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# Privatization and Citizen Preferences

## A Cross-National Analysis of Demand for Private Versus Public Provision of Services in Three Industries

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Privatization has been championed as a means for improving accountability in the public sector. Yet, relatively little is known empirically about how citizens from different countries evaluate private versus public provision of services. Using a framework established by Durant and Legge (2001, 2002), the research here furthers their country-specific findings by employing an initial empirical model to examine the formation of citizen preferences in a multinational context. Citizens in developed market economies (DMEs) are examined by utilizing a heteroskedastic probit analysis to measure opinion direction, certainty, and indecision for conflicted respondents. The results suggest that both industry and national contexts are important in explaining the choice between private or public provision of services. In addition, individuals are influenced by utilitarian concerns, party preferences, and value orientations. In terms of political interest, respondents expressing greater levels are more certain in their policy choices, suggesting consistency behind their opinions about privatization.

**Keywords:** *privatization; public opinion; market reform*

**D**uring the last three decades, reforms have challenged public management by advocating private sector innovation as a more efficient alternative (Greene, 2002; Pack, 1987; Savas, 1987, 2000). New public management, the National Performance Review, and other neomanagerialist efforts tout private sector innovation as a means for improving accountability and quality of service in the public

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sector. Privatization is a key component of these neomanagerialist reforms that takes advantage of private sector economy in the delivery of public services (Savas, 2000, 2006). In developed market economies (DMEs; e.g., Western Europe, Japan, and Canada), privatization traditionally refers to the transfer of government ownership in industry to the private sector (Megginson, 2005, p. 398; Savas, 2006, p. 15). Transfers involving state-owned enterprises (SOEs) have included partial, transitional, and immediate privatization (Durant, Legge, & Moussios, 1998). In contrast, privatization in the United States is commonly associated with contracting out for the delivery of public services (Megginson, 2005, p. 398; Savas, 2006, p. 15).<sup>1</sup>

While scholarship has generally focused on the economic and financial consequences of such market reforms (Megginson, 2005; Megginson & Netter, 2001; Rehfuss, 1989; Savas, 2000; Sclar, 2000), very little has been offered in the way of understanding citizens' "calculus of consent for market reforms" (Durant & Legge, 2002, p. 307; Gabel, 1998; Gabel & Palmer, 1995; Kaufman & Zuckermann, 1998; see also, Durant & Legge, 2001; Legge & Rainey, 2003; McAllister & Studlar, 1989; Poister & Henry, 1994; Sweeney & Hyde, 1995; Thompson & Elling, 2000; Yi & Hyde, 1995). The deficit in research gauging public opinion formation is striking, given the customer orientation of neomanagerialist reforms. This paucity of research provides important opportunities to contribute to public administration practice and theory. While proponents champion the merits of privatization, others offer more deliberative approaches that involve a diversity of stakeholders in the decision-making process (e.g., Box, 1998; de Leon & Denhardt, 2000; Denhardt & Denhardt, 2000; Feldman & Khademian, 2002; Gawthrop, 1998; Ingram & Rathgeb Smith, 1993; King & Stivers, 1998; Reich, 1990; Roberts, 2002; Vigoda, 2002; Wamsley et al., 1990; see also Durant & Legge, 2006, p. 314). Including the public in these deliberative approaches has the potential to improve service provision and policy legitimacy. By understanding public opinion toward private versus public provision of services, the present analysis contributes to bridging the gap between public administration and practice and facilitates our understanding of what drives opinion and why public policies change (Alvarez & Brehm, 2002b).

The purpose of the present research is to test and attempt to explain citizen attitudes toward privatization. More specifically, this article will assess citizen opinions regarding a choice between private or public provision of services in the electricity, hospital, and banking sectors. Where previous research has modeled attitudes from a single country perspective (Durant & Legge, 2001, 2002), the research here extends these findings by employing an initial empirical model to examine the formation of citizen

preferences in a multinational context. The findings suggest that both the type of industry and national experiences are important in explaining citizen choices. In addition to country and industry variations, citizen attitudes toward privatization are influenced by utilitarian concerns, party preferences, and value orientations.

## **Market Reform in the Electricity, Hospital, and Banking Sectors**

Advances in technology and economic pressures have been the driving force for competitive markets in many industries (e.g., telecommunications). However, electricity privatization in DMEs has not achieved such competition.<sup>2</sup> This was especially true in the early 1990s, when the electricity sector was dominated by a vertically integrated franchise model that was typically government-owned (Newbery, 2002). While market reform has led to economies of scope, natural monopolistic propensities persist in the European Union electricity sector due to a number of technical and economic deficiencies—including the absence of a universal model and lack of a regulatory framework (Genoud & Varone, 2002; Newbery, 2002). For the United States, the regulation and distribution of electricity is a mix of decentralized state and private involvement. Australia and Canada have similar decentralized networks that vary according to state and provincial governments (Megginson, 2005, pp. 368-372).

In terms of health care services, a long history of state involvement presents dilemmas for the introduction of private service delivery in the European Union.<sup>3</sup> However, facing a dwindling working-age population and mounting numbers of retirees, DMEs have instituted major restructuring efforts to their public health care and pension policies (De Vos, Dewitte, & Van de Stuyft, 2004; Maarse, 2006). It has become a fiscal and political reality that continued public provision of health care at current levels cannot be maintained in the face of increasing demand, budgetary strains, and public failures (Maarse, 2006). Market reforms in hospitals and other health-related industries have resulted in services being provided either directly by governments or through government financed enterprises comprised of both public and private vendors. The justification for such financing may be based on efficiency, delivery, or political reasons.

Regarding banks, political and economic crises in the 1970s resulted in government withdrawal in the industry, especially in the development and regulation of financial systems. Findings from economists blamed government

inefficiency for financial and political problems in the sector. This prompted many DMEs, especially in Western Europe, to undertake massive privatization efforts beginning in the 1980s and surging in the 1990s (Jones, 1985; Megginson, 2005, pp. 315-320; Shleifer & Vishny, 1994; Vickers & Yarrow, 1988, 1991).<sup>4</sup>

## **Predispositions and Policy Choices: A Fickle Public?**

Research suggests that instead of being muddled and fickle in their beliefs, individuals can in fact reveal principled values behind their responses to surveys (Alvarez & Brehm, 2002a). Alvarez and Brehm (2002a) contend that a host of core values and predispositions exist in the minds of citizens and that these values and predispositions provide important foundations for their opinions and survey responses. These predispositions are amassed during early political socialization and often provide ideological references that citizens can employ when making decisions regarding different policies. Central themes in the literature on predisposition formation are political cues and schema (Conover & Feldman, 1984; Lau & Sears, 1986; Zaller, 1992). Citizens, rather than being repositories of political information, are influenced in their policy choices by these phenomena. In fact, a variety of cues and schema persist among different clusters of citizens who oftentimes use different frameworks for comprehending similar issues (Huckfeldt, Levine, Morgan, & Sprague, 1999). Current political issues, such as privatization, are particularly complex, and this can be especially true when the process involves diverse industries. Such complex policy choices are likely to trigger citizen predispositions through cues and schema in the absence of interest or complete information about the subject. Furthermore, respondents expressing greater political interest tend to be more consistent and coherent in their opinions. Cues and schema offer a means for organizing respondents' choices when answers are not readily available to complex policy issues such as privatization. These factors serve as "information shortcuts" when knowledge regarding an issue is incomplete (Lupia, 1994).

## **Data, Method, and Models**

To explore public opinion toward privatization, the present analysis uses data from the 1996 International Social Survey Programme (ISSP) concerning

the role of government (ISSP, 1996).<sup>5</sup> Despite the elapsed time period since the survey was undertaken, employing the 1996 data set will provide scholars with an advanced understanding of citizen evaluations for several reasons. First, the paucity of research dedicated to understanding citizen evaluations of market reforms in a cross-national setting is overcome by the survey. Second, there is an absence of cross-sectional survey data assessing these issues since the time of the survey.<sup>6</sup> Third, the time period preceding 1996 was one of keen interest in the debate over public versus private provision of services in the countries covered by the ISSP survey (Clifton, Comín, & Díaz, 2003, 2005; Megginson, 2005; Meseguer, 2004, p. 299). Recency and salience are important for accessing respondents' predispositions and expectations toward policy choices (Zaller, 1992). For purposes of the present analysis, respondent attitudes from Australia, Canada, France, Germany (West), Great Britain, Ireland, Japan, New Zealand, Norway, Sweden, and the United States are employed.<sup>7</sup> Citizens' (persons aged 18 years and older in the participating nations) opinions were elicited concerning the role of government in economic, societal, and political issues. Gauging citizen preferences for private versus public provision of services consists of responses to the following question posed for each industry:

Do you think each of the following should mainly be run by private organizations or companies (coded 1), or by government (coded 0)? [Electricity, Hospitals, Banks]<sup>8</sup>

The distributions are presented in Table 1. The data illustrates that there are varying levels of support for privatization among DMEs. Clear differences are apparent with respect to the electricity and hospital sectors. This finding is not surprising, given the long history of socialized medicine and government monopolized utilities in most of the DME nations (the exceptions being Japan and the United States). In addition, the distributions for banking illustrate considerable support for private ownership in the industry—though the data also demonstrate notable support for government involvement. Further analysis will allow us to determine if these differences from the cross-tabulation are spurious.

Since the dependent variables are dichotomous, this requires special methodological treatment. If the dependent variables were continuous, ordinary least squares (OLS) regression would be employed with estimated coefficients that are generally consistent and unbiased. However, OLS in the case of an ordinal dependent variable produces estimates that lack these general qualities due to heteroskedasticity—inconsistent and biased parameters resulting from unequal survey response variance. In other words, the

**Table 1**  
**Cross-tabulation of Support for Privatization in**  
**Developed Market Economies**

Privatization Category	Australia	Germany (West)	Great Britain	France	USA	Ireland	Norway	Sweden	New Zealand	Canada	Japan
Electricity											
Mainly run by private organizations	751 34.9%	1,148 48.6%	387 39.1%	141 9.4%	932 70.0%	671 60.8%	550 40.9%	384 31.0%	563 47.0%	590 49.9%	843 67.5%
Mainly run by government	1,400 65.1%	1,213 51.4%	602 60.9%	1,364 90.6%	400 30.0%	433 39.2%	794 59.1%	854 69.0%	635 53.0%	592 50.1%	406 32.5%
Sum	2,151	2,361	989	1,505	1,332	1,104	1,344	1,238	1,198	1,182	1,249
Hospitals											
Mainly run by private organizations	425 19.8%	788 33.4%	100 10.1%	205 13.6%	853 64.0%	522 47.3%	103 7.7%	72 5.8%	210 17.5%	282 23.9%	609 48.8%
Mainly run by government	1,726 80.2%	1,573 66.6%	889 89.9%	1,300 86.4%	479 36.0%	582 52.7%	1,241 92.3%	1,166 94.2%	988 82.5%	900 76.1%	640 51.2%
Sum	2,151	2,361	989	1,505	1,332	1,104	1,344	1,238	1,198	1,182	1,249
Banking											
Mainly run by private organizations	1,402 65.2%	1,478 62.6%	652 65.9%	313 20.8%	902 67.7%	729 66.0%	797 59.3%	653 52.7%	873 72.9%	769 65.1%	756 60.5%
Mainly run by government	749 34.8%	883 37.4%	337 34.1%	1,192 79.2%	430 32.3%	375 33.9%	547 40.7%	585 47.3%	325 27.1%	413 34.9%	493 39.5%
Sum	2,151	2,361	989	1,505	1,332	1,104	1,344	1,238	1,198	1,182	1,249

ordinal dependent variable violates the assumption of an independent and normally distributed error term. Usually, this problem is ignored, and an ordinary probit analysis is employed. Fortunately, the problem can be solved by modeling and estimating the heteroskedasticity when detected by using a heteroskedastic probit analysis technique developed by Alvarez and Brehm (2002a, 2002b). If heteroskedasticity is detected, then the statistical model must include the heteroskedasticity to solve the problem of inconsistent and biased estimates, as Alvarez and Brehm's technique does. Considerable heteroskedasticity does indeed exist in the present case and a heteroskedastic probit analysis must be used.

Heteroskedastic probit analysis is an ideal corrective estimation technique for policy issues that offer contrasting choices for respondents. Policy areas such as abortion policy, race, attitudes toward government agencies, foreign policy and military conflict, defense policy, and genetically modified food regulatory policy have challenged researchers to cope with the issue of variability in response choices (Alvarez & Brehm, 1995, 1997, 1998, 2002b; Carrubba & Singh, 2004; Durant & Legge, 2005, p. 186). For these policy areas, the technique is ideal when heteroskedasticity is expected and can be used to improve understanding of why individuals formulate choices from surveys. Thus, the technique is ideal for the present case of attitudes toward public versus private provision of services.

Alvarez and Brehm's (2002a) technique allows us to estimate both the probability of a choice (the choice model) and the variance of the error residual (the variance model) as measures of opinion direction, certainty, and indecision for conflicted respondents. The choice model assesses the probability of a choice for or against the private provision of the three industries examined. The latter model assesses variance of the error residual in predicting the choice for or against the private provision of the three sectors. The more certainty and the less ambivalence one finds among respondents—especially among those with higher levels of chronic and domain-specific information—the more dubious the assumption that the general public is uninformed and/or unaware of the consequences of privatizing the delivery of public services. Thus, the inclusion of the variance model not only allows us to look at sample variation but also gives us more confidence in the choice coefficients.

The choice model generally includes variables that can be thought of as standard predictors of the selection an individual makes with regard to the dependent variable. The present analysis controls for national context, utilitarian concerns, support for government leaders, party preferences, and value orientations in the choice model. The variance model would include items such as the importance of the issue, the level of information a respondent possesses,



and their firmness of opinion. In testing assumptions about an informed public, the expectation is that respondents with greater levels of interest in political issues and education might exhibit less ambivalence because they are more certain of their responses.

## **The Choice Model**

To test Durant and Legge's (2002) original framework, certain refinements have been made, enhancing the choice and variance models.<sup>9</sup> The choice model includes explanatory variables made up of utilitarian concerns, support for government leaders, party preferences, and value orientations. Moreover, given the market reform experiences of DMEs, it is anticipated that national experiences are important in explaining citizen choices. The following paragraphs detail the reasoning of, empirical support for, and expected direction of these relationships in the DME context.

### **The National Context Hypothesis**

Clearly, the meaning, utilization, and extent of privatization in the United States differ from other DMEs (see Megginson, 2005; Savas, 2000, 2006). Approaches to implementing privatization are clearly influenced by cultural and technological capacities among nations (see, Durant & Legge, 2001, 2002; Durant, Legge, & Moussios, 1998; Legge & Rainey, 2003). For example, Durant and Legge (2001, 2002) found differences in the taste for privatization among citizens in France and Great Britain. To control for these differences and allay generalizations, dummy variables for each of the countries are employed in the analysis as explanatory factors using the United States as a reference category. Using the United States respondents as a base allows for the comparison of attitudes among the nations for getting at country-specific experiences. It is anticipated that there will be less support in other nations for private provision than among U.S. citizens due primarily to the emphasis historically on private provision in the United States.

### **The Utilitarianism Hypothesis**

Research suggests attitudes are a function of how citizens perceive policies that impact them directly (Durant & Legge, 2002, 2005; Gabel, 1998; Gabel & Palmer, 1995; Inglehart, Rabier, & Karlheinz, 1991; Tsoukalis, 1993; Wessels,

1995). With respect to socioeconomic characteristics, citizens are inclined to put themselves in an advantageous position to benefit from policies or conversely to avoid loss in the case of negative externalities. Accordingly, persons are disposed to policy assessment, prospectively and retrospectively, based on the perceived impact of the policy on their overall economic well-being (Kiewiet, 1983; Kinder & Mebane, 1983; Rosenstone, Hansen, & Kinder, 1986). Therefore, it is hypothesized that citizens with lower incomes—and possibly less skilled—will be more likely to expect or experience the threatening effects of privatization in their jobs and social well-being. These citizens will be less sympathetic toward privatization than their more affluent, highly educated, and more-skilled or professionalized peers. With respect to female respondents and those higher in age, the assumption is that they will perceive the act of privatization as a threat to much-needed social services for the poor or infirmed. In terms of gender, women are more likely to be in “redistributive” occupational positions, are apt to favor an activist government, and possess more egalitarian predispositions than men (Howell & Day, 2000). Finally, respondents employed by the government or public firms will view privatization more negatively. Respondents associated with both have much to lose if privatization and other austerity measures affecting their respective industries result in downsizing (see Fernandez & Smith, 2006). Thus, public sector workers may be responding to their own self-interest to enhance power and position within the organization (Downs, 1965; Tullock, 1971).

### **The Support for Government Leaders Hypothesis**

Appealing to the civic values of citizens suggest that perceptions of privatization are a function of general levels of support for specific government leaders. Prior research on economic reform and regional integration highlighted this linkage (Clarke & Stewart, 1995; Clarke, Stewart, & Whiteley, 1998; Dunleavy & Husbands, 1985; Durant & Legge, 2002, 2005; Kaufman & Zuckermann, 1998; Meseguer, 2004; Rose & McAllister, 1990). Citizens may be more likely to look to political leaders and civil servants they trust to implement privatization initiatives, given the complexities associated with such endeavors. Government leaders have at times staked their political reputation on the success or failure of market-based reforms. Accordingly, so too have civil servants staked their reputation—although not always of their own free will—on the outcome of these reforms. Citizen attitudes toward their respective elected representatives and civil servants during the surge of market reforms in the mid-1990s would be the most

opportune indicator for enhancing the descriptive power of this research. Thus, it is hypothesized that the more positively citizens evaluate immediate political stakeholders—those in office or in the public work force in 1996—the more likely they are to support privatization.

### **The Party Preference Hypothesis<sup>10</sup>**

Researchers and practitioners may also expect citizen espousal of a Left–Right ideology to contribute to policy perceptions (Durant & Legge, 2001, 2002; Gabel, 1998; Legge & Rainey, 2003). Thus, a respondent's preference for or allegiance to a particular party may influence their view of privatization. Durant and Legge (2002, p. 314) assert that the “hardness” of the privatization issue may lead many voters to be more susceptible to ideological rhetoric (see also, Boix, 1997). Similarly, however, the use of privatization by centrists—both center-right and center-left—as a neoliberal economic policy may suggest that the relationship between ideology and positive attitudes toward privatization is curvilinear (Durant & Legge, 2002, p. 314). In spite of this, the “hardness” of the issue during the mid-1990s gives credence to the proposition that citizens are vulnerable to strong rhetorical class-based appeals by political campaigns (Durant & Legge, 2001, p. 82). Thus, excluding respondents identifying with centrist appeals and using them as a base category, it is hypothesized that respondents who identify with Leftist parties will evaluate privatization less positively than those who identify with parties of the Right.

### **The Value Orientation Hypothesis**

Although controversial, postmaterialist research suggests a number of value orientations factor into individual considerations (Anderson, 1990; Brown & Carmines, 1995; Clarke & Dutt, 1991; Dalton, 2002; Davis & Davenport, 1999; Granato, Inglehart, & Leblang, 1996; Jackman & Miller, 1996). Inglehart (1990) asserts that as nation-states satisfy their basic economic and physical security wants (labeled *materialist*), they socialize younger generations to be more concerned about postmaterialist factors such as egalitarianism, self-actualization, and quality of community life (Durant & Legge, 2001, p. 83). Following Inglehart's logic, public opinion toward privatization may perhaps be influenced more by postmaterialist concerns as a result of their socialization experiences rather than by immediate utilitarian or economic judgments. However, counter to Inglehart's

perspective, research suggests that the expansion of global markets indicates a self-reflective turn on the part of individuals toward their own needs versus those of society as a whole (Anderson & Reichert, 1996; Gabel, 1998; Janssen, 1991; Peters, 1996).

Still, the postmaterialist perspective suggests that respondents who are more sympathetic toward government's role in solving environmental issues, social welfare, and education are more likely to oppose private provision of services. Likewise, those respondents expressing concern with industry being too powerful would also be less sympathetic to private provision. Their views are reflected by the assertion that privatization may lead to a decline in the availability of jobs in the short term (Hall, Lobina, & de la Motte, 2005). More specifically, their employment is threatened by increased job competition from migrant workers and the dismantling of patronage systems associated with public enterprises and party faithful. Conversely, those who view markets and the profits associated with industry in a more favorable light are hypothesized to be positively inclined toward privatization. These respondents are less concerned with environmental issues and social welfare and tend to view labor unions unfavorably. Individuals who express concern with government and unions being too powerful would be more likely to oppose privatization initiatives.

An additional factor influencing DME respondent perceptions may be the post-World War II push for an increased government presence in the economy based on a new sense of nationalism, the rise of organized labor, and Keynesian economic policies (Clifton et al., 2003; Parker, 1998; Toninelli, 2000; Yarrow, 1999). To prevent economic depression and industrial decay, nation-states intervened in the economy through SOEs to promote a robust and mature industrial sector (Clifton et al., 2003; Parker, 1998; Toninelli, 2000; Yarrow, 1999). The argument also follows the postmaterialist stance that government should be involved in improving the overall quality of life for its citizens. Those who have traditionally supported the role of government in operating industries and thus stabilizing the economy have tended to oppose privatization, especially in instances where foreign subsidiaries are involved (Clifton et al., 2003; Parker, 1998). Respondents may perceive this "sell-out" as a loss of continued employment in traditional public industries for potential profits (Hall et al., 2005). Thus, it is hypothesized that those respondents favoring a greater role for government activity in the economy will be opposed to privatization.

Finally, political efficacy (i.e., political activism) has been cited as a powerful force in policy choices (Bell, 1999; Dalton, 2002; Inglehart, 1997;

Norris, 2002; Verba, Scholzman, & Brady, 1995). Efficacious citizens tend to be more affluent, knowledgeable, and politically motivated. Moreover, efficacious citizens demonstrate more interest in political discourse and unconventional forms of participation (Inglehart, 1997). Thus, citizens who perceive they can influence the political system will be more likely to place their confidence in government for serving their needs. They may feel that their sense of influence in government has been weakened once the industries are privatized. Therefore, it is hypothesized that citizens who deem they can influence the political system are more inclined to oppose the privatization of SOEs versus their less efficacious counterparts.

### **The Variance Model**

As stated earlier, the variance component provides greater precision to the results in the choice model. A crucial component to testing respondent certainty in the variance model is the impact information has on respondents. Since current policy issues are more readily available, respondent levels of political sophistication are important for recalling appropriate political cues and thus more consistent political opinions (Huckfeldt et al., 1999; Sniderman, Brody, & Tetlock, 1991; Zaller, 1992, p. 48). Research emphasizes the use of both chronic and domain-specific information effects on citizens as indicators of political sophistication (Alvarez & Brehm, 2002b; Durant & Legge, 2005). The former taps general information about politics or particular policies, whereas the latter taps amounts of more specific information relevant to the policy question.<sup>11</sup>

In the present analysis, education is employed as a proxy variable for the amount of chronic information a respondent receives (Alvarez & Brehm, 1998; Durant & Legge, 2002, 2005). Respondents with greater levels of education are more likely to process greater levels of chronic information involving politics and policy during their lifetimes. In addition to education, these respondents were probably more exposed to media and individuals with similar levels of education, thereby adding to available knowledge. Political interest is also a suitable gauge of chronic information for respondent perceptions (Alvarez & Brehm, 2002b; Bell, 1999; Dalton, 2002; Inglehart, 1997; Norris, 2002; Verba et al., 1995; Zaller, 1992). Political interest in the variance model measures the level of interest a respondent has in general politics. Those who indicate higher levels of political interest are more likely to retain greater knowledge regarding current public policy choices. Although the effects of this measure may be

limited by the reality that it is self-reported, the logic behind the hypothesis is similar to the education variable: the better informed should exhibit less response variation than others. In general, chronic information has outperformed domain-specific information in determining variation among survey respondents across a variety of policy issues (Alvarez & Brehm, 2002b; Durant & Legge, 2005).

The variance model will demonstrate the degree of confidence that we may place in respondents and their attitude formation regarding specific policies. The more certain respondents are, as measured by the variables in the variance model, the more confidently we may reject the notion of a “muddled” and “fickle” public. The overall hypothesis of the variance model is that citizen preferences for privatization are likely to vary depending on the level of respondent political interest and education. It is hypothesized that respondents with greater levels of political interest and education should become more focused in their responses, thus diminishing uncertainty in policy choices.

## Results

### The Choice Model

The choice part of the heteroskedastic probit model performs very well in predicting attitudes toward privatization for DMEs. The findings are very strong and consistent across the three dependent variables for the framework with noted differences among the nations. In addition, there is significant heteroskedasticity within the model. For each equation, the Wald chi-squares and the likelihood ratio tests both demonstrate that it is extremely unlikely that these results are due to chance. Thus it would appear safe to reject the null hypothesis of no heteroskedasticity.

The upper portion of Table 2 illustrates that 59.6% of respondents favor privatization in the case of banks. In contrast, 44.5% and 26.6% of respondents favor private sector involvement in the electricity and hospital sectors, respectively. With such strong attitudes for and against private sector involvement in the banking and hospital sectors, respectively, one would anticipate little variability in opinion. However, the diagnostic statistics for each of the equations demonstrate clear signs of variability.

Examining Table 2 aside from Japan, the negative coefficients demonstrate, as expected, public aversion to electricity privatization in contrast to United States respondents, with Ireland falling short of statistical significance.

**Table 2**  
**Heteroskedastic Probit Estimates: Support for Privatization**  
**in Developed Market Economies**

	Electricity	Hospitals	Banking
Percentage in favor	44.5%	26.6%	59.6%
<b>Choice model</b>			
<b>Nations</b>			
Australia	-.628** (.073)	-.999** (.088)	.010 (.025)
Germany (West)	-.297** (.045)	-.576** (.058)	.032 (.024)
Great Britain	-.452** (.060)	-1.27** (.109)	.127** (.031)
Ireland	.005 (.041)	-.192** (.051)	.168** (.034)
Norway	-.505** (.075)	-1.34** (.127)	-.122** (.043)
Sweden	-.605** (.072)	-1.55** (.131)	-.082** (.030)
Canada	-.359** (.053)	-.889** (.089)	-.063** (.027)
New Zealand	-.409** (.057)	-1.04** (.096)	.103** (.030)
France	-1.053** (.112)	-.904** (.089)	-.483** (.055)
Japan	.193** (.045)	-.125** (.050)	.019 (.030)
<b>Utilitarianism</b>			
Income	4.38e-07** (2.15e-07)	-4.08e-07 (3.44e-07)	8.11e-07** (2.01e-07)
Age	-.003** (.001)	.000 (.001)	-.000 (.000)
Gender	-.052** (.018)	-.046** (.021)	-.110** (.016)
Unemployment	-.062 (.040)	-.035 (.052)	-.083** (.030)
Government employee	-.056** (.024)	-.086** (.034)	-.043** (.017)
Public firm employee	-.078* (.045)	-.011 (.060)	-.064** (.031)
<b>Support for government leaders</b>			
Trust in politicians and civil servants	-.004 (.009)	.002 (.011)	-.012* (.006)

(continued)

**Table 2 (continued)**

	Electricity	Hospitals	Banking
<b>Party preferences</b>			
Right	.201** (.030)	.171** (.031)	.061** (.018)
Left	-.027 (.021)	-.060** (.029)	-.028* (.015)
<b>Value orientations</b>			
Support for government spending on social	-.033** (.010)	-.056** (.012)	-.030** (.007)
Attitudes toward the power of government	.047** (.010)	.058** (.012)	.013** (.006)
Attitudes toward the power of trade unions	.091** (.013)	.116** (.014)	.037** (.008)
Attitudes toward the power of industry	-.069** (.011)	-.064** (.013)	-.038** (.008)
Economic role of government	-.113** (.015)	-.114** (.014)	-.140** (.015)
Political efficacy	.023** (.007)	.021** (.009)	.036** (.006)
<b>Variance model</b>			
Education	-.003 (.007)	-.005 (.005)	-.037** (.006)
Political interest	-.109** (.020)	-.054** (.015)	-.084** (.019)
<b>Heteroskedasticity tests</b>			
Goodness of fit $\chi^2$	109.38**	188.16**	118.55**
Likelihood Ratio Test	31.69**	13.94**	69.00**
<i>N</i>	13,438	13,438	13,438

Note: Standard errors are in parentheses.

\* $p \leq .1$ . \*\* $p \leq .05$ .

With respect to hospital privatization, once again negative coefficients and statistical significance (.05 level) illustrate public aversion to private involvement compared to respondents in the United States. In the case of banks, the evidence is not as consistent as the other two policy areas. Respondents from Great Britain, Ireland, and New Zealand tend to support private sector involvement in banks, whereas respondents in Norway, Sweden, Canada, and France tend to oppose such private involvement in the banking sector. Clearly, DME respondent perceptions are quite different from their United States counterparts regarding private sector involvement in these industries, especially electricity and hospitals.



The utilitarian variables (income, age, and unemployment) are less promising in Table 2. The positive coefficient and statistical significance (at the .05 level) for the income variable in the electricity and banking sectors demonstrates that more affluent respondents tend to support privatization as hypothesized. While the age coefficient demonstrates opposition to electricity privatization (.05 level), it falls short for hospital and bank privatization. Unemployed respondents demonstrate an aversion to banking privatization, but the variable fails to achieve statistical significance in the electricity and hospital industries.

The results for gender and government employment are more promising. The gender coefficient is negative as expected, and statistical significance is achieved at the .05 level across all the equations, indicating women are less likely to support privatization in all three sectors. In addition, it was hypothesized that respondents who indicated they were employed in the public sector (government or public firm employees) would also demonstrate an aversion to the private provision of services. The respective coefficients in Table 2 largely support this hypothesis, with the coefficients for both types of employees achieving significance at the .05 level and in the projected negative direction.

Interestingly, support for government leaders fails to attain consistency among the three industrial sectors, indicating statistical significance for banking only. Furthermore, only in the case of hospitals is the coefficient in the expected direction. These results may indicate an uncertain relationship between DME respondents and how they view their leaders with respect to privatization. It may be that the message for much-needed market reforms promulgated by political leaders has either failed to reach its mark or not produced results favorable to the public. Regarding respondent party preferences, the statistics largely confirm the hypotheses. As expected, respondents who tend to align themselves to the Left of the political spectrum, and therefore favor a stronger role for government, are opposed to the idea of privatization for hospitals and banks, respectively. Conversely, the coefficients for the respondents who align themselves to the Right are positive and statistically significant for all three policy areas (.05 level) indicating affinity for private provision of goods and services.

Regarding value orientation, it was hypothesized that postmaterialists would be less likely to support privatization. The negative coefficients and statistical significance demonstrate that stronger support for government social program expenditures corresponds to a negative view of privatization. In addition, the results largely confirm the rest of the

value orientation hypotheses. Respondents expressing concern for too much power in the hands of government and trade unions are more inclined to favor private sector involvement in the three sectors. On the other hand, respondents who believed business and industry to be too powerful tend to regard privatization with suspicion. Results also confirm the hypothesis that respondents who favor a strong role for government in economic matters would be opposed to privatization. The negative coefficients and statistical significance indicate that respondents favoring a strong state presence in the economy, either through the control of prices and wages, or support for declining industries, oppose the idea of private sector involvement in all three sectors. These findings lend credence to Durant and Legge's (2001) original value orientation hypotheses and findings.

Finally, the statistics for political efficacy are statistically significant (.05 level). However, they are not in the expected direction. The positive coefficients for all three equations demonstrate that politically efficacious respondents tend to support privatization. These results are contrary to Durant and Legge's (2001) findings for political efficacy which were in the predicted direction (negative), although not significant. Perhaps these findings indicate that efficacious citizens (more affluent, knowledgeable, and politically motivated) are more willing to support innovative alternatives for the delivery of public services. Alternatively, these results may indicate dissatisfaction among the politically efficacious with government's ability to respond to their needs.

## The Variance Model

The variance model has the potential to demonstrate confidence in the findings from the choice model. By examining the variance portion of the model in Table 2, one can determine if chronic information contributes to the certainty of individual perceptions regarding the role of government in the three industries. A negative coefficient indicates certainty (less variance) in citizen responses, whereas a positive coefficient indicates ambivalence. Turning to education, the coefficient is negatively signed across the equations but attains significance only in the case of banks. Thus, education would appear to narrow response variance in the case of banks indicating certainty in respondent policy choices. Regarding levels of interest in politics among respondents, the results are more promising. The coefficients are negative, and the variable achieves statistical significance in all three

equations. The negative coefficients suggest respondents indicating higher levels of political interests also tend to be more certain in their attitudes about privatization. Perhaps DME respondents are a well-informed public with respect to government initiatives. Given the duration of privatization initiatives leading up to the time of the survey, DME respondents may have been aware of their impact and thus more firm in their choice to advocate or oppose privatization policies.<sup>12</sup>

## Conclusion

As was originally speculated by Durant and Legge (2002), cross-national variation in attitudes toward privatization may stem from many sources, including industry-specific issues. The country-specific dummy variables in the choice model suggest that most DME respondents are apprehensive toward the prospect of privatization, especially with respect to electricity and hospitals, contrary to their counterparts in the United States. This apprehensiveness may be influenced by the perception of negative externalities arising from privatization, or other market-based reform efforts. Regarding hospitals, and more generally the health care sector, privatization has been pursued much more cautiously and with respect for the long-standing government support for universal access (Maarse, 2006). Perhaps this long history of public support is readily apparent to respondents who are unwilling to risk private sector involvement where access may be limited. Electricity privatization, unlike other utilities (e.g., telecommunications), has also been carried out slowly by governments fearful of relinquishing too much control to the private sector (Megginson, 2005). Conceivably, respondents are reacting to fears of rate increases, delays, and a lack of regulatory oversight in the electricity market (Megginson, 2005, p. 372; Newbery, 2002).

In the case of banks, however, there appears to be some variation among the countries with some supporting private provision (Great Britain, Ireland, and New Zealand) and others opposing the notion (Norway, Sweden, Canada, and France). One explanation for the variation may be the legal system of the respective nation (Megginson, 2005, p. 312). Countries with civil law commercial codes generally emphasize stronger state-ownership and involvement in the banking sector as opposed to common law systems (e.g., Great Britain, Ireland, and New Zealand). The aversion of Scandinavian respondents to privatization may also be explained by the extent of state involvement. In Norway and Sweden, bank privatizations surged during the mid-1990s, but both states maintained strong interests in the sector (Megginson,

2005). Respondents in the common law nations supporting private provision of banking may be more familiar with and thus less reticent of privatization. Moreover, by the mid-1990s, there was ample evidence from economists to suggest that private financial markets were instrumental in the development of economic growth (Megginson, 2005). This is especially true of Ireland, where the success of such privatization efforts beginning in the 1980s led the “Celtic Tiger” to economic success (Barrett, 2004). Conversely, bank privatizations in France and Canada have had a longer and somewhat more troubling experience. For example, although France was an early proponent of massive bank privatization under the Chirac government in the mid-1980s, such fervor diminished as citizens elected socialist governments that were less inclined toward such efforts in subsequent years (Durant & Legge, 2002; Megginson, 2005). In Canada, early bank privatizations, although not leading to system-wide failures, nonetheless led to the first bank closures in 60 years (Gruben & McComb, 2003). For respondents in Canada and France, these early privatization difficulties may still be fresh on their minds.

Perhaps, national experiences over the 1980s and early 1990s have made privatization much less of a “hard” issue for respondents. Utilitarian concerns, party preferences, and value orientations, along with national experiences, suggest that over time respondent perceptions of privatization may be the result of personal experiences. Familiarity with other national experiences regarding privatization may provide “information shortcuts” for citizens to make these decisions on their own with little deference for government officials. This suggests that timing and type of industry privatized may have a more direct impact on citizen preferences at the individual level. The variance model supports these findings. Respondents indicating higher levels of political interest tend to be more certain in their attitudes about privatization. These findings indicate that the choice between private or public provision of services may not be a “hard” decision for these respondents. Because these three industries impact citizens directly, it may be easier for them to make a policy choice.

Returning to the choice model, utilitarian concerns, party preferences, and value orientations are important when evaluating government policies toward privatization. The citizen seems to achieve his or her position through “information shortcuts” by reference to, for example, the policy positions of Left or Right political parties (Lupia, 1994). Such was the case when Kumlin (2001) found ideological schema to be important in understanding Swedish citizen knowledge toward the third sector. This finding is striking, given that Leftist governments in Australia, Britain,

France, Germany, New Zealand, and Sweden have implemented sometimes “radical” privatizations of government services (see Willner, 2003, p. 79, endnote 2). But the data reveal that party preference is a very strong predictor of attitudes on this issue.

Regarding the gender gap, the findings here are consistent with previous work that has found women more likely to be opposed to privatization in France (Durant & Legge, 2002) and Germany (Legge & Rainey, 2003). These findings are also consistent with those of Howell and Day (2000) who found that women express different policy preferences from men due to their propensity for employment in “redistributive” occupations, predilection for activist government, and more egalitarian predispositions than men.

The findings also reveal self-interest tendencies in those who work in the public sector, and thus more likely to be threatened by privatization. Public sector employees may be expressing anxiety regarding the potential negative externalities of privatization—loss of job security, lower wages, and fewer benefits from private contractors. In the case of Norway, Christensen and Læg Reid (1999) observed that administrative reforms are implemented “based on the values, interests, knowledge and power of administration” (p. 187) and not solely on the basis of economy and efficiency. This finding may be disconcerting for citizens trusting that individuals who work in public institutions would take a comprehensive view of all forms of service delivery and support the most efficient and effective option, regardless of how it affects them. “Rational choice” may offer a plausible explanation for public sector employees acting in their own interests as opposed to the more general interest of the public. Labor restructuring within SOEs as a result of privatization has created a volatile mix of politics associated with employment and expenditure issues (Megginson, 2005, p. 80). For public managers, this means having to cope with the demands of both employees threatened by privatization and elected officials asking for their assistance in further reform efforts. The findings here suggest that public sector employees opposed to privatization will need to be convinced of its merits before supporting such policies. Further research is needed to fully appreciate the complete reasoning behind the choices of public sector employees.

The self-interest logic may also be at play in the contrary findings for the political efficacy variable. Politically efficacious respondents would appear to be asserting their self-interest considerations over any civic-minded appeal. Perhaps their affluence has positively impacted their access to, and thus perception of, private provision. Contrary to the postmaterialist research, politically efficacious respondents may be acting in their own self-interest by choosing private sector know-how and innovation over what they may perceive as antiquated bureaucratic delivery methods.

These findings suggest a number of implications for government decision makers undertaking privatization across polities. Socioeconomic factors would appear to be powerful considerations in fomenting political support for market reform. Indeed, gauging political support among respective publics may be a prerequisite for privatization success (Megginson, 2005, p. 395; see also Earle & Gehlbach, 2003). Enlisting political support from public employees and citizens necessitates ensuring that privatization is carried out not only fairly and equitably but also with an awareness of the particular self-interests at work among respective citizens. Further analysis should explore whether these findings are generalizable, given more domain-specific survey information, particularly in instances where privatization entails “hard” choices for the general public.

## Appendix

### Questions and Variable Coding

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#### Dependent Variables

##### Attitude Toward Privatization

Do you think each of the following should mainly be run by private organizations or companies, or by government? (Electricity, Hospitals, Banks); 1 = *mainly run by private organizations*, 0 = *mainly run by government*.

#### Choice Model

##### Country Variables

Each respondent was given a unique country code based on their nationality. The unique country-specific codes for respondents from country *X* were set to 1, while all other respondents were set to 0. Due to differences in the American experience with privatization, the United States was used as a reference category.

##### Self-Interest Considerations

- *Income* consists of country-specific categories with respect to respondent's earnings and family income.
- *Age* was age of respondent based on 8 categories coded as 1 = *up to 17 years*, 2 = *18-24 years*, 3 = *25-34 years*, 4 = *35-44 years*, 5 = *45-54 years*, 6 = *55-64 years*, 7 = *65-74 years*, 8 = *75 years or more*.

*(continued)*

## Appendix (continued)

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- *Sex* of respondent was coded as 1 = *female*, 0 = *male*.
- *Employment* was coded as 1 = *unemployed*, 0 = *employed*.
- *Government employee* and *Public firm employee* was coded as 1 = *government employee*, 0 = *private sector/other*; and 1 = *public firm employee*, 0 = *private sector/other*, respectively; the reference category is private sector employees.

### Civic Values and Characteristics

Trust in Politicians and Civil Servants is a composite of two variables for “How much do you agree or disagree with each of the following statements?”

- *Politicians keep promises*: People we elect as (MPs) try to keep the promises they have made during the election, coded as 5 = *strongly agree*, 4 = *agree*, 3 = *neither agree nor disagree*, 2 = *disagree*, 1 = *strongly disagree*.
- *Trust in civil servants*: Most government administrators (civil servants) can be trusted to do what is best for the country, coded as 5 = *strongly agree*, 4 = *agree*, 3 = *neither agree nor disagree*, 2 = *disagree*, 1 = *strongly disagree*.
- *Political efficacy*: People like me have no influence in government, coded as 5 = *strongly disagree*, 4 = *disagree*, 3 = *neither agree nor disagree*, 2 = *agree*, 1 = *strongly agree*.

### Ideological/Symbolic Political Orientations

- *Support government spending on social policies*: To create a control variable for support for government involvement in postmaterialist concerns, a factor analysis of the four indicators below was conducted. The factor analysis derived one factor, on which all four variables loaded positively with an eigenvalue of 1.742.
  - More or less government spending for the environment, coded as 5 = *spend much more*, 4 = *spend more*, 3 = *spend the same as now*, 2 = *spend less*, 1 = *spend much less*.
  - More or less government spending for unemployment benefits, coded as 5 = *spend much more*, 4 = *spend more*, 3 = *spend the same as now*, 2 = *spend less*, 1 = *spend much less*.
  - More or less government spending for health, coded as 5 = *spend much more*, 4 = *spend more*, 3 = *spend the same as now*, 2 = *spend less*, 1 = *spend much less*.

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(continued)

## Appendix (continued)

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- More or less government spending for education, coded as 5 = *spend much more*, 4 = *spend more*, 3 = *spend the same as now*, 2 = *spend less*, 1 = *spend much less*.
  - *Attitude toward the power of business and industry*, coded as 5 = *far too much power*, 4 = *too much power*, 3 = *about the right amount of power*, 2 = *too little power*, 1 = *far too little power*.
  - *Attitude toward the power of trade unions*, coded as 5 = *far too much power*, 4 = *too much power*, 3 = *about the right amount of power*, 2 = *too little power*, 1 = *far too little power*.
  - *Attitude toward the power of government*, coded as 5 = *far too much power*, 4 = *too much power*, 3 = *about the right amount of power*, 2 = *too little power*, 1 = *far too little power*.
  - *Economic role of government*: To create a control variable for support for government involvement in the economy (a postmaterialist concern), a factor analysis of the three indicators below was conducted. The factor analysis derived one factor, on which all three variables loaded positively with an eigenvalue of 1.730. The survey questions begin with the statement, "Here are some things that government might do for the economy. Please show which actions you are in favor of and which you are against."
    - Government action for economy: *Support for declining industries to protect jobs*, coded as 5 = *strongly in favor of*, 4 = *in favor of*, 3 = *neither in favor of nor against*, 2 = *against*, 1 = *strongly against*.
    - Government action for economy: *Control of wages by law*, coded as 5 = *strongly in favor of*, 4 = *in favor of*, 3 = *neither in favor of nor against*, 2 = *against*, 1 = *strongly against*.
    - Government action for economy: *Control of prices by law*, coded as 5 = *strongly in favor of*, 4 = *in favor of*, 3 = *neither in favor of nor against*, 2 = *against*, 1 = *strongly against*.
  - *Party preferences* is derived from country-specific questions, then coded as 1 = *far left (communists, etc.)*, 2 = *left, center left*, 3 = *center, liberal*, 4 = *right, conservative*, 5 = *far right (fascist, etc.)*, 6 = *other, no specification*, 7 = *no party; no preference*. To measure the impact of respondent party preferences on privatization, one variable was created for left placement, coded as *far left* (1) and *left* (2) = 1 (*left*), and *all others* = 0; right placement was coded as *far right* (4) and *right* (5) = 1 (*right*), and *all others* = 0. *Center, liberal* (3) is the reference category.
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(continued)



## Appendix (continued)

### Variance Model

*Education:* Education consists of country-specific categories with respect to “years in school” and “terminal educational level.”

*Political interest:* How interested would you say you personally are in politics?, coded as 5 = *very interested*, 4 = *fairly interested*, 3 = *somewhat interested*, 2 = *not very interested*, 1 = *not at all interested*.

### Notes

1. Privatization involves a number of political, cultural, and technical issues that are unique to particular countries, as well as specific industries, that may complicate the privatization process (Durant & Legge, 2001; Durant, Legge, & Moussios, 1998; Megginson, 2005). For a more extensive discussion of these nuances, see Megginson (2005).

2. Divestment has been the predominant form of privatization in the electricity sector. The vast majority of these divestments have taken place through either asset sales (a trade sale of a SOE or its components, to an individual, an existing corporation, or a group of investors) or share issue privatizations (SIP—a public share offering where the government sells some or all of its holdings in an SOE to investors; Megginson, 2005, p. 84). According to Megginson (2005), SIPs are similar to private sector IPOs, except where IPOs are generally prepared for raising revenue, “SIPs are structured to raise money for the divesting government and to achieve political objectives” (p. 84).

3. The privatization of any health care service, to include hospitals, can assume many forms to include financing, health care provision, management/operations, and health care investment (Maarse, 2006). For a rich discussion of the concept of privatization as it relates to health, see Maarse (2006).

4. Bank privatizations in DMEs have generally used either public share offerings (SIPs) or asset sales (Megginson, 2005, p. 321).

5. The original collector of the data, ICPSR, and the relevant funding agency bear no responsibility for the uses of this collection or for the interpretations or inferences based on such uses. For more information on the ISSP, visit their Web site at <http://www.issp.org>. Variable coding is presented in the appendix.

6. While a more recent survey would be agreeable for further research, to the author’s knowledge, there are no other cross-national surveys that reference privatization and other key political and socio-economic indicators. A 2005 ISSP role of government survey is forthcoming; however, the questionnaire does not include the questions related to public versus private provision of services.

7. Other DME countries participated in the 1996 ISSP but failed to respond to all of the questions in the survey.

8. While the term *privatization* has been used throughout the discussion, the dependent variable is more of a proxy for the term, given that it directs respondents to choose between public versus private provision in the respective industries. The statistical model and dependent variable are considered to be most representative of *provision* in the three industries.

9. Unlike Durant and Legge’s (2001, 2002) previous models, the present analysis controls for age, unemployment, public firm employment, attitude toward government, attitude toward industry, economic role of government, and political interest.

10. The ISSP survey does not include more ideological-specific questions. While Durant and Legge (2002) used a combination of an ideology scale and party preferences for their ideological hypothesis, this model employs only party preferences as a proxy for ideology. This is consistent with Durant and Legge's (2001, p. 86; 2002) assessment of the association between how citizens perceive parties and how they evaluate privatization proposals.

11. The model is limited to chronic information measures due to the lack of any domain-specific information in the data set.

12. Another option for reporting the findings in the variance model is through the calculation of the marginal effects (or elasticities) of the explanatory variables. These are available from the author on request.

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