electric. Just as the US social fabric appeared to be coming undone, a set of monopoly capital firms pioneering new technologies or production methods, and reaping huge profits, appeared to have the answers.

The significant emphasis placed on corporations to come up with solutions to the problems of poverty and urban crisis led both enthusiasts and critics at the time to remark of a coming 'social-industrial complex' mirroring the fusion of capital and state in the defence sector. The idea most prominently came from Lyle Spencer, the President of Science Research Associates, which was a subsidiary of IBM. In a speech, Spencer pointed to how new social reforms were triggering 'the early growth of a new complex in which industry and government also are intertwined, but toward a far different end. It might be called a social-industrial complex. With the government acting as broker, a number of large American corporations are organizing some of the nation's best-trained and original minds in the fields of social reform, education, and management to equalize the spread of opportunity in American life (Spencer, 1966). Indeed, describes how the Job Corps programme of the War on Poverty involved mega corporations like Xerox, IBM, AT&T or Radio Corporation of America directly taking charge of welfare-to-work training through contracts with the Office of Economic Opportunity (Offner, 2019). Alexander von Hoffman describes how 1968 housing reforms ‘transferred primary responsibility for social welfare housing to for-profit businesses’ (Hoffman, 2013).

Looking on more critically was no less than Michael Harrington, who as the author of *The Other America* had a significant influence over politicising poverty in the 1960s. Harrington observed at the time a ‘sinister potential of the social-industrial complex’ where ‘companies have acquired a con- science at the precise moment when, for a variety of technological, social and political reasons, there is money to be made in doing good. And in pursuit of their own private purposes, the executives are going to have much to say about what Americans think and how they live… The contractor would not simply execute the contract. He would draw it up as well’ (Harrington, 1968). Writing a bit later, the Marxist sociologist James O’Connor argued the social-industrial complex served to reorient welfare onto the terms of monopoly capitalism (O’Connor, 2001).

Partnerships against ‘Community Action’

The turn to a partnership with business as the vessel for Johnson’s War on Poverty came after an abandoned effort to empower the poor themselves. The early programmes of the War on Poverty were primarily led by Community Action groups according to the legislatively defined principle of ‘maximum feasible participation’ of the poor in designing and administering social programmes. The idea came originally from a Ford Foundation ‘Grey Areas’ youth programme from the 1950s. As it came to be embedded into the Economic Opportunity Act, the principle of participation involved ‘“assist[ing] the poor in developing autonomous and self-managed organizations which are competent to exert political influence on behalf of their own self- interest” (quoted in Hinton, 2016, p. 49). It worked by channelling federal resources directly into local community groups, empowering them to define their own locally contextual problems and come up with the ways they would address them.

Community Action was, however, shortlived as the means to pursue the War on Poverty. The efforts to empower the poor by mobilising local activities with huge amounts of federal funding disrupted local power structures and, in particular, city mayors. For local activists, community action ‘opened the door for radical approaches to disrupting existing racial hierarchies and exercising the claims to self-determination increasingly voiced by mainstream civil rights leaders’ (Hinton, 2016). In contrast, local mayors and city officials ‘found their authority usurped by upstart civil rights groups with massive federal resources’ (Quadagno, 1994, p. 21). In a notable example, the mayor of Syracruse, William F. Walsh, attacked local community action groups organising rent strikes, voter registrations, and protests for ‘formenting class warfare’ (O’Connor, 2009, p. 170).

Alongside opposition from local, often Democratic Party, power structures, Johnson’s federal government likewise turned against community action. For the Bureau of Budget , and its director Charles Schultze, that was funding the huge expansion of federal programmes, the political empowerment of the poor represented a serious misue of public money becoming a ‘political embarrassment’ (O’Connor, 2009, p. 166). Whereas the purpose of the War on Poverty had been to restore social stability to the US’s cities, by encouraging political resistance through community action ‘the empowerment of the poor threatened to undermine existing social and institutional structures’ and facilitating further unrest (Jardini, 2000).

In response, federal planners looked to seize back control of the War on Poverty from the sociologists, trade unionists, and community activists that had shaped its rise. To do so, they turned to what was at the time the vanguard of management ideas – the technologically pioneering military-industrial complex that was emerging around Robert McNamara’s overhauling of the Department of Defense and the ‘nifty fifty’ corporations that fed off US military spending (See especially Light, 2003).

Managerial Governance as the Medium for the Social-Industrial Complex

It was out of this new reformulation of the military-industrial complex in the 1950s that we have elsewhere argued saw the emergence of what we have called managerial forms of governance (Knafo *et al.*, 2018; Dutta, Knafo and Lovering, 2021). Born out of the experience of the Second World War when a large sway of scientists were mobilised to solve operational problems of issues of logistics and developed various techniques of optimisation to support decision making. On the back of these innovations, an ambitious project took shape of revolutionising decision making and more broadly the making of strategy and policy by turning them into a scientific exercise. Through the deployment or new computing ideas, linear programming, …

These practices led to the emergence of a new form of governance. To understand this revolution, it is useful to contrast it to the rise of scientific management in the late 19th and early 20th century. The latter was essentially applied to operational concerns and used at lower levels of a firm using scientific measurements and careful accounting to optimise operations and make them more efficient. By contrast managerial governance was focused on higher level decisions regarding the broad strategy or policy of an organisation. Optimisation seeks to make the most with a given set of resources. But whereas scientific management focused on how to improve the efficiency of given policy, the much more ambitious practices of systems analysis was meant to use optimisation as a means to choose which strategy or policy to follow in the first place, casting this as an exercise in determining which strategy would make the most of the resources available. The result was a practice of governance that was managerial in two distinct ways. It framed top decision making as a exercise in optimisation, essentially using the idea of management as a framework for solving complex issues rather than simply implementing policy determined higher up. But it was also managerial in a second way, given that optimisation required that everything that is taken into account for a decision be quantified in order to be modelled. As a result, the requirements of strategy and policy making would demand more and more information the performance of various practices.

These ideas were mostly fleshed out in the late 1940s and 1950s by scientists previously involved in the war effort and then later recruited by think tanks set up to capitalise on the military research of the Second World War. Most important was the RAND corporation which became the centre of systems analysis research. By definition, the expertise it provided was largely contractual. From the beginning, the military research was justified as a product of and largely targeted at the limitations of the vast public administrations then set up which were said to be ineffective and wasteful.

The great success of RAND came in the 1960s when John F. Kennedy, upon coming into power, designated Robert McNamara as the new head of the Department of Defense. MacNamara went on to hire Charles Hitch from RAND to implement the ideas of managerial governance in the Department of Defense. Numerous systems analysts were taken on board and began reconfiguring the Department of Defense through a new Planning and Programming Budgeting System (PPBS).

This initial foray of managerial governance into defense would be generalised to a wide range of fields, most notably social policy starting in the mid 1960s. As systems analysts grew in ambition, they began to push the idea that the innovations in decision science developed for the defense sector could be extended to other field of policy. This was precisely at a time when the need for a vast extension of social policy and demand for extended state support emerged in the wake of the large civil rights movements and more specifically the race riots that shook American cities in the mid 1960s. The RAND corporations as a means to justify further contract, sought to capitalise on these demands by turning in the mid 1960s to social policy. In what became a crucial development many of the PPBS warriors moved on from the Department of Defense to apply their trade to social policy, a move that led to even more intense legitimacy battles with professional who viewed these ex-military thinkers advising on policy as an intrusion. This process of colonisation of managerial governance was based on a claim to expertise thus met strong resistance that only intensified the clash between systems analysts and the professionnals or specialists they claim to supersede with their scientific methods.

Accumulation and Managerial Governance

The push of managerial governance into the centre of the War on Poverty was intertwined with the turn to a specific new cluster of corporations as the key actors to deliver it. In the process it put a whole new spin on the manner through which the state would mediate between public money and firm profits

Managerial governance remade budgets from tools of redistribution into instruments of strategy setting. The use of techniques like systems analysis or cost-benefit analysis in managerial governance's work of optimisation involved trying to tie the use of financial resources to the pursuit of explicitly set public policy objectives. Along this logic, budgets would not just be used to distribute and allocate financial resources. Rather, the compiling of a budget was intrinsically meant to be about defining and rationally setting the purpose of public policy in terms of goals and cost implications.

The way this worked under PPBS was often to ask agencies to come up with their own policy objectives. The idea of having to determine set goals of policy was, however, no easy task for agencies that commonly thought of their work in terms of job tasks and block appropriations. It is here where new upstart consultancies spinning out of RAND and other think tanks, accountancy firms, and the research divisions of major corporations had a first inroad into a growing US social research industry. The novelty of this, though, was the way in which managerial governance enlisted corporations into not just delivering public policy, but assisting in formulating it in the first place. By attempting to rationalise the task of defining public policy objectives through techniques of managerial governance, private contractors hired for their expertise in new sciences of decision-making would be able to directly influence the directions of state policy – perhaps by conducting a feasibility study for a new road or bridge, or by designing and constructing the information gathering infrastructure for a new set of policy indicators.

As well as the closer proximity of corporations in the workings of government that managerial governance drove, it also changed the patterns of accumulation for those delivering public contracts. The shift of public policy under managerial governance from no longer tracking inputs, but instead the pursuit of policy outputs and outcomes, reoriented how firms accumulated through the state. After setting objectives, contracting firms are no longer solely responsible for completing a set of tasks such as building a hospital or a road. Instead, their purpose becomes focused on achieving a specific social goal, such as treating a medical condition or educating a specific group of people to a particular standard. When public purpose is transformed into a managerial task, contracted corporations gain greater control over how the service is run. Importantly, accumulation in this framing unfolds not by a degradation of public purpose, but a specific consequence of the use of techniques of managerial governance to pursue social policy more purposefully at a central level.

Partnerships in the UK

From Ryrie Rules to PFI under Tories 1980s/1990s

Much like the US, in the UK the use of the private sector to deliver state policies is hardly new. But when Thatcher took power there was a renewed effort to try and turn social services delivered by the state over to the private sector and forge closer partnerships between public and private. The austerity agenda that had been adopted since the mid-1970s had frayed parts of public infrastructure. In particular the state of social housing, and the availability of housing more broadly, meant this was an area of infrastructural development Thatcher was particularly keen to engage the private sector more actively. Since 1978 there had been cash limits established on civil service departments, the idea being to keep the national debt (in the form of the PSBR) down and the hope that cash limits would impose a scarcity that would drive efficiencies. This agenda chimed with the Thatcher government that took over but there was significant concern that restrictions on public spending was undermining infrastructure development and damaging productivity. While Thatcher might have hoped for the private sector to step in and take full control by committing their own resources, many of the construction companies that would be at the heart of any infrastructure renewal were in fact very reluctant. They did not want to take on long-term and large scale investment with such uncertain returns. As such there was a push for exploring how public resources could be used. The Ryrie Committee, established in 1980, was important in establishing a basis for when the Nationalised Industries could tap private investment. The conclusions became a baseline for a Treasury View on how private sector investment could work.

Ryrie, who had worked with Robert McNamara at the World Bank, was a big advocate for the private sector taking on infrastructural development in developing countries. Yet, reflecting McNamara's own background in the institutions we examined in the previous section, Ryrie felt it was important to be able to demonstrate clear efficiency gains in any private sector involvement before committing public resources. His view was that private sector investment should be encouraged only if it could show efficiency gains that outweighed the extra costs associated with private over public finance. Though by Ryrie's own account he had intended these conditions to be a spur for private involvement, they were very quickly seen as significant block. The combination of the construction companies' reticence to just take on a solo-role, and the impact of the Ryrie Rules, meant there was no obvious path or reason for PPPs to take hold under Thatcher initially.

What had to change was the terms of the partnership. And here the US proved instructive. Though UK construction groups were reluctant to invest alone, they did see great potential in the partnership model that that had taken hold in the US. Lobby groups had undertaken research of these US PPPs to explore and promote the idea of the model being taken up back home. As such, the first mention of PPPs in the UK context came from one such mission, with the Economist and Financial Times covering a report authored by David Cowie from the National Buildings Material Council. Published in 1982 the report noted how Reagan had re-jigged Johnson's PPP form to make it more "profit orientated", rather than being 'confused' by the inclusion of 'social' objectives. The new US PPPs allowed private investors to make money through public infrastructure provision while at the same time forging public administrators a new institutional form that was more flexible than traditional local or national government. Interestingly, Cowie himself was steeped in formal party politics, but not with the Conservative Party. Instead he was a Liberal and then Social Democrat Party member, which is symptomatic of the way the partnership form did really have a political trajectory and identity that was in part defined against traditional Right and Left wing approaches.

Against both fully public and fully private entities (in ways that were never clearly defined) the idea of Partnership 'coordinating boards' were central. These would sit outside of the old structures - and in that sense involved institutional construction - and would be the legal entities through which private finance would be raised. The financial sector, as has been remarked, was quite reluctant initially to support these new long-term and risk ventures, particularly in a context of financialisation more generally where investor preferences were moving to more liquid asset classes. This is where consultants came to play such a significant role. Their role was to translate and recompose the issue of infrastructural renewal into a register that could bring public administrators and private construction companies together with conglomerate banks who could help develop PPP bond issues. In Cowie's report from the US experience, he found the 'packaging' of these projects to be crucial. The idea of 'revenue bonds' was initially seen as the income stream that could be capitalised, generated from user-fees (like road tolls). In the UK the Ryrie Rules would have made it hard for government to provide payments directly, which is probably way they came to be seen as such an obstacle to the flourishing of private finance initially.

The push for PPPs continued with the SDP initially, with its leader David Owen, talking up their potential in 1987. At the same time John Major, then in his capacity as Chancellor, was campaigning to adapt the Ryrie Rules, outlining in a speech to the Institute of Directors, how they are "thought to be incomprehensible, and to hamper private finance by setting impossible hurdles… They have clearly outlived their usefulness' (Major, 1989). He succeeded in overturning the rules in 1988, Ryrie, for his part, continued to consider the rules to be misunderstood.

It was one the rules were abandoned that the Conservative party, by this point led by Major, could really embrace the US partnership form through what came to be known as Private Finance Initiatives (PFIs). Private finance was to be the primary way in which capital investment was going to go ahead for a UK government reluctant to commit to explicitly commit fiscal resources to public renewal. In a Mansion House speech in October 1992, Chancellor Norman Lamont argued that 'if capital programmes are to come first, Government has to take a lead from industry and keep a firm grip on its current expenditure' (Lamont, 1992b). In his November 1992 Autumn Statement, he announced a new 'partnerships' approach to infrastructure, saying ‘the Government have too often in the past treated proposed projects as either wholly private or wholly public. In future, the Government will actively encourage joint ventures with the private sector, where these involve a sensible transfer of risk to the private sector’ (Lamont, 1992a).

Lamont was throwing the door open to private finance in the statement, saying, ‘in future, any privately financed project which can be operated profitably will be allowed to proceed’. The point was repeated by Kenneth Clarke in a November 1994 speech to the CBI, arguing that “private sector finance would be the main source of growth” in public investment (House of Commons Research, 2001, p. 15). Attempting to enforce this, Clarke in his budget in the same month introduced a ‘universal testing’ rule that meant the use of private finance had to be on the table for any capital project. In a Cabinet meeting he said public investment projects ‘would be faced with a choice, between overcoming the obstacles to private finance or not going ahead with important projects… No longer should the PFI be regarded as a fall-back if all else failed. In future, every significant capital project should start from the presumption that the PFI would be applied to it. This would be the only way of securing the capital investment needed while fulfilling the Government’s aim of a low tax economy’ (Cabinet Office, 1995).

Despite all this, the Conversative government struggled to get many PFI projects off the ground. The construction industry remained sceptical over the attractiveness of privately financed investments, compared to the relative security of a public contract. Cabinet meeting notes from November 1995 describe how ‘the Financial Secretary and other colleagues had done much to raise public awareness of the PFI, but there remained some skepticism, not least on the part of the Confederation of British Industry and in the construction industry’ (Cabinet Office, 1995). Part of this skepticism came from the massive length of time that PFI contracts were taking to put together and the concern it caused for a construction industry reliant on big public projects. Given cuts to the public investment plans in the early 1990s, the government had hoped the private sector initiatives would pick up the slack. But the lengthy and protracted process of designing new PFI contracts was making the construction industry increasingly wary of its viability. For the government, there was growing concern that ‘if these projects did not come to fruition in good time, there would be a marked and unwelcome effect on the construction industry’ (Cabinet Office, 1995). For external observers, the problems lay not with a slow government necessarily, but construction and banking industries that were falling behind the new partnership model in the private financing of infrastructure. Keith Boyfield, connected to the Conservative Centre for Policy Studies, argued at the time that ‘the construction industry must change its dependency culture, by becoming more pro-active and less responsive… [and] that British banks need to catch up with some of the overseas banks which have been prominent in pioneering private schemes’ (Boyfield, 1992).

New Labour’s Partnerships

It took the change of government, with the coming to power of Tony Blair’s New Labour government, for PFIs to really flourish.

Like first the SDP, and then Major’s Conservatives, it too had been exploring it the pursuit of private finance to fund an expanded public investment programme since the 1990s with a 1994 party report, ‘Financing infrastructure investment: promoting a partnership between public and private finance’. Once in office, a couple of key documents were a 1999 White Paper ‘Modernising Government’ which proposed the intensified use of private providers of public services. And a 2003 Treasury report, laying out the approach to PFI and tied the public sector into performance management targets.

A key development was the creation of Partnerships UK (PUK) in June 2000. PUK produced the kind of ‘coordinating board’ social democrats had been proposing in the 1980s. PUK was set up as a private company majority owned by Treasury. It was packed full of City folk advising on the government on how to put together PFIs. The Treasury said ‘Partnerships UK’s primary aim, therefore, is to provide the public sector with an improved client capability’ (HM Treasury, 2003). Alan Milburn said at the time that PUK 'would provide the public sector with the key commercial skills to forge increased and better partnerships with the private sector on equal terms’ (Allen, 2003).

In the hands of New Labour, the use of private finance funding public investment and private contractors to deliver contracts to meet the government’s new policy objectives grew astronomically.

In 1999, the National Audit Office reported already that ‘procurement by departments and agencies is big business’ with procurement spending on staff alone at an estimated 13 billion (NAO, 1999). By 2008, the government remarked that ‘the PSI [public service industry] in the UK is the most developed in th world and is second in size only to that of the US’ with revenues of £79bn in 2007/8 (Julius, 2008). Alongside the colossal growth in outsourcing revenues, the use of private finance skyrocketed. The UK is now considered to be a pioneer and leader in the Public Private Partnership (PPP) form in relation to the use of private finance. There are now over 700 operational PFI contracts in place in the UK with a capital value of £57 billion (NAO, 2020).

How New Labour’s Remaking of Managerial Governance Shifted Business Models and Fed Securitisation

The intensification of outsourcing and the use of private finance under New Labour built closely on Johnson’s RANDite project from the 1960s. As it was now iterated by New Labour, it became about governing ‘output’ rather than input. A Treasury document in 2003 on outsourcing summarized this point, highlighting how ‘public service requirements would normally be framed not as precise input specifications and designs for a particular asset, but as an output specification defining the service required; for example, supported hospital beds for a certain number of patients, or prison accommodation for a specific category of inmates’ (HM Treasury, 2003). This was the same framing used for

PFI too. A later 2006 Treasury report said ‘one of the key benefits of PFI is the requirement for the public sector to define accurately its requirement through an output-based specification and to consider and provide for mechanisms to change its requirements over time. This is a discipline that does not generally exist within conventional procurement’ (HM Treasury, 2006).

Crucially, this shift to governing outputs rather than inputs was framed as the central way in which private contractors could be brought into deliver public services and expand public investment. New Labour notoriously had a flexible attitude to the use of the private sector. A Prime Minister office report in 1999 set out the case for their ‘partnership’ approach, saying ‘We must not assume that everything government does has to be delivered by the public sector… This Government will adopt a pragmatic approach, using competition to deliver improvements. This means looking hard – but not dogmatically – at what services government can best provide itself, what should be contracted to the private sector, and what should be done in partnership’ (Prime Minister’s Office, 1999). By incorporating performance management into the centre of policy-making, as with the partnership approach modelled by Johnson, the private sector would be handed the initiative to deliver public services. The 2003 Treasury report said ‘this [output governance] approach helps utilise the private sector’s ability to provide innovative solutions to meet these requirements…‘Once the public sector has determined the level of outputs it requires to run the public services, the private sector is then invited to submit proposals which meet the desired output objectives using best private sector expertise and know-how to deliver the service’ (HM Treasury, 2003).

A vital feature of this shift to performance management, though, was not just getting greater accountability from private contractors that had always been a part of delivering public services. Rather, as we have pointed out elsewhere, the shift to performance management in the 1990s involved a much more profound shift that attempted to build a management function itself into public services (Dutta, Knafo and Lovering, 2021). What this meant was that contracted firms, as under the War on Poverty, were not just being asked to deliver well defined tasks. Rather, they were being contracted to both design and deliver public services according to much more abstracted policy objectives.

This shift in logic of governance had an important consequence for the kinds of firms and patterns of accumulation that were mediated by state contracts. Diverse firms that once acted as suppliers to government for procured goods or construction services suddenly were being asked to act as planners of public delivery. The firms that were most able to capitalize on this were accountancy and consultant firms, in the business of planning. But for others that had a historic relationship with the state – defence companies or construction, for example – a curious shift took place where they increasingly resembled professional services firms.

Two examples can illustrate this. The first is Serco. Today, Serco is a ‘strategic supplier’ for the UK government, regularly winning contracts across a huge range of public services. Its origins, however, was as a defence corporation as a subsidiary of Radio Corporation of America – one of the conglomerates that was heavily involved in Johnson's PPPs. As Alan White explains, however, Serco has gradually come to resemble much more a professional service firm as it has got further involved in outsourcing. He writes, 'When, in the 1980s, outsourcing began to stretch across Whitehall departments, the managers at RCA realized that, far from being scientists, their art was in managing the people with more mundane jobs at the bases they operated. So they reinvented their company as a management corporation' (White, 2017). A second example is Carillion. Infamous for its dramatic collapse in 2018, Carillion was a multinational construction firm with long ties to state contracts. The effect of PFI on its business model, though, shifted it from delivering state assets to increasing managing their construction and maintenance. Importantly, this was because it was where the biggest profits are. Wylie highlights how, for Carillion, 'by 2007 support services and PPP account for more than double the profits of construction – £99.3 million compared to £41.4 million respectively' (Wylie, 2020).

While privatization shifted the business models of some firms to take up the management functions government was seeking to build into public services, for others it offered an opportunity for the kinds of financial engineering that were unfolding more broadly across the economy.

Critiques of rentierism or accumulation by dispossession often argue that the significance of privatization has been how firms leech public money through contract winning machines. What we importantly want to highlight, however, is how accumulation through privatization has unfolded not simply through the sweating of concessions. Rather, money is made through privatization often by intermediating public money rather than simply hoovering it. Above this was done though management techniques of tiered contracting and sub-contracting. But another way pioneered by investment banks has been securitisation. The UK first experienced such financial engineering with the 1995 contract for Fazakerley Prison, contracted with GG4S and Tarmac (the forerunner to Carillion) where a project refinancing after the prison's construction netted investors a huge early payout at taxpayers' expense, increasing shareholder returns by 61% according to NAO erstimates (NAO, 2000).

But, the most significant and earliest example of financial engineering was the Austrialian asset management firm Macquarie. The former merchant bank got into infrastructure investing in 1994, focusing on transportation investments in Australia. The radical innovation Macquarie introduced was to not only bid to purchase an existing toll road, or propose to build a new one, to then sit on it. Instead, they acted as an intermediary between investors and public planners. After winning a contract to build a project, they would use IPOs to find finance to build them. As it become more sophisticated, Macquarie would bundled infrastructure assets into portfolios, raising finance from investors along the way.

Macquarie helped set off a radically new approach to privatization – dubbed the 'Macquarie Model' – where public contracts were seen as valuable not simply for the revenue drawn from the concession itself, but for the investment value of the contract in combination with others. Through financial engineering techniques around selling equity stakes in contracts, interest rates management, shuffling debt repayment schedules, and dividend payouts, investors found in public contracts a lucrative source income. Ashton and co-authors summarise how In the last decade, urban infrastructure has attracted a new breed of investor– operator, and the relationship between financial markets and infrastructure has deepened to the point where the financial system now drives asset ownership and operation' (Ashton, Doussard and Weber, 2012). The dramatic effect of such securitisation as it became a more established activity was that investor valuations of public contracts became entirely detached from the actual cash-flow of the contract itself that public agencies had used to determine what to sell them for in the first place – this was especially the case in the US as it embarked on its highway privatizations in the later 1990s/2000s. The issue, as Jefferis and Stilwell highlighted, is that 'income for the infrastructure funds is based on constantly improving conditions of liquidity' (Jefferis and Stilwell, 2006).

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