



## Why put our faith in markets?

The meltdown in the banking sector and the collapse of confidence in world markets has led to a concerted effort by Governments across the developed world to restore some semblance of calm by pumping vast amounts of taxpayers money into the financial system to stabilise the market. In Britain, the Government has effectively nationalised part of the banking system by pumping billions into rescuing banks from the freefall in the stock markets

The implications of this financial catastrophe are already being felt in many parts of local government. Councils, who are obliged to seek the best rate of return for their investments, are now facing large losses as a result of the Icelandic banking collapse. Those councils who may have been reliant upon private finance, will now face problems in funding their capital programmes. And many more are struggling with increased fuel, utility and staff costs to keep services running, with many services in even greater demand as the knock on effect of the credit crunch creates further strains on housing, social care and other front line services.

But at a time when both Government and citizens are waking up to the failures of free, unfettered and lightly regulated markets after 30 years of 'laissez faire', the orthodoxy that markets deliver better outcomes in public services is reaching its zenith. Commissioning and marketisation are being peddled as the magic bullet that will achieve greater efficiencies and quality outcomes in the delivery of public services.

It needs to be placed on record and underlined in triplicate that there is absolutely no evidence to support these spurious claims and therefore no basis for local authorities to spend large sums of public money buying second hand solutions which, following the logic of the credit crunch, are highly likely to fail. In fact, APSE's latest research shows that councils are now realising the practical limitations of outsourcing and deciding to go back to delivering services in-house. How long before others follow?

Let us learn sooner rather than later from the bitter experience of the financial armagedon witnessed recently. A touching faith in the public altruism of the market may be misplaced. In my view, we should abandon this orthodoxy before – like the banks – it leads services to ruin as well.