

Open public service reform should not be a cover for serving corporate interests. Mutualism and its fellows could instead serve to enhance industrial democracy

Mar 1 2012

Alex Marsh argues that to embrace the call to go further and faster on public service reform would play into the hands of corporate actors and lead to a further concentration of economic power. The development of alternative models of service provision that enhance industrial democracy should be pursued instead.



Last week on this blog, Will Tanner argued that the government needs to change direction on public service reform. Tanner makes three points that flow from his frustration with progress. Mainly, he claims the government is being too cautious and it is placing an undesirable emphasis upon fostering mutual and not-for-profit alternatives to conventional public provision.

Tanner argues that “meaningful” reform needs to be faster and it needs to happen on a larger scale. This point resonates with KPMG’s 2010 paper *Payment For Success*, which sets out many of the measures you’ll find in the coalition’s *Open Public Services* white paper. The KPMG argument is that change needs to be rapid so it can more easily override objections and overwhelm resistance. Tanner thinks that new business models are not being embraced as extensively as they should. Rather, they are being restricted to specific policy areas. Finally, if we want to see public services dismantled more comprehensively then we need to reduce “barriers to entry” such as annoyingly inflexible and generous public sector pension arrangements.

The coalition’s public service reform agenda is based upon a critique of “old-fashioned, top-down, take-what-you’re given” services. The prescription is greater choice and provider diversity.

This critique is rather short on concrete examples. It is rooted in an almost comical caricature of public services. It wilfully ignores 30 years of public service reform focusing on enhancing performance, increasing responsiveness and facilitating choice. It ignores our existing systems of mixed provision with funding directed towards the voluntary and not-for-profit sector. The only thing we don’t yet have is a dominant commercial presence. It is tempting to presume that this is what David Cameron – for all his talk of diversity and decentralisation – thinks is missing.

This is, of course, never quite made explicit, although Tanner’s post comes pretty close. Centre Forum has similarly called for “a more logical approach to types of ownership in public services”. They are similarly not at all keen on the state trying to foster and protect mutuals or not-for-profits as alternatives to genuinely public provision. Instead, services should be opened up to the commercial sector as well. Here the preferred euphemism is the need for “competitive neutrality”.

But this fails to recognise that the commercial sector has the deep pockets needed for loss leading bids and predatory pricing. It fails to recognise that even if competitive structures are created initially, industrial concentration follows. That is what has been happening in health care markets. It fails to recognise that organisational forms that promote industrial democracy, that are values-driven or not-for-profit, struggle to compete against commercial providers. Or, rather, if this is recognised, it isn’t seen as a problem.

Tanner poses an important question: what kind of public services do we even want? I would broaden that out to: what kind of society do we want? That seems to me to be equally pertinent.

In *The Predatory State*, James K Galbraith argues that there is no genuine “conservative” economics left in US politics. The true believers have gone. All the core arguments – the overriding primacy of economic freedom (which Galbraith characterises as “the freedom to shop”), the wisdom of supply-side tax cuts, monetarism, balanced budgets, free-trade – have been found to be inadequate in practice. And yet, Galbraith argues:

The achievement of ... conservative economics ... has been to make it the ticket of entry into reputable political discussion.

But if the arguments are intellectually bankrupt then what are we left with? Galbraith argues that:

The political world is divided into two groups. There are those who praise the free market because to do so gives cover to themselves and their friends in raiding the public trough. These people call themselves “conservatives” ... And there are those who praise the “free market” simply because they fear that, otherwise, they will be exposed as heretics, accused of being socialists, perhaps even driven from public life. This is the case for many [US] liberals. Reflexive invocations of the power of markets ... therefore remain staples of political speech on both sides of the political aisle.

It is salutary to reflect on whether the UK political scene is any more enlightened.

But what about initiatives under the Localism Act such as the community right to challenge? Surely that is a step towards empowering communities rather than big business?

It is a moot point whether the community right to challenge will turn out to be a Trojan horse. Communities can challenge a local authority and force the tendering of service provision. Yet, this is an open competition and “the community” would have to compete against all comers. While “social value” can be included as a criterion in tender evaluation alongside price and quality, this is difficult to define. And local authorities need to be careful to conform to the requirements of procurement and competition law. Communities may challenge a local authority on services, but the result may be a contract awarded to a commercial provider. Not every community would welcome this outcome.

It is hard to infer from current discussions whether we are dealing with, in Galbraith’s terms, true believers in “conservative economics”: in UK parlance, out-and-out economic liberals. Or we are dealing with Galbraith’s faux “conservative economics” – this is all a smokescreen for handing public services over to friends in the corporate sector. It may be that true believers are useful idiots for the faux conservatives of the predatory state. Of course, at one level, motivations do not matter. If we look how these agendas are put into practice – through, for example, the [Work Programme](#) – the practical reality is that erstwhile public services are handed over to large corporations.

We are witnessing a concentration of economic power and an increasing interpellation of economic power into our political system. Concentrations of power, in the hands of whichever sectional interest, are bad for liberal democracy. The danger of embracing the call to go further and faster on public service reform is that this plays further in to the hands of powerful corporate actors, further undermining our democratic order.

This debate is not about who provides your schools, your social workers, your drug rehabilitation services, your support services for the unemployed. Or rather it is about that. But it is about much more besides. The development of alternative models of service provision that enhance industrial

democracy is one of the few enlightened things this government is doing. Mutualism and its fellows could act as a vital firebreak in the wildfire rush towards corporatocracy.

Please read our [comments policy](#) before posting.

About the author

Alex Marsh is Professor of Public Policy at the University of Bristol. He blogs at www.alexarchives.org

You may also be interested in the following posts (automatically generated):

1. [The News International scandal is just the tip of the iceberg of unelected oligarchies and corporate power in Britain's democracy](#)
2. [The Big Society is an illiberal concept that promotes subjective moral beliefs and threatens to entrench private interests in public life.](#)
3. [Targets and tight budgets put pressure on the public's relationship with public services. Government must take advantage of the 'Deep Value' of effective human relationships in service delivery](#)
4. [The Alternative Vote is a worthwhile reform that will make a big difference in improving the democracy and accountability of British politics](#)