Labour, the state and the market

Tony Blair has announced he intends to cling onto power for most of his current term before handing over to a successor, because he wants to see through his major visionary reforms of the “public sector” in the United Kingdom. He has been very good, over the past nine years, at talking about his desire for “reform” and “modernisation” but has generally not sought to describe in detail what he means by those two bland words.

Look back over his time in office, the main theme that emerges seems to be his attitude to the state sector and the welfare state. The difference between, say, Ramsay McDonald’s government of the 1930s and Blair’s of the 21st century has been the existence of a massive state sector in the economy. When Blair took office the British state accounted for around 35 percent of economic activity. Some critics take glee in observing that in some parts of the country - such as the North East - the state accounts for a higher proportion of economic activity than it did in some of the collapsed state capitalist economies in Eastern Europe (above 60 percent). The European Union’s Growth and Stability Pact obliges the British government to keep its borrowing under 3 percent of GDP, and the British government has a policy of trying to keep it to under 4 percent. Over Christmas, Private Eye suggested that it may have broken this self-imposed rule because some borrowing on certain Public Finance Initiative (PFI) deals really should be classified as government borrowing.

McDonaldisation

The existence of a large state sector worries the private representatives of capital. The encroachment of state bureaucrats could put them out of a job, and threatens to soak up money and resources that could have been used to make profits and grow more capital for themselves. Their paid apologists - often referred to as economists - fret over something called ‘moral hazard’, the idea that economic actors spending other people’s money are not as careful with it as if it were their own. Obviously, this is a major concern for people who invest in companies run by professional managers, and also for people examining the state where there will always be more tax money next year. These economists take capital’s myths of competition to heart and believe that without competition and the threat of bankruptcy, you cannot have economic efficiency.

It is worth noting that when these people talk of efficiency all they are referring to is the bottom line. All they are concerned with is costing as little as possible. For example, the sociologists who devised the ‘McDonaldisation of Society’ concept noted that the fast food and supermarket service industries, in the name of choice, reduced the amount of service you’d find in a traditional shop or cafe. People are expected to help themselves, and thus save staff time and the firms’ costs. This is much more efficient from the point of view of the financier and the accountant, possibly less so for the person stuck in yet another bloody supermarket queue.

In essence, New Labour has been about the McDonaldisation of the state. It has been about promoting competition and building fake markets in order to try and get civil servants to behave more like the ideal businessperson. Time and again, this is what reform and modernisation has meant. The main form this takes is to change the role of the state itself, from being the provider of a service to being the buyer of a service on behalf of the public. A simple example would be from the time when the Tories introduced Compulsory Competitive Tendering for local authorities. Instead of the local council collecting the bins, a firm collected bins on behalf of the council.

This has been intended to promote competition between companies who can provide such services, and drive down costs and improve efficiency. In theory, these firms can be sacked and can lose money if they fail to provides the service required. The problem is that it costs so much to run the bidding and contract writing process, and the services are so essential, that rather than sack firms most authorities are prepared to pay the existing firm more to help them meet their contract. Much the same problem emerges with PFI deals - where firms even get paid just to put in a bid.

Pseudo-markets
At the beginning of 2006 a new rule was introduced into the NHS requiring GPs when recommending elective surgery to provide at least four choices of hospital, one of which must be a private institution (with the operation to be paid for out of NHS funds). GPs themselves are supposed to operate as semi-independent companies, with competition within the NHS being provided by the Primary Care Trusts (PCT). The need to control their budget and to meet their targets is meant to promote a pseudo-market within the NHS and improve efficiency. The effect of that has been seen in Oxfordshire recently where the NHS PCT suspended performing corrective surgery for irregular heartbeats as inessential. It is only one of many trusts with large budgetary deficits.

A similar process can be seen in the provision of council housing. Despite committing itself to repairing dilapidated council homes, the government is refusing to release funds for residents in Camden because they have voted to reject moving their council homes from council ownership to a charitable housing association. Residents in many areas are also being asked to engage in this empty sham of democracy. The effect of this would be to dramatically reduce the capital value of council (and thus state) owned assets, and also to mean that borrowing for renovation would not be state borrowing, but the private borrowing of these charitable associations. A great deal of time, effort and money is being spent on what is essentially a way of getting round accounting technicalities and of removing council housing from political control and handing it over more directly to managerial teams of business folk.

In schools much hullabaloo is being made about proposed reforms which would release them from Local Education Authority (LEA) control. They would essentially be self - contained business units, with their own budgets, competing - via exam results - to attract pupils and therefore funding. The clear concern is that schools that can select bright pupils will therefore guarantee themselves better results. Further, private sector partners are being asked to help set up City Academies - where they can have an input to the curriculum and ethos of the school.

The net effect of all this is to remove such activities from democratic and political control and place them in the hands of professional managerial people shipped in from the private sector. Specifically, since these contracts are subject to commercial confidentiality, accountability and control is considerably lessened. This, though, isn’t a million miles away from the ideas of how to run society advocated by the likes of the Fabian Society founders of Labour - dedicated to using a controlled market to improve society as they found it at the close of the 19th century. They even advocated direct competition between state providers and private providers to see who could be the most efficient. They, however, at least advocated some form of minimum condition of work to ensure protection of labour and to limit its exploitation by this competition.

Although PFI and Contracting Out deals are protected by a deal with the unions called TUPE which means existing workers retain their current wages and benefits, it’s clear that introducing these private firms means new workers are much lower paid, and are without union protection. This is largely because Thatcherite union laws make solidarity striking difficult and many of the workers involved - most commonly cleaners - are in difficult-to-unionise industries anyway. Indeed, there is a good prospect that much of this marketisation of the state is about breaking away from national union pay bargaining.

This brings us to the reality of the situation. As Karl Marx showed in Volume III of Capital, capitalism is not driven by the competition between the commodities at the market place. The biggest profits go to the capitalist with the most capital - or at least, who can most effectively deploy it in production. The real competition of capitalism is between the workers and the capitalists - the struggle to lessen the cost of labour compared to the length of the working day. This is at the heart of what the private sector’s much vaunted efficiency does.

What the government is doing in creating these vast pseudo-markets is wasting time, effort and resources in maintaining the illusion that capital presents of itself as a group of industrious shopkeepers haggling in the town square. Building these pseudo-markets only serves to support the existence of the capitalist market generally, and, more specifically, the labour market. If we assume for one moment that the reforming zeal of Blair et al is actually genuine (despite his every effort to give the contrary impression) then all we socialists can say is that the mere existence of the wages system means that they will spend their time treacle-grinding rather than getting to the real roots of society’s problems and needs.

PIK SMEET

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