

THE RIGHT PRIVATIZATION

The public debate is rife with polarized views on how to deliver essential services such as education, health, and security. While some tout privatization as a way to mitigate poor public-service performance by governments, others warn that private firms maximize profits at the expense of socially oriented service attributes. In reality, all forms of service delivery – public, private, and hybrid public–private collaborations – have merits and flaws. This book scrutinizes the menu of delivery forms in public services and the conditions that should make them work. It argues that privatization benefits from capable government units committing to well-defined policy objectives, mobilizing critical resources, and incentivizing effective and inclusive delivery. Societies counting on capable governments can look beyond single solutions and experiment with plural paths to improvement, where public and private organizations coexist and learn from each other. This book will appeal to students, academics, managers, and policy makers interested in examining the public–private boundary and the many ramifications of this critical issue.

SERGIO G. LAZZARINI is the Chafi Haddad Professor of Management at Insper in Brazil. He is the founder of Insper Metricis, a center dedicated to the study of the management and measurement of high-impact socio-environmental projects. He has held visiting positions at the University of St Gallen (2009), Harvard University (2010, 2012), HEC Paris (2014), Insead (2015), Brandeis University (2016), Imperial College London (2017), the University of Utah (2019), and the University of Toronto (2021–22). His research has received several prizes including the Glueck Best Paper Award of the Strategic Management Division of the Academy of Management (2003), Best Presentation Prize of the Strategic Management Society Special Conference in Rio (2011), Best Paper Award of the Strategy Division (Cooperative Strategy Track) of the Academy of Management (2020), and the Jabuti Prize for the book *Capitalismo de laços* (*Capitalism of Ties*, Elsevier, 2011). In 2014, he published the book *Reinventing State Capitalism: Leviathan in Business, Brazil and Beyond* (Harvard University Press, with Aldo Musacchio). He has been a consultant to firms and organizations including the OECD, the Inter-American Development Bank, and the World Bank, and he has been cited and interviewed by news sources such as the *Economist*, the *New York Times*, the *Financial Times*, *Forbes*, the BBC, and Bloomberg.

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*Why Private Firms in Public Initiatives Need Capable
Governments*

Sergio G. Lazzarini
Insper



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*To my research partners with whom I collaborated on several
projects and ideas presented in this book.
To Edite and Juliana, with love and gratitude, always
and forever.
To Eleni, nello spazio senza fine.*

Si no hay una sola respuesta para nuestros problemas sino varias, nuestra obligación es vivir constantemente alertas, poniendo a prueba las ideas, leyes, valores que rigen nuestro mundo, confrontándolos unos con otros, ponderando el impacto que causan en nuestras vidas, y eligiendo unos y rechazando otros, o, en difíciles transacciones, modificando los demás.

Mario Vargas Llosa, *La llamada de la tribu*

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Acknowledgments

This text completes a trilogy of books focusing on the nature and implications of interactions at the public–private boundary. It started with *Capitalismo de laços*, published in Brazil in 2011, discussing how privatizations during the 1990s surprisingly reinforced the presence of the Brazilian government in several corporations and industries. The subsequent book, *Reinventing State Capitalism*, was coauthored with Aldo Musacchio and published in 2014. We examined state-owned firms with diverse mechanisms of public sponsorship mingled with private capital.

Those books essentially advanced the idea that, throughout the world, liberalization and privatization reforms did not reduce the relevance of governments and, contrary to initial expectations, created new conduits of state influence in companies and even whole sectors.

During my presentations and discussions of those books (and related research papers), a question that frequently arose was: If government is back in business – or perhaps never really lost its centrality in the economy – is that a good or bad thing? Are these remaining forms of government influence improving or hurting firms and industries? Could we envision new proposals of reform in an opposite direction, that is, with greater private engagement?

These questions were already present in several of my research projects, but I felt that it was time to organize all we know about the topic and promote a balanced discussion, avoiding simplistic and polarized answers. This book is essentially about options: distinct forms of private and public engagement, all with their flaws and merits, and the conditions that make them work.

To the best of my competence, I strove to write the book in accessible language – most citations and technical details are in the endnotes and appendices.

In preparing this book, I have drawn from a large body of literature examining the public–private boundary, in part involving my own work

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