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The Theory of Enduring Public Enterprises in Politics

by

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Abstract

The study was conducted to examine why the phenomenon of Public Enterprises has remained an enduring catalyst for public value creation, and the drivers of development in all politics the world over. The orientation of investigation was 'exploratory techniques, where conceptual analysis and theory building processes were deployed in generating primary and secondary data. It unveiled that Public Enterprises was associated with all states, ancient and modern. The framework was the theory building system and the variables associated with it. It was found to possess all the qualities of a theory hence we passed it for one with universal application. The study then revealed that (i) in all politics, wherever a state was to deliver both public and merit goods to the society, it would create a public enterprise if the existing ones are considered inadequate. This is the enduring nature of the theory in all states. (ii) It also unveiled that where public goods or merit goods or values are to be created, and the start-up cost is significantly high, it is usually the state that have the capacity to create the framework for the delivery of such services, through the mechanism of public enterprises. (iii) The current campaigns to replace public enterprises with private concerns are meant to clear the way for multinational corporations from the home countries of the campaigners. (iv) There is a theory of enduring public enterprises in all state. This theory possessed the explanatory, descriptive, constructive and predictive capacity associated with all theories in the social sciences.

Key words: Theory, Enduring, Public Value, Public Policies

1. Background

In this paper, the term 'Public Enterprises' would mean the same as State-owned Enterprise wherever it is use in this study report. The State often established them and provide it with the management capacity suited for the efficient and effective

performance of their distinctive tasks. They are often established to create public value sometimes in localities where private concern may not want to venture into, yet the state would have to make the services available there.

Public Enterprises became a fad for development when the great depression 1929-1930s made nonsense of the then prevailing liberal economic system, which could not reinvent itself during and after the depression. It started in the United States when personal income, tax revenue, profits and prices of goods, and Gross Domestic Products (GDP) dropped and remained low, while the economy became slow. Economic production stagnated. Public Enterprises came to the rescue following the postulations of John Maynard Keynes (1883-1946). He canvassed the theory of stimulating aggregate demand and the robust presence of the state in the economy through its public enterprises, to direct the course of economic development. The state had to create Public Enterprises to stimulate the economy towards full recovery through participation in the economy, as such was going to address unemployment, poverty and generate income through various taxes to the state, while creating dynamism in the economy. This marked the cradle of public enterprises as a tool of national economic management till this day.

The two major legal forms of Public Enterprises are usually Commercial companies and Public corporations. They are more often 'development authorities' where the purposes are not often those of making highest possible profit in comparison with private enterprises, but should at least attain the business 'operational breakeven point'. They often add to the overall cost of governance and in many cases seek and obtain subvention from the state.

It is instructive to note that since globalization became a booze word in the world economic management system, and the urge for 'small government' became a slogan Public Enterprises as driver of development became confronted with; privatization, deregulation, removal of tariffs, innovativeness and competitiveness, as canvassed by the 'Washington Consensus'. As a consequence of this, Public Enterprises, which were the main drivers of development in the 3rd world came under threats of decline, with the anticipation for their gradual extinction, to give way to private sector led development. This expectation is in contest with observable fact that, 'Public Enterprises' are rather a permanent feature of all pre- and postcolonial states, developing and developed which have a functional government. Put differently, wherever there is a semblance of government, there would always be 'Public Enterprises'. It is against this backdrop that it was theorized that 'Public Enterprises' are nonetheless an enduring feature in all states which have a government or semblance of it, whether in advanced or developing societies and cannot be wished away by any global development pressure, to be replaced by private sector drivers of economic development in the third world and even advanced societies. In the first place, the focus of private businesses are different from that of the state. This obvious contradiction would certainly enhance the enduring nature Public Enterprises.

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2. Aim and Objectives

The objective of the study included the attainment of the following aims (i) to establish the fact that if Government must deliver new values to the society, it would have to do so through existing Public Enterprises or create a new one where the existing ones are considered inadequate, in order to convert public policies into social, political and economic values in a temporary or continuous basis. (ii) To repudiate the often-flaunted thesis, that the government has no business in owning and running state enterprises, hence the private sector should be the drivers of development in the society. This is a false paradigm canvassed by the 'Washington Consensus Group' comprising the World Bank, International Monetary Fund, World Trade Organization and the Treasury Department of the US-Government, (all located in Washington), in order to create markets for their Trans-National Corporations. (iii) The study further sought to bring to the fore that the aim of private concerns are profits while that of the state is welfare of the citizenry. It is and would continue to be grave contradiction for the needs of the state and that of the citizenry to be provided by private organizations which interest is profit. This is because their purposes for existence are different. It is not all public services that are to be provided on the basis of Cost-Benefit-Analysis (CBA) rather on the basis of Cost-Effectiveness-Analysis (CEA). (iv) It is instructive to note that public interests driven by Public Enterprises are often drawn from long term - investment, whereas Private Organizations are often concern with short term or immediate profit/compensation. Consequent upon these and other explanda canvassed herein, the Public Enterprises (PEs), would continue to emerge and remain relevant in all polities.

This study was basically exploratory wherein, it was asserted that there exist a 'Theory of Enduring Public Enterprises in all polities', thus, wherever there is a government as the agent of the citizenry or its appearance, there would always be Public Enterprises created for the government to catalyze public value creation to better the lives of the people. Public Enterprises are therefore inevitable in all economies and in all states irrespective of their numbers. They may bear different names in different climes, but perform essentially the same function of being the one to spread public value as defined by the state for the larger society. They would continue to be present in all governments. Accordingly, whenever it is the views of the political governing elites, that the available Public Enterprises have become unable to deliver on their set mandates, they set to reform or scrap them or even set-up new ones, to expand the scope of delivering political goods and services to the society, especially services that may be difficult to be outsourced. An instance of this relate to when President Franklin D. Roosevelt recommended to Congress the creation of the Tennessee Valley Authority (TVA) in 1933, he asked that, it be established as 'a corporation clothed with the power of government but possessed the flexibility and initiative of a private enterprise (Sodaro, 2008).

It is important to note that in the social system where men relate to one another and the environment on a sustainable basis, certain principles of interaction arise which

direct this interaction consistently. When there is a deviation in the pattern of relationship, the outcome changes, thus, creating a system. This is how a theory gets created. This explains a theory to be a set of related assumptions which would describe and explain behavior in organized settings. Consequently, the major role of a theory would then be to *describe*, *explain* and *predict* a phenomenon. Put differently, when an event relates together (description and explanation), it would lead to prediction(empirical) of certain situation, when the variables are interrelated. This is the case with the phenomenon of public enterprises in the polities.

Similarly, it was the position of this study to explain that the enduring nature of Public Enterprises (PEs) in the body politics of all nations- serves the purpose of value creation in all polities. Therefore, in all polities, there would always be Public Enterprises to drive specific value creation on a continuing basis.

3. Statement of the Problem

There exists a theory of Enduring Public Enterprises, which has made it endure in -spite of the proposition and the campaign by the 'Washington Consensus'- that the private sector should become the driver and may be the initiator in all polities in this age of globalization and small government. At the same time, they averred that Governments have no business in being the drivers of economic development, rather that they have the role of creating the enabling environment for private sector businesses to strive. This is because poorly performing public enterprises are a drain on the budget and fiscal resources of government. In the enabled environment created, businesses should be innovative, competitive, deregulated and devoid of tariffs with minimal state interventions. Furthermore, the private sector should be the drivers of development in modern society not minding that in the third world and in particular Nigeria, the private sector businesses consist mainly of Small and Medium Enterprises (SMEs) that cannot compete with foreign Multinational Corporations/International Oil Companies (MNCs/IOCs).

This study found the above position contrary to the empirical situation in all polities, it therefore identifies that against the forces of globalization, there is a theory of enduring Public Enterprises which do exist in all polities, hence they could not be replaced with the weak private businesses to take their place. Events in the governance system in the world as depicted by a recent study indicated that Public Enterprises are likely to remain an important instrument in any government toolbox for societal and public value creation given the right context. The investigation revealed that there is a rising number of Public Enterprises in states across the world, as a result of the existence of theory of Enduring Public Enterprises in all polities. This study unearthed this fact to help broaden the understanding of the trends of rising Public Enterprises in the age of globalization, and to challenge current social and economic realities which rest on the postulations of the 'Washington Consensus' which was aimed at putting away the roles of Public Enterprises (PEs) in the economies of nations particularly that of the third world states. This therefore challenged this assertion because when frontiers are not

challenged society does not move forward. This would provide a new way of thinking and driving development in the state.

The summary of the problematics is that while current economic thinking in development wishes away the roles of Public Enterprises to make room for the Private organizations as drivers of development in the states of the third world, the enduring theory of Public Enterprises enforces it perpetual presence in all states. This is because they remain the major toolbox for value creation and distribution in all modern states against private initiatives in all states.

4. Materials and Methods

The orientation for the study was exploratory, based on conceptual analysis and theory building, intended merely to explore the research questions and with no desire to offer final and conclusive solutions. The existing problem of whether Public Enterprises should continue to be the driver of development in the state would remain. It was conducted to determine the nature of the problem and not to provide conclusive evidence, however to indicate the permanent nature of Public Enterprises as the major driver of basic development in all states. Exploratory research tends to tackle new problems on which little or no previous research had been done (Frank, 2015). It usually constitutes the basis of further investigation.

Exploratory study is often deployed when the problem has not been studied exhaustively. It relied mostly on secondary data, drawn typically from conducting elaborate literature review and subjecting the available data to critical interrogation. It combined with formal qualitative study (in-depth interviews, Focus Group Discussion, Case and Pilot studies) to generate adequate data to consolidate the theory. Internet was an inestimable source of relevant data. The main purpose was to become familiar with the phenomenon and acquire new insight into why Public Enterprises endures in all polities in order to formulate a more precise problem and develop hypothesis whenever. This technique nonetheless pointed to the fact that in all states, developed and developing, they all have varied degree of Public Enterprises and were in the processes of creating new ones as the need arises.

5. Theoretical Framework

A conceptual analysis was carried out and the events were observed in every state ancient and modern, which indicated that all public and merit goods were often provided through an existing or newly created public enterprises. This abstractive fact was empirically verified by the rising number of public enterprises and the past events in this state. This was further confirmed when cognizance was taken of the fact that private concerns are for profit while states' services are provided on the basis of efficiency and effectiveness to generate 'pareto optimality' or making the citizens better-off than they were before state interventions.

Concepts were formulated whereby the attributes of the theory, explanatory, descriptive, constructive and predictive capacities of the emerging theory were specified.

The analysis herein went beyond probabilistic, models or tendency statements to a universalistic theory. Indeed there is a theory of enduring public enterprises in all polities.

The thesis of the theory is that wherever there is government (Leviathan) and the resemblance of it, whether in advanced or developing societies, pre and in post-colonial states, there would always be the need to create value in these societies. The government would often create structures and public enterprises for the delivery of these socio-economic goods to the larger societies, being its agent. This was done in the older societies as in the modern states, through public enterprises and not through private organizations. This the enduring nature of public enterprises in all polities.

The structure of this theory is the fact that government arose from the social contract theory, where men and women in the state of nature reposed part of their rights on the government equally to create and deliver value in the society on a continuing basis. These were not reposed on private concerns but on those who became public servant. These values are to be delivered to everyone without favor, hence public enterprises became the framework for its delivery on the basis of impersonality. This is because public values are different from private sector interests. Everyone contributed to the sustenance of the government through their taxes, and should receive the values from the state on an equal basis. Private citizens who assumed these roles were expected to function impersonally.

Therefore, as often as this rationale for public goods persisted, so long would the need for Public Enterprises emerge to drive them. An instance of this was the case of President Franklin D. Roosevelt and the new deal as discussed herein, where he came in with new values and new public enterprise to drive it when the existing ones were considered inadequate. Similarly, in Nigeria, the state controls the crude oil sector by setting up Nigeria National Petroleum Corporation (NNPC). Public Enterprises exist primarily in order to represent the government's interventionist objectives in the economy, to drive them in the desirable manner.

It is this enduring nature of government which gave public enterprises its nature either as a corporation or commercial public concern. This is applicable in all states, hence the occurrence of public enterprises occurs in all states. This is what is referred herein as the theory of enduring public enterprises in all polities where there is a government or anything in its form.

6. Basic Assumptions of the Theory

The theory is predicated on the following assumptions;

- (i) That the existing Ministries, Department and Agencies (MDAs) of government in every state would always be insufficient to actualize public policies at all times, hence making the creation of Public Enterprises inevitable.
- (ii) Good governance would consist of meeting the needs of the people as contained in the manifesto and promised in the political campaigns. To this end, existing

This explains to a large extent, the *raison d'être* for persistence of Public Enterprises in all states. Thus, Public Enterprises is an enduring feature of the political economic landscape of all states. There is no doubt that Public Enterprises are an influential force globally. Public Enterprises have been rising in influence in the global economy over the past decade. For instance, the proportion of Public Enterprises among the Fortune Global (defined as companies having 50% or more government ownership) had grown astronomically from 9% in 2005 to 23% in 2014. This increased Public-Enterprises presence has been driven primarily by Chinese Public Enterprises (Price Water, 2015). In Sweden, county and municipality-owned Public Enterprises comprised 74% of the total number of Swedish Public Enterprises. In Germany, 89% of the Public Enterprises are owned by municipalities. The top eight countries with the highest Public Enterprises shares are China, United Arab Emirates, Russia, Indonesia, Malaysia, Saudi Arabia, India and Brazil (PWC report 2015). Every government has a particular value it wants to deliver in the short, medium and in the long term. This is the explanda why Public Enterprises (PEs) is a feature of all states, advanced and developing and would remain an enduring feature of all states despite the forces of globalization, hence the theory of enduring Public Enterprises (PEs) in all polities. This is additional explicatory capacity of the theory.

Kowalski *et al.* (2013) described the situation here succinctly when he posited that 'Public Enterprises have gone global', many, if not most large Public Enterprises are active internationally and engaged in trade, with some emerging country governments pursuing explicit policies of Public Enterprises internationalization. Increased global competition for finance, talent, and resources are seeing some countries turning to Public Enterprises as tools to better position themselves for the future in the global economy as China is doing. This is because this cannot be obtained through the private sector led initiatives as all gains here go to private interests. In one of Kowalski's (2013) study, where the fortunes of 2000 largest companies in 2010-2011 were analysed, the authors found that 204 (10.2%) of the 2,000 companies were majority-owned Public Enterprises with ownership interests spread across 37 countries. In Nigeria they include the Niger Delta Development Commission (NDDC), Economic and Financial Crime Commission (EFCC), Tertiary Education Trust Fund (TETFUND), etc.

The predictive capacity of the theory opined that wherever there is government, that government would carry out its functions mostly through public enterprises rather than private ones. This is because the two have opposing focus and interest. The British government deliver its services through about seventy one percent of public enterprise down to the local levels of governance. This is true with varying degree of public enterprise in the European countries.

8. Conclusion and Recommendations

It is the inference of this theoretical exposition that Public Enterprises endures in all polities, for public value creation, this goes beyond likelihood to a statement of fact as attested to by the Price Water Cooper (2015) study referred to herein, hence a social

administrative theory. We went further to submit that irrespective of whatever recommendations emanating from donor institutions, (Washington Consensus) that Public Enterprises (PEs) are drains in the economy of the third world and should be discounted in the course of development, it would remain an enduring feature in all polities because they remained the instrument for ensuring long term value creation and for the benefit of the entire society. This is not to discount the role of private enterprises in filling the gaps created by Public Enterprises (PEs) shortcomings in the economy. Another view was that, given the propensity of the private sector businesses to be mostly Small and Medium Scale (SMEs) commercial ventures, in the third world and in Nigeria to be specific, the present of Public Enterprises in the economies, especially in the third world, become inevitable and enduring to create public value.

Lastly, it must be recognized that they are often not created to make very high profit, but serve political responsiveness, thus, when they are evaluated on the basis of profit and loss account, it become misleading to ascertain their economic viability. It should rather be appraised on the basis of cost-effectiveness analysis on how they have been able to spread specific value in the society. Public Enterprises are organizations with leadership. To place Public Enterprises on the performance lane, we need to change their leaders. This is because in times of trouble, organizations change their Chief Executive Officers, when public enterprises are losing money, they should hire new CEOs and just as when a country is experiencing hard times, it elects new president. This is true of Public Enterprises and their performance which have not been the case in most public enterprises because they often have affiliation with the ruling political elites. To ensure the operational effectiveness of the public enterprises, they should hire talent that match the job and operate the Human Resource Metric system to match training needs and the workload. When all these are carried out in the management system of the public enterprises, they would be as effective as any private sector concerns in service delivery.

It is instructive to however note that the most extraordinary technological innovations of the recent past decades particularly in internet, computer and telecommunications (ICT) have been initiated by private companies. This is not to say that the state has no roles in their emergence. They came out of mixed economies rather than one in which the state is completely out of the economic space. This is the nature of enduring theory of Public Enterprises in all polities with an effective capacity for service delivery.

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