Chapter 10

Public–Private–Academic Cooperation as a Trust Building Mechanism: The Case of Guatemala

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ABSTRACT

The chapter will be a case study from an Ordoliberal perspective of the conception, implementation and policy output of the newly created Private Council of Competitiveness (PCC) in Guatemala, a country wracked by mistrust of the public sector by the private sector. The PCC was founded as a private sector initiative, in conjunction with academia, to work with the government to spawn new efforts aimed at augmenting Guatemala’s national competitiveness, by fomenting innovation, entrepreneurship and closer ties between academia and the public and private sectors. The chapter utilizes first hand interviews with the members of the PCC and key public sector players, academics, and other top representatives from the private sector to show how working together built the trust necessary to make the PCC a successful working body with the potential to produce important initiatives in matters of competitiveness, innovation and entrepreneurship.

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THEORETICAL FRAMEWORK

Ordoliberalism

The present chapter takes an Ordoliberal approach to Public-Private Partnerships. Ordoliberalism looks to set up an ordered capitalist system that preserves the competition mechanism to safeguard political and economic liberty and ensure properly functioning markets work to the public good. In the Ordoliberal perspective, economic liberty leads to greater efficiency and productivity, but care should be taken so as market forces are not left to operate outside the reasonable norms and legal and regulatory framework of the state (Reyes, 2010).

Given its integral approach to political and economic stability and growth, Ordoliberalism should be considered as an important developmental alternative in the Third World, especially for countries such as Guatemala, where the full benefits of market institutions and forces do not reach in real time the majority of the population which is poor and marginalized. In Guatemala, state action is rationally suspect on account of poor performance due to public sector corruption, cronyism and clientelism (Virzi & Belteton, 2009 A). This situation leaves the country without the sufficient means to overcome collective action problems and suboptimal levels of public goods and infrastructure, which many argue is the proper purview of state action (Hardin, 1989). A more realistic approach to development would take into account the collective action problems that development actors face in the Third World (Booth, 2012).

An Ordoliberal approach takes attempts to balance the desire for liberty and market forces with the need for reasonable state action deemed necessary for the proper functioning of market forces. The founding principles of an Ordoliberal Social Market Economy (SME) are the primacy of the human person, general liberty, and the general welfare, for which it is deemed that a strong state is needed (Hoegen, 1999). The term SME was invented to refer to this new order that aspired to integrate and lead the main actors in society towards cooperation in benefit of the common good. In this regard, economic freedoms are to be fomented when they serve to promote competition (Somma, 2013). An Ordoliberal model posits as much market economics as possible, but as much state as necessary, to achieve a harmonious model of economic and social progress, marked by political stability (Christian Democratic Union [CDU], 2010).

Ordoliberalism was made famous by Ludwig Erhard, the Minister of Economics during the phase of Germany’s economic miracle following World War II, when Germany was under American military occupation. To rebuild the destroyed German economy, Erhard oversaw the transition from a totalitarian demand economy to a more liberal, market economy oriented toward national development. Social
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