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Why do local governments privatise public services? A survey of empirical studies

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Notes

1 Indeed, empirical literature on privatisation and costs provide very interesting insights, and it has been reviewed elsewhere (Bel & Warner, [2006](#)).

2 The seminal work by Vickers and Yarrow ([1988](#)) provided a comprehensive approach to studying privatisation. Megginson and Netters' ([2002](#)) survey published in Journal of Economic Literature offers extensive information on this literature.

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5 We are aware that some other works, such as extensive case studies or studies based on statistical correlations between two variables, can offer interesting insights. This is the case for example of the works of Christoffersen and Paldam ([2003](#)) or Young ([2005](#)). However, results from studies using econometric multivariate methods are more suitable to generalisation to other contexts.

6 It must be said that the study by Hebdon and Jalette ([2007](#)) includes observations for Canada.

7 However, some studies that analyse just one service also find a significant relationship between fiscal stress and privatisation. This is the case in the study of Feldman ([1986](#)) for urban buses and the study of Hirsch ([1995](#)) for solid waste collection.

8 Some studies of US cases analyse the alternative hypothesis; large cities will privatise more often since they can take advantage of competition from a larger number of service providers. In order to test this hypothesis, these studies use variables for core metropolitan areas, suburbs and rural areas. Interestingly, results from the works of Warner and Hefetz ([2002](#)) and Hebdon and Jalette ([2007](#)) imply that suburbs of metropolitan areas privatise more often than core metropolitan cities or rural areas. Levin and Tadelis ([2005](#)) conclude that large and urban areas tend to externalise

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12 Regarding the influence of income per capita on service delivery choices, Boyne ([1998b](#)) distinguishes between an economic and political interpretation of the effects related to this variable. Indeed, high-income households may prefer privatisation, but at the same time more easily afford additional expenditures associated with the externalisation of local services production. In any case, the political interpretation seems to predominate in the empirical literature on local privatisation.

13 In fact, among the studies that consider a broad range of services, only Benton and Menzel ([1992](#)) and Hebdon and Jalette ([2007](#)) do not find a significant influence on service delivery choices from low-income households and unions, respectively.

14 Among those studies that test such hypotheses and include small towns in their samples, only Walls et al. ([2005](#)) do not find the expected relationship significant.

15 Martínez Rodríguez ([2004](#)) and Miralles ([2006](#)) obtain mixed results.

16 Many of the studies that consider just one service focus attention on solid waste collection. Several studies show the relevance of scale economies for this sector (Stevens, [1978](#); Callan & Thomas, [2001](#); Bel & Costas [2006](#)).

17 In fact, among the studies that consider a broad range of services, only Benton and Menzel ([1992](#)) and Hebdon and Jalette ([2007](#)) do not find a significant influence on

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