

Policy Paper

Public services:

the good, the bad, and the future

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Policy Series

In the public interest: *the role of the modern state*

All societies across the world have some kind of state - the question is not whether the state should play a role in society, but what sort of role that should be. Neoliberalism, the dominant political orthodoxy since the 1980s, views the state as primarily the defender of national sovereignty, protector of private property, and maintainer of social order. Under neoliberalism there is no role for the state in promoting sustainability, social justice or technological progress. Initially the financial crisis of 2008 seemed also to be a crisis of neoliberal thinking, but the implications of neoliberal failure upon the role of the state were never seriously debated.

Too often, the left has succumbed to the 'small state' arguments of neoliberalism without considering rationally the appropriate role and place of the state in a 21st century economy and society confronted with major problems. Five years after the financial crisis, and with an ecological crisis looming, it is time to ask how a modern state can play a major role in securing social and ecological justice in the UK. This paper was commissioned as part of a series that will seek to address these issues and creatively explore the role of the modern state. Contributions will address options for new decentralised and local models; new forms of ownership and governance; as well as high-level interventions on how to increase investment and end out-sourcing and profiteering in our public services.



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Executive summary

All countries have a state sector whatever the political nature of their governments and their economic and social systems. Enduring questions remain as to the limit of the state, and for what purposes it should be used. Answers have varied across times and regions with fierce debates over policy programmes for more privatisation or greater public ownership.

The role of the public sector is intensely political, and so it should be. Major strategic decisions must be dealt with politically by the government. This includes the allocation of resources, how priorities are determined, what reforms are sanctioned and who bears ultimate responsibility when things go wrong. All main UK parties have sought to diffuse popular criticisms of public services as being too bureaucratic and unaccountable, with recommendations about localism and devolving power. It is important, therefore, to be cautious about over-robust localism as it can mitigate against the key benefit of having a public sector, namely integrated national planning. Excessive localism can also lead to fragmentation of the supply-side, fragmentation of national staff standards, and place even more decision-making powers in the hands of increasingly unaccountable senior managers.

This paper argues that while there is a definite need to engage public service users and staff in the provision of services, accountable politicians have to be the guardians of those services as they are the only ones with the power and authority to control the senior managers who run them. Local councils should have enhanced, rather than diminished roles, but MPs and ministers are the final decision-makers and should neither hide behind fake protocols nor wash their hands and run for cover.

The argument that private sector profit-seeking senior managers will make the most efficient and effective resource allocations and service delivery decisions is no longer plausible. Failures of the market-centred approach have been sustained and consistently repeated, contributing greatly to the vast societal inequalities we are experiencing today. There have been remarkable success stories throughout the history of the public sector, but bad cases have driven out good practice from the political, not the public, imagination. This paper calls for a larger and better state sector. Rather than a nostalgic fantasy, the proposals laid out here are rooted in

rational economic planning decisions that would bring with them both greater efficiency of production and greater justice in provision.

This paper argues that state ownership remains a necessary condition but notes that public ownership alone will not be sufficient to achieve efficiency and justice. For that to happen more has to be done. This paper recommends:

1. Ensuring equity in service provision through national standards

Good quality services must be delivered to those who require it, in a timely manner and to recognised national standards.

2. Senior decision makers must be held accountable

Decisions must be made on the basis of budgets, efficiency and effectiveness, and realistic risk-assessments of likely demand for the services. Senior managers must be more accountable for their actions through local and national political processes.

3. Budgets must be set by national political leaders

Local managers must have some discretion over what is spent and how, in order to take account of local need and variation.

4. All goods and services provided by the state should be planned and integrated at local, regional, and national level.

5. Political responsibility must be reasserted

There needs to be greater explicit political control and public debate about priorities.

6. There must be agreed national standards throughout all services

To ensure national standards we must have national training and qualifications, national pay and conditions determined by national collective bargaining, and national regulation.

7. The workforce and community must be engaged to a greater extent

In order to prevent arbitrary and oppressive management there should be more participation by unions, pressure groups, and other communities of interests.

8. Existing regulation must undergo urgent reform

All regulation should come under an expanded Audit Commission with wide-ranging powers to audit both financial probity and service delivery.

9. Risk assessment must be made by experts, users, staff and politicians alike

Risk assessment is too important to be left to the calculations of management consultants and those involved in profit-making markets.

10. The spirit of public service must be rekindled

Public services will only be produced and delivered if those involved return to an ethos that values the work, the service, and the users.

These proposals amount to a claim for rational planning for the future of public services. Sensible economic planning, integrated systems thinking, and the application of the best science and technology in the interests of citizens will be the future of public service delivery. The goal should be services that are delivered to national standards, planned over many years, integrated with other services for efficient use of scarce resources, and accountable to politicians and the wider community.

Introduction

Debate over the acceptable limits of state intervention has been reinvigorated following the economic crisis of 2008 and the unprecedented scale of market failure of the financial and housing sectors. While the current Government responded to the crisis by attempting to roll back the state, there is a growing recognition that the state needs to take a more active role if the economic recovery is to become sustainable and more evenly balanced.

In the UK and much of the EU, political argument has centred on which mix and match of programmes to implement. In most cases there has been a messy and confused set of policy initiatives that have included more market regulation and state control with more state ownership in the short-term, and restructuring of the economy as a precondition for a return to a free-market model with lower levels of state regulation in the long-term. In other words those who favour a limited role for the state, still use state power and ownership to help the economy recover from a crisis of market capitalism. This implies that citizens generally pay for the crisis, while a small number of corporations and their private owners benefit from the recovery as state assets are sold off on the cheap.

In the UK, this latter model is being imposed upon a public sector weakened by cuts, false economies of cost-saving and misguided structural and managerial reforms. The clear and present danger is that the combination of government policies that fragment the supply-side of public services alongside senior managers wedded to harmful, outmoded and discredited business models and budget cuts will together create a perfect storm of current failure and future collapse.

Criticisms of the public sector have consistently focused on accusations of inefficiency, bureaucracy, wastefulness, and insensitivity to the needs of users. There is certainly some truth in the need for reform, but these claims of inefficiency are largely bogus and are often based on reported anecdotal evidence. There is a need for a fresh approach to the public sector, one that can address the deficiencies of its history, and present a coherent and practical set of alternative policies for the future.

The case for state ownership and management of economic and social aspects of communal life are increasingly central to contemporary politics about the present

and future direction of economic and social policy programmes. The starting point is not some outworn dogma, but concern with the terrible consequences for millions of people when the free-market system fails spectacularly and a remote political class is in control of the state machinery. The failures of such a system have been sustained and repeated, and have resulted in systematic and growing inequalities that must be challenged. The alternative includes an openly accountable, well resourced, properly planned system based on national standards of service delivery by staff employed on nationally agreed terms and conditions.

What is the public sector?

Most of the UK state sector is made up of services such as the NHS, central and local government, education, the armed forces, the BBC, fire, police and the judicial system including prisons, probation and courts. Most of these, but not all, are locally delivered on a person-to-person basis. The defining features of being a state service is that the service is owned by the state through a variety of mechanisms from public corporations to direct ownership and GovCo models. These are structured according to state edict as with NHS Trusts, civil service agencies, museum boards, police and fire services, local authorities, and academy schools. In addition, they are largely managed by those employed by state institutions, and are generally accountable (some more than others) to a relevant department of state under the political control of a Secretary of State. There may be additional regulatory systems in place, for example Ofsted for schools, Care Quality Commission for health, Audit Commission for local government, but these in turn are also accountable to both the Executive (cabinet government) and Legislature (Parliament).

These services are largely funded from government budgets based upon the collection of taxes, borrowing, and local rates. Staff are employed by their institutions, but are generally deemed to be public sector workers. In the UK there is a presumption that all those requiring the service will receive it, and that, as far as is practicable, this service delivery will be at a nationally set and agreed standard (avoiding the post code lottery). Much of what happens is determined by primary legislation and supported by further ministerial orders and court decisions. This includes, for example, that doctors and teachers are qualified to a recognised standard; that land cannot be sold off and/or used for other purposes without permission; and that the relevant institutions (legal persons) have clear duties and obligations (Local Government Act 2010, Health and Social Care Act 2012, Education Act 2011).

The size of the sector varies over time and region. In some towns and cities, such as Blackpool, nearly 40% of the workforce is in the public sector, while elsewhere, in places like South Bucks, it falls to as low as 7% - with a UK average of about 23%. Total employment in the public sector is about 5.7 million with 2.5 million in local government, 2.7 million in central government, and nearly half a million in public corporations. These include 450,000 civil servants, 260,000 in the police service,

180,000 in the armed services, 1.6 million in health, and 1.5 million in education (ONS, 2013). This is now, but for much of the twentieth century large sections of industry were also nationalised, such as coal, steel, railways, airports and airlines, buses, some car manufacturing, and the utilities (gas, water, telephone, and electricity).

Changing politics and the role of the state

Since the sector is state-owned and managed there is a presumption that major strategic decisions as well as some operational issues will be dealt with politically by the government. Indeed most political party election manifestos make it clear how they would fund and manage such services¹. The plea from some quarters that the NHS, for example, should be free from politics is misguided as the most important decisions about healthcare are taken by politicians in government. This cannot be avoided since they allocate the resources, determine the main strategic priorities, reform the systems, take the blame when things go wrong, and ultimately formulate the purposes for which state services should be used and the principles by which they are managed.

The forty-year period of 1945-85 saw substantial swathes of the UK economy within the state sector. The reason for this was partly explained by the need for post-war reconstruction, but more importantly, it was because of the widely held view that private sector business leaders as well as Conservative politicians had mismanaged the economy and that markets had failed to deliver the right mix of goods and services in the 1920s and 1930s. The relevance of private sector failure is that certain goods and services are deemed to be too important to 'fail'. This would include most of the current services such as healthcare, education, social services and welfare, emergency services, and central and local government. This is why when they do 'fail', as with Mid-Staffordshire NHS Trust, some local child services, the police at Hillsborough, IT security, and banking industry regulation then there is genuine public concern and anger.

Since 1985, the tendency towards the expansion of public ownership has been largely reversed with the privatisation of the utilities, followed by industry and transport, and later still some services. This process is still proceeding. Again one sense of why this has happened is that for many citizens the public sector had become synonymous with wasteful bureaucracy, insensitive and inflexible decision makers, and a feeling that the services were being run for the benefit of staff and managers rather than for users (the machine minders had taken over the machine – Heseltine 1987). Hence the political push to reclaim such services for the service users, who were rebranded as 'customers' and 'clients'. This partly explains the call by all main political parties for more 'power' to be passed to the end-user, whether they are patients, parents of pupils or local community groups.

Public sector localism and the devolution of power

The focus of the political debate on the decision-making locus for public services has become side-tracked by rhetorical sound-bites on staff and user power, linked with misguided versions of mutualism. Excessive localism as promised is not helpful as it undermines a major plank of the benefits of state-ownership and control, namely integrated national service planning. In addition, in practice few wish to participate, the result being it hands more (not fewer) powers to senior managers or unrepresentative groups.

**“Labour believes we should ... reform our public services to put people in control”
(Labour Manifesto 2010: p. 0.4)**

**“a choice of good schools in every area – and, where parents are not satisfied – the power to bring in new school leadership teams, through mergers and take-overs”
(Labour Manifesto 2010: p. 3.2).**

The Conservative Manifesto for 2010 was depressingly similar and equally misleading:

“We value the work of those employed in our public services, and a Conservative government will work with them to deliver higher productivity and better value for money for taxpayers. We will raise public sector productivity by increasing diversity of provision, extending payment by results and giving more power to consumers. Giving public sector workers ownership of the services they deliver is a powerful way to drive efficiency, so we will support co-operatives and mutualisation as a way of transferring public assets and revenue streams to public sector workers. We will encourage them to come together to form employee-led co-operatives and bid to take over the services they run. This will empower millions of public sector workers to become their own boss and help them to deliver better services – the most significant shift in power from the state to working people since the sale of council houses in the 1980s” (p.27).

It is important, therefore, to be cautious about over-robust localism as it can mitigate against some of the key benefits of having a public sector, namely sustainable long-term planning. As we will see later the Oregon experiment in ultra-democratic control was initiated in order to justify healthcare cuts for the many and increased spending on the few. The notion that users and staff, now redefined as customers or consumers (a deliberate change in terminology in order to reinforce the notion of

marketisation and allow the unwary to fall into the logical trap of discussing public services as if there were already privately provided) should have more direct powers over service delivery is wrong in principle and flawed in practice.

In practice, the few examples have been either a disaster or a non-event. In the case of education, hardly any parents have the time, resources or inclination to engage with every factor influencing the provision of their children's education, and the few that do can become local tyrants imposing their unrepresentative views on the rest. Parents, like patients' relatives, may want access to some remedy in cases of the last resort when senior managers or staff act beyond any controls. This is best delivered by accountability to properly constituted boards of governors and local political leaders. Efforts to 'mutualise' supply-side provision has also been a disaster, whether through half-baked experiments in patient representation on NHS Trust Boards (note the shift from electing such representatives to appointing them, see Groene et al 2014), or with failed 'free' schools (as with the case of Al-Madinah²), or with short-lived experiments with the use of local volunteers to keep libraries and other facilities open³.

It appears to be the case that both main UK parties seek to diffuse the popular criticism of public services concerning bureaucracy and accountability by feeble recommendations about people power and staff co-operatives. This is both insincere, as neither Labour nor the Conservatives have ever created robust means to achieve this, and dangerous, as it tacitly supports fragmentation of the supply-side, fragmentation of national staff standards, and places even more decision-making powers de facto in the hands of senior managers (see 2013 Francis report into Mid-Staffordshire NHS Trust).

In principle, the idealised programmes of user involvement and staff control make no sense. The common focus of staff is on the job in hand, and in that arena they should be more involved through professional and trade union bodies as representatives on joint consultative and negotiating bodies and committees in the workplace. Equally users have no common interests other than their immediate use of the relevant facility and service. Again they, as individuals and groups, should have formal access to staff, managers, and board members. Staff as employees, however, cannot be expected to have any direct involvement in strategic policy since they are separated from wider perspectives of regional and national provision by the limits of their experience and knowledge. Staff and user experience and knowledge are relevant and important aspects of the strategic decision-making process, but the purpose of having

a national system of public services is to allow senior political leaders to make the final strategic decisions based on an overview of priorities and needs.

In the last resort, when usual channels have failed and wrong-doing is apparent, then it must be that local and national political leaders become involved. Local councils should have enhanced, not diminished, roles. MPs and ministers are the final decision-makers and should neither hide behind fake protocols nor wash their hands and run for cover. Accountable politicians have to be the guardians of public services as they are the only ones with the power and authority to remove or control increasingly unaccountable senior managers running the services.

Challenging the narrative of public sector inefficiency

The current debate over private ‘good’ and public ‘bad’ takes on a more urgent and important character in the context of calls for devolution of power. There is no longer a commitment from any major European political party to keep such goods as health, education and welfare as public goods. Across Europe there is a mix of Social and Christian Democrats (Sassoon 1996) professing to accept the dominant view that (with some partial support from the World Bank, OECD and IMF) the market failures of the 1920s and 1930s are a thing of the past, and that only a dominant private provider can deliver what is required efficiently. The 2008 market crash did not only impoverish millions of people worldwide, but also exposed the ideological and practical limitations of the current capitalist systems. The immediate lessons from the complacency that created asset bubbles are that the state must regulate more and own more of the essential mix of goods and services to safeguard its citizens from harm.

The case against public ownership varies from the extreme theoretical opposition of free marketers and public choice theorists, to more practical considerations of historic weaknesses and failings. Hence the ‘privatisation’ movement worldwide is rooted, apparently, in the failings of state provision through government agencies due to a variety of causes. The main cause cited by right-wing think tanks (such as Policy Exchange, Reform, Adam Smith Institute, Centre for Policy Studies) and politicians, is the intrinsically inefficient nature of state provision due to lack of market competition. Accusations include the state sector as being too bureaucratic and therefore both slow to change and insensitive to the needs of users; of being run by self-serving senior management teams who consider their careers above the lot of staff and users (see conclusion of the 2013 Francis report into the scandal at Mid-Staffs NHS Trust); being wasteful and inefficient due to lack of incentives in the system to encourage staff and managers alike to take note of the careful use of public funds; and being in the grip of powerful vested interests from professional associations and trade unions to purveyors of dominant blame cultures linked with Victorian ideas of the ‘deserving and undeserving poor’.

There are also more specific objections to state provision which include some familiar theories based on a mixture of neoliberalism (Chomsky 1999), public choice

theory (Niskanen 1967, 1971), and new public management (Hood 1991, 1995). The thrust of the neo-conservative case against state ownership is that, as the citizen/user cannot trust elected politicians and their appointed officials to deliver an efficient and effective mix of goods and services, therefore this can only be rationally undertaken by senior managers in the private sector pursuing profits in a competitive supply-side. Most arguments against public ownership will appear familiar and are repeated in a variety of shapes and forms whenever state ownership is discussed in the media or party political world.

1. Government decision-makers have only limited information about the consequences of their actions and so, for example, in one case, grants intended for inner city regeneration actually resulted in fewer affordable houses being built. This limited information was also the thinking behind league tables for schools, and more recently efforts to provide league tables for hospitals and even individual surgeons.
2. Government policymakers cannot control the responses of the private market sector to its initiatives, for example, the rules on livestock movement after foot and mouth, the problems with the subsidised train operators, and regulating banks and energy companies. As we are witnessing under the 2010 Coalition Government, many of its initiatives in terms of incentives to the private sector have not brought forth the desired outcomes.
3. Frequently those in positions with political power delegate operations to senior civil servants and others in charge of agencies such as police chiefs, college principals, senior civil servants, and chief executives of health trusts and local authorities – these senior managers might delay, dilute and deviate in operational performance from the wishes of the politicians for their own reasons, and therefore become ‘self-serving’ (Dunleavy 1991, Francis 2013).
4. Finally, political decision-makers themselves, especially in an elected representative democracy, have to make judgements about the preferences of a variety of constituents and pressure groups. In so doing they may put their own re-election and careers ahead of the most rational decision, and this may mean a short-term outlook, pandering to opinion

polls, and therefore an inefficient allocation of resources and the provision of the wrong mix of goods and services (Buchanan 1975, Rowley 1993).

These are all cases in which conservative-minded strategists claim that inefficiencies in the provision of public services stem from the nature of the democratic state itself. They prefer the supposed rationality of profit-seeking senior managers as the most efficient and effective way of both allocating resources between services, and the delivery of those services to designated customers. However, this paper argues that accountable democratic political leaders are in fact the best and most rational allocators of resources between priorities, and that public sector organisations will have the best chance of long-term rationally planned and efficiently integrated service provision when the work is carried out by nationally-trained public sector workers employed under nationally negotiated terms and conditions.

Interpreting the role of the state

Before looking at the main reasons for having publicly provided goods and services, any decision-maker concerned with the economics of the public sector has to decide the answers to some general questions. These include, what is to be produced by the public sector - healthcare, education, clean air and water, pensions and other benefits, cars, steel, coal, gas, rail and bus travel? The answer to this question provides some sharp divisions between and within political parties throughout the world and in many cases including in China, Russia, Venezuela, France and South Africa, is a major feature of current political debate. The next question is how are such goods to be produced? Directly by some state or semi-state agency, or does government buy in these goods from the private sector? This issue is at the heart of much local government reform in the UK (as with Compulsory Competitive Tendering and Best Value – see Audit Commission report 2000). Then there is the further question of the users of the goods. Are they produced for all citizens? Does each and every citizen benefit irrespective of circumstances, or are some goods targeted at some individuals or groups but not others? If some are excluded then what is the basis of any exclusion? It might be a natural exclusion, such as by age – older people do not attend primary school, and school children do not need retirement homes. But it might be to ration goods and save money, such as with means-tests for student loans, housing eligibility, pensions, and long-term care. Finally, how are these collective choices made? What is the process of decision-making in a free and democratic society? Indeed part of what we might mean by ‘free’ is the justice of the decision-making process, its outcomes, and the foundations of the system under which such decisions are made.

The point is that being a public provider of goods and services is regarded as a necessary but not a sufficient condition for those goods and services to be produced efficiently and distributed justly. This means that being state-owned and controlled is just the starting point for a range of necessary reforms that can then deliver the promise of better services, more accountable and open, with national standards and pay and conditions for staff, and with long-term citizen-focussed management decisions. Pressures for the state to own and manage public services fall into three main categories: evolutionary pragmatism, rooted in the needs of a Britain which rapidly industrialized, urbanized, and then spread into a contentious Empire; a rightwing imperative of national renewal and control to save capitalism from itself, and

a socialist imperative for justice for all citizens to live without fear, which itself has both a negative and positive side.

Evolutionary pragmatism

State services first emerged from the everyday needs of traders and merchants. Early mercantile capitalism was associated with the rise of the city state and the European Renaissance in the late fifteenth century. It simply was based on rudimentary trade systems. As early British capitalist traders moved goods across Europe and beyond to sell in world markets they encountered a series of practical problems which included safe passage (threats from bandits, muggers, and pirates), passable roads and rivers (infrastructure), places to stay on arrival and in transit (leisure), common weights and measures (the metric), reliable currency (banks), and enforcement of agreements (law and contracts of kind). The slowly developed solutions included security forces (militia, police), state-sponsored offices of measure and currency, better roads and bridges built from local taxes, and agreed forms of communication. Once these became established then came the question of the quality of goods being traded which had to be ensured through quality controls at home in the factories and with the traded raw materials. Imports and exports then came under custom and excise, factory goods required agreed standards, and systems of self-regulation through Guilds. Once this became international and widespread, questions were raised as to the efficacy of self-regulation in terms, not only of trade, but also of skills. The centre of this was the marketplace, because capitalism developed through the extended use of markets as more and more goods and services became commodities (Hill 1950; Hobsbawm 1962).

With Empire came further state regulated controls, as both the armed forces and civil government under British rule became a necessity for trade expansion. The civil service thus developed, and the requirements of the system, rather than individual capitalists, meant that civil servants had to be at worst competent. Sinécures and nepotism were gradually and painfully eradicated in favour of recognised standards based on proper examinations. Hence the start of nationally trained staff employed to national standards under national remuneration conditions (Hobsbawm 1975, 1987). This link of skills, qualifications, standards, and pay is essential for any national system to ensure equity and confidence in the users that they are receiving the correct service in a timely manner. The pressures to keep national standards, through national training and pay setting, remain powerful as citizens demand equality of treatment and fair access to

services. In contrast over the last ten years there has been movement away from national pay (Wanoory et al 2013) and with it national standards of delivery. This coincides with pressure to fragment the supply-side of the services and weaken the role of staff and their representative organisations in operational practices.

The conservative impulse for state control

While rightwing libertarians speak of a small state sector, and public choice theorists echo this through idealised notions of a total market economy (Hayek 1944), most conservative politicians and theoreticians argue the need for a more powerful and more centralised state. This may not always be apparent from their rhetorical announcements (small state and big society) and their supporters in the national media, but they support stronger armed forces and police, stronger secret service and laws to allow them to function (hence the attacks on the Human Rights Act), and they remain happy for state subsidies to farmers, public schools, and big business through tax avoidance, grants, and government contracts. The position is that the state must be strong to protect the capitalist system from its enemies within (unions, left groups, the population as a whole) and without (communists, terrorists, and other capitalist nations). As Ralph Miliband (1972) argued, with a high level of centralised and concentrated power in the state, there comes the need to influence state decision-makers. Hence the growth of the business lobby in Westminster and Whitehall at the expense of other interested groups such as citizens and workers. The leaders of public institutions such as University-based business schools and the BBC have been explicitly urged by a succession of Prime Ministers to be more business-friendly and more business-facing.

The Bank of England, for example, is state owned in order to help regulate the banks, control fiscal and monetary policy, and maintain limited order in the anarchic sphere of global finance (Harrison et al 2005). This is in part because individual capitalists, if left to their own devices, will behave in ways that may benefit them (in the short-term) but not the system or the nation (Cohen 1988). In extreme cases those in political positions of power may believe that a group of capitalists are ruining the country (such as bankers) and so take into state ownership parts of the economy in order to restore confidence and sustain business practices.

The socialist case

This takes two main forms - positive and negative responses to capitalism. The negative

position tends to be presented as pragmatic and inevitable. In other words it is used by left-leaning governments when markets fail. In the UK, for example, this happened in both world wars in the twentieth century in the belief that private coal and rail owners could not be trusted to deliver goods and services for the national cause. After 1918 these reverted back to the private sector, but after 1945 they were nationalised as part of reconstruction. In the 1960s and 1970s nationalisation was used in the so-called 'lame duck' policies with companies such as Rolls Royce (1971) and British Leyland (1975), steel, and others coming under this heading. Hand in hand with this came the expansion of state services in health, education, social services, and local government. All in line with further waves of urbanization and as part of Harold Wilson's technological revolution (Morgan 1984). Some increased public expenditure corresponded with huge increases in the defence budget through the combination of Cold War and fighting against national independence movements. Thus illustrating the general point that conservatives believe it is alright for the state to borrow to spend on warfare but not welfare.

Even within the conventional wisdom of a dominant capitalist political economy there are important negative arguments that still remain for having any provision of public goods and services. It is important to note these since they form much of the social democratic basis for keeping services public, appeal to a cross-section of trade union and service user opinion, and may even form part of some conservative platforms. While we need to be aware of these, it does not mean that such a limited debate precludes a much more robust case for a larger public sector. The main reasons for 'negative' support for nationalisation are varieties of market failure.

Market failure

Any shortcomings in the operation of market systems, for example, mean that the benefits to citizens, users, producers, owners and the state are less than promised under the conditions of neo-classical economic theory of the firm (as with energy prices). The general theory comes down to a set of assumptions that under certain specified conditions (such as perfect knowledge of all market data) then, and only then, free competition between producers will yield incentives (profits) to act efficiently. In public such theorists claim that the nearer state policy comes to mimicking these 'free-market' conditions, then the more efficiently goods and services will be produced and delivered. In private few believe that, and are happy to allow their friends and associates to make profits at the public's expense as more and more sections of the economy are privatised

under all and any circumstances. Here is a list of the most common reasons why markets fail to deliver:

1. The first specific case is a straightforward failure of competition caused by the existence of a natural monopoly and therefore it is more efficient to have a sole supplier of the good. In many cases the state takes over the running of the service as with water, electricity and the railways. If these goods are left inside private markets then they cannot be produced efficiently, and private companies would be able to make excessive monopoly profits. This is now the case.
2. The second special case of market failure is that certain public goods are not supplied by the private sector at all or not in sufficient quantities. Examples would include the provision of the armed services, lighthouses and flood protection. Obviously this would tend to include a range of goods on the environment such as forestry protection, food standards as with public checks on safety, and types of research such as on climate warming and childhood asthma. The argument is that because of the nature of markets, the private sector does not supply such essential goods.
3. The third case comes under the heading of 'externalities'. Negative externalities such as pollution occur when one firm pollutes to the cost of others, but does not pay the cost. In this case government can regulate either through anti-pollution laws, or through price systems. For example, traffic congestion at peak time could be dealt with by the government charging car users to make them aware of the costs of congestion on others, and this applies to issues such as inner city car use or toll motorways.
4. Fourthly, the market might fail because it is in some sense 'incomplete'. In some cases, even though the cost to the company of providing a service is less than the price people are prepared to pay, even then the companies do not provide the service. This is often said to be the case in areas such as insurance (especially for floods) and loans.
5. Fifthly, a classic assumption of competitive market benefits is that those involved have all the relevant information about the market that they need. This assumption often falls far short of realities faced by decision-makers and therefore the government itself might force information out of companies or provide the information itself. Again a recent example from

the UK would be interest charged by banks and others on a variety of loans – the information is there but not in a form most customers can understand and so the true rate of interest being charged is obscured. This has also been the case with energy prices, and food labelling.

6. Sixth, is the failure of labour markets when there are periodic and episodic times of high unemployment. This is a clear-cut example of market failure, and nearly always requires some government activity ranging from public works programmes, labour market facilitators such as Job Centres, re-training, unemployment benefit, apprenticeship schemes, and efforts to directly control wages as with incomes policies and the minimum wage.

These examples show that markets fail for a variety of reasons, but when the goods and services are provided by the private sector and that sector fails to deliver, then the goods and services cease. This cannot be accepted for most people most of the time since they 'demand' the economic and social mix of goods and services whether or not the market sector provides them. Thus firms produce public goods and services inefficiently or not at all unless government helps in some way (Stiglitz 1988).

The positive case for public ownership

The positive argument for public ownership is drawn from deeper wells. This combines traditional cultural and religious imperatives about common ownership and justice (Sen 2009) with nineteenth century arguments about planning, economic rationality, and science (including economics) being used for the benefit of all humanity. Scholars may have articulated the nature of capitalism but most workers have experienced it firsthand. Namely, that it is chaotic and anarchic in nature and although it does generate wealth and growth, it does so in an irrational, uneven, and ultimately unjust manner (Cohen 1978). The general socialist view remains that it is not sustainable, and will be subject to periodic crisis of such a destructive nature that (civil) wars, revolutions, and mass (relative) impoverishment would be the result. This, therefore, was the inspiration for a century of demands for nationalisation and public services. The argument was based on the need for rational coordinated economic planning, the equity and justice that comes with national services provided to nationally recognised standards, the treatment of those working in the sector as focussed on shared values and public ethos, and a unity of practice and belief by those delivering and those using the service.

Tackling inequality through the actions of a democratic state

Failures of such a system have been sustained and repeated and have resulted in damaging and growing levels of inequality between individual citizens right across the world as well as inside the UK – the desperate poor and the affluent rich live in the same country but have never lived the same lives. Recent studies (Wilkinson and Pickett 2010; Stiglitz 2012; ILO 2013) show without reservation that income and wealth inequalities between individuals are without parallel, evidenced by the familiar figures that the richest 400 people have more than the poorest 3 billion, and that the statistics that 7% of British citizens own 84% of wealth is still roughly true. The meaning in terms of lives lived is a total distortion of any ideals based on the fundamental proposition that every child born has a right to a fair share of the world's wealth. Part of the reason for such inequalities is the free operation of capitalist markets across the globe supported by a range of governments which maintain control through various means, ranging from liberal democracies to autocratic dictatorships.

The remedies for such gross inequality have historically come in two familiar forms: firstly, through a reformed and regulated capitalism, with the promise that all would share in the successes of the system while the weakest would remain safely protected from the worst aspects of the market free-for-all (the Beveridge-Keynes axis). This is linked with further promises of growth and stability, of reductions in inequality through a progressive tax system and free public services, and that chaotic unplanned and anarchic markets (especially in the finance and commodity sectors) would be controlled by a state acting in the self-serving national interest. For conservatives the national interest is best served through a controlled successful capitalism in which the workers benefit from trickle down increased profits from private enterprise. The Union Jack can be wrapped around a number of political positions and the dangerous rhetoric of national renewal comes through attacks on the welfare system and public services, regional imbalances, uneven sectoral growth, low investment and productivity, and dangerous liaisons with anti-immigrant groups.

However, arguably, this traditional form of social democracy updated through spurious communitarian claims (Etzioni 1993) has run its course. The second remedy remains some form of socialised state ownership and management of most major

and essential elements of economic and social life. Benefits accrue to all due to long-term planning of resources, programmes of inequality reduction, and a deeper democratic voice for those working in, and using the outputs from, productive and service industries.

Such policies include stable budgets with growth tied in the short-term to inflation to prevent irreversible damage. This involves firstly, that state funding remains at a sufficient level to maintain provision and that services do not become reliant on either private provision or commercialisation. Secondly, that the management of services becomes openly accountable to staff, users, and politicians through regular meetings and legally-enforceable information exchanges. Thirdly, that business models switch from targets and skill degradation to achieving higher productivity. This can be done through employing more highly skilled workers on better contracts who are being managed for the purposes of delivering a better service to users individually and collectively. Finally, there needs to be joined up integrated planning within and between sectors.

The illusion of privatised gains

Whatever the mix of pressures to maintain some form of state ownership may exist at any given moment, the actual operation and cost of providing the service does matter. Concepts such as effective, efficient, and economic service delivery have always been important, but took on a new relevance in the 1980s with the Reagan-Thatcher adoption of neoliberal economic policies alongside public choice theories (Friedman and Friedman 1980). These ideas combined to give New Public Management, which became the bedrock of reform. Reform is always needed as demands for services change (higher skills, more cures, more floods, demographic changes, EU rules), the technology develops allowing for some services to be better delivered, and the supply-side may also change with new inventions and innovation. In all of this the pressures remain, and if, and only if, all three imperatives for public ownership (pragmatic, right and left impulses) coincide in a particular historic juncture (1945-85), does the sector remain state-owned and controlled and sustained as such. Once that coalition of possibilities crumbles then the most likely outcomes are privatisation, reform of remaining services, and a fragmentation of supply.

Privatisation

Neoliberalism (the Washington consensus) took hold in the 1990s with the weakness of the traditional left and fractures in organised labour. What remained for most of Europe (including the newly fledged states of the post-Soviet era), after bitter struggles, was a pragmatic account of modernised social democracy, namely Tony Blair's 'what works, works' mantra - a pretence that policy was only about practicalities, and not about the political economy of social markets. A position taken up by David Cameron who "urged critics of his plans to introduce greater choice in public services to grow up, and realise the public are concerned by the standard of a public service rather than whether it is delivered by a charity, private company or a public sector worker. He said the government had a once-in-a-lifetime opportunity to modernise public services"⁴. Privatisations, in reality, were mainly concerned with placing profitable sectors of the economy (cherry picking) into the hands of private profit-making companies rather than making them more efficient. The public face of the arguments for privatisation, however, were developed for popular consumption as the crude assertion that privatised sectors would be more efficient and effective. This was because the real reason for privatisation, to give 'the family silver' away at

rock bottom prices (such as with Royal Mail in 2013), would be more difficult to present to the electorate. Even when there was overwhelming opposition (as with water) the government went ahead. The public case was made that the private sector would provide the same, or indeed a better, service more efficiently, and therefore everyone would benefit as each company would now be able to provide 'more for less'. The logic was that it would be more efficient because the profit-incentive would mean that the companies had to be better managed (by much better paid leaders) and that where there was competition this would also create pressures to be more efficient in order to be more profitable. As each company would now be more efficient, therefore the argument runs, they could provide a better service at lower prices. Thus giving the newly created customers what they really want - a cheaper, better mix of goods and services.

Conservative economic hegemony suggests that it is the efficiency gain from private sector activity that justifies wholesale privatisation of previously public enterprises. Public choice theorists argue that decisions about public services should be transferred to private sector managers running private companies who are not hamstrung by the welfare state model and its public service ethos. Large-scale privatisations may now be off the agenda for lack of potential buyers, but the desire to privatise will still take some shifting because of adherence to a dogmatic and largely inaccurate view of the efficient management of resources.

A critical plank in both the practical and principled arguments for turning services over to the private sector is the claim that they will be more efficiently produced and delivered. This is largely bogus. Most government documents for change start with the objective of creating a more efficient and effective organisation. Where this has happened, as with the re-organisation of primary healthcare and A&E hospital departments, neither has been achieved; and where these changes are being mooted, as with police force mergers and efforts to create a GovCo model for the Land Registry, the claims are exaggerated alongside little evidence-based research.

The production of goods and services is mainly concerned with turning raw materials into useful goods and services. This is done through combining the three factors of production – land, labour, and capital – in ways that create the value of a given unit of output. The efficiency of a unit of activity is based on the notion of combining all currently available resources (at cost) in such a way as to maximise output values.

Efficient management therefore takes account of the relative costs of these inputs – land, labour and capital - and seeks to combine them to create value at the least cost. This is important, does matter, and is one central element in managing any enterprise within the private or public sector.

These technical notions of efficiency are important and helpful, but they only tell part of the story. In the public sector, workers, users and decision-makers alike are more interested in efficiency over longer periods of time; allocative efficiency (the best ways to allocate different resources to different activities); and in efficiency beyond the single unit of activity. Very limited notions of market-related efficiency have taken over the debate, and the equally important notion of social efficiency has been almost entirely neglected. The focus tends to be on achieving efficiency gains in the short-term and for specific units of activity. Private sector competition for profit and current public sector contrived competition (for example, as between Universities) creates pressures for the 'here and now' benefits of efficiency developments. In most cases, however, the benefits of being a state-run service is that efficiency can be developed over the longer-term and across artificially created service divisions, thereby avoiding false economies, short-termism, and the chasing down of unit-level targets.

In other words the efficiency of a healthcare system cannot be measured once a patient has entered through the doors of a hospital. While this may be true for the manufacture of a car, it is false when applied to services such as education, flood protection, and the police. In these cases efficiency must be measured over longer time periods (when a six year old learns to read and do sums the real test of whether or not that was an efficient use of resources can be felt at least ten years on if not for the entire life time of that individual). It must also be considered over units of activity, for example a hospital may discharge a patient early (making the hospital more efficient) but then the costs of care may be taken up by either social services (making them less efficient) or, ever more frequently, by family members (costing their time at zero).

Efficient and effective measures when comparing private and public provision must also take account of risk. In particular down-side risk matters because it represents an awareness of the costs of failure. The case is made that if a supermarket gets its strategic management decisions wrong then the worst thing that happens is it goes

bust, but apply that to fire services, hospitals, social services, the armed forces, and the Department of Work and Pensions. Then it can be a disaster for all those involved as experienced by the citizens of New Orleans after hurricane Katrina in 2005, and of Fukushima after the tsunami devastated the nuclear power reactors in 2011.

Catastrophic failures in the private sector seem to pass completely unnoticed in the memories of key opinion formers and decision makers. They behave as if each failure is a one-off attributable to the errors of bad or foolish leaders. No criticism sticks to the edifice of the efficiency model of private capital. Since 2008, the list of corporate failings grows from Royal Bank of Scotland to the decline at Morrisons, and from BP's oil spillages to high street and main street closures such as Woolworths, Comet, HMV and Jessops. Bankruptcies of huge corporations such as Enron (Barreveld 2002) seem not to have dented the misplaced enthusiasm for all things profit-making for individual wealth accumulation, rather than production for social use and collective benefit. The rise and rise of super-rich global plutocrats is disguised as the worsening plight of workers worldwide is largely ignored (Freeland 2012).

The management techniques that are used in the pursuit of profit are just not appropriate for public services organised in the pursuit of equity, democracy, security, and justice. The 2008 crash illustrates both the weakness of modern management systems in general (especially around risk assessment), and the tendency to end up blaming the citizen/user as with the crisis in A&E. Patients are being blamed for long A&E waiting times rather than lack of resources, poor planning, and inept management. Similarly, pupils and teachers are blamed for poor results rather than educational leaders; and pensioners are being blamed for being 'poor' because they did not save when younger. So lending by banks to the sub-prime housing market in the USA was meant to be easy money through exploiting the demand from American workers for their own homes. Risk assessment was ignored and the practices of 'hedging' and 'deriving' debt risk and insurance against loss meant that the ever more circular system of finance appeared foolproof. In the end the house of cards collapsed in on itself. Once the risks were miscalculated in a lazy drive by bankers for greater profits, so the blame was at first directed to bankers, then to regulators, and finally to ordinary citizens for borrowing too much and spending unwisely.

Reform of what remains

For practical and political reasons certain areas remain in the public domain such as health and education, local and central government, emergency services and the armed forces, and the judicial system. Some remain state-owned because it continues to be the cheapest way of providing employers with skilled and healthy workers and because it provides the cheapest way to create local and national frameworks within which business can flourish through state subsidies of infrastructure, taxation, and trade. It is also politically difficult to privatise these services. However, although there is increasing creeping privatisation, the hollowing out of services, and outsourcing, the core of these activities does remain in the state sector. Nonetheless, these have been reformed time and again since the 1970s. As mentioned above, this is necessary to some degree because of changing patterns of demand, technological advances and supply-side improvements. Much of the reform, however, has been about structure, linked to management and budgets. As these are mainly labour-intensive, personally and locally delivered services, much of the reforms have been in the field of labour management. The main characteristics are the development of stand-alone units of supply (NHS Trusts, FE colleges, civil service agencies) alongside an increasingly fragmented supply-side (private health and care providers, academy schools).

Within these models are two features: first, the strategic direction is still controlled from Whitehall through performance targets and indicators with heavy reliance on honest and accurate reporting procedures from the units of activity to the centre. These are linked to warning signals which activate responses from quality-control regulators (Ofsted, Audit) who visit the units. As these regulators become themselves short of funds and performance managed, the question arises of 'who guards the guardians themselves [Quis custodiet ipsos custodiet]?'

Secondly, a central part of the reforms is the enhancement of senior management authority and pay. This group have become ever better paid, with greater authority over staff, and with fewer accountability hoops through which to jump. As a result when it goes wrong, as at Mid-Staffordshire NHS Trust (Francis 2013) it goes badly wrong. The old saying 'the fish rots from the head down' is increasingly relevant from University Vice Chancellors to local authority chief executives, and from police chiefs to BBC bosses. The pay differential between the top management team and the average of the workers in the service has grown over the last thirty years to as much

as 1 to 20 in some organisations (Hutton 2011). The argument is that these senior managers are now the voice of government to their staff and not, as before, the voice of their staff to government. As a result there have been efforts to undermine national collective bargaining (civil service)⁵, weaken union influence (police – see Winsor 2012), destroy national standards (school teachers)⁶, and bully staff into compliance with decisions that are increasingly in the narrow interests of senior managers rather than those of users and staff (NHS)⁷. Scandals abound, secretiveness has become the norm, and public service ethos is fast disappearing down the sink hole of private sector profit-seeking values.

What lies behind the reform movement is a clear determination to place any potentially profitable parts of public services into the hands of profit-making companies. The rhetoric of consumer choice, supply-side fragmentation, and managerial freedom is just that, an empty repetition of dogma. The actual lack of democracy and accountability has been demonstrated time after time with the cruel and unnecessary deaths of children, the elderly, and the vulnerable. In most cases there have been efforts to cover up wrong-doing and few senior managers have ever been held to account. At Hillsborough, for example, 96 football fans tragically died and it subsequently emerged that senior police officers had covered up the truth (Hillsborough 2012), and at the Bristol Royal Infirmary children died after botched surgery which was also covered up by senior managers (Kennedy 2001). Furthermore, the use of performance targets and budgets to control both strategic and operational management direction means that senior managers pursue the targets and not the real outcomes. This also lends itself to the fallacy of composition, for example, if every head teacher is rewarded for reducing truancy in their schools, then in reality they could expel all truants and thereby solve the problem in simple terms, when in reality the expelled truants are now having to be taught at home (infrequently and expensively) under local authority supervision.

Finally, public choice theory implies that services should be driven by the decisions made by service users, and this can lead to the pretence of excessive localism. In Oregon in the 1990s, for example, the state political leadership decided to become ‘ultra’ democratic and asked the voting population in a referendum to prioritise healthcare spending. As this excluded the young and infirm, and as the major turnout was among white middle-class middle-aged voters, then their diseases (such as heart attacks, bowel cancer) were voted for, while diseases that hit the young, the old, and

the poor (more likely than not also ethnic minorities) were voted against (Blumstein 1997). The results were an apparently democratic way of allocating resources. Developments in the UK such as Police and Crime Commissioners (with an average electoral turnout of about 15%) show the dangers of taking decisions away from elected politicians and giving them to either unelected senior managers or elected alternatives to local politics.

The future of the state sector will not be found in its past

The case for a larger and better state sector is not based on some nostalgic fantasy of a long lost utopia. It is rooted in rational economic planning decisions that bring with them both greater efficiency of production and greater justice in provision. Living in a world with too many motor cars and not enough medical supplies cannot be disguised as a free nation's response to personal choice and corrupt cultures (Galbraith 1966).

The original impulse in the modern world for public ownership stems from the experiences of nineteenth century European capitalism. It was, and is, opposition to the consequences of private sector provision, namely gross inequality, alongside the inefficient and chaotic provision of goods and services. The central purpose, therefore, for state ownership is to control both the production and distribution of goods and services deemed to be essential to the lives of all citizens. It allowed for greater efficiency through integrated planning over time and place, and greater justice in the delivery of such goods and services. As Clause IV of the 1918 version of the Labour Party's constitution read: "To secure for the workers by hand or by 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, distribution and exchange, and the best obtainable system of popular administration and control of each industry or service." This was replaced in 1995 under Tony Blair's influence with a new clause: "The Labour Party is a democratic socialist party. It believes that by the strength of our common endeavour we achieve more than we achieve alone ...". (Riddell 1997).

The difficulty with the new version is that it fails to explain the mechanisms to achieve its aspirations. If it is through a regulated private sector then this is not clear and does not have a good track record of success. If it is through devolved public services, then again this is not spelled out and again has a poor set of outcomes to its name. In other words there is no mechanism, no recognition of power relations, and no reference to evidence-based examples. The fault, as we know (Walsh 1995), with the original Clause IV was the assumption that state ownership was both a necessary and sufficient condition to realise the twin objectives of being more efficient and more socially just. This paper argues that state ownership remains a necessary condition but is not sufficient to achieve efficiency and justice. For that to happen more has to be done, there are alternatives (Hobsbawm 1994; White 2012).

The public sector we need

This paper has argued that there are real and long-term benefits to all those involved (users, staff, and citizens in general) from public ownership and control of certain goods and services. These include health and social services, education, local and central government, the armed forces, police and fire, judicial system, and the BBC. Opinion polls show that a majority also favour a return to the state sector of water, energy, and some transport (rail in particular). The case is made that state ownership is a necessary condition for all of these services to be planned in ways that are both economically efficient and socially just. But this is not enough. For the actual delivery of more efficient and just services there must also be a series of other conditions that must be met. These include:

Equity in service provision

The essence of state sector provision must be that it delivers the required good quality services to those that are entitled to it and need it. This should be in a timely manner, to a recognised national standard, to all citizens without fear or favour, and within an efficiently managed and financially regulated regime. The moral imperative is that whatever inequalities may persist from income and status within the wider society, at least in the provision of these public services, equity is the norm.

Accountability

Senior decision-makers must be accountable, and decisions must be made based on budgets and costs, efficiency and effectiveness, and realistic risk-assessments of likely demand for services. In the case of school education, the numbers of pupils coming through the national system is well known in advance and therefore the demands on the system are predictable. In the case of emergency services, in contrast, demand is by its nature more random and uncertain. In this case the demand is also more urgent and risks are associated with life and death. In all cases there must be managers with relevant skills and with realistic reward packages. But senior managers must also be more accountable for their actions through joint consultative and negotiating bodies with representative organisations at the level of the employer; with user and community groups; and to political representatives at local and national level through audit and regulation. This means an end to

amateurish and self-serving members of public boards, and their replacement by politically accountable members drawn from local community and political groups.

Budgeting

It is essential that budgets are set out by national political leaders and that they are, whenever practicable, based on three to five year cycles. Part of this is that local managers must have some discretion over what is spent, and how, where and when, in order to take account of local need and variation. But financial audits must be held at regional level and subject to political scrutiny. The current situation whereby senior managers more or less decide their own pay is unacceptable, and clear cases of fraud or excessive misuse of expenses cannot be allowed to continue with wrong doers being dismissed rather than, as now, be allowed to retire on full pensions.

Planning service provision

All goods and services provided by the state should be planned and integrated at local, regional, and national level. One of the main features of national systems is that they allow for planned provision, with high levels of interconnected and integrated service use. At the moment, due to the internal market and individualised target setting, many providers fight each other for users (see Universities, schools, and even hospitals and GPs). They may also be involved in cost-shifting practices by which a NHS Trust, in order to reduce its costs, discharges patients too early and the cost then falls on the local authority. This is inefficient, unhelpful to patients and their families, and diverts management time from focussing on their own activities rather than indulging in beggar-my-neighbour practices, whereby one NHS Trust may behave in ways that benefit itself at the expenses of a nearby NHS Trust or social services department.

Reasserting political responsibility

There needs to be greater explicit political control and debate about priorities. The whole purpose of having a state sector is to take decisions away from private sector owners and managers and place them into the public domain. This means that the strategically important decisions such as funding, supply-side structures, demand control, required outcomes, and quality of provision are made explicitly by political

leaders and activists. This is the stuff of political debate. It is right and proper that there is an open debate throughout the country on spending priorities between healthcare and defence, education and farm subsidies, social services and pensions, and emergency services and levels of taxation.

National standards

There must be agreed national standards throughout all services. This is the essential precondition of public provision. It is important for equity that when a child enters primary school, a patient goes to hospital, a home-bound citizen needs support, there is a road accident, there is a crime, there is a flood and fire, there is a request from the Land Registry, there are visitors from abroad entering this country, there is a museum visit, there is a court appearance, there is a pension and benefit request, and there is a housing need ... that in each and every case, as far as is practicable, the service delivery should be of the same quality and quantity. To ensure national standards we must have national training and qualifications, national pay and conditions determined by national collective bargaining, and national regulation.

Engaging the workforce and the community

In order to prevent arbitrary and oppressive management there should be more participation by unions at work and more participation by other pressure groups. This involves a community of interests by which users and producers share common values and needs, and share an understanding of risks and activities.

Regulation

The need for regulation is widely accepted, but there is an urgent need for the reform of existing regulation. The plethora of organisations that have evolved is unhelpful and the hiving-off of some activities to private companies is unacceptable. All regulation should come under an expanded Audit Commission, well staffed, and with wide-ranging powers to audit both financial probity and service delivery.

Risk assessment

Risk is at the heart of all of this. We, as individuals, and together as groups and classes, need to reduce risks in order to live better lives. Our history is partly about reducing the risks from bad governments, natural disasters, illness and old age, ignorance, violence, and even from evil. We have achieved this through science and education, through collective risk sharing (national insurance and the NHS), and through recognising that the many are more likely to arrive at beneficial rational decisions than the few (democracy). This matters in the current provision of state services. If a car manufacturer goes bust due to bad management then we can buy another car, but if health goes wrong we will die. Risk assessment is too important to be left to the calculations of management consultants and those involved in profit-making markets. It must be made by experts, users, staff and politicians alike.

The spirit of public service

Finally, public services will only be produced and delivered if those involved return to an ethos that values the work, the service, and the users. We need public service zealots fighting for the service and its users, rather than cynical business managers and pragmatic politicians hiding behind the rhetoric of empowerment and covering up the real costs of failure.

Conclusion:

Calculating for a better future

It is frequently argued that if the benefits from public ownership are so clear cut, then why have past cases and present examples failed to meet both expectations and desires. The neoliberal conclusion is that the state sector is intrinsically unable to be efficient and will tend to collapse inwards towards the needs of staff and away from the demands of users. This paper argues that there have been remarkable success stories throughout the history of the public sector, but that bad cases have driven out good practice from the political, not the public, imagination. Whenever public services have been privatised the outcomes have been generally worse with rising prices, restricted services, more scandals, more corruption, less long-term investment, worse pay and conditions for staff, and a transfer of money from the pockets of users and taxpayers to those of shareholders and senior managers.

There has rarely been a better time in our history to revisit and renew a political commitment to state ownership and control. This is not a plea for a return to a highly centralised top-down state sector that panders to the needs of private business above those of the citizen-user. This is a claim for rational economic planning, integrated systems thinking, and the application of the best science and technology in the interests of citizens when, where and if, they require the mix of goods and services provided by staff working in, and for, the public sector. Services delivered to national standards, planned over many years, integrated with other services for efficient use of scarce resources, and accountable to politicians and community pressure groups is the aim and the argument of this paper.

Fukuyama (1992: p.3) starts his famous polemic: “the twentieth century, it is safe to say, has made all of us into deep historical pessimists”. In contrast Hobsbawm (1994: p. 585) ends his book, *Age of Extremes*, “if humanity is to have a recognizable future, it cannot be by prolonging the past or the present. If we try to build the third millennium on that basis, we shall fail. And the price of failure, that is to say, the alternative to a changed society, is darkness”. Hence there is an optimistic alternative that must be seized, and that includes publicly-owned goods and services for the purpose of the public good.

Notes and References

Notes on the text

¹ See Labour's 2010 Election manifesto 'A future fair for all' and the Conservative's 2010 manifesto 'Invitation to join the government of Britain'.

² The Derby Telegraph, 7/2/14

³ Public Libraries News for 2013, and UNISON report on library closures due to a lack of volunteers (June 2013)

⁴ The Guardian, 17/1/2011

⁵ 'There are two distinctive features about the way people are paid in the Civil Service. (1) Civil Service organisations have responsibility for their own pay, grading and performance management arrangements for staff (except the Senior Civil Service). (2) There is an almost universal system of individual performance pay. This is different to the way the wider public sector generally works. For example, pay for National Health Service workers, local authorities, teachers, police and fire services are subject to national pay bargaining arrangements. In contrast, each Civil Service department and agency negotiates pay for its own staff. From civilservice.gov.uk

⁶ BBC News (July 2012): 'England's new academy schools can now hire unqualified teachers, after a change to the rules.'

⁷ CIPD News (January 2014) : 'Staff working at England's largest NHS Trust have raised concerns about being bullied, according to a report from the health watchdog. The Care Quality Commission (CQC) said that employees from "all levels and across all sites" of Barts Health NHS Trust had come forward about incidents of bullying.'

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