

Finland: Research challenges claim that privatisation leads to increased efficiency

(July 2012) The results of a four-year research project, "Reforming markets and organizations", challenges a number of dominant ideas about the effects of markets and competition.

The project was funded by the Academy of Finland and led by Johan Willner, Professor of Economics at the School of Åbo Akademi.

The research looked at how efficiency and effectiveness are defined and found that a publicly-owned organisation may be more effective because it is better at achieving goals that are broader than just profit maximisation.

The research also calls into question the claimed positive outcomes from liberalisation and increased competition. This process does not always lead to an increase in efficiency and can bring with a reduction in welfare.

The project investigated network industries such as rail, gas, water, electricity and telecommunications and found that liberalized requires changes to their network infrastructure allowing separate companies to compete. However, the researchers argue that such a restructuring may instead make the business less efficient as a result of losing the benefits of vertical integration.

Furthermore, the project looked at the impact of commercialisation of the university sector and the introduction of private sector management techniques and performance-related pay. The researchers found that when considering the employees' intrinsic motivation, it appears that top-down, monitoring and performance-based pay can be counterproductive.

Press releases about the project are available in [Finnish](#) and [Swedish](#). There is also a list of project articles in [English](#) which includes some of the main conclusions.

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