

# Review essay

## Who's afraid of public ownership?

### *Reclaiming Public Ownership: Making Space for Economic Democracy*

Andrew Cumbers

ZED BOOKS, 2012

Reviewed by Joe Guinan

#### **Return of the repressed**

Of all the shibboleths of neo-liberalism, the most insistent – and insisted upon – has been the superiority of the private over the public. Never is this more the case than when it comes to the ownership of capital. The wave of nationalisation following the Second World War created citadels of public ownership outside the Soviet bloc that represented a standing affront to the New Right then emerging from the shadows into the era of mass politics. The road to serfdom was proclaimed, the great and the good assembled in Mont Pèlerin, and the sappers got to work as soon as they were able. Their opening came with the breakdown of the Keynesian equilibrium and onset of structural crisis in the 1970s. First imposed in Chile under the jackboot of the Pinochet dictatorship, then exported to Britain under Margaret Thatcher and out across the developing world via the IMF and World Bank, an aggressive programme of privatisation sought to reverse the post-war gains for public ownership in their entirety.

Latin America was the laboratory (Sader, 2011; Grandin, 2010). In Chile, not only companies nationalised under Allende but also longer-standing public concerns – banks, mines, real estate and agro-industrial plants – were sold off at bargain prices, often to the handful of families that made up the Chilean elite, sometimes even with government financing or through arrangements in which stocks and the company itself were used as collateral. In Britain, all memory of capitalist mismanagement of factories and mines in the inter-war years was erased as the commanding heights of the economy – electricity, gas, civil aviation, telecoms and railways – were returned to private ownership. Decades of under-investment were offset by ‘sweeteners’, with a torrent of taxpayer funds flowing into public sector firms right before they were delivered up for auction. Having presided over the transfer of state assets, many chairmen – and they *were* men – of public firms were nimble enough to skip across into highly remunerated positions with the newly private companies. All told, the UK racked up 40 per cent of the total assets privatised across the OECD between 1980 and 1996 (HM Treasury, 2002, 4).

It was a rip-off of giant proportions, but the public outcry was muffled at best, perhaps because people were lulled by the promise that a golden dawn of property-owning democ-

racy was upon them. Henceforth everyone would own their own house and the house next door, while the privatised industries, freed from bureaucratic state management, would become models of capitalist efficiency in the smooth delivery of goods and services under conditions of open market competition. This at least was the litany from the chorus of conservative think tanks set up to proclaim the gospel of privatisation.

Such thinking reached its apogee with the licensed plunder of post-socialism. The fall of Soviet communism brought about a veritable bonanza of 'primitive accumulation' as state assets were distributed among a gangster-capitalist *nomenklatura* and new billionaires were minted virtually overnight. For the global South, privatisation was the keystone of structural adjustment programmes that battered social provision and suppressed growth rates, leading in many parts to a 'lost decade'. When the *fin-de-siècle* victories of the centre-left ushered in 'Third Way' governments across Western Europe they simply acceded to the existing dispensation, either doubling down (as in Italy, France and Spain) or continuing the sell-off by other means, bringing in private capital by the back door.

Today, the evidentiary props supporting this neo-liberal construction have long since collapsed or been eroded, but the edifice remains, free-floating in the air, held up by nothing more than a residual system of ideological belief. The actual performance record of the privatised industries ranges from underwhelming to calamitous to downright larcenous. Despite this, public ownership remains the form that dare not speak its name, and its reappearance in the bailouts and government rescues of the financial crisis has constituted a return of the repressed. Public interventions (which at the height of the crisis surpassed £1 trillion in the UK alone) are barely acknowledged as such and have been conducted on the basis of an automatic assumption that the companies and financial institutions involved will all be returned to private hands as soon as they have been stabilised at taxpayer expense. 'History teaches', said Gramsci, 'but it has no pupils' (Williams, 1975, 291).

Well, not many; but it does have some. Andrew Cumbers, Professor of Geographical Political Economy at the University of Glasgow, is one such pupil, and he has been assiduously constructing some earthworks of his own to sap the fortress of neo-liberal ideology regarding public ownership. *Reclaiming Public Ownership: Making Space for Economic Democracy* (2012) is the most important book on the subject in many years, and the first to engage with the new wave of innovations that may herald a rebirth of public enterprise for the twenty-first century. It cannot come too soon. In a world gone mad, locked into a downward spiral of debt, austerity and climate destruction, public ownership is 'the vital missing ingredient' (Blackburn, 2013) in the broad menu of public policy options for promoting a new economy.

### The family silver

*Reclaiming Public Ownership* is not a history of public ownership but rather an argument for an alternative future model, including – ambitiously – a sketch, sector by sector, of what an economy organised around pluralist forms of public ownership might actually look like. However, given that 'three decades of market imperialism' (p. 3) have sold the idea that public ownership is by definition inefficient, Cumbers recognises the need to set the record straight. Although he is uninterested in offering a standard left defence of public ownership, he concedes little ground to criticisms from the right of the 'perceived, rather than actual, failings' of public enterprise in practice (p. 36). An early section on markets and planning takes Hayek seriously enough to offer a careful refutation – perhaps too seriously, given that recent scholarship has shown how Hayek 'created' what was to become the standard account of the socialist calculation debate from scattered works by Mises, Lange and others by taking them 'out of their historical context and the historical

debates from which they emerged' (Bockman, 2011, 28). Assembling evidence from the 'vast and diverse legacy of state ownership that held sway over much of the world between 1945 and 1980' (p. 35), Cumbers touches on successes in Korea, Singapore and Taiwan as well as providing an uncommonly judicious assessment of state socialist experience. But the UK is, understandably, at the centre of his story.

While the nationalisations of the post-war Labour government represented the 'most radical and left-wing programme of economic reform' in British history – bringing the Bank of England, coal, steel, civil aviation and the major utilities into public hands – responsibility for delivering this nationalisation programme fell to Herbert Morrison, who favoured the model of large, top-down, centralised public corporations at arm's length from democratic control. This dismal managerialism was a far cry from visions of worker self-management, but attempts to push in another direction, by radicals hostile to the wholesale adoption of reformist statism, were squarely rebuffed. 'In being dragged back to the processes of the old system, yet at the same time offered as witnesses of the new', the nationalised industries, in Raymond Williams' bleak verdict, 'so deeply damaged any alternative principle in the economy as to have emptied British socialism of any effective meaning' (1965, 330). Although it reorganised large chunks of British industry and by 1951 had assembled a public sector workforce of 4 million (18 per cent of the total), 'nationalisation as centralisation' (p. 21) had the malign effect of supplanting older and more varied traditions of municipal and co-operative ownership; perhaps more significantly, it also compromised future economic performance.

To begin with, nationalisation took the form of 'lemon socialism', extending for the most part to industries that were not particularly profitable and for which their owners were richly compensated. To make matters worse, the policy of unrealistically low pricing of outputs meant that the nationalised industries provided 'large and continuous subsidies to the private sector while being severely constrained in their own operations'; stuck with being judged on capitalist criteria, they were not given the tools – 'borrowing powers or the ability to undertake long-term strategic planning' (p. 20) – that would actually have allowed them to compete.

And yet, and yet, as Cumbers points out, despite all the problems of under-investment and subordination to the needs of private industry, the British public sector still largely outperformed comparable private sector companies. For example, 'total factor productivity ... in the nationalised industries of gas, electricity and water increased by 3.1 per cent between 1950 and 1985, a figure that was higher than both their US privately owned counterparts (2.6 per cent) and UK manufacturing as a whole (1.8 per cent) over the same period' (p. 94). For many years the nationalised industries were in effect used as 'sinks' that disguised the poor performance of the British economy overall while reinforcing existing industrial power relations. No matter; they were widely perceived to be inefficient, bureaucratic and under-performing and by the time of the Thatcher assault were sitting ducks for privatisation.

Regarding the sell-off of what even Harold Macmillan had come to regard as 'the family silver', Cumbers is unsparing. From the initial deliberate under-valuation of shares to the reaping of one-off efficiency gains to the 'monopoly exploitation' strategies of the privatised utilities, he builds the case that privatisation amounted to 'a massive transfer of resources and appropriation of wealth from the public realm to financial and corporate interests' (p. 55). The UK's disproportionate involvement in championing privatisation worldwide was of a piece with 'the absence of a coherent industrial strategy and the prioritisation of financial interests over productive concerns in the evolution of the national economy' (p. 50).

Powerful strategic political and economic considerations were at play. Privatisation not only allowed for attacks on the trade unions and a restoration of capital's 'right to manage'

(p. 49) but was also – together with ‘big bang’ deregulation – instrumental in the build-out of London-based capital markets. The £3.9 billion roll-out of shares in BT in 1984, for example, was *six times* larger than any previous stock offering (HM Treasury, 2002, 15). In this way the serial privatisations of the eighties and nineties helped secure the ascendancy of finance capital and the City.

The overall results of privatisation were predictable. The social and economic costs from job losses were huge. Most individual investors sold their shares within a relatively short period, reaping quick capital gains from undervaluation but giving the lie to extravagant promises of a shareholder democracy. Services deteriorated due to lack of capital investment, and monopoly behaviour set in. Between 1991 and 1998, the ten privatised water companies made 147 per cent profits while prices rose between 36 and 42 per cent, and declining infrastructure investment exposed customers to increasing service breakdowns. Even the *Daily Mail* fulminated against ‘The Great Water Robbery’ (p. 52).

Cumbers reminds us just how unpopular privatisation was, failing to command majority support in the polls even at the height of its popularity in the 1980s. A tacit acknowledgment by the political class of the touchiness of the subject can be found in the fact that ‘water privatisation has never been proposed in the more politically sensitive regions of Scotland and Northern Ireland’ (p. 60). In marked contrast to received political wisdom, when actually consulted by pollsters about the merits of public ownership the public has ‘stubbornly and consistently posted large majorities in favour of the idea’ (p. 95). Surveys have even found a sizeable minority (40 per cent) in support of the re-nationalisation of telecoms, a supposed privatisation ‘success story’ (p. 96). The recent emergence of the ‘We Own It’ campaign is finally bringing all of this to light.

Political elites, however, are a different matter. Even after the ‘massive and unprecedented nationalisation of the financial sector around the world’ (p. 96) to prevent the collapse of the entire global economy – dubbed ‘socialism for the rich and capitalism for the poor’ because the public has absorbed crippling levels of bad debt so that private capital can restructure and return to profitability – frontbench politicians have shown little appetite for departures from cross-party economic orthodoxy. In May 2013, Ed Miliband paid the requisite obeisance to the gods of private accumulation in a pandering speech to Google’s Big Tent in which he rejected public ownership out of hand, declaring that ‘nationalising the major industries is not the route to a fair society’ (Miliband, 2013). Given that even the original founders of the Chicago School recognised that, under monopoly conditions or where power dynamics risk regulatory capture, the answer is public ownership (Alperovitz, 2013, 78), where exactly does this leave the Labour Party leadership? As bottom feeders in the polluted backwater of a debased and ideological economics.

## Public ownership and economic democracy

As was the case with the last crisis, privatisation has emerged as central to the economics of austerity. It was touch and go for a moment there – ‘This sucker could go down’, in George W. Bush’s inimitable phrasing (Alperovitz, 2013, 75) – but a re-emboldened vampire capitalism is today seeking re-capitalisation through the extraction of every last drop of value from the public domain. In Greece, this has meant a fire sale of public assets. In the UK, Northern Rock has been split into a ‘good bank’ and a ‘bad bank’ and the former sold to Richard Branson for a song while the toxic mortgages remain on the public balance sheet. The East Coast mainline is up for re-privatisation, too, despite the fact that private operators have twice walked away from the franchise and that since returning to public hands it has operated with fewer subsidies than privately run rail lines while reinvesting all its profits. Royal Mail, in public ownership for nearly five hundred years, has just been sold off against the wishes of 96 per cent of postal workers – an act

of vandalism that not even Thatcher contemplated, claiming she was 'not prepared to have the Queen's head privatised' (Clancy, 2013).

When ideology trumps common sense, absurdities abound. In the name of free enterprise part of Britain's electricity industry is in the hands of the French state, in the form of the public company *Electricité de France* (EDF). A laughing Greg Thomson of UNISON is quoted in the *London Review of Books* to the effect that his union has delivered on its pledge to return London Electricity to public ownership: 'Obviously to the wrong nation, but you can't be too picky' (Meek, 2012). Among the other owners of the power companies are Asian governments and the Canadian teachers' pension fund. Even in paradox, however, Cumbers finds a serious point – about the role of foreign state ownership in privatisation:

It is not just a tale of the misdemeanours of private ownership. We also need to question the way that publicly owned and nationalised entities are operating, as well as to critique the use of state resources to subsidise (both explicitly and implicitly) and, in times of crisis, bail out private capital. To begin to democratise the economy we need to give as much consideration to reclaiming public ownership and arguing for new forms as the equally important task of continuing to contest privatisation processes. (p. 61)

Which brings us to the central contribution of the book in laying out the need for a radical new approach to public ownership.

A different author might have spent more time hymning the praises of public ownership around the world. After all, nationalisation in countries as diverse as France, Norway and the Asian Tigers led to 'sustained economic growth, improved living standards for the vast majority of the population, and massive improvements in productivity and economic efficiency', delivering 'cheap and affordable energy and decent water supplies and medical services to the mass of people for the first time in history' (p. 35). Even in the Soviet Union, performance in some sectors was 'equal to or better than comparative experiences in privately owned sectors of the capitalist West' (p. 36).

The political geography of privatisation, which has placed a strong focus on the British model and on state socialism, has given public enterprise an undeservedly bad name, even when judged from the narrow standpoint of capitalist efficiency. Not only is there the 'everyday socialism' of successful state and local enterprises around the world, but public ownership of significant or controlling shares in many leading companies – including those responsible for most of the world's oil production and such well-known corporations as EADS and Singapore Airlines – is commonplace (Alperovitz, 2013, 95). Cumbers, however, has a different agenda, one aimed at critiquing older, centralised forms of public ownership that have largely been used 'to stabilise capitalism rather than pursue more radical agendas' in order to envisage new and more participatory forms. Economic democracy, he argues, is 'central to left alternative projects today' (p. 5).

What at first appears to be a slipperiness with categories is in fact at the heart of his argument. Early on, Cumbers professes his intention to 'use the term "public ownership" in its broadest sense as encapsulating all those attempts, both outside and through the state, to create forms of collective ownership in opposition to, or perhaps more accurately to reclaim economic space from, capitalist social relations' (p. 7). In this view, worker ownership, consumer co-operatives, municipal enterprise, and a host of kindred institutional forms all represent ways in which capital can be held in common by small and large publics. It is a radically 'decentred' and pluralistic approach to public ownership, but one that is already finding practical application in attempts by governments, municipal authorities and social movements 'to reclaim their economies from multinational corporations and private profit to construct alternatives based around more collective ethics and values' (p. 4).

Cumbers offers in-depth case studies of state ownership of oil in Norway and community wind power in Denmark. But more interesting in some ways is the return of public ownership in Latin America. Taking advantage of the fact that for much of the past decade the US imperial gaze has largely been directed elsewhere, Latin America has become the epicentre for a growing number of experiments with collective ownership. After decades of the kind of austerity measures now being implemented in Europe, the first continent to experience neo-liberalism has produced a 'pink tide' that is driving the emergence of an 'alternative left discourse that, more than anywhere else in the current conjuncture, is articulating different forms of economic development around solidarity and a collective consciousness in opposition to the dominant paradigm' (p. 109). With emboldened social movements at their backs, the governments of Evo Morales in Bolivia and the late Hugo Chávez in Venezuela have brought about the return of public ownership in the name of 'twenty-first century socialism'. In the water sector, for example, re-municipalisation – an ugly word for a beautiful thing – has led to 'public-public partnerships' between local authorities and worker co-operatives as well as 'innovative attempts to construct more democratic and participatory forms of organisation involving trade unions and civil society groups' (p. 113).

Tensions remain, of course, between statist approaches and more decentralised forms of anti-capitalism, including those drawing upon indigenous communal traditions. The book contains some useful discussion of the horizontalist politics of the alter-globalisation and 'commons' movements, and it is difficult to disagree with Cumbers in his conclusion that, for all the appeal of their critiques of hierarchy and centralisation, their failure to engage with the state as a site of struggle 'leaves the most important questions about left political strategies in forging alternatives unanswered' (p. 141). His sketch of the various forms of public ownership (and accompanying institutional and regulatory arrangements) and their application to different sectors of the economy is an attempt to get beyond such binary thinking. The suggestion that the obvious places to start are finance and land – *rentier* provinces of the economy *par excellence*, and the site of crises that have caused so much social havoc – is a particularly arresting one.

## Back to the future

'We are no longer sure', wrote the late Giovanni Arrighi in his monumental survey of the long twentieth century, 'that the crisis of the 1970s was ever really resolved' (1994, 1). Two decades on, this observation seems truer than ever. With another economic crisis larger even than that of the seventies upon us, the European left is stranded without an economic programme, unwilling or unable to break through the permafrost of neo-liberalism.

The past three decades have seen what is in all likelihood the greatest upward redistribution of wealth in human history. In a world in which the top 1 per cent own almost 40 per cent of all private wealth, there has been surprisingly little attempt by the left to develop a contrary agenda. What's left of the 'official' left – the demoralised and compromised rump of once great social democratic movements – is still splashing away far downstream from where the real action is, seeking a way forward among the muddy puddles of 'tax-and-spend' transfer policies and modest redistribution left behind by the high tide of Keynesianism and the welfare state. In the new climate of rampant inequality and social revanchism, even committed left politicians are often reduced to promising a kinder, gentler management of their constituents' downward mobility on the basis of an ethic of comparative scarcity. It is in this context that Cumbers challenges us to look beyond narrow centre-left and social democratic concerns with redistributive justice to a more radical agenda of 'appropriative justice' and economic democracy (p. 71).

These are not matters of merely academic concern. Were Syriza to take office in

Greece it would quickly become apparent that the crisis has had a polarising effect on the solutions that are available. Middle of the road – to quote Ray McAnally as Prime Minister Harry Perkins in *A Very British Coup*, channelling Nye Bevan – means getting knocked down by traffic in both directions. Once again, there may be parallels with Latin American experience: Cumbers notes that Chávez's Bolivarian Revolution started life as a reformist social democratic project before encountering opposition from business interests and being rescued by radicalised social movements (p. 115). An incoming Syriza government would have to attempt a truly radical left-wing programme, the first in Europe since Mitterrand in 1981-3. The stakes could hardly be much higher. Sustaining popular social and political mobilisation will be essential. This means allowing people genuine participation in the economic decisions that affect their lives.

In this regard, a significant merit of Cumbers' book is the sense he provides of the need to take up the threads of a history that has largely been forgotten. Like Carlyle's Cromwell, this history needs to be dragged out from under a pile of dead dogs. At a time when many appear to believe they have to develop economic alternatives from scratch, it is useful to be reminded of the set of left critiques of the post-war order and arguments for more democratic forms of public ownership that were developed in the sixties and seventies and that should be excavated and mined for their radical insights and prescriptions. The re-publication by *Soundings of the New Left's May Day Manifesto* and the recent attention given to 'roads not taken' in *Renewal* are welcome contributions along these lines (e.g. Wickham-Jones, 2013; Rustin, 2013).

With the Meidner Plan in Sweden (Meidner, 1978) or the Alternative Economic Strategy in Britain (Conference of Socialist Economists, 1980), the left's proposed exit from the crisis of the 1970s was one that would have 'allow[ed] workers to take greater ownership and control of the economy' (p. 42), a response in part to demands originating from the shop floor. The Meidner Plan in particular, which required that corporations return a significant percentage of their profits to workers as equity, would ultimately have 'amounted to the abolition of private ownership and control by the capitalists themselves' (Sassoon, 1996, 708). Interestingly, Cumbers points out, demands for greater industrial democracy and workers' control, generalised across Europe and North America at the time, were particularly strong in the nationalised industries, where disappointment ran deep that 'one set of elite managers under the original 1940s nationalisation had been replaced by another' (p. 43). Economic democracy looms large in this forgotten history, but it can take many forms. While growing current interest in co-operatives and mutualism points the way to partial solutions, the public option – reconceived and restructured along the lines Cumbers suggests – must not be off the table.

There are many unanswered questions, of course – not least about how the various institutions of economic democracy will fare floating in the sea of the global capitalist marketplace. What evidence we have points to the old adage – well known to earlier generations of socialists – that unless you subjugate the market, the market will subjugate you. Then the question becomes whether such institutions, if they are to produce the outcomes we are looking for, must in fact be embedded in some form of partial (and participatory) economic planning system. Planning is an even dirtier word than nationalisation, even though it is widespread in the internal decision-making of large private corporations, some of which are bigger economic entities than most countries. But this is a huge subject, and one best left for another day. In the meantime, this important book should serve as yet another notice that, after Keynesianism, after neo-liberalism, serious thinking regarding the next economic paradigm is converging on the overriding principle of economic democracy. It remains simply to determine what form it should take. That and the fact that nobody seems to have told our masters yet.

**Joe Guinan** is a Senior Fellow at the Democracy Collaborative at the University of Maryland and Co-Director of the Next System Project.

*I am grateful to Martin O'Neill for his helpful comments on an earlier draft.*

## References

- Alperovitz, G. (2013) *What Then Must We Do? Straight Talk About the Next American Revolution*, White River Junction, Chelsea Green.
- Arrighi, G. (1994) *The Long Twentieth Century: Money, Power and the Origins of Our Times*, London, Verso.
- Blackburn, R. (2013) 'Finance for anarchists', *New Left Review* 79: 141-50.
- Bockman, J. (2011) *Markets in the Name of Socialism: The Left-Wing Origins of Neo-Liberalism*, Stanford, Stanford University Press.
- Clancy, R. (2013) 'Royal Mail staff vote overwhelming against privatisation', *Daily Telegraph* 19.6.2013.
- Conference of Socialist Economists London Working Group (1980) *The Alternative Economic Strategy: A Labour Movement Response to the Economic Crisis*, London, CSE Books.
- Grandin, G. (2010) *Empire's Workshop: Latin America, the United States, and the Rise of the New Imperialism*, New York, Henry Holt.
- HM Treasury (2002) *Implementing Privatisation: The UK Experience*, London, HM Treasury.
- Meek, J. (2012) 'How we happened to sell off our electricity', *London Review of Books* 34 (17): 3-12.
- Meidner, R. (1978) *Employee Investment Funds: An Approach to Collective Capital Formation*, London, George Allen & Unwin.
- Miliband, E. (2013) 'What responsible capitalism is all about', *Guardian* 22.5.2013.
- Rustin, M. (2013) 'Lessons of the May Day Manifesto', *Renewal* 21 (1): 33-8.
- Sader, E. (2011) *The New Mole: Paths of the Latin American Left*, London, Verso.
- Sassoon, D. (1996) *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, New York, New Press.
- Wickham-Jones, M. (2013) 'The New Left's economic model: the challenge to Labour Party orthodoxy', *Renewal* 21 (1): 24-32.
- Williams, G. (1975) *Proletarian Order: Antonio Gramsci, Factory Councils and the Origins of Communism in Italy 1911-1921*, London, Pluto Press.
- Williams, R. (1965) *The Long Revolution*, Harmondsworth, Pelican.