

# **Capitalist Dynamics Reconfiguring the State: Alternatives to privatising public services**

**Dexter Whitfield**

Director, European Services Strategy Unit,  
Adjunct Associate Professor, Workplace Innovation and  
Social Research Centre, University of Adelaide

# Remit and agenda

Discuss the capitalist dynamics underlying the pressure for the privatisation of public services and welfare state and to set out potential alternative strategies.

1. Summarise the dynamic forces
2. Explain 'transformation' of the public sector
3. Alternative strategy to regenerate public services
4. Core strategy to resist and create

'What we are for is equally important as what we are against.'

# Neoliberal objectives

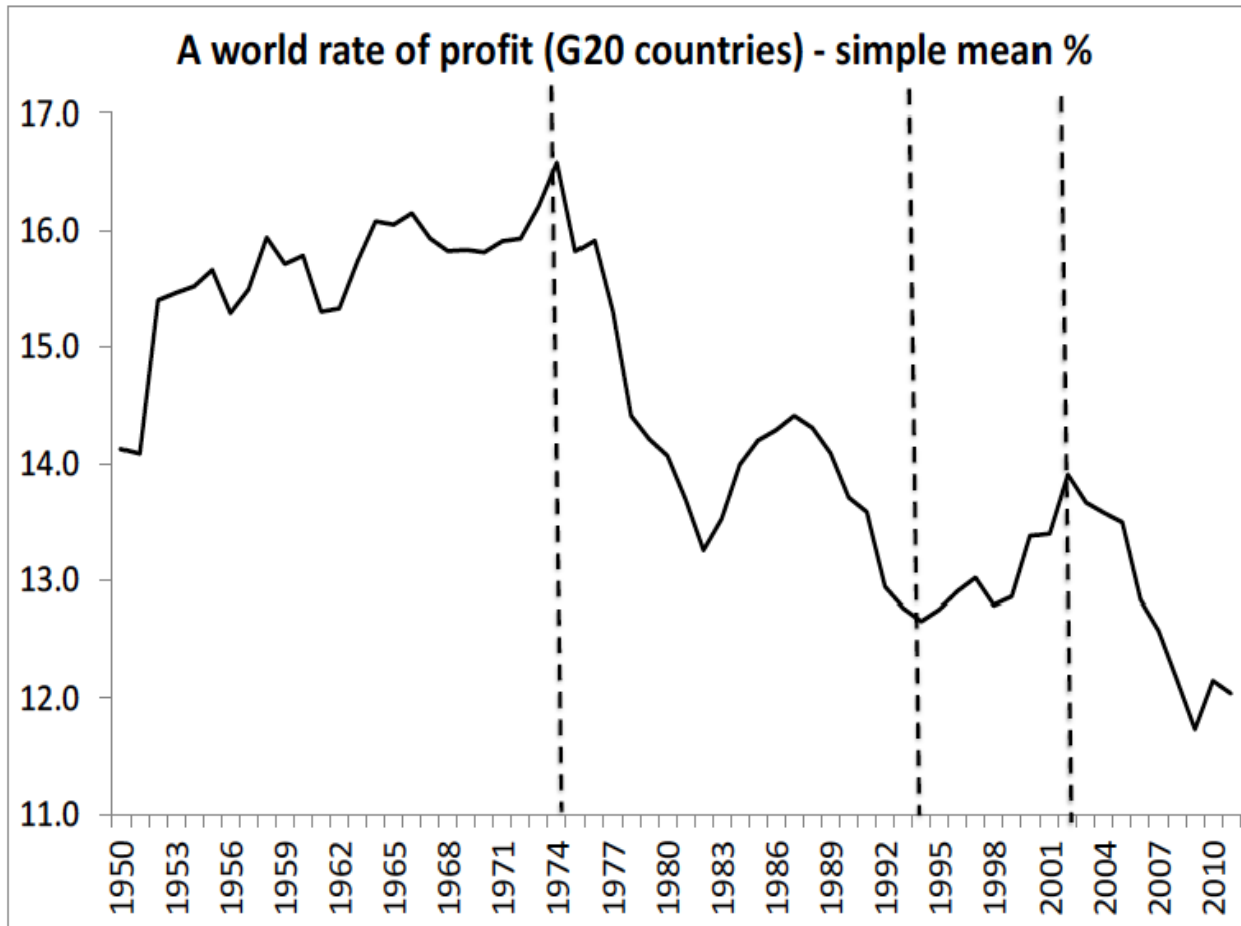
- **Free trade, competition and markets** to allocate resources and deliver services and state control of money supply.
- **Deregulate** to create new opportunities for accumulation.
- **Deconstruct democracy** to a partnership between state and finance/business and consolidate corporate welfare.
- **Reconfigure the state** to reduce its role and taxation.
- **Reduce the cost and power of labour.**

**Theory of transformation of public services – competition, markets and choice**

# Crisis of accumulation

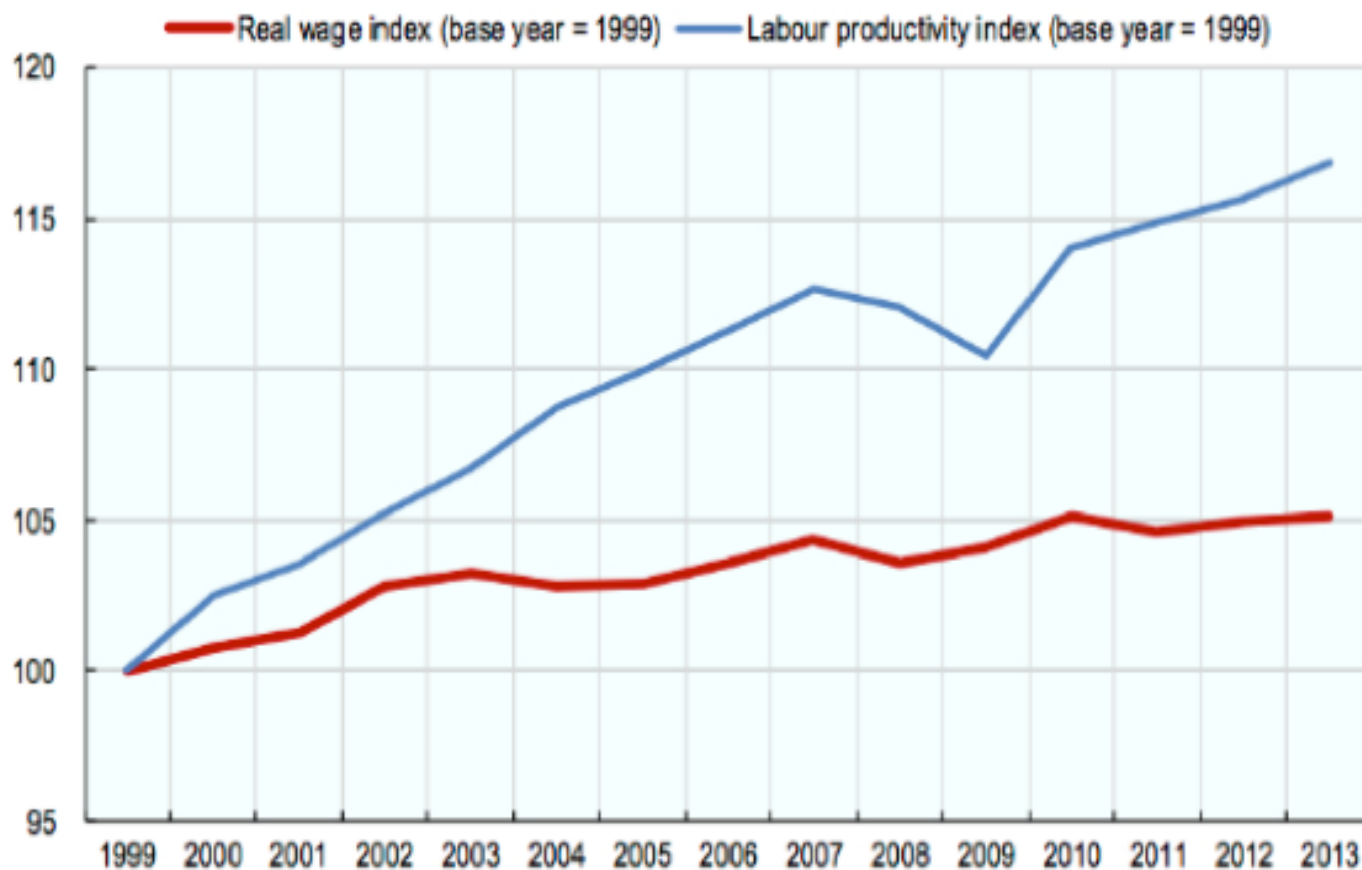
- Falling rate of profit
- Widening gap between average wages and labour productivity
- Cuts in corporate tax rates and effective average taxation rate
- Corporate cash hoarding
- Growth in corporate welfare
- Increasing inequalities

# Failing rate of profit

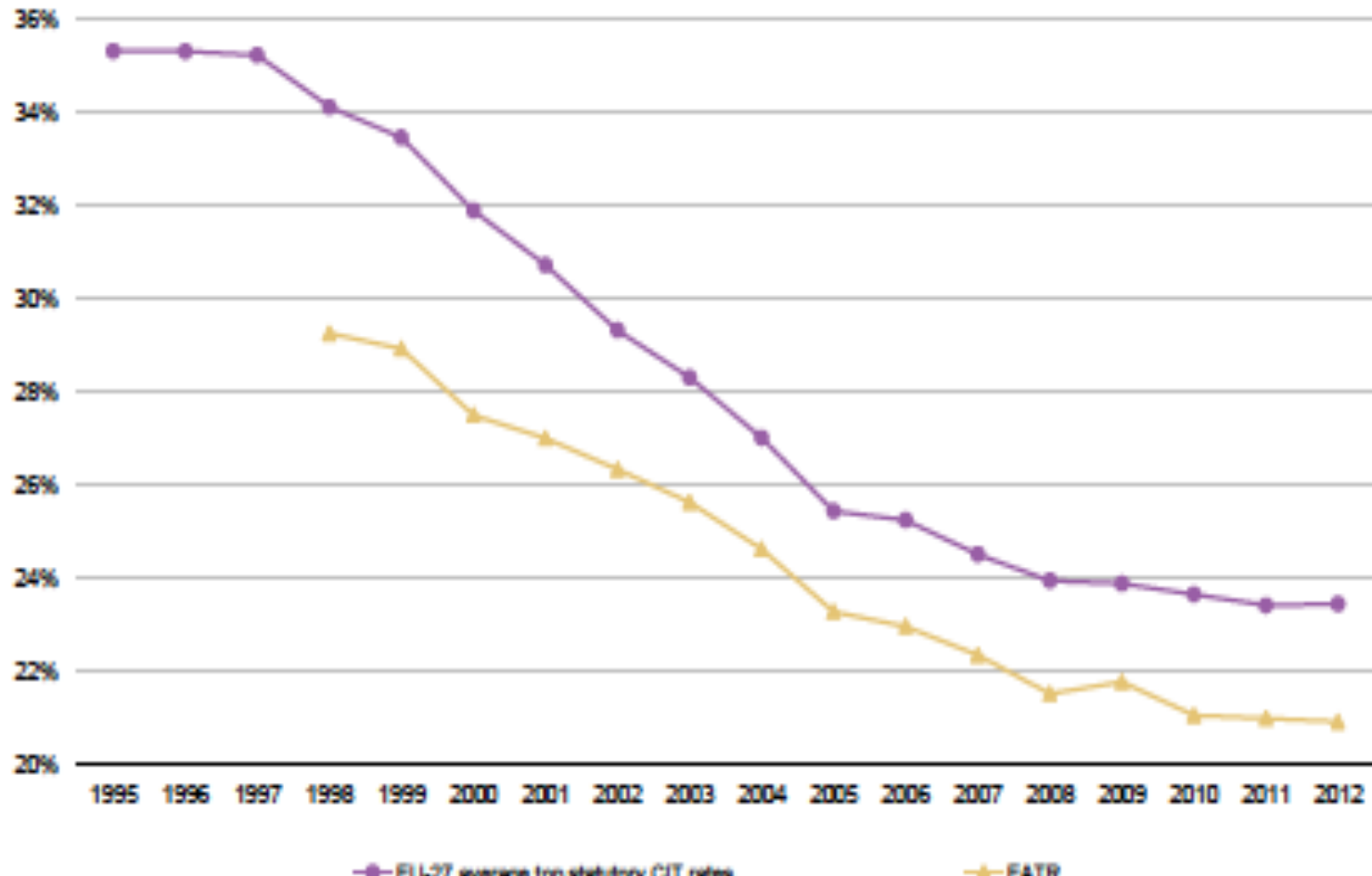


Source: Roberts 2015.

# Growth in average wages and labour productivity in G20 (ILO 2015)

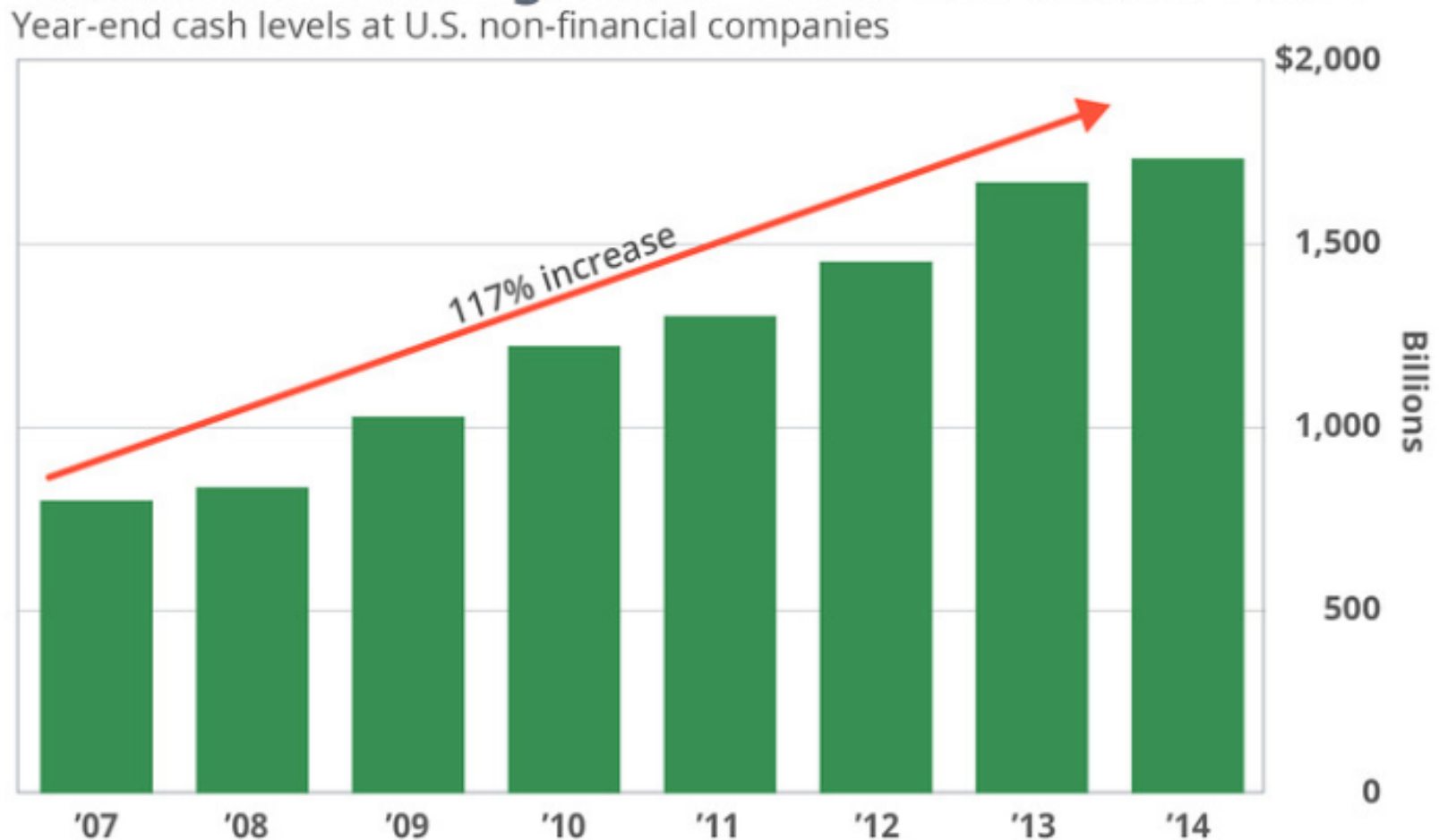


# Corporate income tax rates & average effective taxation EU27 (1995-2012, Eurostat, 2013)



# Corporate cash hoarding (non-financial co's)

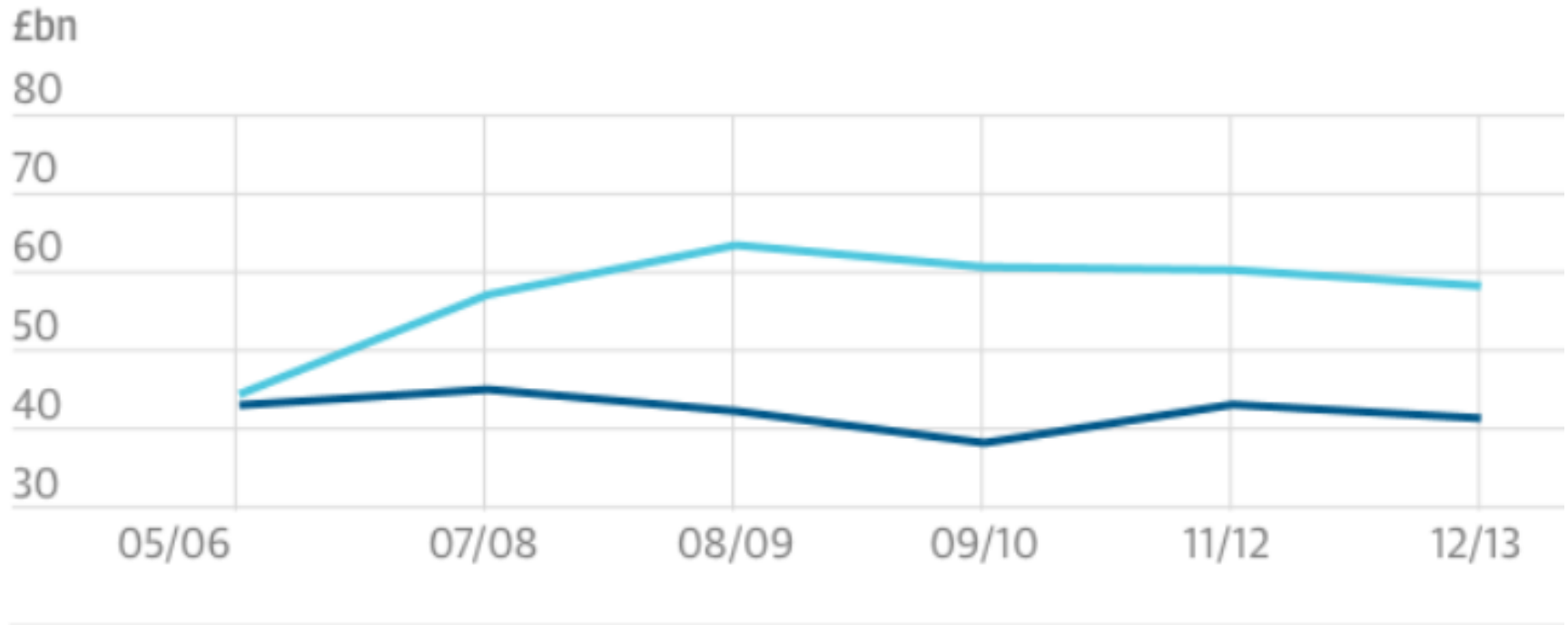
(estimated \$1.1 trillion of \$1.73 tn cash is being kept overseas: Moody's)





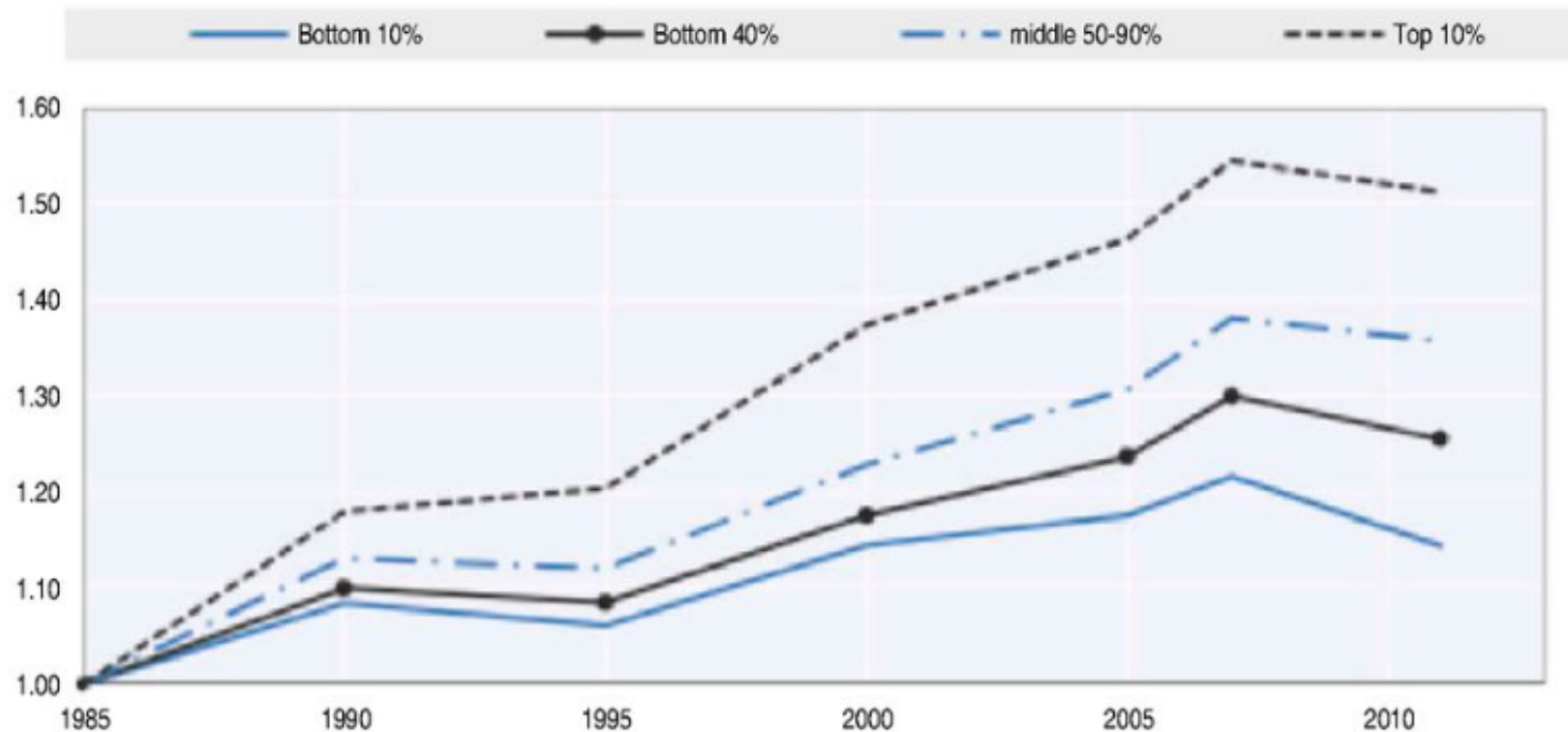
# Increased corporate welfare UK £bn

Corporate subsidies, grants and tax breaks | Corporate tax payable



Kevin Farnsworth and The Guardian, 2015.

# Increasing inequalities - disposable household income in 17 OECD countries



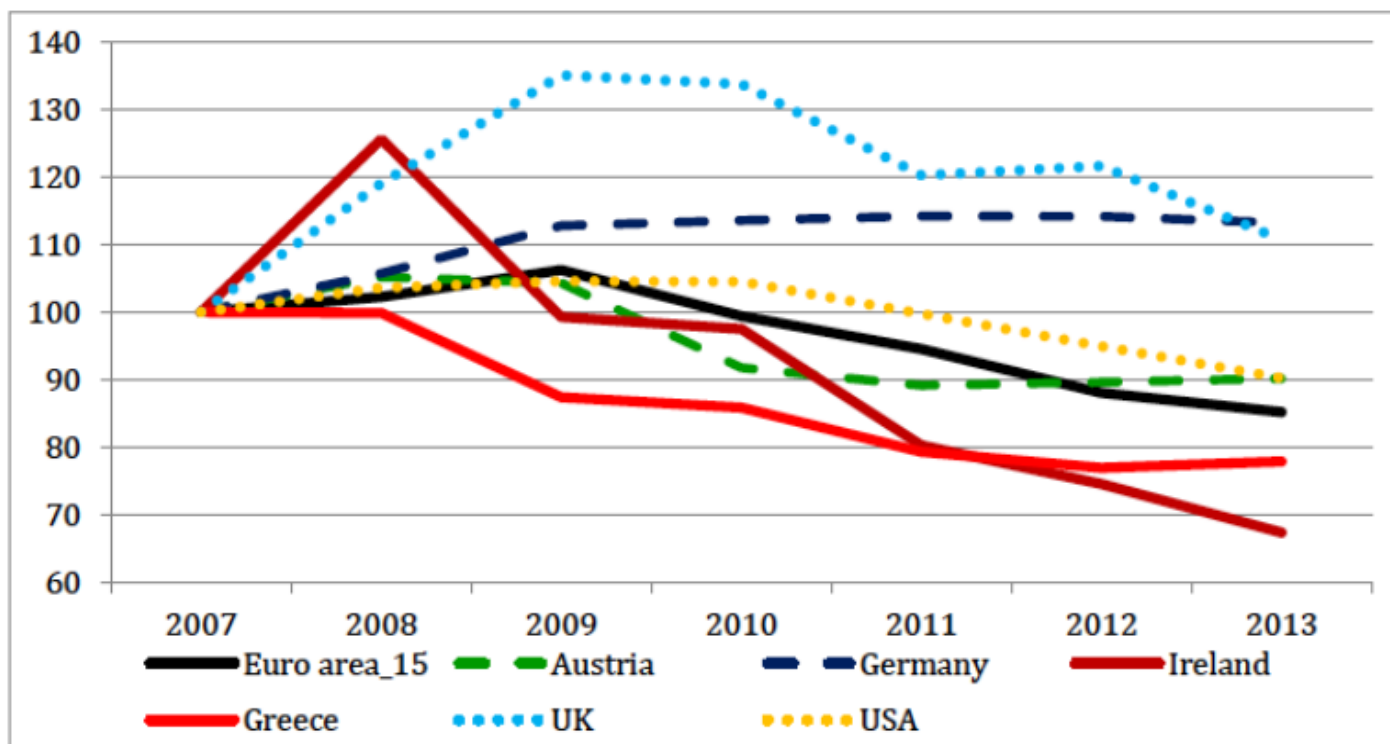
*Note:* Income refers to disposable household income, corrected for household size. OECD is the unweighted average of 17 countries (Canada, Germany, Denmark, Finland, France, United Kingdom, Greece, Israel, Italy, Japan, Luxembourg, Netherlands, Norway, New Zealand, Sweden and United States). See notes to Figure 3.5.

# Globalisation & financial crises

- Continuing impact of 2008 financial crisis.
- Bailout of nation states, households and US cities.
- Financial market reforms but.....?
- **Austerity policies** of deep spending cuts.
- Increased **outsourcing/privatisation**.
- **Economic stimulus policies** – QE but decline in public investment.

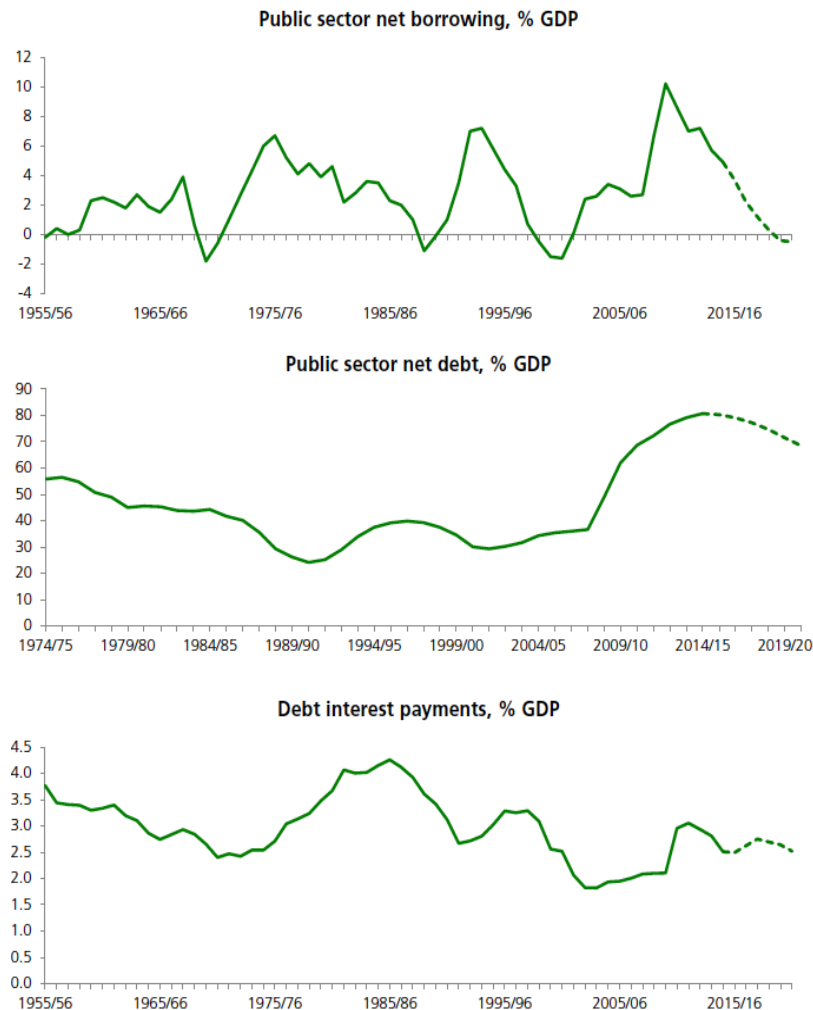
# Decline in government gross investment

General government real gross fixed capital formation in Euro area and selected countries (2007 = 100) 2007-2013



Source: OECD 2014 and Truger 2015.

# UK Public sector (National Statistics, 2015)



# Transformation of public sector 1

## Financialising and monetising

- obsession with outcomes
- private finance – PFI and Social Impact Bond projects - opening core services to investors for market rate returns
- pricing outcomes
- payment by results
- secondary markets – trading PFI assets

## Personalising

- personal budgets extended
- individual choice mechanisms
- Behaviourism and atomisation
- customers replace users.

# Transformation of public sector 2

## Marketising and commercialising

- commissioning, competition and contract culture
- making markets
- fragmentation of schools & hospitals into stand alone organisations and new chains
- commercialising voluntary sector.

## Privatising services and assets

*“...a comprehensive strategy for permanently restructuring the welfare state and public services in the interests of capital” (1983)*

- mutation and new pathways as asset sales continue
- transfers to trading companies and social enterprises
- whole service contracts
- community rights to challenge and bid
- new regulatory regimes

## Reconfiguration of the role of the state

Arms length, JVCs, off balance sheet, increased corporate welfare

# Class struggle

**Combination of neoliberalism and austerity policies to dispossess, disinvest, destabilise, depoliticise and disempower** which have:

- Reduced and fragmented public sector jobs.
- Public bodies relinquished responsibility for employment.
- Increased contract employment – low pay, zero hours, temporary.
- Weakened trade union organisation - membership and density decline.
- Increased inequalities in workplace and communities.
- Reduced scope and cost of services.
- Created new opportunities for private finance and outsourcing.



# Key challenges ahead

- Application of information technology and robotics
- Climate change
- Demographic change
- Slow economic growth forecasts
- New economic and financial market crises
- New demand for public services and welfare state

# Alternative strategy

To include:

- **Reject neoliberalism** – EU/global context
- **Clean energy economy** – emission reduction & national climate service to retro-fit buildings and new investment.
- **Industrial innovation**, investment and training.
- Financial and regulatory reform plan.
- **Public investment** – housing, public transport, broadband
- Reconfiguration of the state, early intervention, prevention & to **reverse marketisation and privatisation**
- Increase employment, **improve quality of jobs** & strengthen EU and UK employment regulations.
- **Oppose free trade agreements** – TISA, TTIP, TPP & EU single market liberalisation.
- **Progressive taxation and resources** - £200bn over 3 years plus long term planning beyond economic stimulus.

# US comparison of estimated macro-economic multipliers

<b>Fiscal policy changes</b>	<b>Congressional Budget Office, averages</b>
Infrastructure spending	1.8
Income-support payments	1.5
State & local fiscal support	1.3
Tax cuts for individuals	1.1
Cuts in corporate tax rate	0.4
Business tax incentives	0.2

Congressional Budget Office, 2012

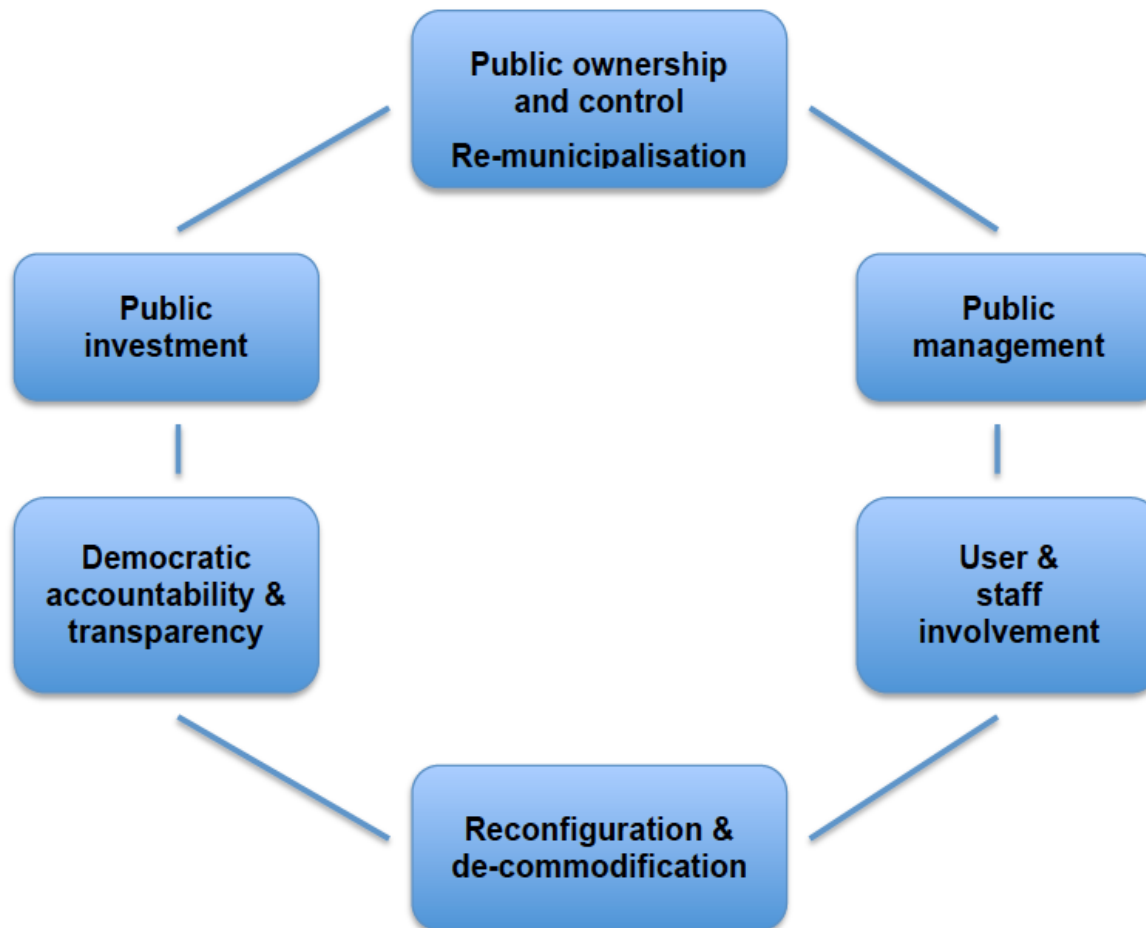
# 12 public sector principles

- Democratic governance, participation and transparency.
- **Social justice to eliminate discrimination and inequalities.**
- Good quality integrated, responsive and flexible services.
- **Universal free health/education publicly delivered**
- Sustainable development to conserve natural resources.
- **Clean energy economy to tackle climate change.**
- Quality employment with good terms and conditions.
- **Evidence-based - cost benefit analysis/impact assessment.**
- Direct provision and elimination of competition
- **Funding through progressive taxation & public investment.**
- Publicly financed services and investment.
- **Strategies** - not just policies (or wish lists).

# New core public sector practices

- **Abolish commissioning** & promote service integration.
- **Public ownership & re-municipalisation** – social enterprises in private sector.
- Re-establish **public networks** of education and health/ social care services.
- **Early intervention and prevention** + improved core services + multi-service use of facilities.
- **Social justice** - distribution of opportunities; redistribution and improving life chances; reducing inequalities; eliminating discrimination; improving quality of life; and participation.
- **Democratisation and participation** including devolution

# Policy interconnections



# New public service management

- **Democratisation** to transform governance and accountability, user/staff involvement.
- **Develop capacity**, planning and project management.
- **Good quality management practice**, value inputs, process, outputs, outcomes and quality jobs.
- **Innovation**, improvement & integration in planning (Public Service Innovation and Improvements Plans).
- **Flatter organisational structures**, learning, coordination and joint working.
- **Rigorous cost benefit evaluation** and impact assessment
- Services as economies – health & social care example:

# Health and Social Care Economy





# Core strategy – resist and create

- Draw up **alternative policies** and plans – proactive and reactive.
- **Organise** in the workplace, community and civil society.
- **Forge coalitions** and organise public service alliances.
- **Intervene** in the sale, transfer, transformation and procurement processes.
- Organise and mobilise for **industrial, civil and community action**.
- Build **political support**.
- **Challenge** the vested interests of contractors, business organisations and expose failures.
- Examples:

# Key lessons

1. **National trade union local intervention strategies** to challenge public sector transformation.
2. **Nationally resourced strategic technical and organising support** for branches and regions, not just services.
3. Trade unions/community organisations more **proactive in alternative plans and innovation**.
4. **Twin track strategies** (oppose nationally, negotiate locally) must include national alliance organising.
5. **Alliances** between trade unions, community organisations, civil society and social movements.
6. **Widen transnational links** – info, research and action.
7. **Simultaneous action at different levels**.