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Policy Paper

Renewing Public Ownership: *Constructing a Democratic Economy in the Twenty-First Century*

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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. Eight 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

Since 1979 the privatisation and marketization policies of successive governments have delivered the economy into the hands of a narrow set of vested corporate and financial interests. The consequences are that decision-making is geared towards short-term profit and rent-seeking, at the expense of more longer term thinking and in particular strategic concerns for the common good.

The privatisation process has reinforced the concentration of ownership in the economy over the long-term. Share ownership by individuals has plummeted massively from 53% of the total in 1963 to just under 12% in 2014. This has added to growing levels of wealth inequality.

Instead, privatisation has been accompanied by a growing foreign ownership of the UK's most strategically important resources and assets, now 53.8% according to the Office for National Statistics (ONS). This raises important questions about government's ability to control and administer important public policy objectives such as tackling climate change and providing essential services to the public at the lowest cost.

In response, this report argues that the UK needs to rethink its approach to ownership and control of the economy, developing more democratic institutions and structures that re-distribute economic decision-making power beyond its capture by financial, corporate and foreign interests.

In particular, we need to create new forms of public and collective ownership that are better able to develop an economy to serve social needs and environmental concerns over private gain. Such forms of ownership should combine higher level strategic coordination with more localised forms of public ownership. In all cases, though, ownership should seek to enhance democratic accountability and public engagement in the economy.

The failures of privatisation in other countries are producing a growing trend to take back utility sectors into public ownership, for example, in France and Germany but also in the United States. A range of new and hybrid forms of public ownership are detailed in this report that offer solutions for dealing with the UK's growing democratic deficit in the economy. This paper proposes a diverse range of public ownership forms tailored to the technical needs and democratic potential in different sectors.

The report also counters some of the widespread myths and caricatures of past forms of nationalisation in the UK to stress the under-reported effectiveness of many forms of public ownership at delivering public goals, in contrast to the experience with privatisation. It debunks the myth that private ownership is more efficient than public. It also demonstrates that privatisation has been a monumental failure in tackling critical public policy issues, such as creating sustainable, affordable and modernised public services.

Introduction

Public ownership has come back onto the mainstream policy agenda in a dramatic fashion. For the first time in over 30 years, the Labour party promised a commitment to introducing new forms of public ownership in its manifesto for the 2017 General Election. The manifesto, and the commitment to take critical sectors like rail, energy and main into public hands, generated considerable enthusiasm and support among the public, countering the arguments of many of those not in favour of such a radical programme. Public ownership remains a popular option: a recent YouGov survey revealed widespread support with majorities for returning rail, energy, mail, water and buses to the public sector.[1] There should be no surprise here. It's the public – as the direct users of privatised services – that are most aware of the failures of privatisation.

A debate about the role public ownership might play in a more democratic economy is seriously overdue. When much of the UK banking sector underwent emergency nationalisation during the 2007-9 financial crisis, there was no serious consideration given to broader issues such as the ownership structure of the economy, or the relationship between banks and other sectors. On announcing the nationalisation of Northern Rock in February 2008, then Chancellor of the Exchequer, Alistair Darling remarked: "It is better for the government to hold onto Northern Rock for a temporary period, and as and when market conditions improve, the value of Northern Rock will grow and therefore the taxpayer will gain. The long-term ownership of this bank must lie in the private sector".[2] He skirted over the fact that Northern Rock had for most of its history been a mutual rather than a private company.

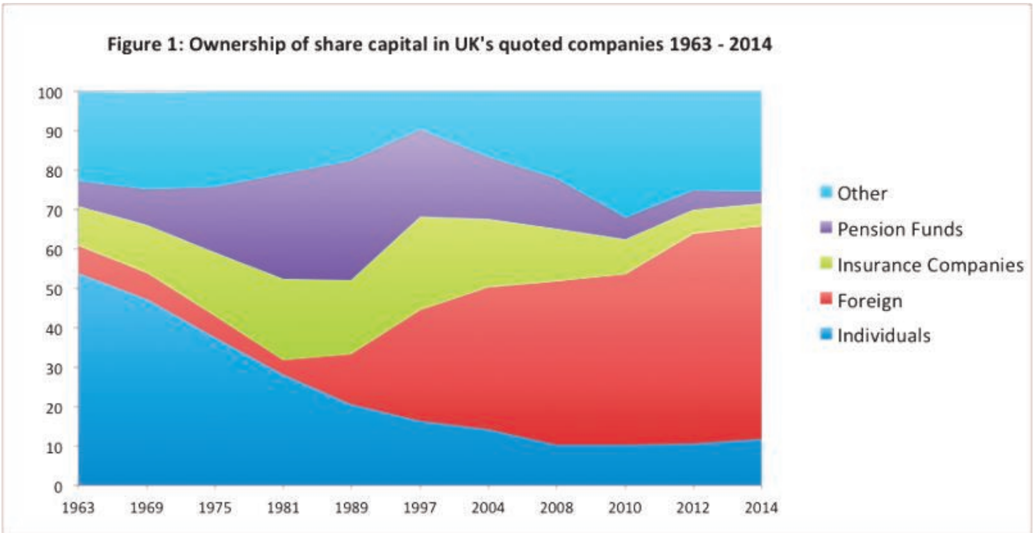
Like most of the British political establishment, Darling remained committed to the view that banking, like the rest of the economy, should remain in private hands and that it was not the job of the government or the public sector to engage in economic decision-making. Darling has since become a peer of the realm and taken up a lucrative position as a director at the financial services company Morgan Stanley. But the debate has moved on, and more critical questions are now being asked about the nature of the UK economy. In whose interests is it run? What should be the relationship between the economy and broader society? Questions of ownership have come to the forefront of such debates, as evident in the well-received position paper recently published by the Labour party.[3]

As part of an agenda to take back the economy from private vested interests, this paper sets out the case for revitalising public ownership as a long-term strategic policy solution rather than a short term palliative attempt to deal with 'market failure'. As such, the argument advanced here is part of a wider acknowledgement of the continued importance of state-led investment and collective action for advancing critical public policy goals.[4] Three decades of privatisation and marketization in the UK have not only increased social inequality but have also resulted in economic decision-making being captured and concentrated in fewer hands, while encouraging a shift towards a more financialised 'rentier' capitalism. The outcome is an economy that is increasingly working for private vested interests rather than any broader conception of the common good. To rectify this, the paper argues that we need to rethink our approach to issues of ownership and control, developing new forms of public ownership that are both democratically accountable but also encourage broader public engagement in economic life. Drawing upon experience from other countries, this report sets out the variety of ways in which public and collective ownership can be introduced to meet the critical social and environmental issues that face us all in the twenty-first century.

Privatisation and the growing concentration of economic ownership

Since 1979, successive governments have pursued a strategy around the marketization and privatisation of the economy. Beginning with Conservative governments in the 1980s, but continuing under Labour, the Coalition and the current Conservative government, more and more areas of economic and social life have been transferred to private ownership. Nowadays it's usually forgotten that one of the original stated aims of privatisation was to create a property owning democracy where millions of ordinary people would have the opportunity to buy the shares of privatised companies. The problem with this approach was that the democracy created was rather superficial; of course small investors can go along to board meetings and vote as shareholders, but shareholdings are still dominated by larger private and corporate investors.

In fact, the historical data shows that the privatisation process has actually reinforced the concentration of ownership in the economy over the long-term (Figure 1). The majority of individuals who buy shares in privatisation cash these in relatively quickly.[5] Share ownership by individuals has plummeted massively from 53% of the total in 1963 to just under 12% in 2014. The ownership trend in the privatised utilities has been in line with the broader trend in the rest of the economy with a massive growth in foreign and corporate ownership since the 1980s in particular.



Source: ONS

The exposure of privatised firms to internationalization and foreign investment has not produced highly competitive sectors with a plethora of firms offering customer choice, but a growing concentration of ownership, facilitated by merger and acquisition activity - what one set of commentators refer to as “commercial imperatives [having] re-integrated markets” (Hall et al. 2003: 26). A particular irony has been the growth of foreign state-owned corporations in the UK’s privatised utilities, notably in the rail sector, which has German, French and Dutch state ownership. Foreign state owned corporations account for around 25% of the sector but 68% of nuclear power and 50% of offshore wind energy projects.[6] This leads to perverse public policy realities. In this case, Chinese, French, Norwegian and Russian governments – through their state-owned corporations – have effectively far more control over UK strategic energy interests than any British political actor.

Another important aspect to this story has been the growth of financial interests, such as private equity firms and hedge funds in the ownership of basic utilities. The water sector is a good illustration of these trends with ten of the 23 local and regional water companies in England and Wales under direct foreign ownership and a further eight owned by private equity groups including considerable foreign involvement (Hall and Lobina 2010).

The importance of ownership, control and democratic decision-making

Why does ownership matter and why is public ownership important? During the 1990s and 2000s many politicians on the left dropped public ownership as a policy option and embraced privatisation. It was argued that in the context of a more open global economy, direct government policy intervention was futile and likely to scare off foreign investors whilst driving domestic companies to relocate. It is worth saying that there has never been any convincing empirical evidence to support either of these propositions, but plenty of examples of the continued role of state intervention in the most successful economies.[7] Nevertheless, government policy across the advanced economies of Europe and North America shifted from direct intervention in and planning of the economy to facilitating supportive economic environments for business (through lowering taxation and deregulation) and encouraging private enterprise and ownership.

Even many of those social democratic and socialist politicians still committed to equality and social justice as important political principles have dropped policies of public ownership from their agendas. They have tended to prioritise distributional justice – redistributing income through taxation and other policies – over ownership and control of the economy per se. From this perspective, ownership of the economy can be left to private firms as long as governments can undertake policies which can tax and spend the profits of companies for the wider public good.

However, the experience of privatisation over the past three decades provides compelling evidence to the contrary. Not only do policies of privatisation and market deregulation serve to reinforce inequalities, but they also leave the main strategic decisions about the economy in the hands of a narrow set of private interests. Decision-making and basic priority setting – about how an economy is organised and what is produced - will be dictated by these vested interests rather than the common good or any sense of wider public policy goals. Under such circumstances, when governments want to embark upon key policies, such as tackling climate change, dealing with acute housing shortages or building new infrastructure such as schools or hospitals, they have to provide enormous financial incentives for companies to invest - the 1997 Labour government's Private Finance Initiative and its many pitfalls being the most pertinent example here.[8]

Some of the greatest failings of privatisation are evident in the energy sector where key public policy goals are supposedly about delivering cheap and affordable energy to consumers, providing security of supply, and shifting away from carbon fuels towards renewable energy as part of tackling global warming. However, under the privatised regime that currently exists the UK is monumentally failing on all three counts. Taking the affordability issue first, studies over a number of years have consistently concluded that electricity prices are between 10 and 20% higher than they would have been without privatisation (Hall et al 2009). Juxtaposed against this, the UK has some of the worst statistics in Europe for fuel poverty.[9] Particularly shocking are the number of pensioners that die from extreme cold every winter, with rates for the UK as a whole double that of Finland, with its much colder winter climate, and far higher also than countries with similarly severe winter weather such as Sweden and Germany (ibid).

The UK also has one of the worst records in Europe in shifting its energy consumption towards renewables, ranked 24th out of 28 countries in 2015 with under 10%.[10] Linked to this is the energy security issue - the UK's current carbon-based and nuclear energy power stations are coming to the end of their lives. With about one quarter of the existing power station capacity due to be closed by 2025, it has been estimated that at least £110 billion infrastructure investment is required to achieve both security of supply and the UK's environmental objectives of meeting 30% of its electricity generation from renewables by 2020 (DECC 2013b).

Moreover, in order to achieve an 80% reduction of 1990 level greenhouse gas emissions by 2050 (the stated policy goal), very much more will be required than even these amounts. The House of Commons Environmental Audit Committee (March 2011) has estimated a range between £200 billion and £1 trillion will be required over the next 10 to 20 years. Given the low level of national ownership and also skill levels (Rutledge 2012), the UK is completely dependent on foreign (and as we noted above) often state owned companies to deliver this vast investment, as the recent controversial deal with the Chinese state firm CGN and French state owned EDF to build a new nuclear plant at Hinkley Point illustrates.

What is becoming increasingly clear is that the privatised system is failing to deliver on the most basic of energy policy goals: 'keeping the lights on', with massive implications for the UK's strategic energy requirements (e.g. Bradshaw 2012). Under privatisation large established power utilities have had little incentive to switch from conventional sources of power, such as existing oil, gas, coal and nuclear power stations, towards renewables, because they can make vast profits from the status quo, whereas they would have to make massive investments to put in place the infrastructure necessary for renewables. Rectifying this situation, while continuing with the current regime means that governments will have to set massive incentives, including the restructuring of 'markets' to create the level of return that will attract foreign investors. One of the perverse effects has been the growth of renewable related subsidies for foreign state-owned corporations such as the Danish state energy company, DONG, and the Swedish government owned firm Vattenfall which have been the largest beneficiaries of UK government subsidies in the wind energy sector (Rutledge 2012).

The experience in the energy sector is mirrored elsewhere where privatisation has not brought the promised investment or efficiency gains but instead led to regimes of private value extraction at the expense of the public purse while leaving a legacy of decaying infrastructure. For example, Bowman et al's forensic analysis of the effects of rail privatisation come to the scathing conclusion that "Rail privatisation created a situation whereby risk and investment averse private companies positioned themselves as value extractors, thanks to high public subsidies" (Bowman et al 2013, 14). While public subsidy has increased rather than contracted following privatisation, investment has slumped dramatically. To provide one example, investment in rolling stock in the five years prior to rail privatisation was over 60% higher than in the five-year period to 2012 (ibid, 43).

There are two critical points that come out of this analysis for broader issues of ownership and control. The first is that under privatised regimes, there is a direct conflict between the profit-making concerns of business and important public policy goals. Left in private hands, decision-making and investment will deliver for short term shareholder value more often than not at the expense of workers and customers. The second is that to square this circle, governments have to provide massive and perverse subsidies and incentives to encourage private investment, particularly where long-term investment in infrastructure is required. Faced with these massive contradictions, the need for public ownership and strategic direction in key sectors of the economy becomes a matter of great urgency.

Myths and realities about public ownership in the past and present

In recent years a very effective public policy discourse about the defects of public ownership has been articulated by proponents of privatisation. This runs as follows. The old nationalised industries were bloated, over-centralised state bureaucracies, run by civil servants and political appointees who were not only far removed from the demands and requirements of the ordinary customer or passenger, but lacked the right commercial skills and expertise to run these services. A good dose of privatisation, commercial expertise and injection of private finance would help to rejuvenate these sectors and the introduction of market forces and competition would make them more responsive to customer needs and encourage innovation. Public ownership as a policy option therefore carries a lot of baggage, despite the failings of privatisation.

Prior to 1979, both Labour and Conservative governments carried out forms of nationalisation but these were neither as radically socialist as is often claimed by their detractors, nor at all democratic in shifting the economy towards more collective decision-making and away from vested interests. The greatest phase of nationalisation – by the Atlee Labour Government between 1945 and 1951 – involved over two million workers and included the coal industry, iron and steel industries, the Bank of England, the civil aviation industry, the railways, and public utilities such as electricity, water and gas.[11]

The main motivation behind this programme was to make the British capitalist economy more competitive following years of poor productivity and a lack of investment by private owners.[12] Very little radical change in the organisation of these industries occurred. Both Labour and Conservative governments made a virtue of the fact that these industries were to be run on a commercial basis, at arms-length from government. At the same time, they were not given the commercial freedom of private companies, not being allowed to borrow money in the financial markets to fund investment on the one hand while they were not allowed to set their own prices on the other.

Despite all this, the record of the nationalised industries was far better than is commonly portrayed, especially compared to the subsequent experience of privatisation. Some industries, notably coal and steel, car and shipbuilding industries had suffered from years of underinvestment at the hands of private owners; one of the main motivating factors behind nationalisation in the first place. These were subsequently cast as “lame duck” industries when they experienced severe decline during the recession of the late 1970s and 1980s and many other nationalised sectors tarred with the same brush by Conservative and pro-business interests.

However, many of the utility sectors that were privatised, notably telecommunications and gas, were relatively well run public entities that operated at a profit to the public purse. A detailed study by Sawyer and O’Donnell found that total factor productivity (which includes the productivity performance of labour and capital) in the nationalised industries of gas, electricity and water increased by 3.1% between 1950 and 1985, a figure that was higher than both their US privately owned counterparts (2.6%) and UK manufacturing as a whole (1.8%) over the same period. Even British Rail, which was starved of serious investment and modernisation by parsimonious governments right through the 1945 – 79 period, was, by the mid-1980s “delivering exemplary operating efficiency” (Bowman et al 2013, 135) that was better than its European counterparts. With regard to the comparative experience before and after privatisation, Sawyer and O’Donnell found that at best “privatisation has produced mixed results. Where there have been noticeable efficiency gains, these have tended to occur mainly in the run-up to privatisation, where the industries were rationalised and prepared for sale, suggesting one-off efficiency gains” (ibid.: 27).

There were two main weaknesses of nationalisation before 1979. The first related to their effectiveness; they were seen as part of government spending and therefore always starved of investment compared to their continental comparators.[13] The other main weakness was the failure to inject anything approaching a more democratic form of organisation into the economy, stopping short even of the concept of elected worker directors that subsequently developed in the West Germany and the Nordic countries. Instead, ministers preferred the model of the large public corporation along the lines of the British Broadcasting Corporation (BBC) — at arms’ length from government control — but at the same time providing no effective voice for either workers or consumers (Saville 1993). Despite union opposition and protests, time and again the government bowed to the interests of establishment civil servants, managers, and private business in excluding worker representatives from the new corporations' boards.

Many of the nationalised industries were effectively left in the hands of the same ruling political and business classes running the industries. The starkest example was in the coal industry where Lord Hyndley – the managing director of one of the largest private mining companies, Powell Duffryn – was appointed as its first chairman. Across the nationalised industries national and regional officials were also appointed from the ranks of private industry or in many cases from the military (Fishman 1993). This was a very peculiar British form of nationalisation and very much at odds with the parallel process in France where, in their initial structures, nationalised industries had a much greater commitment to the participation of diverse interest groups.[14]

In contrast, in the UK the lack of worker and broader citizen involvement in economic decision-making had created a significant democratic deficit in industries that were now owned and managed supposedly on behalf of the people. Crucially this meant that in far too many areas of economic life, major decisions were taken with massive long-term consequences for the country as a whole, with hardly any public consultation or democratic involvement. The most pertinent examples were in the nationalised utility sectors where many activities that had previously been under local or municipal government control were removed and centralised in London around an elite of civil servants and public sector managers, often heavily influenced by financial and private sector interests.[15] A London metropolitan bias tended to predominate over local and regional interests under these circumstances.

Not only did this eviscerate important traditions of municipal socialism and more democratic forms of public ownership, but it also led to an increasing number of costly and unaccountable decisions (notably the decision to invest in nuclear power) by nationalised entities. Strategic decisions regarding the country's economic interests were made without even a semblance of public debate and reflected the capture by particular fractions of the political elite: "The lack of democratic controls meant little public, municipal or even parliamentary scrutiny of the activity of corporations; the colossal expenditures on the Magnox and AGR nuclear reactor systems were pushed through with virtually no proper debate with military considerations in mind" (Saville 1993a: 57).

The same tendencies in organisation and management structure have persisted into the present under recent bank nationalisations with government insisting that commercial logics should remain the order of the day. A return to profitability at all costs and business as usual has been the leitmotif of recent governments, despite the opportunities presented to radically rethink the purpose and remit of the financial sector in ways that might produce more socially useful and productive institutions for the greater good. The new appointees to the nationalised companies were drawn from the same commercial banking cartel that had brought about the financial crisis in the first place (Brummer 2009).

One of the curious aspects of this continued commitment to the commercial and private expertise of managers and business leaders is that it is often at odds with the kinds of specialist knowledge and experience that is required to run particular sectors and industries. An obvious example comes from the recent experience with renationalisation of parts of the rail network. When the failed infrastructure company Railtrack was replaced by the publicly owned Network Rail, both the chief executive (construction) and the chairman (rocket scientist) were outsiders to the industry with no knowledge of the complex realities of running the a national rail network. Ironically, one of the reasons for the trade unions' continued strength in the rail industry is that their members have deeply rooted practical knowledge and experience of working and operating in the railways which has given them a considerable advantage over private managers coming into the industry from outside (Cumbers et al 2010).

The view from elsewhere: the resurrection of public ownership overseas

The continued British fixation with private management and ownership is increasingly out of step with much of the rest of the world, where similar experiences of the deficiencies of privatisation has generated a backlash among the public and politicians. The result has been an interesting movement towards new forms of public ownership that attempt both to improve public services while stimulating wider public participation and democratic decision-making.

One of the most significant developments has been at the local scale where, since 2000, there have been 835 known cases across 45 countries around the world of cities and towns that have taken formerly privatised assets, infrastructure and services back into public ownership (Kishimoto and Petitjean 2017). The trend is apparent across a number of sectors but is most notable in water and energy. This process, known as 'remunicipalisation', is remarkable in its geographical diversity. It spans a range of urban settings from major first world cities such as Paris, Berlin, Houston to leading cities in Latin America such as Buenos Aires and La Paz to rapidly growing cities in Africa and Asia such as Dar Es Salaam and Jakarta, while also encompassing smaller towns and cities in rural parts of France, Germany and the United States.

Remunicipalisation is associated with new and innovative forms of public ownership. A good example was the setting up of a new public corporation, Aguas Bonaerense SA in the Greater Buenos Aires region of Argentina to run water services in response to the failed privatisation by a US led consortium of multinational corporations. The new organisation was a specially created cooperative with shares held jointly by the local authority and the water and sanitation workers trade union. In another example, the Peruvian city of Huancayo created a trans-local public-public partnership (PUP) with an Argentinian municipal water company to share staff, knowledge and best practice in management water and sanitations systems.[16]

In Germany, the retreat from nuclear power as part of the country's Energiwende - its transition to renewable energy - is prompting many local politicians to set up public energy companies to help them take control of their climate change objectives and broader local infrastructure modernization. Since 2000 over 100 privatised franchises in the energy sector have been taken back into the public sector and over 70 new public energy companies established. Behind this process is the frustration of both local politicians and citizens at the inaction of the privatized sector to take action over climate change.[17] At the same time, continuing austerity policies at a national level, deteriorating public finances and poor service delivery from privatisation, have encouraged politicians to take what are often revenue generating assets back into public hands.

Denmark has been at the forefront in developing new approaches to public ownership where a tradition of more decentralised forms of public and collective ownership (including a high preponderance of cooperatives) still shapes much of the approach to economic and social development and has been critical in the growth of its world-renowned renewables sector.

A particularly innovative model of public ownership was used in the construction of what was, at the time of its construction, the world's largest offshore wind farm - the massive Mittelgrunden complex off the coast of Copenhagen and which provides 40 megawatts of electricity, equivalent to 3% of the capital's electricity needs. The farm was opened in 2001 after an eight year planning and consultation process. Acceptance of the project by the local population was facilitated by the ownership structure which was divided fifty/fifty between the local utility company, Copenhagen Energy (itself owned by the city council) and a bespoke cooperative, created with the aid of the city council's energy department and the support of local residents' groups in which individuals were able to buy shares with over 10,000 residents taking up the option (Sorensen et al 2002). A second public-public partnership model of cooperative-local government utility ownership has also been developed on the island of Samsoe, which has become one of the first places in the world to become 100% efficient in renewable energy.

Interestingly, even in the UK, there has been a growth in municipal energy companies being established in recent years in cities as diverse as Aberdeen, Woking, Nottingham and Bristol. Although the privatised utilities still dominate the UK energy market, the potential of decentralised forms of renewable energy to create new forms of community and local municipal ownership are enormous, given the right political will and the appropriate models and forms.

Developing a publicly owned economy in the twenty first century

An important point to draw from the forms of public ownership that are emerging in the twenty first century is that there are a diverse range of different models of public ownership that can deliver important public policy objectives while still being democratically accountable. There is also a trade-off between delivering very democratic and participatory organisations at the local community level and having higher national or even international level institutions that can undertake strategic initiatives to deal with broader issues of tackling equality and injustice. Overall, we should aspire towards examples of democratically controlled forms of public ownership that are technically necessary at higher levels whilst relinquishing control of other activities as far as possible to the local level. However, whatever form of ownership is chosen – and it should be recognised that in practice there are many different combinations – the aspiration should be towards democratic decision-making in which employees and user groups have a voice.

The definition of public ownership here is a broad one and includes all those forms of collective ownership that are not either privately owned by individuals or under private ownership as stock exchange registered companies. This is important for it recognises that public ownership can be delivered either through state forms or outside the state (for example in cooperatives and employee owned corporations). What is important here is that this definition helps to promote broad and diversified collective ownership of the economy[18] that will facilitate greater public engagement and deliberation of economic activities. In other words, the economy becomes more broadly owned by the population as a whole, rather than the preserve of concentrated private interests. Delivering on this broad aim, public ownership should have the following aspirations:

- To promote greater participation by workers, consumers and citizens in general economic decision-making;

- To regain the commanding heights of the economy (i.e. take into public ownership industries too strategically important to be left in private hands such as banking, energy, other utilities);

- To facilitate greater local community control over resources, especially in the context of increasingly destructive forms of ownership such as private equity firms and other asset-stripping forms of private ownership;

- To redistribute income and wealth through cross-subsidisation of different social groups;

- To secure key environmental and social goals such as combating climate change and addressing growing inequalities.

Table 1 provides details of six broad types of public ownership that are already present in the contemporary economy: full state ownership (FSO), partial state ownership (PSO), local or municipal ownership (LMO), employee owned firms (EO), producer cooperatives (PO) and consumer cooperatives (CO). As our examples above test, there are also a range of hybrids that can be adopted as well as more loosely networked forms of organisation that link different localities in providing broader support and resources. The table also provides an assessment of the role of the different forms of public ownership in promoting democratic engagement and fulfilling key public policy goals.

Table 1: An evaluation of the effectiveness of different forms of public ownership in achieving desired objectives

Objective	Form of ownership	Rating
Securing public control of the economy's strategic sectors ("commanding heights")	FSO PSO LMO PC CC EO	++ + + = – –
Achieving greater local community control over decision-making	FSO PSO LMO PC CC EO	– – ++ + + +
Achieving distributional justice (equal and fair provision across a national territory)	FSO PSO LMO PC CC EO	++ + + – + –
Achieving environmental sustainability and tackling climate change	FSO PSO LMO PC CC EO	++ + ++ = = =
Developing greater participation in decision-making	FSO PSO LMO PC CC EO	= = + ++ ++ ++

Key:

+ positive effect

– negative

= neutral

FSO = full state ownership

PSO = partial state ownership

LMO = Local/municipal state ownership

PC = producer cooperative

CC = consumer cooperative

EO = employee ownership

Taking an industry into full state ownership (FSO) – akin to the 'Morrisonian'[19] model of nationalisation preferred in the post war period in the UK - will in theory secure the objectives of being able to influence key sectors and undertake longer term strategic planning to secure important goals, such as dealing with climate change, building and maintaining modern electricity or transport systems, etc. Partial state ownership (PSO) is perhaps the most common form of state ownership in the contemporary economy, largely resulting from partial privatisation processes and is a feature in many European countries. While these forms can be used to secure wider public policy goals or to provide some public influence in different parts of the economy, the trend in recent years – as with many fully owned state companies – has been to allow such firms complete commercial freedom with the state effectively as a sleeping partner that benefits from profit and dividends alone.

FSOs are also less likely to secure greater participation on the part of the ordinary citizen and there is a danger that, over time, they become captured by elite groups and subject to the kinds of principal agent problems that have occurred with earlier nationalisations. This need not necessarily be the case; state owned corporations can have structures and institutional arrangements that give management operational freedom whilst still being more broadly democratically accountable to the wider body politic for setting strategic priorities. Norway's model of oil nationalisation in the 1970s provides a good example of how this can work in practice (see Box 1).

Box 1: Energy policy for the whole of society: Norway's oil nationalisation in the 1970s

The 'Norwegian model' is rightly acclaimed around the world for its approach to North Sea oil and gas development, particularly for dispersing the benefits throughout the country's economy and society, rather allowing resources to be captured for vested interests. After almost forty years of oil development, Norway remains one of the most egalitarian societies on the planet, and consistently ranks near the top of the United Nations Human Development Index league table (number one for the most recent rankings in 2011). Much of this progress is due to the basic philosophy behind its energy policy in the 1970s, which insisted that resources be used for "the whole of society" (Ryggvik 2011).

A key plank of oil policy following the discovery of North Sea resources was the establishment of a state owned oil company, Statoil, to safeguard the nation's interest against the foreign multinational oil cartel. This involved a 'top-down' model of ownership led initially by elite groups within the central state apparatus. However, over time, as the magnitude of oil resources became apparent, a much more wide-ranging debate over the impact of oil on Norwegian society and culture developed, that went beyond narrow economic considerations. In the process, a number of other important mechanisms and institutions were created to secure the national collective interest and broaden public debate over the direction of oil and gas resources. These included the creation of the state's direct financial interest (SDFI) in 1985. The latter was established because of fears that Statoil was becoming too powerful, the SDFI was valued at 834.8 billion Norwegian krone (NOK) (about £80 billion) in 2008 (NPD 2009). Another point of comparison, marking out Norwegian oil operations from those of the UK, has been the establishment of a state oil fund – known as the 'Government Pension Fund – Global' – in 1990, which was worth around £214 billion (Scottish Government 2009).

Two other important institutions were critical. The first was the creation of a Petroleum Directorate as a separate organisational actor to Statoil, independent of the oil companies, that was charged with administering, regulating and controlling oil and gas resources. One of the consequences was the development of the safest offshore oil and gas regime in the world from the early 1980s onwards. But the Directorate also developed its own professional and technical expertise in all matters to do with oil. The second feature was the establishment of what became known as the Paragraph 10 clause in the legislation that created Statoil. While Statoil was always meant to be a commercial operation at arm's length from government, the clause meant that the company had to present an annual report to parliament on 'significant issues relating to principles and policy' (Ryggvik 2010: 100). The effect was that the company and the broader impact of oil on Norway was the subject of continuing scrutiny and debate into the 1990s.

Additionally, a whole series of committees in the Storting (Norwegian Parliament) set up their own consultation exercises, including Social Affairs, Foreign Affairs and Local Government to consider all aspects of oil development, in the process drawing upon a diverse range of knowledge and expertise from all sectors of civil society, including professional association, trade unions, fishing and farming interests, church groups and trade unions. Overall there was an impressive process of wide-ranging deliberation on questions of oil policy as well as collective learning so that many parliamentarians also developed extensive knowledge of oil affairs. The outcome was probably the most progressive approach to energy development ever seen, which involved the following radical proposals. Norway committed itself to a 'socialised' model of oil, key elements of which were the priority that oil should create a "qualitatively better society" and crucially a "moderate rate of oil extraction" (ibid, 34, 35) with a 90 million tonne ceiling that was not breached until the early 1990s. Additionally, emphasis was put on developing the resource in the most environmentally friendly manner as well as using revenues to boost the

LMOs which are vertically integrated and operate at the scale of city regions or devolved regions may also score high on these measures whilst having the advantage over FSOs of being more closely connected to local democratic structures. While LMOs are spatially closer to local communities and citizens, they also run the risk of capture by elite groups, particularly at the level of city governance for the development of boosterish projects (e.g. gentrification) that may benefit particular groups over the more general interest. The cooperative and employee owned firms

(EO, PO, CO) clearly score highest in terms of democratic participation and involvement but arguably will do less well at securing broader policy objectives. While an economy composed of decentralised cooperative firms will more than likely shift the overall nature of economic values in an economy towards more socially progressive ends, without countervailing forms of ownership it could also create new hierarchies in providing appropriation rights over revenues to particular groups (de Martino 2000). Once again there is a compelling Nordic model; this time from Denmark; of how a more decentralised form of public ownership, involving both cooperative but also state involvement at different geographical scales can secure important policy objectives whilst spreading participation and decision-making power to avoid these issues (see Box 2).

Box 2: Denmark's wind power revolution: a lesson in diversified and decentred public ownership

In the field of energy policy Denmark has been held up as a model by the International Energy Agency for its far-sighted approach to tackling climate change. The country went from being completely dependent on foreign oil and gas for its energy needs in the 1970s to being self- sufficient in energy and generating a new renewable sector accounting for 28% of its electricity needs by 2000. The cornerstone of this success was the emergence of a wind power industry which has not only been at the forefront of Denmark's strategy to increase self-reliance and reduce CO2 emissions, but has also created 20,000 jobs and given the country's firms 50% of the world market for wind turbine manufacture (DEA 2010).

Despite the international plaudits, there has been rather less recognition of the policies and institutional mechanisms that have been behind this shift, largely because they fly in the face of much mainstream policy wisdom regarding the reliance on market solutions and private ownership in particular. Denmark's wind power revolution has been based upon public ownership and planned interventions that depart markedly from the older bureaucratic versions of nationalisation. In particular, it has combined a national state-led strategy since 1980 to shift towards renewables with a diversified set of public ownership arrangements operating at different geographical scales (Cumbers 2012, Chapter 9). Government subsidies for wind turbine producers combined with policies that forced electricity distribution companies to purchase a certain quota of renewable energy were combined with laws encouraging local and collective ownership of turbines by restricting ownership to those resident in communities where they were built. The first Danish onshore 'wind farms', in the sense of larger-scale activities that supplied more than a local neighbourhood, were all cooperatively owned. At its height in the late 1990s, it was estimated that 150,000 families or around 10% of the population were involved (Cumbers 2012). The participation of communities in the ownership and development of the technology has been a critical factor in the successful growth of renewable energy capacity. Surveys suggest around 70% of the population are in favour of wind farms with only around 5% against (Soerensen et al 2003), figures that are far higher than found elsewhere.

Together, the 'distance regulation' laws, state support for renewables, and the localist and collectivist traditions of Danish society have been important in both dispersing economic power and creating the conditions for greater public participation, deliberation and economic democracy in the energy sector. Today the energy system as a whole remains heavily decentralised with around one hundred local distribution companies (primarily cooperative and municipally owned) and ten regional transmission networks (which are amalgamations of the 100 local cooperatives) (DEA 2007). This means that local cooperative and mutual forms of ownership dominate the electricity distribution system.

All forms of public ownership have their advantages and disadvantages and there will inevitably be trade-offs between the different objectives. If it is assumed that some form of compensation is to be given to existing owners, FPOs are obviously the most expensive and logistically the most difficult to achieve, though not prohibitively so, depending upon existing economic conditions and the value of private share capital. By contrast, it is relatively easy to take a partial stake (PPO) or take over one key section of an industry, for example rail track infrastructure, national electricity grids while still running private services on a contractual basis.

In reality, the form of ownership chosen should vary according to the technical requirement of particular sectors as well as the more strategic and democratic issues discussed above. Table 2 provides an illustrative sketch of how these different forms of public ownership might be applied in practice across the range of economic sectors. The list is far from exhaustive, for example housing and land ownership are not considered, but shows how a very different kind of economy might be built around collective forms of ownership and institution on behalf of the community or 'general interest' rather dominated and exploited on behalf of elite groups.

Profiteering and speculation in the financial sector have created massive inequities between different social groups over the past three decades without adding to the general common wealth. As is now well recognised, the private and deregulated model precipitated the financial crisis and subsequent recession in the years after 2008. In its place we could develop a very different publicly owned sector. A mix of ownership forms would be consonant with the different needs and uses of money and credit. State ownership, at a range of scales, could be used to secure broader macro-economic objectives, relating to stabilising the economy – in the manner currently undertaken by central banks but requiring the re-democratisation of these institutions away from the 'independent' control of financial and economic elites. We should push for much greater political interference in central bank decision-making but this should be of the deliberative kind that involves institutions that opens them up to broader scrutiny. Technical committees and managerial appointees could still be drawn from the economics profession (broadly conceived rather than reduced to the paradigm of mainstream neoclassical economics) but parliament should set its strategic priorities.

Table 2: Schematic depiction of public ownership types by economic activity

Type of activity	Spatial organisation	Forms of ownership	Institutional and regulatory arrangements
Finance	Local, national and transnational	• global FSOs for international development • national FSOs for monetary policies • FSOs and LMOs for funding industrial/economic development • COs for housing finance • PO/EOs for housing, pensions	• tight regulation and demarcation of separate spheres • outlawing of speculation and derivatives trading, tax havens • restrictions on 'usury'
Utility industries (e.g. electricity, water, gas)	Local, national and macro-regional	• combination of LMOs and FSOs	• possibilities for hybrid forms of ownership at local scale (e.g. Denmark)
Public transportation	Local, national and macro-regional	• combination of LMOs and FSOs	• public subsidy for public transport • high taxes on private motoring
Public services (e.g. health, education)	Local and national	• combination of LMOs and FSOs	• strong national regulatory structure to ensure equal standards between regions • high taxation of private forms and redistribution of income to state run areas
Consumer products (e.g. clothing, food, electronic equipment)	Global production networks and local or regionalised food networks	• consumer + producer cooperatives • small and family owned firms	• ethical trade rules • living wage standards • rights of collective association • tax and other subsidies to stimulate local and carbon-neutral production systems

National and regional development banks, also under state ownership, could be tasked with investing in key sectors and initiatives, promotion of training and research and development, for example in renewable energy or medical research. Although the Labour party's current thinking around the development of national and regional investment banks is an important step in the right direction, such institutions should not be beholden to or seen as compatible with private, market-driven banks. Instead, such banks should be driven by a broader public interest requirement, tasked to meet particular social and environmental goals rather than operating on narrow, for which read short term, commercial criteria.

The utilities are another example of a set of strategic activities that require management by, and for, the community as a whole. Many are of course natural monopolies – such as public transport, electricity and water supplies – and also require higher levels of coordination to deliver economies of scale, but these can in some instances be combined with more local and decentralised forms. Water supplies, for example, can be organised effectively at the municipal or regional scales, as is the case with many other European countries. Power generation needs national and even supra-national (e.g. EU) co-ordination of grid networks to deliver key public policy goals such as tackling climate change and eradicating fuel poverty. However, more localised forms of ownership could be developed for particular aspects of the sector, notably community ownership of renewables schemes.

Public transportation and public services such as health and education should be broadly organised in the public sector but these could take a range of different forms, from local community cooperatives to more national forms (such as educational authorities and basic healthcare) where the demands of distributive justice, efficiency and cross-subsidisation of poorer groups warrant higher scales of organisation. These are sectors where private ownership and market-based forms of delivery should be kept to a minimum because they deal with basic social rights that require different forms of valuation around care and nurturing and for which monetised values and commodification are deleterious.

More diverse forms of collective ownership could be given greater encouragement in consumer goods sectors where competitive markets perform the most important in providing market signals and stimulating innovation: there are plenty of examples of retail chains in Western Europe that are already cooperatively or employee owned and which provide a high level of service and quality of product (the John Lewis chain in the UK being a prominent example). These could however be subject to a stricter set of ethical rules around employment conditions, fair trade and environmental best practice.

Conclusions

The aim of this paper has been to argue for new forms of public ownership to address the growing private appropriation of resources, ownership and control in the economy. After over three decades of market deregulation and privatisation and its divisive consequences, we urgently need an alternative and more democratic agenda, which subjects economic policy to greater democratic participation and public debate. As the limitations of market models at delivering social justice and environmental sustainability become daily more evident, the case needs to be made for an economy run by, and for, people, rather than in the interests of a capitalist financial and political elite.

The new and diverse forms of public ownership identified here are central to this mission. They depart significantly from some older forms of public ownership – notably Morrisonian nationalisation – that was rooted in over-centralised and monolithic state entities that were far removed from the ordinary citizen and created new elite groups and concentrations of power. This paper attempts to update and rethink public ownership for the contemporary global economy as a challenge to the increased concentration of economic power within multinational corporations. This will – as our Danish case illustrates – involve a rethink of the relations between geographical scales, providing organisational structures that enhance local democracy but retaining the commitment to broader patterns of equity and distributive justice at the national scale.

Drawing upon a range of examples from elsewhere, and in particular the Nordic tradition of common ownership of resources to benefit society as a whole, this paper has argued that alternative forms of public ownership are available that will help to create a more democratic economy. Above all, there is a need to return to forms of ownership that challenge the vested and financial interests that increasingly dominate our lives. Too often this leads to decisions based on short-termism, value extraction, and the appropriation of common resources for private gain. A much longer-term approach to the UK's economy is required where public resources and assets are owned, managed and distributed for the collective good, and on behalf of present and future generations.

Notes and References

Notes

[1] YouGov poll published 19 May 2017

[2] Reported on BBC News 17 February 2008

[3] Labour Party (2017)

[4] See Mazzucato (2011)

[5] See Cumbers 2012 for a lengthier discussion of these issues

[6] See Cumbers et al 2013

[7] See for example Chang (2009)

[8] See the excellent report by David Parker (2012). In it he calculates that the 860 PFI projects that have been constructed in the UK since 1991 have resulted in £239 billion of liabilities for future generations of tax payers.

[9] See Cumbers et al 2013 for further details

[10] See Eurostat: http://ec.europa.eu/eurostat/statistics-explained/images/d/d9/Infographic_REN-2004-2015.png

[11] See Cumbers 2012, Chapter 1

[12] These owners were given remarkably favourable deals considering the way they had run down their respective industries. The general consensus at the time, even among the Conservative and business, was that the financial terms of nationalisation were very generous for the former owners. As The Economist put it, following the publication of the terms relating to Bank of England nationalisation: "It would take a very nervous heart to register a flutter at what is contained in the bill. Nothing could be more moderate."

[13] The most obvious example was France where government nationalisation of the banking system alongside utilities meant a modernisation agenda accompanied by sustained financial investment (Cumbers 2012).

[14] For example, the boards of the newly nationalised electricity and gas companies were composed of four members representing the state, four from technical and expert groups (two to represent the consumer interest), and four from the trade unions (Bliss 1954).

[15] See the excellent account by Saville R. (1993a) 'Commanding heights: the nationalisation programme', in J. Fyrth (ed.), Labour's High Noon: The Govern- ment and the Economy 1945–51, London: Lawrence and Wishart.

[16] There are a vast number of PUPs operating worldwide that encourage public utilities to share and exchange knowledge and skills. For some examples, see: https://www.tni.org/en/collection/public-public-partnerships

[17] Halmer and Hauenschild 2014, Berlo and Wagner 2015.

[18] Discussed at greater length in Cumbers 2012

[19] After the minister responsible for implementing the 1945 nationalization programme, Herbert Morrison, and referring to the centralised state-owned model of nationalisation, modelled on the BBC as an autonomous organisation, al arms-length from government.

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