The Global Rise of Post-Government Companies: The Unexplored Corollary of Privatizations

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Extended abstract:

The international privatization trend that took hold in the 1980s and continues today represents a major transformation in the world’s economy: it has resulted in a massive shift to the private sector of the functions and economic holdings of states. This has bolstered the private sector’s role in the global economy as it has cumulatively taken on trillions of dollars of additional activity from governments. It has also been altering the relationship between governments and businesses as economic actors.

This paper identifies and describes an entirely unexplored corollary trend of equal magnitude to the privatization movement: the advent of what I refer to as “post-government companies” as a global phenomenon. These are companies that assume the privatized activities of governments, including companies that make such activities their core business and those that act on a worldwide scale. Collectively, post-government companies have quietly developed into a major and coherent set of actors in the global economy. The paper details the basic characteristics and mechanisms of the trend, its international impact, and a question it raises that has implications for capitalism: are companies that assume the privatized functions of governance purely motivated by the perceived opportunity for financial gain, or might their interest in carrying out such activities as businesses derive also from the fact that the activities had been, and may still be, associated with political power or territorial authority?

What makes this question more than hypothetical is that the phenomenon is occurring in an era when corporate power is increasingly recognized as rivaling state power in numerous respects. This is transforming some companies into political actors to varying degrees. If a company or its shareholders seek to gain political or geopolitical power, the accumulation of privatized activities would appear to offer a path. Evidence that companies desire some measure of political power is already abundant through lobbying and other efforts they commonly undertake to influence laws, policies and other government decisions.

The advent of post-government companies is also occurring as the public sector increasingly develops its own private sector that parallels the “real” private sector and acts as within it, as seen, for example, in the globalized activity of state enterprises and the explosive growth of internationally active sovereign wealth funds. While this may appear contradictory on the surface – the idea of states simultaneously reducing their roles as governments through privatizations while increasingly participating in the private sector – in fact it may suggest that states are taking advantage of the private sector’s growing power by acting to pursue their objectives from inside it. States have different interests and motivations than those of the “purely” private-sector entities they “compete” with. The prospect thus arises that states may assume an international role within the private sector, including through investments in post-government companies, as a means to
achieve geopolitical objectives – further distorting the relationship between governments and businesses.

Although the global privatization trend has received much public attention and scholarly examination, the parallel advent of post-government companies throughout the world has occurred silently and without scrutiny. The fact that it is occurring in conjunction with increased state participation in domestic and foreign private sectors points to the possible presence of political motivations into the trend’s dynamics.

This paper argues that the phenomenon of post-government companies warrants considerable research with some urgency, as its potential consequences – its impact on economic actors, its impact on the functioning of the private sector and capitalism more generally, its interactions with other economic trends (notably globalization) and its political and geopolitical outcomes – may already be occurring and become visible only through such study.