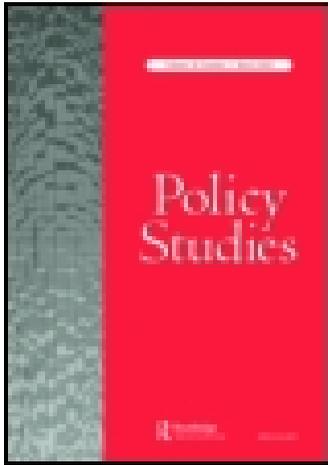


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Policy Studies

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/cpos20>

Does the privatizing of policy formation threaten democracy? Arguments from the Israeli experience

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Published online: 05 Sep 2014.



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To cite this article: Eran Vigoda-Gadot, Haim Cohen & Yair Zalmanovitch (2014): Does the privatizing of policy formation threaten democracy? Arguments from the Israeli experience, Policy Studies, DOI: [10.1080/01442872.2014.946482](https://doi.org/10.1080/01442872.2014.946482)

To link to this article: <http://dx.doi.org/10.1080/01442872.2014.946482>

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Does the privatizing of policy formation threaten democracy? Arguments from the Israeli experience

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(Received 6 June 2013; accepted 6 May 2014)

Since the 1970s, the literature on privatization has tried to find the right balance between the public interest and the neoliberal spirit of modern economies. This paper examines the implications of one such process – the privatizing of policy formation. Using examples from Israel, we maintain that allowing private interests to formulate public policy is unique among other types of privatization strategies. We seek to identify the challenges and risks that such an approach to formulating public policy poses. We conclude that the privatizing of far-reaching policies should be done with caution and within parameters outlined by law in order to prevent the potential damage that such privatization efforts might have on democratic governments.

Keywords: policy; policy formation; democracy:

Introduction

From its outset in the 1970s, neoliberal doctrine has been the ideological basis for the movement toward privatization all over the world. Managerial thinking incorporated its tenets mainly in the doctrine of New Public Management – NPM (Boston 1994; Hood and Jackson 1991). Its ramifications for public administration and public policy are still being felt internationally. NPM promotes a business orientation in public administration, while concomitantly introducing the means for evaluation through mechanisms such as performance indicators to improve the public administration's ability to respond to citizens' demands for change. NPM has actually led to the privatization of many public companies and the outsourcing of goods and services. It also favors short-term contracts and payments based on results, forsaking the old monopolistic provision of public services (Kettl 1988; Pollitt and Bouckaert 2000; Rimmer 1991). The *raison d'être* for this modus operandi has allegedly been public sector efficiency, streamlining, and the improved performance of employees and government and semi-government agencies (Boston 1994; Pollitt and Bouckaert 2000). Espousing private sector management techniques has also expanded the role of private consulting companies in the formation and implementation of policy (Boston 1994; Peet 1988; Saint-Martin 2002).

At the same time, voices have been raised in support of privatizing the government's formulation of public policy. Proponents have argued that such an approach would improve the efficiency of the policy-making process by using external knowledge to build better plans for government and society. However, there are also major concerns about the

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consequences of privatizing the formulation of public policy. As early as 1969, Theodore Lowi condemned the abdication of public authority to interest groups in the private sector. His book is most remembered for its argument that Congress had abdicated its responsibilities for public policy, opting instead to allow appointed bureaucrats to govern. This abdication represents the shift from the 'First Republic' – a democratic one – to America's 'Second Republic.' Lowi argues that after the New Deal, the uncontrolled delegation of influence gained momentum with terrible consequences, the most significant of which was the rise of rule by interest groups. In his view, Congress delegated its authority to interest groups, who govern via their influence over the bureaucracy. Following Lowi's idea, we claim that by transferring policy formation to private actors, significant public issues are decided by private interests. In so doing, the boundaries of democratic bonds are breached to the point where voters may have misgivings about the value of voting.

The major goal of this paper is to evaluate the advantages and disadvantages of privatizing policy formation by using several illustrations from Israel, which is an extreme example of such an approach to the formulation of policy. The extreme case represented by Israel's aggressive, far-reaching privatization highlights a relatively neglected theoretical question. Are there specific functions that government should reserve for itself? Should policy formation be one of these functions, a core responsibility of government that government itself must perform? We join judges, legal theorists, and experts in public law in arguing that in a democracy there are distinctions between core governmental functions and legitimate private activities. Like the legalists, we maintain that the current approach to privatizing the formulation of public policy violates the constitutional norms that prohibit the privatization of certain governmental functions (Medina 2010; Verkuil 2007). Specifically, we seek to advance our knowledge about the unusual phenomenon of initiatives to privatize the formation of policy. We also hope to make a theoretical contribution to other public administration systems worldwide, emphasizing the rules, tools, and mechanisms for demarcating the borders for the neoliberal doctrine.

Privatizing the formation of policy: definitions and the need for policy consultants

The privatization of policy formation has no clear definition in the literature. In general, this approach advocates using private, external consulting companies to make public policy and to prioritize and allocate resources. Like many other privatization dynamics, it reflects the *increasing involvement of private actors in the process of policy planning and policy-making*. This involvement begins at the stage of the conceptual determination of priorities and moves on to the stage of the chosen methods and techniques for solving policy concerns, budgeting, and resource allocation, as well as deciding on the degree of urgency in the implementation of government decisions.

Policy consulting systems are part of a broader system of information presented to the government by a variety of sources, some of which are ex-governmental. In a way, it is a marketplace of policy ideas. Halligan (1995) asserts that a good policy consulting system should include at least one option for a third opinion, usually by a leading professional policy body, which may even be an existing governmental or affiliated organization. Practically, however, this internal consulting alignment is only one component within a comprehensive consulting system used in many countries. The experience from countries such as New Zealand, Australia, and Israel shows that a governmental decision-making

system is at the center of a complex network of consultants. This network includes both kinds of traditional consultants: political consultants and policy consultants. These consultants can originate either from within the government itself or from nongovernmental organizations and from less formal, less professional fora such as colleagues, friends, associates, and members of political and public movements (Eichbaum and Shaw 2007; Maley 2000; Peled 2002). George Anderson (1996) claims that an external policy research community can play a pivotal role in enriching public understanding and public policy discourse in a way that may naturally complement the discursive ability within the government. Hence, the question arises of the impact of every factor in the foregoing system. What is the correct balance between the system's components that, on one hand, manifest the values of a healthy democratic system and, on the other, lead to professional decision-making and proper policy formation?

Several studies have focused on how such consultants are chosen, while elaborating on their role and their impact on advancing policies such as the implementation of neoliberalism and the principles of NPM (Lapsley and Oldfield 2001). Nevertheless, only a handful of researchers have examined the extent of the influence of these consultants or their role in policy formation (Mitchell 1994). Using consultants in such cases has expanded and become so prevalent that Hood and Jackson (1991) have dubbed this phenomenon 'consultocracy' (a 'consultants' regimen' so to speak) to describe the aggrandized power that external consulting managers have in governmental systems and decision-making. A plethora of private sector consultants have been brought into governmental systems temporarily to augment existing intrinsic expertise. They have evolved into a locus of power that may direct public policy one way rather than another, with all the pros and cons of such decisions. The role of these consultants in decision-making is frequently blurred, and the paucity of research about them exacerbates this lack of transparency.

Unfortunately, the scientific literature on consultants in politics in general and policy formation in particular is very limited, with little detailed empirical or conceptual research (Beveridge 2012, 52). Craft and Howlett (2012) assessed locational models of policy formation as a source of advisory influence on policy. In their revised approach, they regarded influence more as a product of content than of location. Hajer (2003) demarcated the institutional voids, a shift in the arena of political decision-making, to new political spaces in which the rules and responsibilities are unclear and are determined ad hoc. Flinders and Buller (2006) noted the depoliticization of policy-making by delegating aspects of political authority to experts. Beveridge (2012) examined the work of consultants for the Berlin government on the privatization of the Berlin Water Company in 1999. His conclusions cast doubt on the usefulness of the arena shifting idea in explaining the perils for democracy of yielding the authority to formulate policy to private firms.

The privatization of policy formation: kaleidoscopes and decisive mirrors

The policy formation process is extremely sensitive and deals with the norms of a particular value system, not with clear-cut facts. Its consequences are far-reaching, because every choice has far-flung and persistent ramifications. Therefore, such policies are riskier than those in other areas in which a full gamut of solid and extensive evidence allows more compelling, long-term decision-making.

In recent decades, another form of the privatization of policy formation has emerged, particularly in developing countries, where international financial organizations such as the International Monetary Fund and the World Bank (WB) have had a dramatic effect on local policy formation. This influence is evident in the power these groups exert, conditioning economic relief on the implementation of reforms in accordance with plans dictated from above. In fact, privatizing governmental services is part of a neoliberal reform package promoted by the aforementioned international organizations. A study that examined the role played by the WB in market reforms carried out in Argentina and Mexico described the organization as playing a leading role in technical consulting, financial support, and the dissemination of market reform ideas (Teichman 2004). Another example is the privatizing of the marketplace in Bolivia, which was carried out in accordance with dictates from outside the country. Madeline (2006) contends that the process has had adverse consequences for democracy and impaired Bolivian citizens' active participation in the political system. Actually, privatizing policy formation takes place at a decisive stage of government action when it is setting long-range objectives that are of great importance politically, economically, socially, and sometimes even for national security. The process of privatizing policy formation may have a crucial impact on the goals set by the state and the levels of public trust in the government, its professional echelons, and the public's desire to apply for public sector positions. Moreover, it endangers one of the fundamental elements underlying democratic regimens, the deliberation process, including the discussions and debates that reflect various interests prior to decision-making and policy formation.

Long-term public policy formation is not merely a technicality. Rather, it is a binding process of exchanging opinions, which lies at the core of every departmental office. Even if the policy formation process is frequently influenced by vested sectoral interests, transferring it, even partially, to business companies, is tantamount to depriving the state of its most fundamental function (Ben-Simhon 2011). Therefore, examining the extent to which privatizing policy formation has influenced the democratic process is a salient issue. In an article surveying the privatization of public services in Massachusetts, Wallin (1997) contended that when processes do not hinge on facts and know-how, it is necessary to engage in bargaining and negotiation in order to implement them. Strategic processes of policy formation, especially under conditions of uncertainty, require bargaining with numerous stakeholders. In this process, the government, rather than a not-for-profit or a private organization, must take the bit between its teeth and do the steering.

The tension between privatizing policy formation and including the public in shaping public policy is closely associated with the NPM approach. This approach has been criticized, *inter alia*, for preaching responsiveness to the expectations of citizens as consumers as the sole criterion of success (Osborne and Gaebler 1992; Pollitt and Bouckaert 2000). This criticism accentuates the need to create a deeper relationship between the public administration and citizens, leading to cooperation between them (Saint-Martin 2002). Conversely, endorsing a radical approach that advocates introducing competition into this area in the form of the private and public sectors may result in the shutting out of the key stakeholders, namely, the citizens who are most affected by the policy eventually adopted.

An international perspective

The main concern of researchers with regard to the effects on democracy of increasing numbers of government consultants (Vigoda 2003; Vigoda and Golembiewski 2001) is that the consultancy institution may reduce the government's openness, willingness to collaborate, and accountability. In other words, they are alarmed by the prospect of a government that is less participatory and representative, and more a democracy by proxies. Hence, critics maintain that expanding the 'consultocracy' may reduce the opportunities of citizens to participate in and influence the formation of the policies by which they must live (Hodge and Bowman 2006).

Guttman (2003) surveyed the use of outsourcing for improving public sector efficacy in the United States. He contends that such an approach is not new. He believes that the government uses private contractors (or not-for-profit organizations) to perform some basic roles that are definitely within the purview of the government. A government is supposed to steer the ship of state through decision-making and policy formation, whereas the private sector is supposed to row the boat by providing services. These two divisions of labor should not be confounded or intermingled. Guttman (2003) claims that the accepted principle by which some functions inherently pertain to holders of public positions is an outdated fiction to which no one subscribes, particularly due to the limitations placed on civil servants. An additional problem is that privatizing policy formation may result in the government's being left without any expertise of its own and divested of consultation competencies inside the public sector. There is no doubt that the public interest requires that the government hold on to its consultation competencies inside the public sector (Boston 1994).

The experience of other countries is interesting in this context. The use of consulting services has grown tremendously in Britain and Canada since the 1980s and 1990s, and congruently, so has the governments' outlays for purchasing those services. France has also witnessed the increased use of consulting services, but in a slightly different manner. Whereas Britain and Canada began using private sector consulting services as early as the 1980s, the central government in France opted to use external consultation only in the 1990s, and only to introduce the ideas of total quality management. Actually, the British civil service has been using experts and consultants from outside the public sector since the 1960s. From 1979 onwards, Thatcher's government promoted this trend, but it may well be that without its 1960s' experience, the consulting industry could not have expanded throughout the 1980s and 1990s as it did (Saint-Martin 2002).

Likewise, the use of private sector consultants in Canada began as early as the 1960s. Like Margaret Thatcher in Britain, the elected Prime Minister of Canada, Brian Mulroney, preferred to recruit elements from outside the existing public service to promulgate policy (Aucoin 1986). The management consultancy industry has thrived in Britain and Canada and has become a highly organized and professionalized field, particularly in the area of accounting. However, in France, the accounting profession was heavily regulated. Hence, there the government led the consolidation of management consultancy as an organized and professionalized field, so it became prominent much later. Saint-Martin (2002) claims that ultimately, consultants do not deprive politicians of power, because the former's degree of influence hinges on political institutions and processes. Nonetheless, the creation of a lobby championing consultancy and favoring the permeation of private groups in areas of government activity, including the crucial domain of public policy formation, cannot be ignored.

Authoritative neoliberalism and the Israeli case

To demonstrate the role that private consultants play in the formation of public policy, we examine the case of Israel. In recent decades, Israel, like many other Western democracies, has adopted a policy of massive privatization. Israeli governments since the 1980s and more so since the late 1990s have introduced neoliberal socioeconomic policies into an entrenched centralized economy controlled mainly by the government (Galnoor 2011, 149–165). This process marked a tremendous shift in Israel's institutional and ideological history. Aggressive, far-reaching policies were adopted to shrink the bloated public sector and its role in the economy and increase the role and freedom of the private sector and private capital. Similarly, actions were taken to reduce social welfare benefits as well as to minimize the role of government in providing basic services such as education and public health care. Additional steps were taken to weaken the power of Israel's strong labor unions by reducing wages and changing the laws that provided security for workers. Students of Israeli society tend to agree that those policies resulted in profound cultural and institutional changes. Israeli society became much more privately oriented than it had been in previous decades (Arian 1997; Aharoni 1998; Doron 2001, Galnoor, Rosenbloom, and Yaroni 1998; Shalev 1998; Zalmanovitch 1998).

The Israeli government too was the target of massive privatization measures. The gradual withering of the Israeli government's core functions began in 1988 with the endorsement of a 'master plan for privatization' developed by a private body, an American investment bank called the First Boston Bank. Following a request from the Israeli government, the bank developed a plan that led to the privatization of 25 government companies within just a few years. Among these companies were some of the largest businesses in the Israeli economy, such as Israel Chemicals, oil refineries, the telecommunications company Bezeq, the Zim shipping services, the national aviation company El Al, and Shekem, a leading retailer that began as the military PX (International Monetary Fund 1997). Similar reforms prompted by international consulting companies continued, with the national electricity provider being privatized (Deloitte & Touche 2001).

The process of privatization intensified during the 1990s and the 2000s, reaching its height in March 2011 when the Prime Minister's office issued a tender for consultancy services for a strategic economic and social plan for the state of Israel. The bid was open only to international consulting firms, because it required experience in consulting for other governments or multinational entities such as the European Union. The American RAND Corporation, a nonprofit research institute, won the bid. Judging by its publications over the past 60 years, it has consulted for government bodies worldwide on policy and strategy. The product that the winning consulting company was expected to produce had to address two issues. First, how can strategic economic planning be improved with an eye to enhancing the country's long-range prospects? Second, what are the strengths and weaknesses of the Israeli economy, what are the threats and opportunities facing it in the next 15 years, and what are the ramifications of the findings for the short and medium terms?

The intentions behind this project were professional and aimed at improving planning at the central government level. Those inside and outside the state of Israel often accuse it of failing to plan ahead strategically for the long term like the other developed countries that Israel strives to emulate. Therefore, the 2011 endeavor launched a long-term plan called 'Israel 15 Vision.' In principle it used a private company to help the government

develop economic and social policies to realize the vision of transforming Israel into one of the 15 leading countries in the world with regard to its quality of life within just 15 years. Realizing this vision required a quantum leap socially and economically to bridge the gaps in the quality of life between Israel and other developed countries.

The critics of this tender claimed it overlooked existing institutions in Israel such as the National Economic Council, which employs eminent economists and was founded exactly for this purpose. These critics also contended that the Bank of Israel and its vast research unit should have at least facilitated the economic planning, particularly given Clause 7b of its charter, which mandates: 'The Governor of the Bank of Israel will consult the government with regard to economic affairs, including how to reduce socio-economic divisions and how to overcome distributional income inequalities in society' (Liviatan and Barkai 2007). Nevertheless, the Bank of Israel was not called upon to assist in the preparation of the plan.

Engaging international firms to create such a strategic plan leads to a situation in which the orientation is primarily international and global. Moreover, in such a situation there is no guarantee that the companies' attitudes reflect the economic and social expectations, inspirations, and needs of the Israeli citizenry. It is doubtful whether the strategies needed for Israel to compete in global markets successfully are in line with what is best for the entire Israeli citizenry. Thus, a consulting body entrusted with devising an economic and social strategy for Israel should be completely familiar with Israeli society and have the welfare and prosperity of all of its citizens at heart. It is difficult to envision an international consulting firm that could meet those requirements.

To date, the Israeli public has played little part in the formulation of public policy. Instead, the government has adopted an approach of neoliberalism on its own. Leaders in this change were predisposed to using private consulting firms for decision-making as well as for policy formation, meaning, *de facto*, the privatizing of policy formation. In so doing, the Israeli government has followed in the footsteps of other Western democracies that have followed this path, with all of its criticism (Guttman 2003; Hendriks and Carson 2008). The activity of consultants in Israel is especially apparent in the area of lobbying. Many organizations (including public ones) employ consulting firms, which take pride in having this specific proficiency, in order to influence government decision-making. Their activity has been quite evident in the corridors of parliament and inside departmental offices for many years. It was particularly clear when the Sheshinski Committee deliberated about the taxation of natural gas, including the future taxation of the newly discovered gas reserves off the coast of Haifa (State of Israel 2011).

In addition, outsourcing public debate is tantamount to outsourcing Israeli democracy. Relying almost completely upon consulting firms for policy-making is like playing outside the democratic arena. Making policy in this manner circumvents the democratic process, which should include exchanges of opinions and debates reflecting different standpoints in order to achieve mutual agreement or at least consensus. These reservations also apply to the privatizing of policy formation in general. However, the extensive use of external consultation impedes the development of internal consultation mechanisms, leaving the public sector with inexperienced, unskilled, incompetent employees. The government's moral agenda should stress its ability and desire to make its own policy.

In Israel, international bodies, especially economic ones, often exert pressure to initiate reforms and align public policy with those organizations' worldviews, leading to

yet another form of the privatization of public policy. A notable example is the demands of the Organization for Economic Co-operation and Development to inaugurate reforms or to meet various threshold conditions in order to be accepted as a full member of the organization. Being denied membership has serious economic repercussions. However, it is also evident that implementing such a dictated policy or conforming to dictates from above does not accord with the basic standards of a proper democracy.

Conversely, at the municipal level, there have been some attempts during the past year to encourage public participation in decision-making processes. Most of the issues discussed relate to environmental issues and urban planning. These attempts are somewhat vague and unorganized, and the framework has not yet been clearly delineated. Nevertheless, those endeavors hint at the involvement of the public through limited micro-level deliberation. These efforts are akin to what is accepted in other countries, which promote public involvement in policy-making on a broader scale. One example of such a process is a series of deliberations conducted by the Tel Aviv-Yafo Municipality as part of its strategic planning for the future. The discussions involved teams of residents, council members, professionals, experts, academics, town hall representatives, and other stakeholders. As the result of a discussion on 4 December 2001, the city adopted a stance encouraging residents' participation in decision-making. The Haifa Municipality followed suit and launched a unique program to include input from residents into considerations about the future development of the Stella Maris project on Mt. Carmel (Alfasi 2003; Martens 2005).

Analysis and possible remedies

Privatizing policy formation is, theoretically and practically, another outcome of the neoliberal wave of change in modern democracies dating back to the early 1980s. Governments under pressure to improve efficiency and effectiveness may look to the privatization of public policy as a solution. While we acknowledge its potential, we must also not overlook its risks. Theories and knowledge that originate in the business environment and the third sector can enrich the processes of policy-makers' decision-making. However, when it comes to national planning and strategic thinking, privatization also has significant pitfalls.

Initiatives to privatize policy formation must be handled with caution, properly demarcated, and restricted in scope. Public deliberations in which government officials, public servants, and citizens lead and participate should be encouraged. Despite their recognized shortcomings such as prolonging the time needed to make decisions, and complex and convoluted negotiations, such processes legitimize the final decisions and make them easier to implement. If it becomes too difficult for every government office to conduct these deliberations individually, a specialized government think tank or agency should be designated for gathering and organizing debates and deliberation. Such an agency may contract out some of its services to private sector bodies, but the management, supervision, and control should remain in the hands of highly qualified and authorized civil servants who closely look into citizens' inputs during the process.

Alternatively, the government can use the tools at its disposal including experts from within the civil society, research centers, and academic institutions. All-inclusive public participation should be encouraged wherever possible, including spokespersons from all three sectors: the public one, the private one, and the third sector. Nevertheless, practical issues should also be considered. On a continuum ranging from the exclusion of the

public to full-fledged public participation, privatizing policy formation is situated very close to total exclusion. Responsiveness, favored by the NPM approach, is located above the foregoing level (Osborne and Gaebler 1992; Pollitt and Bouckaert 2000). Semi-participation and full-fledged participation are positioned above responsiveness, and parallel the concept of collaboration, as elaborated by Vigoda (2003). Hence, the democratic approach advocates gathering representative public views and expectations about policy formation to the best degree possible. These views will eventually be consolidated into a broadly shared and balanced stance. Figure 1 illustrates this continuum, ranging from a traditional, authoritative, and neoliberal government to a modern, participative government, with reflections of many shades of gray in between.

The difference between using expert committees and privatizing policy formation is that the former are usually appointed by the government, and participants are assigned by the pertinent minister, who often even heads the committee. On the other hand, consulting companies receive their positions through bids. They do not operate transparently and may have the interests of groups other than those of the public at heart. Given that these companies must be concerned with the interests of their owners and shareholders, they may be motivated by opportunism, endeavoring to please their clients in order to increase their prospects of winning future bids. The government has no say in the composition of the consulting group, so it cannot include participants who would express a variety of opinions.

The consulting groups do have the benefits of professionalism, expertise, and independence from the governmental process of decision-making. Outsourcing in general, particularly when it is built on knowledge, enriches the processes of decision-making. There are reasons to believe that a balanced system of decision-making should make room for an external research community that can enrich the public discourse and improve deliberations among policy-makers (Anderson 1996).

However, those advantages are not enough to condone placing decision-making about substantive issues such as economic and social priorities in the hands of business companies. Cynics might ask whether decision-makers are trying to avoid responsibility for public policies that might fail by claiming that they were created by outside parties. Some contend that consulting firms do not determine strategy. They just consult with elected decision-makers. Nevertheless, experience teaches that their proposals do carry weight and define the direction of the debate and its outcomes. In fact, proposals predetermine the framework for deliberations. It may be very valuable for semi-governmental bodies such as academic institutions to present the government with ideas about how to formulate a vision. However, we maintain that deliberations about

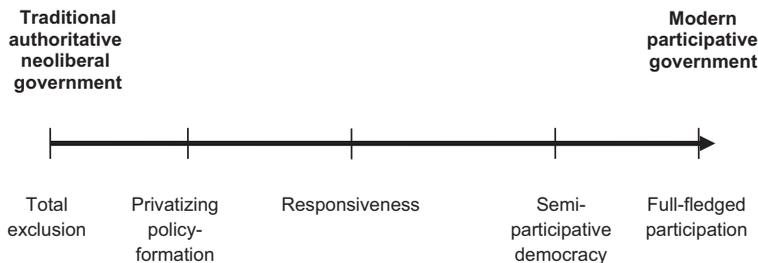


Figure 1. A continuum of citizens' participation in policy formation processes: various shades of gray.

policy-making must remain within the limits of democracy. Endowing unelected individuals from the business world with the power to make public policy blurs the thin line between private and public.

This paper also moves the theoretical discussion to the more far-reaching and extremely important question about the possible consequences for democracy when government cedes its policy-making power to private firms. Throughout the last decade, governments across the democratic world have shirked their duty to formulate and implement policy for the benefit of their constituents. By granting some of their traditional, well-entrenched functions to the market and inviting private entities into the government to replace elected officials, they have blurred the boundaries between public and private and violated some of the basic foundations of democracy. Those who argue about the perils of democracy usually focus their attention on the expansion of government boundaries in recent years. Rarely, however, do they discuss the abandonment of leadership. Formulating policy means leading by making broad strategic decisions, providing direction, deciding where to go, what to do, and choosing between alternatives for the benefit of the public (Anderson 2010; Peters 1986; Ripley and Franklin 1991; Sidney 2006). Allowing private or quasi-private firms to create policy removes the element of public accountability. The government implicitly accepts the companies' way of thinking. Therefore, rather than making judgments based on values, many companies may prefer policies based strictly on cost-benefit analyses (Beveridge 2012; Sturdy 2009) behind which politicians can seek refuge, instead of confronting the complexities stemming from diverse needs and conflicting values. In doing so, elected officials escape their obligation of being responsive to public needs by invoking the trendy virtue of measurable performance imported from the wisdom of the marketplace.

The extensive reforms that Israel has enacted place it at the extreme edge of government change. Hence, we propose that overly enthusiastic efforts to shrink government control and minimize its role in society may overstep the bounds of democratic rule. When inherently governmental functions such as policy formation are transferred to the private sector, the democratic bonds between elected officials and their constituents are breached dramatically. Proponents of democratic theory may call it a betrayal of the voters, while the public may ask, why bother voting? Electing someone means electing their values. Voters select candidates who best represent their views. The role of policy alternatives is crucial for democratic elections. The assumption is that the electorate will shape government policy by selecting candidates on the basis of their political stands. Hence, the onus to formulate policy stems from the democratic authorization of the majority to pursue its interests. If policy formation is transferred to nonelected private actors, the voters may doubt that their values are being represented in their government's policies.

The extent to which the choices for which the public votes are implemented has been dealt with extensively in the scientific literature. Nevertheless, little attention has been paid to the question of whether there are specific functions that the government should reserve for itself. If so, should policy formation be one of those functions because of its intimate relationship with the public interest? Political scientists as well as public policy scholars should join judges, legal theorists, and experts in public law to develop a clear distinction between the government's core functions in a democracy and legitimate private activities.

Verkuil (2007), a law professor, maintained that the practice of using private contractors to perform essential or inherent functions of government undermines the ability, effectiveness, and morale of government officials. In recent years, Israel has taken some steps that seem to accord with this view. In 2009, the Israeli Supreme Court invalidated legislation to establish a privately operated prison (Medina 2010). Referring to Article 1 of the Basic Law: The Government, which states that ‘the Government is the Executive Branch of the state’, Judge Beinisch, then the President of the Supreme Court, maintained that this provision may be interpreted as prohibiting certain forms of privatization. The efforts of political and legal theorists should focus on determining the parameters of privatization within the framework of democracy in order to safeguard the latter’s future.

Summary and final remarks

Privatizing policy formation means robbing the government of what is rightfully considered ‘governmental by nature.’ This process has significant theoretical and practical implications. Theoretically, the various aspects of what is and should remain public by nature must be reconsidered in view of the specific administrative culture, structure, and political arena. This process also highlights once again the paradox of democracy and bureaucracy that has been the focus of many studies (e.g., Gawthrop 1997; Kirlin 1996; Vigoda-Gadot 2009; Waldo 1977). As suggested by Gawthrop ‘The engines of bureaucracy and democracy run on different tracks, leaving from different stations and heading for different destinations’ (1997, 205). Practically, reconciling these realms is difficult but not impossible. Relying on short-term contractors to give advice to governments rather than encouraging authentic public input into the democratic process is likely to be ineffective (Eichbaum and Shaw 2007). Furthermore, it may lead to opportunistic behavior by the consulting companies and the violation of the trust between all of the stakeholders involved – policy-makers, consultants, governmental agencies, and citizens. We suggest that privatizing policy formation may be one step too far in mixing the private and public realms, a step that deserves additional theoretical attention. A major risk is that such practices may strongly damage the public’s trust in public administration, in government, and in the entire political system (Vigoda-Gadot 2009).

Thus, we believe that the ‘marketization’ of policy formation should be handled carefully. It is important and reasonable for policy-makers to seek expert advice on issues about which they are not proficient and lack the knowledge needed to make informed decisions. Nevertheless, it is also important to develop and promote the mechanisms that encourage public participation in decisions about policy (Dryzek 2000; Fung 2004; Weeks 2002). Developing these mechanisms will not interfere with governance, as some critics claim. In fact, if structured appropriately, these mechanisms will bolster governance and legitimize the government’s decisions. In addition, we suggest that the government use the expertise of academics when engaging in long-term planning. We believe that a successful and balanced strategic decision-making system should include an external research community that can enrich public debates objectively. Only by striking a delicate balance between consulting with external companies and encouraging the input of the public in decisions about public policy can the government retain the trust of its citizens and ensure that the policies adopted truly reflect the will and needs of the people.

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