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## Re-interpreting re-municipalization: finding equilibrium

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### ABSTRACT

The remunicipalization literature posits that municipalities increasingly reject privatization in favor of in-house service delivery. A frequent interpretation is that remunicipalization therefore demonstrates a rejection of business-like service delivery in local public service delivery. We perform a systematic review of the literature on remunicipalization, to argue why this interpretation may be inaccurate. First, remunicipalization often involves corporatization, and these public corporations are very business-like. Second, cost savings are often at the root of remunicipalization rather than political ideology. We call for a more nuanced debate on remunicipalization in the literature.

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## Policy Highlights

- Remunicipalization is not evidence of a rejection of business-like service delivery in local public service delivery.
- Remunicipalization should be seen as a trend in conjunction with a trend towards corporatization.
- Pragmatism often underlies remunicipalization, less than ideology.

## 1. Introduction

The literature on remunicipalization posits that municipalities are increasingly rejecting contracting-out and privatization in favor of in-house delivery of public services. A frequent interpretation of this finding is that remunicipalization therefore demonstrates a step towards the rejection of business-like local public service delivery (Becker, Beveridge, and Naumann 2015; Becker, Naumann, and Moss 2017; Beveridge, Hüesker, and Naumann 2014; Beveridge and Naumann 2014; Cumbers 2012; Paul 2018; Pigeon et al. 2012; Routledge, Cumbers, and Derickson 2018). This view of remunicipalization as an ideological trend is not uncommon, but may be inaccurate (McDonald 2018). For one, the literature using the term “remunicipalization” seems at odds with the literature on motives for (reverse) privatization, which describes reasons for shifting services back to in-house delivery as more pragmatic than ideological (Albalade and Bel 2019; Bel and Warner 2008; Chong, Saussier, and

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Silverman 2015; Demuth, Friederiszick, and Reinhold 2019; Gradus, Dijkgraaf, and Wassenaar 2014; Gradus, Schoute, and Budding 2019; Hefetz and Warner 2007, 2019; Pérez-López, Prior, and Zafra-Gómez 2015; Warner 2008; Warner and Aldag 2019; Warner and Bel 2008; Warner and Hefetz 2012). It also contradicts the literature on corporatization, which shows that local governments in many countries are increasingly placing public service delivery at arm's length (Andrews et al. 2019; Bergh et al. 2018; Ferry et al. 2018; Grossi and Reichard 2008; Tavares 2017; Tavares and Camões 2007, 2010; Van Genugten, Van Thiel, and Voorn 2019; Voorn, Van Genugten, and Van Thiel 2017; Voorn, Van Thiel, and Van Genugten 2018). To which extent can the claim be corroborated that remunicipalization is motivated by a rejection of business-like local public service delivery?

We perform a systematic review to investigate the claim that remunicipalization is an ideologically driven trend. We show why remunicipalization is not the ideological trend it is made out to be. First, many remunicipalization cases concern a move towards municipally owned corporations (Aars and Ringkjøb 2011; Citroni, Lippi, and Profeti 2013; Florio and Fecher 2011; Grossi and Reichard 2008; Tavares 2017; Tavares and Camões 2007; Voorn, Van Genugten, and Van Thiel 2017, 2018b; Voorn, Van Thiel, and Van Genugten 2018). Municipally owned corporations operate at arm's length and in a business-like manner. Second, while the previous large shift in public service delivery took place against the background of new economic paradigms, no clear such paradigms underlie the remunicipalization trend. The absence of a clear and coherent underpinning makes it difficult to see remunicipalization as an ideological trend. Third, cost savings or similar pragmatic reasons are almost always the ultimate cause of remunicipalization. Fourth, evidence for a wide-scale movement of remunicipalization is limited, as the number of case studies is low, focusing on particular sectors and countries.

The remainder of this article is organized as follows. In [Section 2](#), we shortly describe the background of our study, outline and explain the methods for our literature review and address its limitations. In [Section 3](#), we offer the results of the systematic review. In [Section 4](#), we conclude.

## 2. Background and methods

### 2.1. Background

Starting in the 1980s, concerns about the efficiency of public service delivery brought an increasing focus on the possibility of delivering public services without large roles for public bureaucracies (Dunleavy and Hood 1994; Hood 1995). Policymakers began to explore options for public service delivery that involved simulating or introducing market pressures in public service delivery (Savas 1987). This was true also at the local level, or perhaps this trend was even sparked at the local level, where privatization and contracting-out became increasingly prominent practices (Bel and Fageda 2009; Dijkgraaf, Gradus, and Melenberg 2003; Domberger and Jensen 1997; Hefetz and Warner 2004, 2007; Hirsch 1995a, 1995b; Warner and Bel 2008).

One large driver behind these changes was a set of management philosophies and economic logics that in public administration have collectively become known as “New Public Management”. New Public Management challenged the ideas of the “old”

bureaucratic organization of public services and brought to the forefront the notion that governments were inefficient. Its reforms built on new paradigms in economic theory, primarily public choice and the challenges of the Virginia and Chicago schools of economic thought, that introduced the notion of government failure alongside market failure, emphasized the importance of specialization, and suggested that public service delivery should focus on expert management with smaller roles for politicians and bureaucrats (Alchian 1965; Boycko, Shleifer, and Vishny 1996; Laffont and Tirole 1991; Leibenstein 1966; Migué, Belanger, and Niskanen 1974; Niskanen 1968, 1975; Shleifer and Vishny 1994; Williamson 1963). New Public Management reforms became key innovations in local government starting in the 1980s, arguably continuing to this day.

However, NPM-inspired privatization and contracting-out led to some new problems. While there were initial success stories (Domberger and Jensen 1997; Domberger and Rimmer 1994; Hodge 2000), over time, research began to demonstrate that privatization and contracting-out practices might not increase efficiency as much as originally presumed (Bel and Costas 2006; Bel and Warner 2008; Dijkgraaf and Gradus 2011). For both privatization and contracting-out, market formation often turned out to be difficult to achieve, and competitive pressures sometimes turned out difficult to invoke (Bel and Warner 2008; Dijkgraaf and Gradus 2007; González-Gómez, García-Rubio, and González-Martínez. 2014; Heinrich 2009; Hirsch 1995b; Lowery 1998; McDonald 2018; Ohemeng and Grant 2008; Warner and Hebdon 2001). Moreover, for contracting-out, even if initial tenders were cost-saving for local governments, in later contracting-out procedures, the information advantage of the incumbent firm left contracts without competitive challengers, and contracting-out procedures started begetting *de facto* local monopolies (Bel and Costas 2006; Lindholst, Petersen, and Houlberg 2018; Sclar 2001). Privatization and contracting-out also eroded some of the “publicness” of public services, sparking questions about equity, voice, and responsiveness (Warner and Hefetz 2002). As a result, by the early 2000s, privatization and contracting-out procedures started showing mixed results. In response, some local governments in Europe started shifting back services to municipal service delivery (Bauer 2015; González-Gómez, García-Rubio, and González-Martínez. 2014; Hall, Lobina, and Terhorst 2013; McDonald 2018; Pigeon et al. 2012; Wollmann et al. 2010). Interestingly, as noted by Warner and Bel (2008), this is true primarily in Europe: significant levels of reversals were already found in the 1990s in the United States (Hefetz and Warner 2004; Warner and Hebdon 2001).

Some researchers, using the term “remunicipalization” to describe such reversals, and using mostly non-quantitative techniques, suggest that these reversals of privatization attest to an ideological countermovement to privatization, mostly in Europe (Becker, Beveridge, and Naumann 2015; Becker, Naumann, and Moss 2017; Beveridge, Hüesker, and Naumann 2014; Beveridge and Naumann 2014; Cumbers 2012; Paul 2018; Pigeon et al. 2012; Routledge, Cumbers, and Derickson 2018). However, other studies refute this claim. For example, studies on corporatization show that municipalities are still placing service delivery “at arm’s length”, often in a corporate form (Andrews et al. 2019; Clifton and Díaz-Fuentes 2018; Voorn, Van Thiel, and Van Genugten. 2018). Another strand of research (on reverse privatization) suggests that most decisions to reverse privatizations are pragmatic, rather than ideological, in nature (Albalade and Bel 2019; Bel and Warner 2008; Chong, Saussier, and Silverman 2015; Demuth, Friederiszick, and Reinhold 2019; Gradus, Dijkgraaf, and Wassenaar 2014; Gradus, Schoute, and Budding 2019; Hefetz and Warner 2007, 2019; Pérez-López, Prior, and Zafra-

Gómez 2015; Warner 2008; Warner and Aldag 2019; Warner and Bel 2008; Warner and Hefetz 2012). How can we understand these disconnects in the academic literature?

## 2.2. Methods

We conduct a systematic literature review of the literature on remunicipalization – a technique that uses systematic methods to collect secondary data, critically appraise research studies, and synthesize findings that is increasingly common in the social sciences. Our aim is to investigate the claim in this literature that remunicipalization is an ideologically driven trend against privatization and business-like local public service delivery.

For our review, we used the term “remunicipalization” (in alternative spellings -ization/-isation, and re-/re) as keyword and searched for articles in four search engines: JSTOR, Scopus (Elsevier), Taylor and Francis Online, and Web of Science. These search engines are most commonly used for systematic literature reviews in public administration and therefore best fitted our purpose. Our search considered articles that were published before September 2018. We excluded articles published in languages other than English, and articles only referring to the term in side remarks. Next, we coded every mention of causes and institutional outcomes in the articles included in our sample. We summarize our findings in an online appendix.

There are several limitations to our literature review, of which we mention three here. First, our review excludes work on remunicipalization published in books or reports, where academic peer-review could not be guaranteed. Unfortunately for both this review and academia in general, much of the work on remunicipalization has appeared in books (e.g. Kishimoto, Lobina, and Petitjean 2015; Kishimoto and Petitjean 2017; McDonald 2016; Pigeon et al. 2012) and reports (Hall 2012; Hall and Lobina 2012; Hall, Lobina, and Corral 2010), and since it is difficult to distinguish peer-reviewed academic books and reports from those written with political motives, including reports published by a host of transnational organizing groups centered on challenging privatization, we opt to leave them out of this review. Third, our review excludes work published in languages other than English (e.g. Bauer 2012; Röber 2018).

Our review nets 25 articles, the majority of which uses case study techniques (56%), followed by literature reviews (24%) and historical analyses (8%). The majority of the remunicipalization literature uses data from Germany (68%), followed by France (16%) and Spain (8%). Research into the water sector is most prominent (60%), followed by research into the energy sector (56%).

## 3. Remunicipalization as a response to privatization

All 25 selected articles discuss causes of remunicipalization. Six of those state that public resistance to the failure of neoliberalism is the cause of remunicipalization (Becker, Beveridge, and Naumann 2015; Becker, Naumann, and Moss 2017; Beveridge, Hüesker, and Naumann 2014; Beveridge and Naumann 2014; Routledge, Cumbers, and Derickson 2018). This leads those authors to conclude that remunicipalization demonstrates a step towards the rejection of business principles in local public service delivery. For instance, Paul (2018) and Routledge, Cumbers, and Derickson (2018)

suggest that remunicipalization can be read as a set of mobilisations against the neoliberal state, which follows a “dominant . . . economic doctrine that has also wrought profound damage to democratic practices, cultures, institutions and imaginaries. Political participation and the right to equality have been reduced to market freedom, the right to compete, and the making of rational consumer choices, while individual activity in the market has replaced shared political deliberation and rule” (Routledge, Cumbers, and Derickson 2018, 78). Similarly, Becker, Beveridge, and Naumann (2015), Cumbers (2012), Pigeon et al. (2012), and Wollmann (2018) suggest that remunicipalization is a response to a “privatization model . . . in crisis” (Becker, Beveridge, and Naumann 2015, 76). Becker, Beveridge, and Naumann (2015) discuss that in Germany, starting in the late 1980s, “the long tradition of the municipal economy . . . was destabilized by privatization projects” (*ibid.*). They propose that we should assess remunicipalization projects “within a broader understanding of contestatory urban politics under conditions of neoliberal globalization” (p. 77) and that “[it] might also help to better link remunicipalization campaigns to other urban social movements, encouraging a shift in remunicipalization debates in favour of a more profound reform, of promoting democracy and social justice” (*ibid.*). Becker, Naumann, and Moss (2017) similarly contend that “campaigns for remunicipalization stand as examples of fundamental contestation over urban governance . . . signifying a sharp break with neoliberal understandings of how cities . . . should be governed (p. 80).

This part of the remunicipalization literature thus appears to be quite ideological. McDonald (2018) concludes that this is not uncommon in the debate on remunicipalization, who writes that “anti-capitalist voices are not uncommon in the water remunicipalization movement” (p. 53) and that “critical case studies of autocratic and marketized forms of remunicipalization [. . .] are overshadowed by reports about their more democratic and less commercialized cousins” (p. 50). These activist stances are explained to be caused by the fact that the sectors addressed in this literature (water and energy) have substantial climate change implications (Wollmann et al. 2010). The view that remunicipalization represents a wider movement against market-like pressures in public service delivery is thus found in at least a large minority of the literature on remunicipalization (and even more in reports which are not included in our review). However, we believe that their claim is not supported by the evidence. We offer a number of reasons for our doubt.

First, in 23 out of the 25 articles in our review, remunicipalizations studied concern transfers from contracting-out and (partial) privatization towards the use of municipally owned corporations, primarily based in private law (see Voorn, Van Genugten, and Van Thiel (2019)). Full public ownership is rarely found, although we did come across an occasional reference to the cooperative form (e.g. Becker, Beveridge, and Naumann 2015; McDonald 2018). In the articles, we found no reference that a return to municipal bureaucracy was an option in the cases studied, and the notion – for instance in the energy, water, or waste collection sectors – that service delivery has to take place through municipally owned organizations at arm’s length seems almost taken for granted. Authors who are critical of market-like instruments in public service delivery argue that this externalization runs counter to the idea of remunicipalization. Some even describe the use of public corporations as the “wolf in sheep’s clothing”, or refer to the pretense of public ownership while market ideology is propagated (Magdahl 2012; Van Rooyen and Hall 2007). Indeed, while not all corporatized water services are commercial

in their orientation, market-like mechanisms are often introduced in order to introduce a focus on efficiency (McDonald 2014). McDonald (2018) points out that in some cases, publicly owned but externalized utilities are in fact more commercial than their private counterparts, having to focus more on surplus as mandated by their owner-governments. If publicly owned corporations are the typical outcome of remunicipalization, that sheds doubt on the extent to which remunicipalization actually is a trend towards breaking with market-like pressures in public service delivery in practice.

A second argument why remunicipalization may not be as much of a break with market-like pressures in public service delivery comes from the literature on corporatization. Corporatization is not only the result of reverse privatization; increasingly public corporations are established to move public services from in-house delivery (through public bureaucracies) to at arm's length organizations (Andrews et al. 2019; Bergh et al. 2018; Ferry et al. 2018; Grossi and Reichard 2008; Tavares 2017; Tavares and Camões 2007; Van Genugten, Van Thiel, and Voorn 2019; Voorn, Van Genugten, and Van Thiel. 2017; Voorn, Van Thiel, and Van Genugten. 2018). The scale of this form of corporatization is large, but more empirical evidence is required to assess the precise magnitude of this trend. This ongoing trend is motivated by policymakers who are looking to introduce competition and managerial autonomy in public service delivery while retaining political control (Krause and Van Thiel. 2019; Voorn, Van Genugten, and Van Thiel 2017, 2018a), in order to “replace politics by professionalism” (Bourdeaux 2008). If both privatizations and bureaucracy are increasingly foregone for municipally owned corporations, then this suggests that remunicipalization does not represent the wholesale rejection of privatization, but that local public corporations are a modern trend – a trend that certainly does not seem to break strongly with market-like ideas (Voorn, Van Genugten, and Van Thiel 2018a).

A third argument against the activist claim in part of the remunicipalization literature is that in practice, pragmatic motives seem to prevail over ideological ones, as 22 out of the 25 studies discuss pragmatic motives. This is also visible in the literature from the United States and the literature on local reverse privatization (Bel, Hebdon, and Warner 2018). Warner (2008) points out that the wave of privatizations that occurred from the 1980s on were brought on by an economic paradigm shift, largely driven by the Virginia and Chicago Schools of economic thought that challenged the idea of market failures and introduced ideas of government failures and bureaucratic inefficiency (Alchian 1965; Boycko, Shleifer, and Vishny 1996; Laffont and Tirole 1991; Leibenstein 1966; Migué, Belanger, and Niskanen 1974; Niskanen 1968, 1975; Shleifer and Vishny 1994; Williamson 1963). Remunicipalization does not however seem to be based on a theoretical paradigm shift in economic theory (Ruiz-Villaverde, González-Gómez, and Picazo-Tadeo 2015; Warner 2008). Hefetz and Warner (2007) and Ruiz-Villaverde, Picazo-Tadeo, and González-Gómez (2013) have suggested that Social Choice Theory could have brought a paradigm shift large enough to explain the shift towards remunicipalization or reverse privatization. However, Social Choice Theory is both hardly new and is not the radical break away from market-like mechanisms in public service delivery, emphasizing deliberation, democracy, and a utilitarian approach to public service delivery, nor a prominent rejection of capitalism. Indeed, there are more articles that support the idea that remunicipalization is often motivated by pragmatic factors, such as dealing with service complexity, and not by ideological ones (Albalade and Bel 2019; Bel and Warner 2008; Chong, Saussier, and Silverman 2015; Demuth, Friederiszick, and

Reinhold 2019; Gradus, Dijkgraaf, and Wassenaar 2014; Gradus, Schoute, and Budding 2019; Hefetz and Warner 2007, 2019; Pérez-López, Prior, and Zafra-Gómez 2015; Warner 2008; Warner and Aldag 2019; Warner and Bel 2008; Warner and Hefetz 2012).

A fourth argument is that the literature is biased towards certain sectors. Most articles report on remunicipalization in the same sectors: water, transportation, waste management, cleaning, housing and electricity (Hall 2012; Kishimoto and Petitjean 2017; McDonald 2018; Wollmann et al. 2010). Their evidence is usually case-study (often even single-case) based, country-specific, or restricted to a certain time period. Studies that report larger *Ns* do not offer a benchmark, for example, about the prevalence of privatization in the same period, or the number of remunicipalizations in previous periods. Without such reference points, it is difficult to prove that remunicipalization is a (recent) trend. More researchers doubt that remunicipalization is a genuine trend, pointing to the lack of agreement on numbers, and suggesting that remunicipalization is more “talk” than “action” (Höffler et al. 2013). The existence of a large recent remunicipalization trend also does not fit in terms of timing. There is evidence that in times of fiscal constraint and austerity, private service delivery becomes more likely (see for instance the meta-regressions by Bel and Fageda (2007, 2009)). Privatization provides income for the state and relieves financial burdens on municipal budgets (González-Gómez and García-Rubio 2018; González-Gómez, García-Rubio, and González-Martínez 2014). Indeed, austerity after the financial crisis has sparked even greater privatization (Hall and Lobina 2012). This makes the existence of a widespread cross-sectoral remunicipalization less likely. (It should be noted that this is only true for asset sales: contracting-out does not generate money for the state. Indeed, Kim and Warner (2016) find for the US that contracting-out did not increase after the Great Recession.)

So far, we have argued that remunicipalization as a wide-scale trend is not supported in the literature. Rather than going for full public ownership, local governments are reported to create public corporations, both by reversing privatizations and by hiving off parts of the bureaucracy. This is mostly done for pragmatic reasons. In the studies that do discuss political motives of remunicipalization (15 out of the 25 articles), the narrative is that social movements materialized (in 11 out of 15 studies), often including (frequently left-wing) political parties, labor unions, interest groups, and (collectives of) citizens, typically after announcements or reports of tariff increases or quality deteriorations. This is found for instance in the case studies of remunicipalization in Berlin and Hamburg, where campaigns against the privatization of energy followed the announcement of a third consecutive price hike (Becker, Beveridge, and Naumann 2015; Becker, Blanchet, and Kunze 2016; Becker, Naumann, and Moss 2017; Wagner and Berlo 2017). It is also found in a case study in Paris, where collective action was brought about after citizens had strong reasons to believe they would be cheaper off with public water ownership (Valdovinos 2012). However, these studies show that price and in some cases environmental concerns (predominantly in the energy sector), and not ideological shifts, brought about collective action, even if this collective action involved many ideological proponents of remunicipalization. As Ruiz-Villaverde, González-Gómez, and Picazo-Tadeo (2015) put it for the water sector in Spain: “Irrespective of how remunicipalisation occurred, the overriding rationale behind the return to the public provision of services was the same: improvements in quality, the need for investments in conserving and maintaining infrastructures and guaranteeing the universal provisions of water services.” Apart from the fact that these cases were selected to



demonstrate political aspects of the transformation, they contradict the claim that reforms are – solely – based on ideological arguments. Pragmatic reasons like price play a role, and perhaps the most decisive.

Summarizing: our general argument is that remunicipalization, if it exists, is a matter of “finding equilibrium” in the balance between publicness and efficiency rather than a clean break with market-based public service delivery. This is not a fully novel idea, as McDonald (2018) for instance describes the idea of “market managerialism” or the “entrepreneurial state” that focuses on cost recovery, internal competition, and managerial incentives as part of the broader shift to New Public Management (Osborne 2006; Pollitt 2003). He suggests that in the water sector, remunicipalized water services can be characterized as quasi-commercial, structured around managerial autonomy, performance management, and hierarchy. He points out that this is suggested as the primary driver behind remunicipalization of water in the United States and in Africa. He concludes that cost savings are the primary motive for reverse privatization in general (Warner and Hefetz 2012) and describes the ideological role of neoliberalism in both places by pointing out that the United States is, as Warner puts it, “the heartland of capitalism” (Warner 2016), and that Africa is still largely influenced by “neoliberal donor agencies” (McDonald 2018). According to McDonald, market managerialism drives as much as a third of remunicipalization worldwide. We believe however that McDonald may be underestimating here. As discussed above, most remunicipalizations lead to the creation of public corporations, and in most cases, this is based on pragmatic reasons. One such example is dissatisfaction with service delivery (Bauer 2015; Estache and Grifell-Tatjé. 2010; González-Gómez and García-Rubio 2018; Hall, Lobina, and Corral 2010; Hall, Lobina, and Motte 2005; Hall, Lobina, and Terhorst 2013; Le Strat 2014; Pérard 2009; Pigeon et al. 2012; Ruiz-Villaverde and García-Rubio 2017; Valdovinos 2012; Warner 2010; Wollmann et al. 2010).

#### 4. Discussion

The literature on remunicipalization claims that municipalities are taking previously privatized services back to in-house service delivery. But there is a disconnect between the large-N research about “reverse privatization” and the literature on corporatization on the one hand and the findings of case study approaches using the term “remunicipalization” on the other. The former literature emphasizes the pragmatic nature of service delivery choices, while a large part of the latter literature emphasizes the existence of a widespread ideological countermovement to privatization. We conducted a systematic review of the remunicipalization literature to examine this claim.

Based on our review of 25 studies, we have offered various reasons to shed doubt on the claims of the remunicipalization literature. First, we demonstrated that most remunicipalizations led to the creation of public corporations, owned by municipalities but kept at arm’s length, founded in private law. This is not the same as a return to full public ownership. Second, we argued that the trend of corporatization does not only involve a transition from private ownership to municipally owned corporations, but also from bureaucracy to new public corporations. This would suggest that a trend towards municipally owned corporations is the most dominant trend at this time, and not remunicipalization. Third, there does not appear to be a clear paradigm shift underlying the remunicipalization

trend as pragmatic reasons play an important role in remunicipalization decisions in 22 out of the 25 studies we examined. Fourth, even in cases where ideological collective action took place it was nearly always against the backdrop of price increases and other pragmatic arguments. Finally, systematic evidence for a remunicipalization trend is still limited due to the case-based nature of more than half of the studies.

We emphasize three limitations. First, our review focuses specifically on articles that use the term “remunicipalization”; while we engage with other literatures, this limits our findings quite strongly. Second, our review excludes work on remunicipalization published in books or reports, where academic peer-review could not be guaranteed. This improves our sample’s validity at the expense of its sample size. Third, our review excludes work published in languages other than English, and this means among others that we have not engaged with the (substantial) German-language literature in this review.

There are various avenues for future research into remunicipalization. First, there is a need for more systematic large-N studies. Second, it would be interesting to investigate the actual results of remunicipalization, to show to what extent the switch from privatization to corporatization brings about actual change in service delivery. Third, studies are needed about other sectors and countries than the ones studied most often. Finally, we call on researchers to connect the different literatures (remunicipalization, corporatization, reverse privatization) more for a more complete picture of local service delivery reforms.

## Disclosure statement

No potential conflict of interest was reported by the authors.

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