

Gary Sturges

# The Profit Motive

Forging the path from suspicion to public trust



Popular perceptions of the contractor. Photos: Stock

**S**USPICION of the profit motive is a thread that runs through the long history of public service contracting, and it recurs with such frequency that it should not be lightly dismissed by those who advocate competition and contracting in public services. There are no doubt earlier examples, but let us start with the New Testament, where Jesus uses the universal dislike of tax farmers to underpin his Parable of the Modest Contractor.

Two men went up into the temple to pray, one a Pharisee, and the other a public contractor. The Pharisee stood and prayed thus with himself, "God, I thank thee, that I am not as other men are, extortionists, unjust, adulterers, or even as this contractor. I fast twice in the week. I give tithes of all that I possess."

And the contractor, standing afar off, would not lift up so much as his eyes until heaven, but smote upon his breast, saying, "God be merciful to me a sinner."

I tell you, this man went down to his house

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justified rather than the other, for every one that exalteth himself shall be abased, and he that humbleth himself shall be exalted.

The contractor in question was a tax collector, but the word used for these men in the New Testament – *publicani* – was used by the Romans to refer to any government contractor.

The same suspicion was there in medieval times: in early 12th century England, when writing about Henry I's use of Breton mercenaries, William of Malmesbury damned him for "hiring the faith of faithless people."

John of Gaunt's majestic speech in Shakespeare's *Richard II*, in which he attacks the king's mismanagement of the kingdom and his securitization of future revenues through "leasing" is a searing attack on what today might be called "public-private partnerships":

This blessed plot, this earth, this realm, this England,  
This nurse, this teeming womb of royal kings,  
Fear'd by their breed as far from home,  
For Christian service and true chivalry,  
As is the sepulchre in stubborn Jewry

Of the world's ransom, blessed Mary's Son;  
This land of such dear souls, this dear, dear land,  
Dear for her reputation through the world,  
Is now leas'd out – I die pronouncing it –  
Like a tenement or pelting farm.  
England, bound in with the triumphant sea,  
Whose rocky shore beats back the envious siege  
Of wat'ry Neptune, is now bound in with shame,  
With inky blots and rotten parchment bonds;  
That England, that was wont to conquer others,  
Hath made a shameful conquest of itself. [1]

An anonymous political tract of 1771, attributed to Samuel Johnson, condemned the profiteering of military contractors:

If he that shared the danger shared the profit; if he that bled in the battle grew rich by the victory, he might show his gains without envy. But at the conclusion of a ten years war how are we recompensed for the death of multitudes, and the expense of millions, but by contemplating the sudden glories of paymasters

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and agents, contractors and commissaries, whose equipages shine like meteors and whose palaces rise like exhalations.

In the early 19th century, the British political philosopher Jeremy Bentham – who can best be described as the father of modern contract theory – concluded that “Public opinion is but little favorable to the system of contracts. The savings which result to the state are forgotten, whilst the profits reaped by the farmers are recollected and exaggerated.”

And at the height of the British Empire, Rudyard Kipling wryly observed:

Who shall doubt ‘the secret hid  
Under Cheops’ pyramid’  
Was that the contractor did  
Cheops out of several millions?  
Or that Joseph’s sudden rise  
To Comptroller of Supplies  
Was a fraud of monstrous size  
On King Pharaoh’s swart civilians?[2]

What explains this deep suspicion of profit-making from public services? In large part it arises from concerns about mercenary motives. Edmund Burke, the 18th century philosopher and politician (who was not averse to contracting) told the House of Commons in 1783: “We had not a right to make a market of our duties.” Most of us believe that there are aspects of our life that ought not be driven primarily by monetary considera-

tions.

This was the subject of extensive discussion and debate in the late 18th and early 19th centuries, as traditional, hierarchical societies in Europe gave way to more open, market-oriented ones. There was an extensive popular literature that debated “writing, fighting and marrying for money” (as one historian of the period has recently described it). James Fenimore Cooper, Jane Austen and Sir Walter Scott all dealt with this issue in their writings.

Of course, the boundaries of acceptability change: it is no longer necessary for professional authors to insist that they do not write for money. But in the public domain, people remain deeply interested in the motives of those who deliver services. The 1901 motto of the Royal Army Medical Corps – “faithful amid difficulties” – resonates with the public-at-large. Of course, “faithful” does not collect the garbage if service providers are overwhelmed by difficulty. The public also expect services to be efficient, effective and accountable – which is why, in spite of the suspicion, there is still a place for competition and contracting.

Indeed, Bentham regarded suspicion as one of the great strengths of the contracting system: “Jealousy is the life and soul of government. Transparency of management is certainly of no avail without eyes to look at it. Other things being equal, that sort of man whose conduct is likely to

be the most narrowly watched, is therefore the properest man to choose.”

Still, are there things that might be done to reduce these concerns? The most obvious response, as Bentham recognized, is that if contractors are rich, “this is not the fault of the system, but of the conditions of the bargain made with them,” i.e. the government needs to be a smarter customer. A modern critic of military contracting Deborah Avant has argued: “If customers choose ‘cowboys’ more often, they will (intentionally or not) reshape professional norms.”

To Edmund Burke, the answer lay in reasonable returns: “An honorable and fair profit is the best security against avarice and rapacity; as in all things else, a lawful and regulated enjoyment is the best security against debauchery and excess.”

Faithfulness in the face of difficulty also makes a difference. Many people in Denmark do not know or care that their fire and ambulance service is owned and operated by a private, for-profit provider, since Falck has always been there when it mattered. Wells Fargo, the 19th century express company that also provided banking and postal services, first won a place in the hearts of the people of the Pacific Coast by staying open during a monetary crisis, paying out deposits.

Competitive tendering is another part of the cure. They may not like rich profits, but the public likes competition. Tenders are a ritualized contest, in which providers compete head-to-head to deliver better value for the taxpayer. Of course, like any human institution, it is often flawed, sometimes fatally, but the public likes competitive tendering because it offers a much greater degree of transparency.

Given its long history, public suspicion of profit-making may well be the life and soul of contracting, but some companies have succeeded in winning the public’s trust. ■

Footnotes

1. William, Shakespeare, *Richard II*, *Shakespeare Select Plays*, ed. W.G. Clark and W.A. Wright, Oxford (Clarendon, 1876): 21.
2. Rudyard Kipling, “A General Summary,” *The Kipling Society*, <http://www.kipling.org.uk..>



A familiar face in Denmark. Photo: Stock