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Ownership, Control and the Market

For many years capitalism was defined in terms of two key elements: private ownership of the means of production, and the existence of wage labour.* These conditions gave rise to the existence of surplus value, which, in the hands of capitalists, became capital. From this sprang a definition of socialism, as the expropriation of the capitalists and the transfer of the means of production into common ownership. No longer would surplus labour be appropriated by capital as profit. It would now exist as a social fund to meet common needs. This is how Clause Four of the Labour Party's 1918 Constitution saw the Party's objective: 'To secure for the producers by hand or brain the full fruits of their industry, and the most equitable distribution thereof that may be possible, upon the basis of the common ownership of the means of production, and the best obtainable system of popular administration and control of each industry and service.' The emphasis here was on distribution. Others put more emphasis on using the surplus for needs-led rather than profit-led investment. But the basic approach was the same. The haunting difficulty lay with the notion of common ownership. As Tawney said at this time, 'when the question of ownership has been settled the question of administration remains for solution.'[1] Control could not be exercised directly by all of the people all of the time. The Labour Party's 'best obtainable system of popular administration and control' was evocative but undefined, and certainly far less clear than the daily reality of private capitalist control. The predominant Marxist tradition at this time solved the problem through the concept of the workers' party. If there was a party composed of workers and representative of working-class interests then it would administer the means of production on behalf of the producers.

After much cooking and boiling, socialism emerged as a simple equation: nationalization plus the party. It is an equation which still holds considerable sway today. I remember a colleague recounting a discussion he had had with a militant in South Yemen. There existed a revolutionary party in control of the government. The government had nationalized the principal means of production. Therefore, according to the militant, the country was socialist. A similar logic was applied by the military government in Ethiopia. First they nationalized the top 150 companies. Later, under Mengistu, they formed what might best be called a 'post-revolutionary' party. The two key structures of socialism were then in place.

The very simplicity and lack of ambiguity gives to this equation a substantial force. But ambiguity has forced its way back in two forms. First—and much more debated—is the question of whether the Leninist Party adequately represents the interests of the producers. Second, even if it does, or if some alternative system of popular administration exists, does the formal ownership of the means of production give the state and the direct producers power over the economy? It is this second question which has been relatively neglected, and which I want initially to discuss.

Commanding Heights or Functional Sub-contracting?

Let us return to Ethiopia. The top fifty companies accounted for some eighty per cent of industrial production. When they were analysed immediately after nationalization, it turned out that a third of them were making regular losses. These loss-makers were of two kinds. First there were primary product exporters. Some of these had declared losses for up to twenty years, yet had expanded. On investigation it turned out that most were underinvoicing their exports to tied outlets, often their own affiliates. Their nationalization raised the overwhelming question of finding alternative outlets. As the Zambians found with copper, nationalization did not give control over a key part of the international chain—the overseas markets.

The second group of loss-makers were, and had always been, state

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* This article will also appear as a CLES pamphlet entitled *Breaking with Bureaucracy: Ownership, Control and Nationalization*.

[1] R.H. Tawney, *The Acquisitive Society*, London 1921, p. 149.

companies, the creation of foreign technology and machinery suppliers. In three cases the firms which had carried out the feasibility studies were found to have links with those supplying the equipment. Sometimes the machines supplied were an assorted set which did not make up an integrated whole. The Ethiopian Shipping Lines, for example, were set up with one slow ship and one fast: since the fast one always caught up the slow, regular scheduled services became impossible. Sometimes, although the machines were sold as new, they were actually second-hand and subject to constant breakdown. Sometimes the plant was far too large for the Ethiopian market, and worked with excess capacity. In all these cases, the profit—if there was any profit—was capitalized, and taken by the technology suppliers before the plant had even started. As with a conjuror, the business was done before anyone was looking. Public ownership of the means of production was a means only for the technology suppliers to realize their capital, with loans guaranteed, and the losses serviced by the Ethiopian Exchequer.

A third group of companies were privately owned and had declared modest profits. Most had some Ethiopian shareholding, even a majority stake, and all were tied in to foreign technology suppliers. In the case of the soft-drink companies the key item was the supply of essence (Coca Cola, Pepsi Cola, Canada Dry). In others it was synthetic yarns, or patented drug substances, or spare parts. Many had management contracts with their parent or associated firms abroad. In each case the Ethiopian shareholding—often of ministers in Haile Salassie's government—gave the firm political weight, and the shareholders received positive profits accordingly. But in most of these cases the actual profits were much higher, and were drawn off by variations in the price of inputs or in sliding-scale payments on the management contracts. The contract with Coca Cola, for instance, specified that the essence would be charged at varying rates according to the level of profits. For these firms, nationalization did not change the companies' technological dependence. What it allowed was renegotiation of the terms of that dependence.

The point that emerges from these examples is that any one firm is part of a much wider circuit of capital. There will usually be a dominant point in that circuit which, if monopolized, will allow the controllers to syphon off excess profits from the circuit as a whole. These are the commanding heights of a sector. In the film industry it is the distributors. In food processing it is the retailers, in the car industry the assemblers, in the chemical industry the controllers of the product patents, in the software industry the international marketers. Generally, with the development of capitalism, power has tended to move away from immediate factory production to the control of new technology and distribution/marketing systems.

In some cases the dominant firm may need to have vertical ownership throughout the circuit, for the sake of quality control, security of supplies, or to pre-empt rivals. But ownership does present problems: of political reaction, of the control of labour and of management incentives. Consequently, there has been a distinct shift from 'control by ownership' to 'control by contract'. Many multinational primary commodity producers have, as they put it, withdrawn from land. Some have encouraged small-scale peasant production on contract in place of plantation agriculture. Others have welcomed nationalization (though not expropriation) of their primary assets, or sold them to local concerns. These multinationals have instead consolidated around the supply of primary product technology, of advanced management systems, and of international marketing, and/or have developed synthetic substitutes which can be produced in first world factories rather than on third world land.

In the case of retailing, dominance is established in part by control of key sites (tied pubs, hypermarket sites, TV channels) and in part by the productive mastery of computerized systems of distribution and sales. Clothing retailers like Marks and Spencer obtain the great bulk of their clothes from independent British clothing factories. Most of these are heavily dependent on their Marks and Spencer contract, are subject to rigorous control procedures and inspection by Marks and Spencer, and are rewarded, like the Ethopian majority firms, with a comfortable but not excessive rate of return. Sainsbury's operates a similar system with food suppliers, its only direct factory production being a meat-processing plant at Haverhill in Suffolk, set up because no available producers could meet Sainsbury standards of hygiene and quality. For the rest, so great is Sainsbury's buying power that many of its independent suppliers do not even have a long-term contract, but operate on weekly, or even daily, orders. Some retailing chains do not even own their own shops. The Body Shop has grown on the basis of franchising, with each franchisee tied to Body Shop products, design and layout. Benneton, the Italian clothing multiple, operates in a similar way.

The key to control here is the control of systems, and of brand name. What was once done by the market—the co-ordination of many labours, many consumers, and many sellers into a whole—is now done directly with the use of computers. Sainsbury's has codified information on sales of its 12,000 products, by shop and district. The details are fed back to head office every day after closing time, providing the basis for the next night's deliveries and the next day's orders. Similarly, Benneton's head office in Northern Italy receives detailed information on product sales from its 3000 franchised European outlets, and then passes orders on to the many small subcontracted garment-makers. Sub-contracting and franchising are two rapidly growing expressions of capitalism's new era of 'flexible specialization'.

What can we conclude from this discussion? First, nationalization may give a government control over a lowland plain rather than a commanding height. Secondly, if control can be monopolized over a key segment of the circuit, then it can be exercised over the rest of the circuit, whether or not it is matched by ownership. Indeed private capital has moved to withdrawing from ownership, replacing formal titles with contracts, systems of inspection, specifications of design and so on. The franchisees and sub-contractors become prisoners of their own property. Thirdly, in most industries capital's direct circuit is now international, and so, therefore, is the problem of control. This poses wider problems to which we now turn.

Internationalization of Capital, and Nationalization of Assets

There has always been a tension between capital's tendency to expand internationally, and the nation-state's confinement to its own geographical limits. At times nation-states have attempted to expand, through annexation or colonialism. Or they have amalgamated, as the Italian and German provincial states did in the nineteenth century, and as Western European states have in some measure done through the EEC today. But in general there has been what we could call a 'territorial non-coincidence' between major private capitals and their domestic states, and this has sharply increased in the post-war period with the expansion of the number and range of multinational firms.

Where a government nationalizes a home-based multinational, effective control of the whole multinational passes into public hands. Thus British Leyland's overseas subsidiaries came under the control of the British government when their parent was taken over by the National Enterprise Board. But where the company or plant is a subsidiary, this is no longer the case. At the time when foreign subsidiary production was principally geared to the home market, and its inputs were sourced domestically, nationalization could still give substantial economic control. Thus until the late 1960s Ford UK was an integrated production network, with its own engine capacity, body plants, foundries and so on. Nowadays this is no longer so. Ford UK supplies diesel engines to Ford Europe, and imports petrol engines from Valencia. The Fiesta assembled at Dagenham used transmissions from Bordeaux, roadwheels from Genk, body panels from Spain, and suspension components from West Germany. Today, the nationalization of Ford UK would give public control over factory buildings, an assembly-line which would be starved of key inputs from Ford Europe, and components which would be largely useless outside Ford Europe's production and marketing operations. With an important part of British industry being composed of such branch plants, the possibility for expanding social control through nationalization is being correspondingly diminished.

An example of the point arose with Imperial Typewriters. They had been taken over by the US conglomerate, Litton Industries, and then closed down. A vigorous defensive campaign was mounted by the trade unions, who approached Tony Benn, then Minister of Industry, to take over the plants and run them. It transpired, however, that Litton had developed a new electric typewriter which was to be produced in Germany, and which effectively undercut the old Imperial model. Without the technology for the new model, and Litton's international marketing network, a state takeover of Imperial would have meant gaining control of what was little more than an industrial scrapyard. The conclusion which follows is not that public control cannot be reasserted in these branch plant sectors but that it cannot be done by the short-circuit of nationalizing the branch plants. The answer may be to support the expansion of a British-based firm (British Leyland in the Ford case); or—where indigenous production no longer exists—to adopt a strategy for rebuilding it.

A difficult case is presented by Kodak, the dominant supplier of film in this country which has established a Ford-style European division of labour. To nationalize Kodak's plants in Harrow, Kirkby and Annersley would be to control only part of the product range and a fraction of the tied European marketing system. Kodak has itself begun to 're-nationalize', concentrating some European production in large US-based factories, as well as the new electronic imaging technology on which the company's future depends. Eastman Kodak has reduced the independent R&D capacity of Kodak Limited (UK) and Kodak Pathé (France), and followed a policy of factory closure and redundancy. In response the French trade unions argued for the Socialist government to support a French-based competitor to Kodak. But as in Britain, a nationally based producer no longer existed, and the finance to develop competitive electronic-imaging technology was substantial (Eastman Kodak has a research budget of over $800 million a year). The unions have therefore adopted a strategy of linking up at the European level (through the Standing Conference of European Kodak workers) so that their combined power will force Kodak to locate new technology and R&D capacity in their traditional plants in Europe.

Collective bargaining of this kind is a form of social control. It needs support from national governments—through the use of public purchasing and tariff bargaining power. It is then possible, in parallel, to assess how a feasible independent alternative could be developed. But in the attempt to extend social control over a company like Kodak, nationalization of its UK assets did not even make the short-list of options considered by the unions.

There is a converse point. When a public sectoral strategy is being pursued, it may involve overseas expansion and foreign takeovers. On a small scale the problem arose in one of the investments backed by the Greater London Enterprise Board. GLEB had financed the design of an electric bicycle. The prototype was tested and declared the market leader by an independent assessment. When it came to production, however, it was found that there was no firm left in Britain which produced a moped frame. An agreement was negotiated with an Italian factory to make the frame for two years, and to train on the job a London workforce so that a new factory could be started in Southwark. GLEB would provide the finance. The question arose, however, of the legality of using London ratepayers' money to fund Italian industry, and in the end the project did not go ahead. On a larger scale, similar issues arose with the National Enterprise Board. In one case, a strategy for restoring a UK presence in one engineering sector was stopped when it was found to require an NEB takeover of an American company in the United States. This was short-sighted. If public control implies overseas investment, then public funds should be used for that purpose. In most industrial sectors today nationalization implies the need for internationalization.

Nationalization, Accumulation and the Market

Up to now I have been dealing with limitations to the scope of publicly owned industry arising from the fact that key elements of control reside elsewhere. No firm is an island unto itself. Public firms may be effectively controlled by private monopolies. But if for a moment we set aside the issue of external monopoly power, we should ask to what extent the market itself acts as a constraint. Let us begin by recalling Marx's comments on capitalists and the market. Capitalists acted to control labour, speed up production, and press down on wages not because they were innately oppressive, but because competition and the laws of accumulation would discipline those who did not act in this way. Inasmuch as public enterprise operates within the market, it is subject to the same pressures. It will tend towards state capitalism.

That said, this broad picture does not address the contradictions that arise in the way the market and capital accumulation operate. It is in the context of these contradictions that much of the nationalization debate has been conducted. From the inception of capitalism we can trace a contradiction between the market on the one hand and the islands of planned capitalist organization on the other. There was an old tradition which saw capitalism as the market and socialism as the plan. But in fact it is impossible to understand the progress of capitalism without recognizing the existence of both plan and market, and the contradictions between them. As firms grow larger and areas of the direct planning of labour extend, so the adequacy of the market is increasingly brought into question—not least by capitalists themselves.

The importance of this point is as follows. The market is a bearer of forces which promote capital accumulation. One of its key functions—rarely mentioned in traditional economics textbooks—is to discipline labour. If labour in one firm gets out of line with competitors, the firm loses out as does its workforce. One of the explicit aims of monetarist policy in Britain was to weaken labour by the use of the market. The same aim is behind much local authority privatization. But the market also disciplines individual capitalists: it promotes the drive for increases in productivity, it encourages restructuring, it devalues fictitious claims which are not matched by real values in production. All these are the factors which allow capital accumulation to proceed.

At the same time, the market may be dysfunctional to accumulation. It may impose short-term disciplines on projects whose competitiveness can only be realized in the long term. As such it will favour money capital over and against industrial capital, thus undermining the very basis for money capital's continued performance. It may fail to register social costs that are a real cost to capital as a whole (certain forms of pollution for example, or congestion in cities) or collective benefits such as a trained workforce. A number of these dysfunctional factors are now reappearing in the public sector itself as the result of the government's policy of liberalization and privatization. Long-run investment is being run down (in the railways and London underground, for example), as are repairs and maintenance investment, since the condition of the capital stock is not adequately reflected on the current account.

Many of the traditional arguments for state intervention and nationalization in Britain should be understood as addressing the failures of the market from the point of view of capital accumulation. The principal objectives, in this way of thinking, have been: (a) to implement restructuring; (b) to prevent the private abuse of monopoly power, where a single enterprise is seen as the most efficient size of unit; (c) to ensure macro-economic stability through direct control of key industries' expenditure; and (d) to provide services—especially transport—which are efficient from a social cost-benefit point of view, but which would register balance-sheet losses. These arguments underpinned the Labour Party consensus on nationalization in the 1930s and 1940s—reflected in Dalton's *Practical Socialism in Britain* (1935) for example, and in the works of the Fabian Keynesians, Durbin and Douglas Jay. Keynes himself, a Liberal in politics as in economics, considered that state control might be necessary if the private economy did not respond adequately to the monetary and fiscal measures he proposed. It should also be remembered that Labour's nationalization programme between 1945 and 1951 was based on reports from committees of enquiry set up by non-Labour governments—McGowan on electricity, Heyworth on gas, Reid on coal.

When nationalization was carried through for these reasons it might have conflicted with the market in the short run, but not in the long. Industrial restructuring, through the Industrial Reorganization Corporation in the 1960s, was intended to make firms competitive. Keynesian measures carried out through public industries were intended, if anything, to leave those industries stronger rather than weaker, particularly vis-à-vis foreign competition. With the exception of public transport, where a continuing subsidy was expected, the market was not a long-run constraint for nationalized industries pursuing market-mending aims.

The potential conflict is much sharper where public ownership is used to achieve goals that conflict with capital accumulation. In the Labour Party Clause Four formulation, the main point of public ownership was to reclaim on behalf of the direct producers the profit otherwise appropriated by capitalists. Raising wages at the expense of profit in the nationalized industries would have a similar redistributive effect, as would the improvement of conditions. There are indeed a whole variety of aims for the improvement of work and the labour market which socialists have seen as one of the prime goals of public ownership—from enterprise planning and industrial democracy, to equal opportunities, increased flexibility of working time, and human-centred technology. These were at the centre of the GLC's public ownership strategy, for example, being referred to as social aims, although it would be more appropriate to call them anti-market economic aims.

There are also strong user reasons for public ownership: whether to prevent the overselling of drink (the reason why Lloyd George nationalized the Carlisle pubs in 1919); to ensure variety of production (as in the case of broadcasting) or quality of product (as in direct labour building); or to guarantee services to those who cannot otherwise afford them. It is this last motive, the core idea of the National Health Service, which so distinguishes Nye Bevan's project from the nationalization of the utilities. Yet even with the utilities we can see the user principle operating—'phone boxes, country bus services, free water, free milk and school meals. We tended to take many of these forms of cross subsidization for granted, until present government policies highlighted their existence and vulnerability.

Whether for reasons of improving the conditions of labour or of increasing the welfare of users, these policies conflict with the market and the requirements of accumulation. There are arguments—and they are reflected in the summary table overleaf—that these 'social' measures actually support accumulation in the long run. Hence improved training and working conditions, higher wages, greater equality for women and black people, more human-centred jobs, and greater industrial democracy, have all been held to increase productivity as well as improving the position of workers. I have registered this possibility with question marks in Table 1. But whatever the objective long-term effects, such measures are fought vigorously by capital for ideological reasons, particularly when they challenge managerial authority in the workplace. This was our repeated experience at the GLC. The aspect of the GLC's economic policy which most antagonized private firms was the use of the Council's purchasing power to promote greater equality for women and black people, and the introduction of enterprise planning as a condition of GLEB loans.

The important point is that the market acted as a continual constraint on the pursuit of social policies by GLEB as well as on longer-term restructuring projects. If in market accounting terms a socially owned enterprise shows losses, it will be subject to attack. The attack may be economic through market competition, in which case public finance will have to be transferred to fund the accounting losses. But the political attack will also be greater, the more difficult it is to show that the loss is justified in terms of longer-run capital accumulation.

The relationship between the socially owned enterprise and the market must be at the centre of strategic political thinking about the public sector. It is most evident in those publicly owned industries which compete directly with private firms. Here the loss and the subsidy will be clear and recognized. In the case of direct labour suppliers, disparities with private sector costs will appear as excess tender prices. Here the aim should be to insist on similar conditions for labour in private contracting firms—as a number of local councils have done through a fair wages clause. Some industries are more insulated from the market—like education, or electricity—but they too will face attacks from market-priced accounting assessments of their performance. Even socialist economies which have insulated themselves from the world market cannot escape the comparisons. Internal political forces develop arguing that cheaper world commodities should be imported to allow internal resources to be switched to a more productive use. All socialist countries have found world market prices constantly arguing at their doors. Just as the contradiction between the market and capitalist planning is central to an understanding of the dynamic of capitalism, so the contradiction between the capitalist market and socialist planning is central to an understanding of the post-revolutionary economies.

My argument is that the market acts as a constant constraint on the public sector, setting up pressures for its criteria to be adopted. If the

Table 1

Reasons for social ownership	Improves market competitiveness		Worsens market competitiveness loss-making	
	Short run	*Long run*	*Short run*	*Long run*
Rationalization and restructuring		x	x	
Control of monopoly power	Not applicable			
Macro-economic planning and stabilization	Nationally neutral			
Social cost-benefits			x	x
Long run investment		x		
Improving wages and conditions, work processes, flexible working hours, training		?	x	?
Extending democratic control within the workplace		?	x	?
Increased equalities	?	x	?	
Providing services for need			x	x
Ensuring variety and production for minority demands			x	x
Retaining plants and industries which are not market-viable, for social or strategic reasons			x	x

industry has to compete with private firms the pressures are direct. If it is insulated from competition, the pressures are ideological and political. Publicly owned firms—even those whose aims are narrowly drawn to the improvement of long-run accumulation—will find themselves operating 'in and against the market'. That these pressures can leach the substance of the nationalized industries is no more clear than at the present time. The shift of ownership from public to private hands has attracted most attention. But it is the policies of sector liberalization—the enforcing of market criteria—which have had the most far-reaching effects. Liberalization has been the substance, privatization the form.

Ownership and Control: Policy and Practice

In the traditional equation, nationalization changed the ownership of the ship of state, and the party set the course. But if the power conferred by nationalization is restricted, the setting of the course and the sailing of the ship are equally problematic. One side of the problem is the extent to which the leadership of the party adequately represents the interests of the producers. It is a question of socialist democracy, and I will merely register it at this point. But there is another side. Let us assume that there is a democratic party structure which sets the broad strategy for the public sector. What then? The leadership may have read the charts and set the course, but who is to put it into practice?

It is interesting that this same question has been raised for private capital. There is now a fifty-year-old debate on the conflict between private ownership and managerial control in the modern business corporation. Managers, it was argued, had many other motives than profit maximization—growth, new products, an easy life, power, a head office near the golf course. They also had effective power, relative to the shareholders. But what the protagonists of managerial capitalism did not acknowledge was that these managers were subject, like Marx's capitalists, to the laws of capital accumulation. As the rate of profit fell and the crisis deepened in the 1970s we saw one large corporation after another replace a growth-oriented chief executive by an accountant. The law of value was well represented in the board-rooms.

If the tension between ownership and control in the private sector is kept in check by the market, in the public sector the issue is posed the other way round. Instead of private shareholders with an interest in following the market, we have a state policy which runs against the market grain. How then can a progressive government ensure that state managers put its policies into practice? What checks are there in this case? The conventional concepts which have been employed to cope with this problem are: (a) the distinction between strategy and implementation; (b) the tradition of a neutral administration; (c) the development of methods of accountability which operate as if they were the market. All of these are inadequate, and they become all the more so the more the aims of social ownership conflict with the criteria of the market.

Take first the question of strategy and implementation. The distinction implies a mechanical view of the world. It presumes one can draw an outline plan in detail, and then solve the merely technical question of putting it into practice. A Minister decides a road is to be built through the middle of London, the planners draw out the route, the civil engineers build the road, and the Minister deals with the political problems. Economic planning is not like this. It is a question of guessing what is over the horizon, of adjusting strategy in the light of practice, of assessing the political as well as the economic possibilities for further advance as the project proceeds. As Henry Ford said, positive knowledge is only achieved through negative knowledge, through learning from errors. The whole idea of being able to set down at the beginning a detailed strategy for new projects is unreal. The development of socialist public enterprise is always in this sense a new project.

If this is the case, then there must be a constant interplay between strategy and practice, and the people involved must share the imagination and aims of the politicians. What otherwise happens is that, regardless of political allegiance, the implementers either say that one proposed course of action is impossible, or they produce a detailed plan of action which fails to grasp the point of the general policy in hand. It is a question not of analysing the world but of changing it, of creativity and innovation, and of testing the material world in practice to see how far it will yield. Politicians, however democratically elected, have to be part of this process, but such is the labour time required that the task cannot be limited to them. It requires a wider grouping.

This brings us to the neutral administration. I have suggested that professional administrators may not share a socialist imagination. They are often deeply opposed to it. An administration cannot be neutral in class terms. There are class relations within the state, represented by salary levels, hierarchies, work processes, qualifications, relationships to property and profit in the world of private capital and so on. Where the goals of state policy are to improve the operation of the market and capital accumulation there may be no contradiction between senior administrators and the broad thrust of policy. But where the goal of social ownership is to change social relations there is an inherent contradiction.

The experience of the GLC provided daily evidence of this. Certain senior administrators regarded the Labour administration's economic strategy as impossible, irrelevant, and undesirable. They did all they could to prevent its implementation, substituting an alternative policy of their own which they judged more in line with the interests of the people of London. A chief executive of GLEB sought to reorient GLEB away from the policy of the Labour Manifesto, to what was regarded as a more feasible option of property development and support of small firms. Senior officials at London Transport sought to cut labour, close maintenance workshops, and resist trade union mobilization in spite of this being directly contrary to Council policy. They fought the politicians over new political appointments to the Board, and pressed ahead with a strategy of one-person operation on both buses and tubes. In all these cases it was not just that the neutral administrators did not share the socialist imagination. They contested it with a market-oriented vision of their own, but always in the name of what was practicable.

Socialist Management

This raises the question of socialist management. We should not underestimate the need for managerial skill; whether in the reading of accounts or of the signs of a market, or in developing and implementing strategy, or in invigorating an organization. These skills are not confined to professional managers. Some politicians and many trade unionists have some of them, but few if any have all. In the operation of a large nationalized industry or an interventionist industrial agency, the lack of progressive managers is one of the most serious constraints for the extension of a socialist economy. It has been one of the weaknesses of post-revolutionary regimes in the third world to find themselves dependent on politically hostile managers and multinationals for the running of major industry.

There is another approach which attaches less significance to the capacities and politics of senior administrators, and seeks instead to develop measures of accountability to discipline administrators, as the market disciplines industrial managers. One form of discipline is financial. In non-marketed services, this is a discipline based on costs, and it biases bureaucracies towards a concern with inputs rather than outputs. A balance is struck not between costs and benefits, but between budgeted and actual costs. It leads to an organization which is insulated against users, reproduces capitalist forms of relations between state management and workforce and discourages risk. For risk is in the end justified by increased returns. Cost-based bureaucracies have an inbuilt disincentive to innovation. Careers are advanced by meeting targets and avoiding mistakes. Risk-taking and overachievement are less easily accounted for, and therefore weigh less.

There are, of course, attempts to target outputs and to measure performance against achievement. Physical measures can be drawn up—the number of trains running late, the length of time people queue at a ticket office, the number of repairs done to council houses and so on. But these themselves are subject to bargaining and internal politics: favoured departments are given softer targets, output measures are restricted and shortfalls explained away. None carries the same weight as the incontrovertible private-revenue accounts of an industrial corporation.

This issue has preoccupied non-socialist discussion of the nationalized industries. How can these industries and services be monitored? A recent interesting discussion of the subject has been published by A.J. Harrison, a former senior economic adviser at the Department of the Environment and then editor of *Public Money*. He comes down on the side of another public sector economist, Christopher Foster, whose experience at the Ministry of Transport in the late 1960s, and then in private consultancy, convinced him that external monitoring was necessarily limited. Harrison—evidently also speaking from experience—notes that Government Departments lack the skill to do deep monitoring of the nationalized industries. Other external monitors do little better. 'Public opinion, even expert public opinion, is ill informed, likewise Parliament; user councils are impotent; the (Audit) Commission though useful is sporadic and carries with it no sanctions.' Greater resources and expertise for these monitors are one answer. Harrison and Foster favour internal review, with the public body generating targets and information in much greater detail than the Government or Departments are willing to give. Harrison asks for more public information and suggests major submissions to the main board and Ministers, and more precise statements of the assumptions behind their forecasts.[2]

What is striking about this discussion is that there is no answer for nationalized industries operating on conventional lines. Harrison acknowledges that internal target-setting is subject to the public body's own interest in not setting the kind of targets against which they could be criticized. Yet he argues that the industries should set them because they, unlike the Departments or the Ministers, know the kind of targets which would be relevant. This is merely to restate the problem of ownership and control, where the Government has the formal power, and the managers the detailed knowledge and operational power. How much more problematic would this be if the nationalized industry was being asked to follow socialist goals for workers and users, rather than to run the railways cost-effectively and on time.

My conclusion is that none of the traditional explanations of how socialist policy is put into practice gets to the heart of the problem. Public sector managers, and the guidelines within which they currently operate, constitute an internal force pushing nationalized industries in a state-capitalist direction. Beneath the form of social ownership, we find so often a very different substance—one that is pulled in one way by private monopoly power, and in another way by the market. It does not mean that both external and internal forces cannot be resisted, countered and surpassed, only that we cannot read off the substance from the form. To the militant who was so confident of South Yemen's socialist economy, we have to ask what was happening in the nationalized industries. Were they different in any significant respect from those same industries when they were in private hands?

Public Ownership in Crisis

The public sector in Britain is now in deep crisis. It has been attacked and dismembered by a sustained and radical policy of privatization. Until the late 1970s there was a widespread belief in a sort of ratchet effect in the public sector. The national utilities, once public, would remain so, for the very reasons that they went public in the first place—the economies from national co-ordination, and the need for public control of the resulting monopolies. Yet here they now are being stripped down, broken up and sold off.

In part, this drive for privatization reflects more on the general crisis of the private economy than on any shortcomings in the public sphere. With falling rates of profit, and narrowing outlets for investment, the opening up of the public sector has provided a safe haven for money capital, and expanded frontiers for hard-pressed industries like cleaning and catering. It is also part of the more general monetarist strategy of restoring profitability at the expense of labour. The fragmentation of the public sector, and its subordination to the disciplines of the market, have been explicitly demanded by economists and business organizations

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[2] A.J. Harrison, 'Monitoring Performance', in J. Grieve Smith, ed., *Strategic Planning in Nationalized Industries*, London 1984.

like the Institute of Directors as a means of breaking the power of public sector unions.

But the resulting attack has revealed an internal crisis within the public sector itself. With the exception of the health service, and in spite of the defensive efforts of the trade unions, there has been no widespread popular resistance to the bulk of privatization. Indeed, through the device of share issues the Tory government has widened its base of support for a programme it calls ‘popular capitalism’. So confident has it become that senior ministers now talk of having removed nationalization from the political agenda, and having permanently rolled back the frontiers of the state.

We should not overestimate the strength of this privatizing tendency. The material reasons for initial public ownership have not gone away, and are already re-emerging in the industries concerned. As public transport is cut congestion rises. Lack of investment in the water industry pushes up the rate of sewer collapse. Privatized cleaning has left a trail of broken performance contracts. The price-cutting wars of the bus routes have already thinned out competitors, and paved the way for a restoration of private in place of public monopoly.

At the same time we should not underestimate the crisis in the traditional socialist conception of the public sector. I have outlined the problems with this tradition in the first part of this paper, but it is still firmly rooted in the British Labour movement, from right to left. Its most evident form is the Morrisonian public corporation. Herbert Morrison introduced this idea for London Transport, when he was Minister of Transport in the 1929–31 Labour government. The managers would be left to manage, within guidelines set down by the politicians. Ernest Bevin argued that there should at least be workers’ representatives on these public boards, but Morrison resisted and by 1935 his view had won out in the Labour Party and the TUC. This model for the nationalized industries formed by the Attlee government after the war is now in crisis in the 1980s. On the one hand the Morrisonian corporations have been criticized on grounds of managerial efficiency even within restricted capitalist terms. On the other, workers and users have experienced these industries as if they were capitalist. The broad coalition of support for public ownership in the 1940s has drained away as a result of the experience with the Morrisonian corporation in practice.

Some have argued that the Left should accept the defeat of the public ownership project, because of its evident unpopularity. But although I have argued that nationalization gave government strictly limited powers, this does not mean that public ownership is not still a necessary step for a social economy. The case for public ownership is as strong as it ever was. In sector after sector private capital has shown itself incapable of restructuring. In the economy as a whole there are great barriers between different sectors, which the market only makes worse. I am thinking of the relations of finance and industry, of military technology and civilian diffusion, or of branch plants and the wider economy. These are the arguments for industrial restructuring and macro-economic planning which formed the core of the case for nationalization fifty years ago.

The Social Relations of Socialism

But there has emerged an even stronger argument. One has only to read a few pages by socialist economists in the 1930s—Marxist or Fabian—to sense the extent of the change that has taken place in socialist thinking today. The experience of the guerrilla movements, of a variety of post-revolutionary experiments, of the women's movement, the black movement, and a multitude of progressive community campaigns, all have contributed to a shift of focus towards the social relations of socialism. In economics this has meant a concern with the nature of work, with the division of mental and manual labour, with the question of working time and conflict between capital's time and labour's time (to have children, to collect them from school, to have time for meetings or classes, to control one's own working time rather than being paced by the line, and so on). It means a concern for different segments of the working class, unskilled as well as skilled, women and black people as well as the white male and white-collared workers. It also involves a concern for the use values of production and the diversity of need—with the saving of energy rather than nuclear production, for example, or with cultural variety and self-production rather than standardized mass consumption.

In theoretical terms, it is now realized that the forces of production are not neutral but that technology has been developed in such a way as to increase capital's control over labour. Nor are commodities neutral. They reflect in their content, and even their design, the particular production relations of capital (from the shape of tomatoes to a TV programme like 'The Price Is Right'). The factory or the office is not just a black box with the value of labour-power going in one end, and surplus value coming out of the other. It is the site of a whole politics of production, just as the home is the site of a politics (and an economics) of reproduction.

All this now seems little more than a catalogue of common sense, but it is a common sense which is very different from the socialist equations of the 1930s. Socialism is not a state but a process—one which involves contradictory versions of life being locked in daily combat with each other, as if in some epic wrestling match. Such a view gives a quite different perspective to the significance and purpose of social ownership. If the aim of socialist economics goes beyond restructuring industry and improving productivity, if its aim is to change the social relations of production in production, then expanding social ownership becomes a necessity. For in spite of the fact that social enterprises are hedged round by monopolies and the market, in spite of the fact that they have to depend on capitalist managers to run them, these difficulties are only compounded if private property is also in the way.

The reason why nationalization and social ownership should still be at the centre of any socialist strategy is that only in this way can we make progress in what I have called 'the politics of production'. If there was one great lesson from the experience of the Greater London Enterprise Board it was that trying to encourage the social aims of public ownership without equity control was like operating through a gauze. Private capitalists would, if necessary, agree to implement enterprise planning and equality programmes, but do all they could to frustrate their achievement. Enterprise planning support staff would be refused entry. Workers were not given time off. Shadow companies were formed, to which the agreements did not apply. It was hard enough to change the politics of production when GLEB had equity control. It was virtually impossible without it.

Thus while we should reaffirm the aims of social ownership as they were advanced in the 1930s, we should add to them the many-sided purpose of changing the social relations of production. It will then be clear how inappropriate is the Morrisonian model. For if the task is to unite the interests of users and workers against the capitalist pressures that bear down on a public enterprise, we can see that the Morrisonian corporation is designed for the opposite end, to strengthen management, and weaken workers, users and politicians. It distances those it should involve, and divides those it should unite. What is needed is a new model to reverse this process. The task as I see it is similar to that facing a guerrilla movement. Key to the strategy is the establishment of liberated zones, within which an alternative administration is established. To maintain popular support, the new order must be a palpable improvement on the old, for on that popular support will depend the very lives of the guerrillas as well as the progress of the movement. This is the daily democracy which characterizes guerrilla struggle. At first these zones are established where the old regime is weakest, but as popular support is established and experience grows, the heartlands of the regime are surrounded.

In the socially owned liberated zones of the British economy, there is no daily reminder of the superiority of the new order. For the majority of people, the new order is an alien form, a question of new hats on old faces. The impact of privatization is already changing this and providing a reminder that there was an old order. It is creating a crisis in the public sector, which—as the Chinese word for crisis reminds us—also implies an opportunity. But any alternative faces a substantial task. It must match capital in productive performance, yet change the social character of production in such a way that it regains popular support. It must show that it can work in practice, since nothing is as strong as the propaganda of practice. That alone will put nationalization back on the political agenda, not as a socialist solution but as midwife to the socialist problem.

Towards a New Model

New models emerge less from abstract thinking than from close observation of the successes and failures of socialist practice. The great value of the new municipal socialism of the 1980s is that it provided equal measures of negative and positive knowledge.[3] The transport campaigns in South Yorkshire and London are a model for socialist ownership strategy. So is the Harlow heating campaign, the municipal/trade union joint action on Fords, Unilever and Phillips, as well as a number of experiments fostered by the enterprise boards. The co-operative movement, once the leader of the retail sector but now cornered by the new giants, still shows many glimpses of the new order, as does the new wave of producer co-ops. In what follows I want to raise seven issues which any new model should address.

(i) *Strategy*. In modern capitalism the key to corporate competitiveness has become long-run strategy rather than short-term optimization. The key question for firms is how to restructure—and it is a question equally for the public sector. Until now, the skills of restructuring have been confined to capitalist management. It is this monopoly which a socialist enterprise must first break through. It must find a way of bringing workers and users into strategic planning, as well as elected politicians with their formal power. Capital itself has recognized the need for incorporating workers and users in planning—indeed, the Japanese refer to the need to tap 'the gold in workers' heads'. But the methods used—market research, and quality circles—are a one-sided form, drawing information out and leaving management to synthesize it on its own terms. Socialist strategic planning should be different, both in its aims and in the way it democratizes the process of strategic synthesis. It should not be left to bureaucratic managers, for if there is one thing we have learnt from the experience of post-revolutionary countries it is that non-market centralized planning is a blunt, even brutal instrument. Decentralized, democratic planning is an idea whose time has come.

The second thing we know about planning is that it is a material process of production, requiring skill, time and organization, just as if it were the making of a suit of clothes. There have been many calls for democratic planning in the history of the labour movement, but little recognition of the time and skills required. Again we need to look at capital to see what is involved. It has been estimated that 375,000 people are employed in various aspects of capital's planning in London alone—economists, accountants, investment analysts, architects, designers, corporate planners, policy analysts and so on. In support of them is a large back-up staff, of secretaries, personal assistants, librarians, data processors, statisticians, and messengers. In all an estimated 35 million hours of labour time per week are spent in planning for capital in London. Yet I remember ringing up Walworth Road in 1982 to find that there was only one specialist industry research post, and that had not been filled for ten months. Labour local authorities are always among the top employers in a town, but in few will one find any specialist economic planners, save in the land-use planning department. The GLC was exceptional in setting up an economic policy group. It was to contain fifteen or so people. In the end its policy and popular planning side contained a hundred people, working 3,500 hours a week. It was still tiny relative to the task in hand.

[3] For an explanation of the 1980s municipal experience in London, see H. Wainwright and M. McIntosh, eds., *A Taste of Power*, Verso, London 1987.

Yet the experiment—like the first faltering steps of a child—was full of lessons. Most of the strategy staff concentrated on a single sector. They worked with tenants groups, local and national trade unions, other local authorities, and specialist practitioners in the field. There were conferences, hearings, working groups, public enquiries, local popular planning shop fronts, international meetings, days of action and special newspapers. In each case the purpose was to draw up an action plan which contained not only area and plant-level detail, but quite different, labour-oriented directions at the more general level. In some cases action could be taken by GLEB. In others the GLC used its direct powers in support of the strategy. In fields as various as cable television, telecommunications, energy, the health service, retailing, the furniture industry, Kodak, the cultural industries (broadcasting, publishing and record production), in freight, in the Docks, in West London and above all in London Transport, action plans of this kind were drawn up. Not only did they have a range and perspective quite different from even a sympathetic academic study, they also provided a focus for local authorities and trade unions to act in mutual support.

Other local authorities have worked in the same way, Sheffield's relationship with the steel trade unions being a notable example. There is now a joint industry motor group centred on the West Midlands, which unites local authorities that have motor plants within them. There is a similar group centred on Manchester for local authorities and the clothing sector. There are the trade union research departments. Any new policy for the public sector must have a large increase in resources for such popular planning: funds for full-time research, for days off work, for conferences and meetings, for skilled writers to summarize the issues in leaflets and newspapers to allow the widest discussion.

(ii) *Accountability and the daily discipline*. If strategy needs to be democratized so too does operational control. In commodity-producing sectors, one form of daily discipline is provided by consumers in the market. Every purchaser can in principle comment on the commodities and services on offer by switching their spending. This is minimally so in the public sector. Here the main discipline is periodic election, and the choice between parties offering different packages of services. It is as if, in the sphere of necessities, we were asked to vote between Tesco and Fine Fare every five years, and in between times leave them to determine what we had week by week.

The market economists, and the present government, have argued that more choice should be introduced to the public sector. Deregulation of buses, school vouchers, the licensing of Mercury, the encouragement of cable and satellite TV, of commercial radio, or of private health, are all geared to this end. But the economics of these services is not like that of the high-street commodities. Competition in communications introduces skimming of the most-used routes, and neglect of the marginal ones. If there are good schools and bad, someone has to go to the bad ones, so that choice solves nothing. There is a case for introducing more choice *within* the public sector, and having a measure of public rivalry if not competition. Why not have four smaller housing departments in a town rather than one, each responsible for different council estates, with performances compared and, where appropriate, an extension of responsibilities to the best at the expense of the worst? There are many possibilities of this kind. They will not on their own solve the problem of a popular control of performance.

A second approach is to give users greater direct control over the management of a service. The present government's promotion of more power for parents on school governing bodies is an example of this. We might go further and argue for the re-introduction of elected school boards, a system which was abolished by the Tories in the 1890s when the Left began to dominate the urban elections. Minimally, a competitive tendering system by alternative groups of governors could be adopted along the lines of the ITV franchises: in this case it is not price but the general strategy for the school within a budget which is being judged, as well as the extent to which a given bid adequately represents the users, teachers, and manual school staff. More generally, the governing bodies of all nationalized industries should be opened out, not only by reviving the T&GWU's original 1930s demand for trade union representation, but through user representation as well.

As far as the collective organization of users is concerned, the current nationalized industry user councils are relatively powerless. They need to be enlarged, provided with more research resources, given a local as well as a national focus. Reporting directly to local authorities, they should take on trade unionists and relevant local groups, and be appointed by local and national government as the result of alternative bids on the ITV franchise model. There is also a parallel need for the extension of collective bargaining within the nationalized industries. Part of this will be involved in strategy, but there are also the issues of daily performance. Inasmuch as there are detailed plans, the trade unions will be one of the key institutions to monitor their achievement.

(iii) *Decentralization and diversity*. The extension of popular accountability and control is unlikely in itself to solve the problems of production. Dealing with the problem of the steering wheel does not solve the question of the engine. Morrison argued that extending direct democracy in the nationalized industries would handicap their operations. This may be just as well if the industries are being autonomously run in the wrong direction. Yet the question of incentives remains. How can workers and managers be encouraged to work creatively within a large public sector industry?

It is here that private capital's recent developments are of particular interest. I have argued above that capital's control is increasingly exercised through the monopoly of systems, within which it can accommodate greater decentralization. The more tightly the system can be specified, and the more strictly it can be enforced, the greater the autonomy that can be given to subordinate units. An example in the public sector is the post office, which depends for many of its outlets on independent shopkeepers. The terms of the post office franchise are nevertheless narrowly drawn, so that the network as a whole operates as if it were directly owned. A second example would be local bus services. These were for many years dominated by public bus companies, either municipally owned, or subsidiaries of the national bus company. The present deregulation has highlighted the fact that control of the network can in principle be exercised by the controller of the central system. If the local authority as controller specifies the main terms within which the system must be run—routes, unionization and wages, maximum fare levels, vehicle design—it could in principle extend the new tender system to allow some element of competition within the socially owned sector.

In the retailing sector, there is already a socially owned presence which operates in this way—the co-op. In the past the co-op was vertically integrated, from farms to factories to the wholesaler and the retail shop. Now most retail co-ops have withdrawn from production, and operate on a contract system like the other multiples. The co-op's problem is that it has not been able to match its private competitors in innovation, design, and system development. Yet in spite of the commercial pressures upon it, it is still a quite distinct operation in the sector, with respect to unionization, training, wage levels, and career structures in an industry where there has been widespread de-skilling. At this stage the labour movement should set as a priority the restoration of the pre-eminent position held by the co-op in the early 1950s.

The public sector in Britain is still by and large Fordist. It delivers standardized services, with purpose-built equipment, and managerial and industrial relations structures which still have much in common with those of the motor industry in the 1930s. The leading edges of capital have now moved on from there to what I earlier called 'flexible specialization'—the use of machines and systems which allow short runs, variety, rapid responses to changes in demand, and reductions in waiting times. The tasks of public transport—transporting people with least time-cost to themselves—are the very processes which the Japanese '*kan ban*' (just in time) system is designed to solve. But our public bus services are still in the pre-flexible age. We now have an economy which is extraordinarily efficient in transporting components, but increasingly inefficient in transporting people. It is private capital which is now using the mobile guerrilla units against the baroque battalions of the public sector. The public economy has to learn from this, using the advantages of modern computer technology, but without the other main features of flexible specialization in the private sphere—a fragmentation and weakening of labour.

(iv) *Innovation*. The above bears on a further key feature of modern capitalist competition—innovation. The public sector has by and large been an arid ground for innovation. Take health care for example. The major innovations here have largely come from the private and voluntary cottage economy, from the hospice movement, from osteopathy, homeopathy, the buddy system for AIDS sufferers and so on. Similarly in broadcasting, many innovations for working-class culture have come from pirate radio and independent television rather than the BBC. This is not to argue for private health or broadcasting. In both fields not only have major multinationals come to dominate, but all the worst features of the market economy are strikingly evident. But it is to recognize the inflexibility of the great public institutions like the BBC and the health service, and the need to open them out to innovation.

One means of doing so is to establish a substantial grant fund from which innovations both inside the public sector and in the voluntary or co-operative sector could be funded. Those that were successful could then be generalized within the service. Another would be to adopt the competitive tendering system we discussed in relation to the ITV franchises or the school governors boards. The Channel Four model represents another alternative—i.e., contracting with independent programme-makers on the basis of funds drawn from mainline services. This model could be applied to newspapers, through a tax on advertising. Progressive innovations like *News on Sunday* could then be funded, and not merely private capital's experiments, like *Today* or the *Daily Star*.

(v) *Public power*. I have argued that ownership does not necessarily mean power, nor does power require ownership. But to exercise power without ownership requires a keen attention to making the most of the available instruments of power, and to their strategic use. At the moment, the state has virtually given away its sword to the private sector. Public finance for industry is provided with few if any strings on the social aspects of production, or its place in a broader strategic plan. The funding of military research and development by private firms has utterly failed to deal with the problem of civilian diffusion of the resulting technology (we need only note that British Nuclear Fuels is one of the most advanced developers and users of robotics in this country but has made no attempt to develop wider civilian uses). State purchasing is uncoordinated, and there are legal restrictions on its use by local authorities for strategic purposes. As far as multinationals are concerned, the state power over tariffs and the exchanges is still governed by a principle of non-discrimination, so that their levels cannot be used as a bargaining counter with individual firms.

One response to this problem is organizational—to create a new department of finance and purchasing, as a branch of a Ministry of Planning charged with consolidating and making use of these powers within a central strategic plan. The task—particularly on the purchasing side—would be a long one, but not impossible given modern computer technology. It is difficult enough to find out about purchasing, let alone control it in a local authority, quite apart from doing it across departments, public industries, the Health Service, local authorities, the armed forces, schools, universities, and so on. Nonetheless it should be adopted as an important part of bringing the public sector under social control.

It is important that, while tunnelling into the public sector at one end, one should also open up the tunnel at the other. Popular planning around the activities of large multinationals will lead to a call for state action in support of an alternative strategy. Take Ford, for example, which cut its Dagenham workforce by a third between 1980 and 1985 and at the same time exported net funds of £500 million from Britain. It has 30 per cent of the UK market, of which only 15 per cent by value is produced in the UK. What power could be brought to bear on Ford to expand value produced in the UK up to its market share figure?

Trade union power is the first source. Access to UK markets is a second (in spite of EEC regulations). A third is public sector purchases, whose size is currently known only to Ford management, because of the fragmentation of public sector purchasing. A fourth is finance. Ford's Bridgend plant involved investment of $180 million, 80 per cent of which came from public funds under the Callaghan government. Ford was able to obtain these funds by playing countries and regions off against each other. Stricter control of public purchasing, and of the foreign exchanges, would have lessened the need for public funds, and allowed those that were invested to be directed to specific social purposes (training, the development of local component production, and so forth). The first task of a new department of purchasing would be to obtain the necessary information on Ford and the public sector, and to use that power in negotiation.

(vi) *Expanding the public economy internally*. At the moment the public sector is used primarily to strengthen capital accumulation. Utility prices to industry are kept low, finance is provided for innovation, tax relief for investment and so on. Little attention has been paid to the internal growth and strengthening of the public economy. For example, how could the research and development of British Telecom be used to strengthen publicly owned enterprise? How could the construction needs of the Electricity Board be used to expand direct labour departments? Could the NHS demand for drugs not be met by encouraging publicly owned generic drug production? What about differential energy charging to public and private customers?

Traditional market economics would express horror at such suggestions. It would disturb the efficient allocation of resources, slow down growth, lower incomes, distort the economy and so on. But just as national capitalism only grew initially behind protective barriers, so the new socialist public economy needs a conscious building of its internal links. The aim of such measures would be to strengthen the innovative and competitive capacity of the public economy relative to the private sector. Not only is this needed as a basis for changing the social relations in production, it is also the only way of securing full employment. At the moment levels of employment are constrained by the rate of private accumulation. State-funded employment has to be financed by direct or indirect deductions from private capital. By contrast, the more the public economy can be self-sufficient, and the more it can rely on other parts of the public economy for its inputs, the more will it be able to expand jobs without relying on taxes from the private sector. If you consider that from a £100 wage, as much as two-thirds may return straight to the state (council rents, rates, taxes, bus and tube fares, electricity, gas, water and telephone bills, national insurance), then the employment of unemployed people in the public sector will result in only a modest 'import' from the private sector, and can become increasingly independent of it.

Traditionally socialists have debated whether or not to protect the national economy. I am suggesting that we should think of protecting the social economy (nationalized, municipal, co-operative, voluntary) in order to increase its self-sufficiency. To do this adequately would require the development of a secondary public sector currency, along the lines of the Austrian municipal currencies of the 1930s. This would serve to integrate the social economy and regulate its relations to the private one. We should recall that Ho Chi-Minh said that the battle between the Viet Minh and imperial currencies in the Vietnamese liberated zones was as important as the armed struggle.

(vii) *Rear Bases*. Socialist discussion of the public sector has tended to asume (a) that a ratchet operated, such that rationalized monopoly industries would not be reprivatized, and (b) that plans should be laid on the basis that state power would always be in progressive hands. The Thatcher government has undermined the basis of both assumptions. Instead, it suggests a different perspective for the social sector—namely, that the period in which socialist administrations are in power should be used to strengthen the public economy, and to arrange matters so that it is strong enough to resist attack from new conservative administrations. The guerrilla tactic of the rear base is appropriate here—the establishment of heavily fortified, often underground bases to which an army can retreat at a time of concerted enemy onslaught. One form of defence will be created by the democratizing of strategy and control, by the establishment of clear social aims and indicators against which the public industry is judged, and any privatization would be judged also. Much wider collective-user interests, trade union and popular involvement would strengthen the progressive forces, as would improved and innovative public sector performance.

A second issue we should examine is share ownership, which has been used by the Thatcher government as a means of building up a popular base for privatization. It has involved large speculative gains almost as if pound notes had been attached to certain citizens' election papers. A speculative stake in public industries should not be imitated by the Left. It biases popular concern to the criteria of the market. On the other hand, the co-operative movement grew on the principle of popular shareholding, the returns being seen as a redistribution of profit to users. They also provided a formal mechanism of popular control. Some variants have much to be said for them in the public sector. Why should municipalities not issue a bond to promote local employment—a Carlisle full employment bond offering modest returns, but being sold on the basis of what the collective savings will achieve and not what they will yield in speculative profit? Could not holders of these bonds be given special bonuses (free phone calls on Sunday over the age of 65) in the manner of supporters' clubs? The aim would be to build up a core of support for social industry against attempts to reimpose the private.

A third route is to set up social ownership in such ways that it cannot be so easily dismantled as a directly owned public industry. It is here that there is an advantage in joint municipal ventures, trusts, co-operatives, joint ventures which depend on the continuing involvement of the state, trade union and user-controlled enterprises, and so on. Such semi-state, co-operative or voluntary concerns have already been seen by the Left as of second-order importance compared with direct state ownership. But they are less vulnerable in times of hostile state power. We only need to think of housing associations—which were at one time regarded as a liberal alternative to public housing, but are now clearly insulated from the council house sales programme.

These seven factors imply further strategies, on training and education, on new sources of information and publicity, on the use of modern market-research techniques along the lines being advocated by progressive commentators on the public leisure industries. There is great scope for international co-operation between public economies, particularly in the third world. There is a need to remove the legal fetters which currently restrict public enterprise in its competition with the private. Each sector strategy will identify the commanding heights of that sector which the public economy should aim to control—and certain common patterns will emerge, above all the centrality of public control of the telecommunications and information-processing infrastructure. But without going into each of these, I hope I have said enough to indicate the direction in which a new model of the social economy might move.

The Current Labour Movement Position

There are clear signs that both the trade unions and the Labour Party are recognizing the need for a new model. The TUC Congress passed a motion in 1986 which called for a stronger say for consumers in publicly owned industry, rights of redress for poor performance, the involvement of public sector workforces in their industry's decisions, guarantees that the pricing of public services would not be used as back-door taxation. It also stressed the need to link local authorities, local enterprise boards and public enterprise in order to strengthen local economies.

The Labour Party for its part produced a document on social ownership, also passed overwhelmingly, which explicitly set out to break with the old public corporation model.[4] 'The Morrisonian model, perhaps appropriate to the demands of war-torn Britain, became outdated, leaving behind it a legacy of unresponsive monoliths.' There has been a failure of public ownership, it states, whose cause 'does not lie in being too radical, but in not being radical enough—a failure which this statement recognizes and, for the first time since 1945, properly addresses.' The main approach of the document is four fold: First, a strengthening of user control and rights with respect to public industry. It argues for stronger consumer advice centres locally, a greatly expanded national consumer council, and most strikingly a citizen guarantee which would give users redress if standards fell below certain specified levels (e.g. no phone box should be out of order for more than a day). Second, it seeks to extend workers' involvement by widening collective bargaining, as well as encouraging creative management and employee share ownership of a non-speculative kind. Third, it gives priority to expanding the co-operative sector. Fourth, it foresees a much wider-ranging strategy for extending public control—from technology networks, through diversification by existing public enterprises, to local and national enterprise boards, the taking of equity in key sectors, the use of government finance as a lever of public control, as well as straight renationalization of certain priority sectors. It suggests

[4] Labour Party, *Social Ownership*, Statement by the National Executive Committee, September 1986.

new types of performance indicator, economic and social audits to be undertaken by a social commission, local ombudspersons, and so on.

In terms of the earlier discussion in this paper, it does not deal in any substance with the material aspects of democratic planning, with the co-ordination of public power and the internal integration of the public economy, nor with the issue of the public control of multinationals. Its arguments in favour of nationalization are more traditional and underplay the need for public control in order to change social relations in production. In a number of passages the document also appears seriously to underestimate the deep political conflict between the market and an alternative social economy, carried over in tensions between joint ventures, internal public service management, project criteria and forms of monitoring. The Scottish Development Agency, which is approvingly cited at one point, is not a good example of the new model agency in practice. In spite of this the document is important because of its declared break with the Morrisonian corporation, and because it reflects a willingness to think about new directions in an open way.

Conclusion

The present government has brought about a crisis in the public sector, and in the traditional concepts that socialists have had about it. What we like to think of as liberated economic zones have had their frontiers pushed back, their conduct questioned, and their lack of popular support exposed. Right-wing politicians and theorists believe that this has permanently undermined a key pillar in socialist economic policy. They view their temporary success as permanent. In this they are over-optimistic. Many local councils—running their services in a more open and more transparently political way—have regained that broad basis of support for public industry which the Attlee government had in the immediate post-war years. A great majority of Londoners came to support GLC control and its policy for Transport and the Arts, and Sheffield and South Yorkshire have had similar successes. Many councils are now explicitly seeking to involve trade unions and community groups in the making of policy and the practice of their services. So a new approach, with its potential and its special difficulties, is already in existence and forms one of the foundations for further work.

The reclaiming of the social economy in a new form will not take place suddenly. A switch in emphasis from ownership to social relations implies as much, since changes in ownership begin rather than finish the process. The development of new skills, of management, strategic planning and open discussion, the establishment of new types of social accounting and a culture of social creativity—all these take time, and involve a great trail of errors and false starts. For this reason we should not wait for a blueprint. We should go forward with the new approaches in many different ways. This is how the model will emerge, like the innumerable pockets of capitalism in late feudalism, or the prefigurative economics of guerrilla movements, collectives, and at least some parts of the post-revolutionary states.