

PUBLIC OWNERSHIP

— the Next Step ?

THE Labour Publications Department of Transport House, the headquarters of the British Labour Party, has issued a pamphlet entitled "Public Ownership—The Next Step." This pamphlet is important in that it sets out concisely the arguments, which, in the view of its authors, justify a further large extension of the principle of nationalisation to the British economy.* The arguments are moderately and undogmatically expressed, but it is none the less necessary to ask how far they stand up to the test of practical experience and of scientific teaching in the realm of economics.

The pamphlet does not advocate wholesale or indiscriminate nationalisation. It suggests that the substitution of public for private ownership can be justified only insofar as it assists toward the achievement of five main objectives, which it lists in the form of tests to be applied to any industry or section of industry under consideration for nationalisation. These tests are:—

1. Will it increase the people's power over their own economic destinies?
2. Will it lead to a higher standard of life?
3. Will it lead to a more equal standard of life?
4. Will it lead to a more stable standard of life, i.e., promote full employment?
5. Does it open the way to extended industrial democracy?

The pamphlet, however, leaves no doubt that, in the view of its authors, the transference of industry from private to public ownership satisfies these tests in a very large number of cases.

* The pamphlet is issued by the Labour Party, for purposes of discussion within the party, but it is not an official representation of the views of the party.

ECONOMIC POWER

Under the first heading the pamphlet raises the familiar argument about the concentration of great economic and political power in large-scale industries under the control of private enterprise. "While these great concentrations of economic power remain, the people cannot be unchallenged masters in their own house. The power should therefore be transferred to a body which is responsible to the elected representatives of the people in Parliament."

This argument assumes, rather naively, that the mere substitution of public for private ownership automatically ensures that the people will have a greater say in the way that an industry is run and automatically guarantees that it will be directed in the public interest. But is this really so? Do, for instance, the people of Australia really feel that they have any more control over the quality and manner of services provided by the state-owned railways than they have over the operations of the Broken Hill Proprietary? And have the railways in fact better served the interests of the people of Australia than the Broken Hill Proprietary? Is the public board appointed for life or for a term of years likely to be any more solicitous of the welfare of the mass of the people than the private directorate? Does experience go to show that government departments are more conscientious and painstaking in the attention they pay to the convenience of their clients than the private business?

The pamphlet suggests there are powerful influences operating on public boards to check inefficiency which are not present in private concerns. "The fierce glare of publicity is one; control by Ministers and Parliament is another." But against this it can be argued with some justification that it is much harder for the public to ascertain what goes on in public utilities than in large public companies, which are compelled to provide certain information and to observe certain standards in the publication of their accounts. Public bodies, on the

other hand, are notorious for their ability to cover up their mistakes and to conceal the true state of their affairs.

Nor does the fact that the public has the right to change its government, say every three years, give it any effective control over the manner in which a government-owned service is conducted. Indeed, the accepted modern form of organisation of the public utility, the statutory corporation,* is expressly designed to free its management from day-to-day interference from political quarters, and the degree of success of these bodies has invariably been in direct ratio to their degree of independence from political control.

Apart from financial requirements for developmental purposes, the only contact of Parliament with these bodies is through their annual reports. In only the rarest instances in Australia have these reports been made the subject of a full-scale debate, and it can safely be said that they go practically unnoticed by the great bulk of the public. As safeguards of the efficiency of public corporations, both "the fierce glare of publicity" and control by Parliament are largely mythical.

It is true, of course, that in the final analysis Parliament can exert its authority over the nationalised industry; but that is true also of privately-owned industries. Parliament would be fully justified in intervening in the affairs of a private business which was blatantly misbehaving itself in such a way as to jeopardise the public interest.

The ready socialist assumption that a great public service or utility under Government ownership will automatically be conducted in the public interest is, when closely examined, seen to be dangerous nonsense.

Under modern conditions it is impossible in the case of some industries to avoid some degree of concentration of economic power. The question is whether this problem would not become a thousand times more formidable if large sections of

* For example, the State Electricity Commission.



PUBLIC OWNERSHIP – The Next Step? (continued)

industry are nationalised than if they remain under private control. Monopoly is monopoly, whether public or private, but experience suggests that the public is provided with much greater safeguards in the case of the latter than in that of the former.

WHERE DOES ECONOMIC POWER TODAY REALLY LIE?

Moreover, the whole complexion of the problem of economic power has greatly altered in recent years with the growth in economic and political authority of the great industrial unions. Who, in plain fact, controls the economic destinies of the people of Australia today? Who determines the rate at which coal is mined or at which ships are loaded and unloaded—the coal-miners or the coal-owners, the dock-labourers or the ship-owners? Can the private builders or the private brick or cement works do much today to speed up the rate of home-building and to see that the people are better housed? Or does not the control in the last analysis—always illegitimate, and against the public interest as it frequently proves to be—reside with the building unions, the coal-miners and the wharf-labourers? The truth is that in the modern world economic power and wealth are no longer synonymous—power goes with the control of people rather than with the control of capital resources.

If, as many argue, the state should protect the public from the abuse of monopolistic power by private businesses, what steps should it take to control the activities of big industrial unions, where they are flagrantly against the public interest?

EFFICIENCY

Efficiency is, of course, a fundamental test to be applied to any proposal for nationalisation. Will a nationalised industry be more efficient, will it produce more and higher quality goods or provide better services at a cheaper real cost than the private concern?

The pamphlet suggests that nationalisation for the purpose of achieving greater efficiency is the appropriate treatment

where the management of a private concern is not up to its job. It maintains that there is far less likelihood of favouritism or influence in appointments in public than in private bodies.

It would, of course, be idle to deny that these factors play some part in appointments and promotion to senior posts in private businesses. But that surely is human nature. It may be true that nepotism and influence do not occupy such a big place in appointments in government services—but even that is doubtful. But is this the real issue? Is not the real question whether, in general, a higher standard of ability is obtained at the top levels in government bodies than in private businesses? The answer suggested by experience is surely “No”—and for two main reasons. In the first place, many public appointments at the top levels are subject to political influence—a fact not present in the private concern. Not infrequently in Australia men are appointed to high government posts not primarily because of their technical competence for the particular job, but because of their political leanings or because they belong to a particular pressure group. Whatever British experience shows, the claim in the pamphlet that “members of public bodies are appointed for their competence alone” is not borne out by much Australian experience. There is an irresistible temptation for the government in office to appoint to high positions those of its own political colour rather than those most technically equipped for the job, whereas in the private business the sheer compulsion of making a profit tends in the long run and on the average to ensure the appointment of the most able.

Moreover, the deadening influence, so far as efficiency is concerned, of the seniority principle plays a much bigger part in public bodies than in private businesses.

There are very few reasons for believing that it is more likely that “the best men will get to the top” in the nationalised industry and many powerful reasons, based on experience, for believing the opposite.

INDUSTRIAL DEMOCRACY

The final argument used by the authors of the pamphlet is that public ownership promotes industrial democracy—that the workers in a publicly-owned industry have a greater opportunity to participate in the organisation of their working lives and that they are more likely to co-operate enthusiastically in increasing production than in private concerns operating for private profit. This argument is not borne out by actual experience, in Australia at anyrate. The truth is that the larger an organisation becomes, the more difficult is it to establish those personal links, that mutual trust and confidence between management and workers on which good industrial relations depend. And most publicly-owned industries are by their nature organised on a large scale. Their very size renders it difficult for the worker to feel that he is other than a very small minnow in a very large lake. The necessarily impersonal and cold atmosphere of the great public utility makes it hard to build teamwork, loyalty, the sense of allegiance and “belongingness” on the part of the members of the working force. It is no coincidence that many great public utilities in Australia have a very poor record in industrial relations and that many of the most intractable and calamitous strikes, particularly in recent years, have occurred in these organisations. On the whole, the conditions of work and employment in public bodies are no better, and probably not as good, as those in many large private organisations. Does not the personnel officer of the government utility fight union claims just as strenuously and persistently as the management of a private business?

Men do not necessarily speed up their efforts and give of their best just because their boss is changed from the private employer to the impalpable state. In 1938 the output of the British coal industry under private ownership averaged 2.9 tons per manshift; in 1948, under public ownership, 2.85 tons per manshift, despite a considerable increase in the

mechanisation of the industry. In 1947, more tonnage was lost through disputes than in 1938. Last April, Sir Charles Reid, production director of the National Coal Board (who has since resigned) said: "We are putting into the pits day by day great masses of machinery, and it does not seem to matter what we do—the output per man is not rising. There is something wrong somewhere. We think that there is a slackening off all over and we are not getting the advantage of this machinery." Is it true, then, that the employees in nationalised industries work harder than those in private industries? Is it true that nationalised industries have been more successful in making the worker feel he is really part of the show and that his welfare is the constant concern of his employers? Have the workers in nationalised industries any more say than those in private industries over the conditions under which they work? Experience in Australia would on the whole tend to suggest otherwise.

THE CONSUMER—THE ECONOMIC SOVEREIGN

The strongest argument against nationalisation does not, however, rest on grounds of efficiency or of worker co-operation. It lies in the creation of monopoly over a far wider area than that necessarily called for by the requirements of modern industrial technique. For, in the last resort, the only effective and practicable means of the mass of the people exercising control over their economic destinies lies in their freedom of choice to transfer their custom elsewhere if dissatisfied with the service they receive. In the final analysis all industry exists to serve the consumer. But there is no quicker and surer way of unseating the consumer from his rightful throne in the economic kingdom than by proceeding recklessly and unthinkingly along the path of nationalisation.

