

PUBLIC SECTOR POSSIBILITIES

Robin Murray

There has been a sea-change in attitudes towards public ownership. On the Left it is now given a low priority. It is true the old Morrisonian model is now redundant. But pragmatism is no substitute. We need a new model.

'The choice before the nation is either a vain attempt to patch up the superstructure of a capitalist society in decay at its very foundations, or a rapid advance to a socialist reconstruction of the national life. There is no halfway house between a society based on private ownership of the means of production, with the profit of the few as the measure of success, and a society where public ownership of those means enables the resources of the nation to be deliberately planned for attaining the maximum of general well being.'

This passage was written in 1934 at the height of the last great period of unemployment in this country. It comes from the Labour party national executive's policy document *For Socialism and Peace* which was passed overwhelmingly by the annual conference that year. It summarises a clear alternative economic policy, with a massive extension of public ownership, central planning and an attack on profit.

Though there were disagreements in the party about how to plan, what was not at issue was a definition of capitalism in terms of private ownership and the rule of profit, and a definition of socialism in terms of public ownership and the rule of the plan. Nor was it doubted that it was the state, and more particularly the nation state, which was the key instrument in this transformation. In this there were strong parallels to the economics of the Third International: ownership, central planning, statism and the national economy. The Webbs and Stalin had more than a little in common.

The Attlee government carried through this model, with a self-confident programme of nationalisation. What was striking about the programme was how relatively uncontroversial it was, until it came to steel, road haulage and sugar. Of the measures that were taken, almost all had

been recommended by independent commissions set up by Tory governments.

Forty years on all this has changed. Freedom and fairness have replaced social ownership and planning as the touchstones of Labour policy. Thatcher's assault on social ownership through council house sales, privatisation and the encouragement of individual share ownership have put Labour on the defensive. While co-ops and municipal enterprise are supported, they are seen as marginal to the main business. Renationalisation is in danger of being pushed down in the list of priorities.

The lines are being redrawn in that shadowy zone between the private own-

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ership of one's socks and the public ownership of the electricity grid. In the 30s there was a clear commitment to extend the frontier of public ownership. Now the movement is, if anything, the other way. Where once there was a theoretical confidence, there is now uncertainty. As a result, ownership (of any kind) has been made of secondary importance in the definition of socialism. The emphasis has shifted to results: to full employment, more equality, and a variety of commodities. Public ownership has been uncoupled from these, and indeed, in the eyes of some, is seen as detrimental to them.

A deep shift

There are a number of factors which underlie this deep shift in intellectual climate:

- workers and users have too often experienced the state as oppressive, as a capitalist state, in its methods of management, as much as in some of its priorities.

- economic planning has been grossly inadequate within many public sectors (such as transport and energy), let alone between them. In addition the public corporate planning which does take place has been notably undemocratic.

- the increasing pace of innovation in contemporary capitalism has put a premium on creative organisation, at a time when public bureaucracies are still taking on board private managerial systems of the 1960s.

- profit has increasingly been seen as an instrument for innovation rather than a class revenue. Considerations of production have come to dominate ones of distribution.

- the market and the laws of capital accumulation – reflecting as they do this continuous process of innovation – have seemed to swamp the significance of ownership; co-operatives and public firms are hedged round by the same imperatives that bear on private firms; even whole socialist economies are drawn into the logic, with Poland and its very life blood pawned to international banks because of the country's dependence on Western technology.

- private capital – redirecting its attention to the new commanding heights of technology and marketing – has at times withdrawn from particular sectors, leaving them to the state. Certain primary producing multinationals, for example, have sold their property rights to Third World governments, and reasserted their control on the sector through technology and sales agreements. Machinery suppliers have often found state enterprises softer customers than private ones. In short, nationalisation has been functional for capital.

- the growth of multinationals and the international division of labour within them has meant that the nationalisation of, say, IBM's keyboard plant makes no sense, particularly if IBM have a back-up plant abroad.

In the face of these experiences it is simply not enough to reaffirm the consensus positions of the 1930s. But nor is it enough to acknowledge the vestiges of the Labour tradition with support for co-ops and municipal enterprise, while leaving the main terrain of the economy to private capital and the market.

Three reasons

There are three main reasons why social ownership is still important. The first is the same micro-economic reason which

underlay the nationalisations of the Attlee period. In a number of sectors with fragmented ownership, it makes economic sense to restructure the industry as a single unit. These are the so-called natural monopolies, in energy, telecommunications and transport. Not only do the original arguments still hold good today, there are new industries where similar considerations apply.

Take cable for example. A cable infrastructure is now being laid down in this country with different types of cable, controlled by rival private consortia. In France, on the other hand, a standardised cable is being laid down in all parts of the country by the public authority.

Secondly, there is a macro-economic argument. As things stand there is no sign whatsoever that, given present policies, unemployment will fall. Nor is there any evidence from Keynesian experiments elsewhere that reflating demand and lowering the exchange rate will, by themselves, solve the unemployment problem. The deindustrialisation which has taken place in Britain over the last decade, means that a boost in public spending will increase imports, unless a major programme of industrial investment and restructuring takes place at the same time. Whether we

are talking of the machine tool industry, or of furniture and clothing, this programme would have to be publicly planned, and built round a number of public enterprise and joint venture initiatives.

A strategy for full employment would also require the reorganisation and expansion of the existing public economy, not through marginal job-creation schemes which merely constitute a drain on the productive economy, but through invest-

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ment in areas which expand overall productive potential and which meet wider social needs.

Without planning, any such expansion would soon run into acute material difficulties. Already many areas are reporting shortages of skilled building labour. There has been a serious contraction in parts of the building materials supply sector. The cutback or closure of vehicle workshops has restricted capacity for an expansion of rail freight and the replacement of buses.

The stock of skilled engineering workers has been severely affected by the government's training policy. The public economy would have to organise the rebirth of these sectors and skills as it did in wartime. In each case the most detailed strategies are required, covering restructuring within the sectors, co-ordination between them, and an extension of selected public enterprise to secure the necessary inputs. The material demands are of that order.

This is the macro-economic case for an extension of the public economy. I have discussed it at length because I believe that a reflationary Labour government relying largely on Keynesianism will run into the same problems that have hit France, and Greece and Australia, unless the most urgent preparations are made for a programme of industrial and public service restructuring.

The social argument

The third argument for public ownership is a social one. Socialist economic policy is about much more than productive efficiency and full employment. It is about wages and conditions, about the fight against discrimination, about the humanising and democratisation of work, and about production for the needs of those who cannot

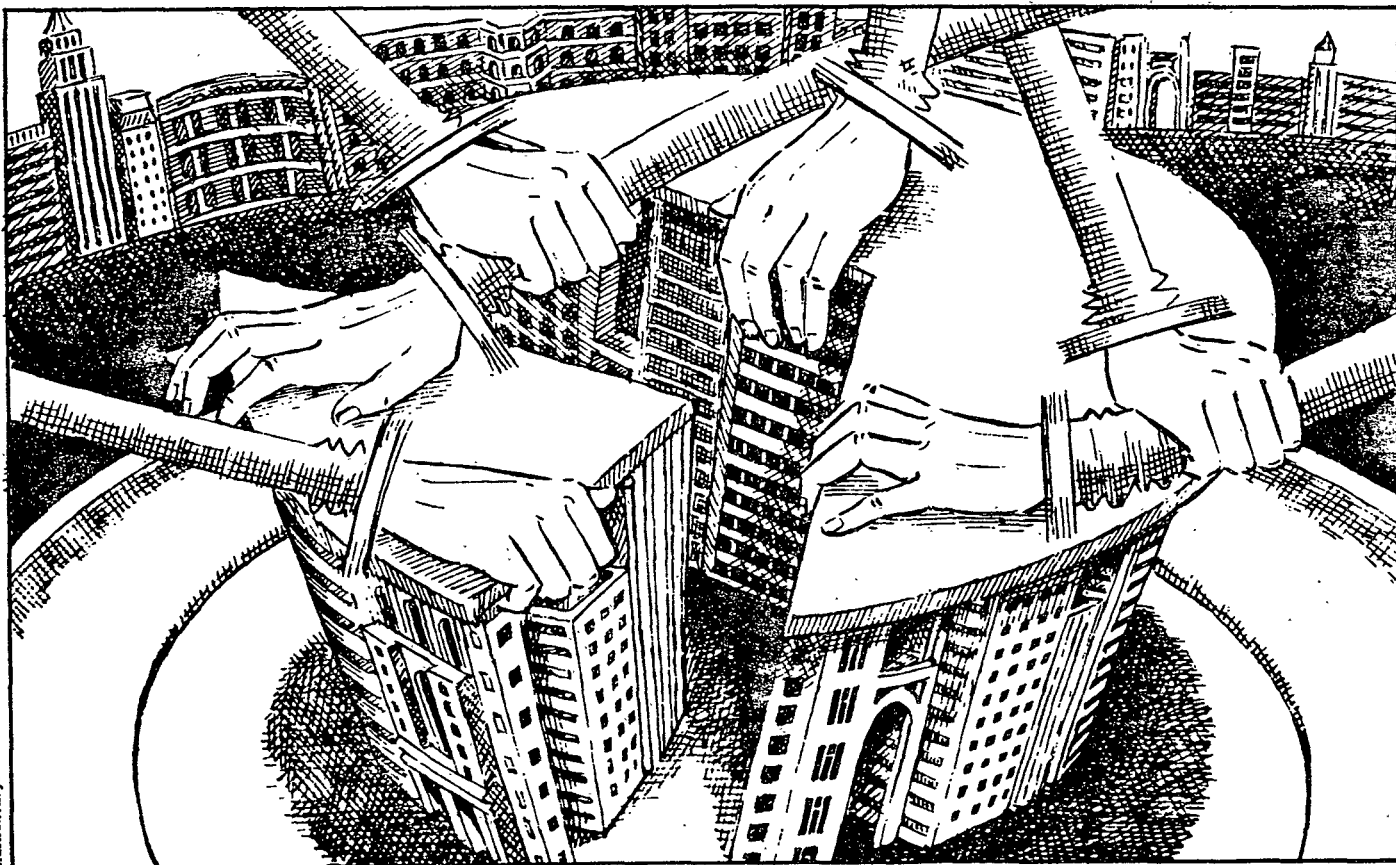


Illustration: Jo Lawrence

pay as well as those who can. It is also about extending the resources and knowledge of this country to help the increasingly devastated economies of the Third World. It is, in short, about distribution and the quality of jobs, and not merely their quantity.

All these aims are difficult enough to achieve in the public economy. In the private economy they are even harder. For one of the functions of the private market is to lower wages and conditions to the levels of worst practise, rather than raising the worst practise to the levels of the best.

The point has been shown starkly in the experience of privatisation. All the monitoring evidence on local authority privatisation has shown how the introduction of the market has led to a worsening of wages and conditions, increased intensity of work, and commonly a decline in the standard of services. Studies of public direct labour organisations in the construction industry compared with the lump labour of the private sector make a similar point, as does the privatisation of cleaning and catering in the health service, or of maintenance work in transport.

In the privatisation of whole services,

like British Telecom, or the buses, it is not just the squeeze on labour that is evident, but the reduction of so-called less economic services, like telephone boxes and country bus routes. In these cases the social balance sheet differs from the private one, and measures of regulation and subsidy to correct the market have been inadequate in their effect.

Conventional economists have not denied these consequences of the market. Monetarists, indeed, have used the market as their principal instrument to weaken labour. On the other hand, there is a strand in social-democratic economics which, while opposing the implications of the

workers and users have too often experienced the state as oppressive

market, argues that they can be controlled through labour laws, inspectorates, incentives and the trade union movement.

No socialist would question the importance of protective labour legislation. Its significance has been shown up by the

consequences of the Thatcher government's policy of dismantling it. Such protection should clearly be restored, and reinforced in other ways: by the use of public purchasing power for example. But attempting to change the social relations at the workplace, the quality of work, or discrimination in employment is like operating through a gauze. However extensive the inspectorate, the initiative always lies with the private firm and the pressures of the market.

The point came out clearly from the Greater London Enterprise Board's experience. GLEB funds were conditional on the firm giving access to trade unions, paying adequate wages and negotiating an enterprise plan with the workforce. These conditions had some effect, particularly in strengthening trade unions. But it proved very difficult to make enterprise planning effective in the private firms. It was only in the GLEB controlled firms that enterprise planning made more progress, and even in those it needed time and resources, and was always faced with the counter pressures of the market. What we can conclude from GLEB's first three years, is that social control, whether through co-ops or

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municipal enterprise, is a necessary but not sufficient condition for achieving the social goals of alternative production.

A new model of social ownership

For these three reasons – micro-economic, macro-economic and social – there is a need to retain and extend the public sector.

the new public economy must be non-metropolitan

The experience of the postwar state should not lead the labour movement to abandon the commitment to social ownership, nor to believe that socialist ends can be achieved by indirect influences on private capital. Instead what is needed is a new approach, one that aims to avoid the pitfalls of the Morrisonian model.

Firstly, we need to foster a pluralist public sector. This goes against the basic tenets of public administration, which favour unitary government: a place for everything and everything in its place. Each layer of government, each department should stick to its job. Duplication must be avoided. For example, present Labour plans for economic agencies include a National Investment Bank and a British Enterprise Board.

But the scale of the restructuring required suggests that instead of a single enterprise board there should be many: sectoral enterprise boards with the ability to expand, and compete with other enterprise boards, along a commercial seam; regionally based enterprise boards, with the power to expand nationally and internationally when this makes commercial sense. In this as in many other fields the public sector needs to create many points of social and productive creativity. It should be ready to accept competition *within* the public sector as a limit to the effects of public monopoly, and judged against social as well as commercial criteria.

Secondly, there should be an expansion of the 'grant economy' to encourage social and organisational initiatives in the economic sphere. The GLC greatly increased the use of grants to voluntary organisations to carry out functions which might otherwise have been carried out by an expansion of the GLC itself. In doing so it financed innumerable points of initiative, each with their management committees and constituencies, drawing many more people into

public provision than would otherwise have been the case.

The grant programmes for women's groups, black groups, welfare rights, trade union support groups and such like are well known. But grants were also given to innovative groups in sectors dominated by byzantine public sector organisations. In the case of BT the support went to trade unionists working on alternative plans for a renationalised BT. In that of the NHS, the aim was to support groups, inside and outside the NHS, who were offering services with an alternative or preventative focus. In the field of broadcasting, where the BBC has been particularly resistant to new waves of popular culture, investments were made to strengthen alternative distribution systems for records, video, black publishing, and so on.

On this model there should be national and local funds for initiatives to democratise the public, voluntary and co-operative economies: funds for enterprise planning, for work against discrimination, for strategic planning by users and workers, for new systems of working time and retraining, for the development and application of human-centred technology, and for new initiatives in service provision inside and outside existing public organisations.

A new type of manager

Thirdly, the Morrisonian model must be further cracked open by increasing democratic accountability at all levels, and all that goes with such accountability – information, argument, awkwardness, lobbying. Democracy in this context is not just liberally good, but is a form of productive discipline, a point ignored by those successive independent commissions which recommend greater centralisation and insulation from direct democracy on grounds of technical economies of scale.

In cities like London, as in smaller towns like Brighton, public sector employment is nearly a third of total employment, but much of it is outside the orbit of influence or information of elected councillors, citizens, or even in some cases the industry's own trade unionists. Local and regional councils, as well as parliament, should be given much greater control over the public utilities, over the water boards, over the health service, over airport and seaport authorities and so on. Unions, too, and user organisations, should have much greater access to information, resources to analyse it, seats on boards and where

appropriate stakes in control to argue their case.

Fourthly, at the same time as diversifying power, innovation and operational control, the public economy needs to be more integrated. Public corporations take decisions on location and employment which go directly against regional or inner city policies. Many departments, for example those of transport and energy, pursue policies directly contrary to the interest of the Department of Health. Or take public purchasing. The state is a massive purchaser. But there is little if any co-ordination between those who purchase for the NHS, the CEBG, local councils, or the army. There is no central information on how much the public sector purchases from GEC, or IBM, or STC, or General Motors. The state therefore loses a key instrument of bargaining power with these firms. It is also unable to encourage greater self-sufficiency within the state sector itself.

Fifthly, a new public sector needs a new type of manager, with the capacity of running a creative enterprise, and the imagination to develop alternative social relations within the workplace. A Labour government should immediately fund 20 centres of public management, in response to bids by existing institutions – whether Ruskin, Northern College, or the London Business School. They should be sited in the target areas for public intervention, the new towns, Clydeside, Middlesbrough, Newbury, and linked into the honeycomb of enterprise boards and publicly supported firms.

Sixthly, restrictions should be removed from public services competing in the

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market. Why should the Manchester school meals service not open a chain of fast food outlets, based on wholesome food and proper wages? Why should Sheffield's direct labour organisation not tender for major private sector construction projects in Birmingham? Why should it not take over an ailing brick firm, turn it round and operate it commercially on the public and private market? Why should public libraries not enter the new private data markets like Reuters and the Financial Times? In

each case, where they promote progressive employment practises, they should not have to earn commercial rates of return over and above interest on borrowed capital, since the finance they use is not capital demanding self-expansion. It is a social fund geared to meeting needs.

A non-metropolitan public economy

Seventhly, there is a need to increase public control and information over the large private firms. The long-standing proposal to take public shares in companies receiving public grants and loans is one means. Another would be to fund public pensions from the exchequer and take over the stakes in private companies currently held by the public pension funds. In many companies this would give a 20-30% public shareholding, which could be used to link these companies into strategic restructuring and industrial democracy programmes.

Eighthly, a strategy of public control is required with respect to multinationals. The degree to which they have forced down rates of corporate taxation (net of subsidy) through playing off one country against another, is still underrated. So is the extent of their transfer pricing and transfer accounting, their power to shift production and investment in the face of a strong labour movement, their leaching of independent production capacity therefore limiting the scope for social control capable of being exercised by a national union and a nation state. Some governments have responded by developing their own alternative public multinationals (Zambia, for example). In other cases, where the scope for independent local production is limited, the national state and the trade unions should combine

socialism . . . has to match capital's capacity to innovate, decentralise and restructure

around an alternative investment and employment plan for the multinational.

Ninthly, the technology and know-how of the public economy needs to be made available to meet the needs of the public economies of the Third World. This applies not just to the resources of universities and polytechnics, but to the research and development departments of public corporations, of government research

establishments, of local government technical departments and so on. In these institutions there is an enormous resource, both of existing know-how and of technological *capacity*, which at the moment is grossly under-utilised. The experience of the local authority 'technology networks' and the alternative international organisation 'Twin trading' have shown how large is the potential for new forms of technology transfer, from wind power and pedal-powered generators, to pineapple canning factories and international marketing support. What is needed is a further opening up of public technological resources and working capital funds to finance prototypes and initial machinery purchase.

Lastly, the new public economy must be non-metropolitan. In Britain power has always been concentrated in London. The opening up of the state, its democratisation and diversification also means shifting power from London. Regional and local enterprise boards will be one part of this. So will greater local control of public utilities and services, and the local contribution to their national strategies.

But should not the National Investment Bank be located in Merseyside, together with some of the sectoral enterprise boards? Should not the main planning and sectoral staff of the DTI and NEDO move up to further strengthen the complex? Until now government decentralisation has been largely of routine work, DHSS to Newcastle, motor licensing to Swansea. What needs to happen is to shift to the North, to Wales and Scotland new poles of political, economic and cultural power.

A shift in style and substance

The above ten-point plan indicates an approach to the new public economy. They should be added to, and can be put in other ways. But an approach of this sort is, I think, necessary if we are to win back the public sector and all that it stands for. There is a confidence among the Tories, most recently exhibited by David Howell, that Thatcherism has shifted back the frontiers of the state in an irreversible way. Our reply must be in terms of a new model.

Renationalisation must break with Morrisonian forms. The internal administrative and cultural revolutions which have taken place in so many local councils need to be consolidated and extended in other spheres. And in the industrial field, public sector companies, co-operatives, and funding institutions must be given the means and scope to compete with the

private sector. We must break through the limit which restricts the operation of local government initiatives to the administrative area in which they are based (whether locality or country). The Bank of Scotland is now an international bank. If necessary, a Scottish Enterprise Board should spread likewise.

Capitalism is a form of decentralised economic power, innovation, and ruthless restructuring. It was these characteristics which allowed it to grow within the womb of feudalism, even while state power still resided in feudal hands. If socialism is to

a quite new form of state is required, one of diversity and openness

grow as insistently within the womb of capitalism, it has to match capital's capacity to innovate, decentralise and restructure, but direct that to the social ends and to the new social relations private capital quite patently cannot do. The stakes around public ownership are of that order.

Trotsky used to advise Soviet planners to measure their advance by comparing Soviet production against the catalogues of international capitalist prices. We should use wider criteria, but maintain the comparisons: of the Co-op against Sainsbury's, of British Leyland against General Motors, of a sausage and chip school meals service against Sutcliffe's.

There is a competition between social enterprise and private capital, one which a progressive government, local or national, can influence but cannot abolish. In this country public enterprise has been pushed back. But the case for its extension remains if anything even stronger than it was in the 1930s. That case has to be demonstrated, in practice as much as in argument. For that a quite new form of state and social enterprise is required, one of diversity and openness, encouraging risk-taking and creativity rather than the avoidance of mistakes.

Labour councils have been experimenting with these new forms, in providing services and in industrial intervention. What is needed is for the Labour party nationally to take up this cause, to reassert our social goals against the market, and show, by a major shift in both style and substance, that it is possible to win back popular support for a radical reforming state. □