

# SIXTY YEARS ON

**Martin Wicks** looks at the experience of nationalisation in Britain and discusses how the unions can develop a perspective for social ownership today.

When Blair sought to replace Clause 4 of the Labour Party constitution, even though nobody imagined that there was the least chance of Labour implementing it, he wanted to eradicate even a ritual reference to socialism. The new Clause 4 expressed support for a "dynamic market economy" and praised "the enterprise of the market and the rigour of competition". One of the most dynamic sectors, of course, was finance. The loss of a national manufacturing base was dismissed as insignificant because of the growth of the finance sector. Yet it is the crisis of the global financial sector so revered by New Labour, which has blown up in its face, courtesy of "toxic loans" and the credit crunch.

There's a certain irony, therefore that this government, dominated by supporters of neo-liberalism and the 'free market', has been obliged, against all its political instincts to nationalise Northern Rock, for fear of its collapse impacting on the whole banking sector. More irony is added to the mix by the fact that this has happened during the year of the 60<sup>th</sup> anniversary of the programme of nationalisation carried out by the post-war Atlee government.

Such a step, of course, means the nationalisation of the company's debts, as a temporary measure. The tax payer gets the debt in order to rescue the company, thereafter it will be handed over to the private sector again, so that they gain any future profit. The government, terribly embarrassed at having to do such a thing, has been at great pains to dismiss this as a temporary and exceptional measure forced upon them by exceptional and 'unexpected' events.

### Privatisation

Perhaps we can take this opportunity to examine, however briefly, the experience of nationalisation, of which a new generation has no experience. And we can look at it through the prism of the round of privatisations which were implemented from the 1980's onwards.



The experience of privatisation, carried out by the Thatcher and Major governments has created widespread cynicism towards the privatised companies. Much of the public believes they are being ripped off by the energy companies, of which there are now only six in the 'market'. Whilst the 'regulator' in the sector tells us that these companies have assured him that they are not operating as a cartel to fix prices, nobody believes his assurances.

Liberalisation of the postal market is leading to unpopular post office closures, and a worsening of the delivery service, as Royal Mail cuts costs, and jobs, in order to compete with new entrants in the market that pay an estimated 25% less in wages. Ironically before commercialisation and liberalisation, Royal Mail used to make a profit, for 23 straight years in a row. This process represents a threat to the universal service obligation whereby postage costs the same amount no matter how far it has to travel.

The privatised water companies are very unpopular institutions, not only because of increased prices but because of the fact that they continue to allow billions of litres of water to drain away owing to the state of their network.

Meanwhile, the NHS, the most enduring of the Atlee government's reforms, is being transformed into a market in which free-standing Foundation Trusts compete with each other for patients. The National Audit Office has just produced a report which shows the service being ripped off by the private owners of PFI hospitals, sometimes charging a small fortune for minor works.

Conditions are emerging whereby a discussion on nationalisation/social ownership might develop a resonance amongst wide sections of the population. Re-nationalisation of the railways, for instance, has been a popular demand now for a number of years owing to the dire failure of privatisation.

### State capitalism

Historically, nationalisation in Britain was a form of state capitalism. Those carried out by the Labour government of 1945-51 were not (with the partial exception of the NHS) socialist measures. In the case of the railways, state control had effectively been implemented during the war. Nationalisation was seen as a means of resurrecting an industry which had had little investment for years, and which had been worked to near breaking point by the demands of a war economy. Even in France De Gaulle nationalised the railways since the state was the only force with the resources to rebuild the network, much of which had been destroyed.

It should be noted that before the election of the Atlee government, a programme of nationalisation had to be forced through at Labour's conference, in the teeth of the opposition of the leadership. Indeed, when the top table had been defeated, Herbert Morrison strode up to the NUR member from Reading who had moved the composite resolution, and told him "you have just lost us the election"! Famous last words.

Yet Rail nationalisation was so uncontroversial that the *Financial Times* could write:

"Open competition is too costly to contemplate, and is likely to lead to the breakdown of our public services, and no effective middle course appears possible without subsidies. The complete coordination of transport by means of a scheme of unification is the only way to get the best possible service at the lowest economic cost."

The government offered very generous compensation to the former owners and shareholders, above the commercial rate (guilt-edged stocks at 3%, when the market

rate was 2.5%), saddling the industry with an annual debt of £31 million. It had to operate like a private business, with a government remit to break even year on year. Both of these factors meant that resources which could have been devoted to investment on the infrastructure and the ageing rolling stock, were instead handed over to the share owners of the private companies.

Ian Gilmore, in his critique of Thatcherism, *Dancing with Dogma*, was accurate when he wrote:

"One of the main follies of nationalisation (from the socialist point of view) was that the previous owners of the industries were fully compensated for being dispossessed of their shares by being given equivalent amounts in gilt edged stock. As a result the capitalist classes were no poorer than they had been before in many cases they were enriched because their assets had been sunk in declining concerns. Instead of furthering the socialist objective of greater equality, all that happened was that the state acquired large amounts of often run down assets at an inflated cost."

Between 1948 and 1951 the British Transport Commission (which included waterways and some road transport) earned operating surpluses of £156 million, but had to pay out £176 million in interest charges on compensation stock, thus putting it in deficit!

The nationalisation of the mines was carried out in a similar fashion. On the railways and the mines, during the 1950's and '60's, hundreds of thousands of jobs were cut in furtherance of the commercial agenda. Whilst modernisation, in the sense of the introduction of labour saving machinery, would undoubtedly have cut jobs, it was the commercial agenda which drove this process in these industries.

## A service not a commodity

The NHS was the exception to the other forms of nationalisation since it marked the substantial *withdrawal of health from the market*. The numbers of people paying for private health insurance collapsed from 10 million before the war to 120,000 by 1950. This service was launched by a near bankrupt country. In the first year the NHS cost £420 million as compared to an expected outlay of £180 million, reflecting the unmet needs of the pre-war years. Treatment was not a commodity to be bought and sold, but a service to be given on the basis of need, regardless of the financial circumstances of the patient. This in itself

was a revolutionary change from the situation in the pre-Second World War years, where working class people often did not visit a doctor because they could not afford to, sometimes with life threatening consequences. That is why for so many decades the NHS was probably the most revered institution in Britain.

Of course, the NHS was undermined from the beginning by the bureaucratic structures by which it was managed, and the domination of the consultants, who by way of compromise (and to gain their acquiescence to the new system) had "their mouths stuffed with gold". There was no democracy in the system at any level.

The NHS had to take over an anarchic patchwork of hospitals. Of 3,000 voluntary and municipal hospitals, half of them had less than 50 beds, and only 350 had over 200. Much of the building originated from Victorian times. It wasn't until the start of the 1960's that a new building programme began.

As John Lister has written, the NHS:

"...was unplanned, un-centralised, undemocratic and under-resourced. Dominated by doctors, and increasingly by the hospital services, its priorities emphasised intervention rather than prevention, and acute care rather than the chronically ill." (*Cutting the Lifeline*, 1988)

However, despite all these problems the NHS gave us a glimpse of a society in which people were treated according to their needs rather than the state of their bank account.

## "A due measure of control"

In the run up to rail nationalisation there was a debate within the unions and between the unions and the government over how the nationalised railway would be run. Would old managerial structures be left in place, or would the staff be involved in running the industry?

As early as 1914 at its AGM, the newly founded NUR had said that:

"No system of state ownership will be acceptable to organised railwaymen which does not guarantee to them their full political and social rights, allow them a due measure of control and responsibility on the safe and efficient working of the railway system, and ensure them a fair and equitable participation in the increased benefits likely to accrue from a more economical and scientific administration."

As nationalisation approached, the workforce, if not exactly clear on issues of 'workers control' or 'participation' in management of the industry, did not expect business as usual. Yet as one old railway worker told me (ironically in the Clause 4 debate in 1994) "the only difference was I had a BR cap instead of a GWR one. We still had the same bosses."

What the government did was to set up a Board of Management full of businessmen, appointing one person from the unions, John Benstead, and it was made clear that he was not to be accountable to his union but to the Minister. The debate continued after vesting day. Sir Stafford Cripps told an NUR AGM that "nowhere in the world had economic democracy in the fullest sense functioned successfully". Workers, he insisted, did not have the skill to run industries. John Benstead himself, now serving a new master, told the union that even in Russia control was entirely in the hands of the management!

Today the only unions campaigning for re-nationalisation of privatised industry are those on the railways. In the privatised utilities the unions accepted the new market conditions and often entered into 'partnership' agreements with the new companies, accepting job losses in order to increase the competitiveness of 'their' particular company, thus accepting competition between workers. Whilst the unions have raised questions about regulation there is no real campaign for the re-nationalisation/socialisation of water, gas or electricity.

In the case of the NHS, the unions have yet to develop any strategy for reversing the process of marketisation. To a large extent this is because of their political support for New Labour, but it is also because of the absence of any serious thought about how we would conceive of a health service being run if the market was driven out of it.

In the view of this writer there needs to develop a serious discussion over the question of nationalisation/social ownership. If the unions do not have a worked out vision of the sort of society they are striving for then they will continue to react to events, and maintain only a defensive mode.

## A 'not for dividend' company

In the space available I will look at two industries, the railways and the NHS. Network Rail is something of a hybrid. Railtrack, when it was wound up as a company on the stock market, was said to

have been taken over by the state. This is not true. Although Network Rail is often referred to as a 'not-for profit' organisation, it was in fact set up as a 'not for dividend company' (no shares). *It still remains a commercial operation striving for profit*, only with this caveat: the collapse of Railtrack means that Network Rail is even more dependent on government funding than was the previous organisation. In fact the company is seeking to take on more private sector debt, which is in practice underwritten by the public purse.

There is much discussion about "putting the railway back together again", as a single entity. It would be too expensive is the usual rejoinder, but as the RMT has indicated you could reincorporate the train operating companies into Network Rail as the franchises run out. But even the RMT does not have a practical plan for how a socialised railway would operate.

If it was put back together and operated on a commercial basis, then efficiency would continue to be measured by the balance sheet rather than by the quality of its *social* function. Here is the difference between nationalisation and social ownership. The industry should be operated as a public service, in which subsidy is viewed as a social good rather than a problem. Today it is easier to argue the case for this given the environmental crisis, because it is easy to see the sense of a shift from road to rail. The current government, despite its lip service to 'sustainable' development has in fact taken the strategic decision to make the passengers pay for investment in the rail infrastructure, pushing prices up above the level of inflation. This can only push people back in their cars. Moreover, because the train companies are profit seeking, they have in some areas cut the number of carriages on their services to discourage people to travel by rail, cutting overcrowding this way rather than adding additional carriages!

### Unequal competition

Historically, ever since the rise of the 'car economy' the unequal competition between car and train has resulted from the economic and governmental orthodoxy which views investment in rail as a subsidy (a bad thing), yet accepts subsidy of road infrastructure as a necessary investment. Hence the cost of the road infrastructure became a social cost (paid for by the tax payer rather than the driver), and with hidden social costs resulting from higher accident rates, costs to the NHS etc. Ironically, under rail privatisation government subsidy has doubled, yet it has failed to address the crisis of the industry because a fortune is



leached out into the pockets of the owners and shareholders which could otherwise be invested into the infrastructure.

The problem with a set-up like Network Rail, and the new regime in the NHS, is that 'efficiency' is measured financially. All the NHS Trusts were instructed that they were to break even and then Minister Patricia Hewitt could complain that some Trusts were doing "too much" work, as if it were manufacturing widgets with a measurable market.

Previously, if a hospital did more work than it had budget for, it would be topped up out of the NHS pot because social needs - treating sick people - were (to a large degree, primary). But now, because of "payment by results" and the imperative to break even, or produce a surplus, the social purpose of the NHS is subordinated to financial targets. Foundation Trusts, moreover, are able to keep their surpluses and any monies they make from the selling of assets. By degrees the logic of the service, based on serving social needs, is being dumped in favour of striving for surpluses (more commonly known as profit).

If the trades unions are to challenge this new set up in the NHS then they need to campaign to end its marketisation and put forward a perspective for re-launching a service in which the profit motive is driven out, and 'efficiency' is measured by health outcomes. In practice 'efficiency' under the lash of financial pressures and commercialisation of the service is *inefficient*. One example is that people are often sent home too early because of the decline in bed numbers, and have to be readmitted at *unnecessary cost*. However, at the current time this discussion does not even appear to be on the radar of the health unions.

### Social ownership

Social ownership has often been seen to include 'workers' cooperatives'. However, these are really capitalist companies which are owned by the workers. They have to compete in whatever market their product is part of. Social ownership with a socialist content implies *production for social need rather than for profit*.

Any socialist perspective, in the sense of striving to go beyond capitalism, requires progressively taking sectors of the economy out of the market, producing a social product rather than a commodity which is bought and sold according to 'demand'. Such a perspective, unless it was to remain as an abstraction, as a good idea, requires a campaign rooted in the workforce in these industries. It requires the development of a consciousness whereby union members are not only concerned with the price of their work, but the service they provide, its potential *social* usefulness rather than its price as a commodity.

Such a consciousness has existed before. In the early 1970's there was a boycott by NHS staff of private beds, beginning in Portsmouth in 1973, spreading around the country. So hot was the issue that the Labour manifesto for both general elections in 1974, included a commitment to end private beds in the NHS; a commitment that the new Labour government failed to implement.

In the past the discussion about how nationalised industries should be run, often centred on the concepts of 'workers' control' or 'workers management'. These were two terms that were often confused and thrown about inter-changeably. Workers control implies control over management, whereas workers management implies they directly run the show. In the debate around the time of railway nationalisation, there was an interesting response to the unions from the Labour Party executive, recounted in Herbert Morrison's auto-biography. They opposed a management board "representative of particular interests", including the unions.

"There are two main arguments from a Labour point of view against the representative idea. The first is that a Board appointed on grounds of ability is likely to be far more efficient, and socialists, above all, must keep the communal interest to the fore. *Members appointed by*

particular interests would naturally tend to concentrate primarily on pleasing those interests, rather than concerned, without fear or favour, with the general efficiency of the undertaking: their control or influence by such interest might be injurious to a proper corporate spirit and would diminish the very necessary responsibility to the public as a whole. Nor does the appointment of members selected in a representative capacity, and not primarily or mainly for their personal ability, appear likely to result in the most efficient Board for a task which is complex and highly responsible: *for it is vital to socialism that national ownership should show itself superior to private enterprise in all round efficiency* (emphasis in the original)."

This was more sophisticated than Cripp's position. However, in the way that the rail industry was structured, efficiency could only be measured by whether or not it broke even, rather than by the quality of the service it provided.

Today, especially in the context of the environmental crisis the discussion can move on somewhat. The 'communal interest' is a real enough concern and service users should have a role in service provision. Under capitalism management has a dictatorial function ("the right to manage" mitigated to some degree by the quality of organisation and industrial strength of trades unions) which is rooted in the sole legal responsibility of Plc's to their shareholders, with no social or environmental responsibilities whatsoever. However, social ownership, in which production or service provision was for social need as opposed to profit-making, would lead to a move away from managers with power over workers, to administrators responsible for carrying out collective decisions: perhaps a managerial Council replacing a Board structure, on which were represented administrators, trades unions and service users.

## A campaign for social ownership?

A discussion in the unions and amongst socialists is long overdue. In my view what is required is serious work and research to approach these questions not just in the abstract but as practical tasks. For instance, how would we run the railways or the NHS as socially owned industries? Perhaps it requires a Campaign for Social Ownership, funded by those unions who support the idea, producing material to propagate ideas and debate. Whilst the idea of 'public ownership' is often sneered at in the media, the fact is that the experience of privatisation

has created widespread cynicism towards the near monopolies which have been created in those industries privatised by Thatcher and Major. Why should private companies make profits from a 'product' which falls out of the skies? What sense does it make to drive up fare prices when it is accepted that the environmental crisis demands an increase in train journeys? Why are the energy companies so quick to raise prices, yet so slow to cut them?

The global economic crisis has shaken the confidence of many in the 'free market'. Martin Wolf, chief analyst for the Financial Times has written:

"I now fear that the combination of the fragility of the financial system with the huge rewards it generates for insiders will destroy something even more important here the political legitimacy of the market economy itself."

In my view the conditions are beginning to emerge where social ownership could develop a resonance among wide sections of the population. Take the example of the housing crisis. Millions of people are aware that the private sector is not capable of providing 'affordable housing'. The involvement of the unions in the Defend Council Housing Campaign has been one of the few bright spots, defeating many attempts to privatise Council Housing in many areas. Although the Brown government is still opposing the right of Councils to build new Council houses, at least the unions have developed a perspective for what they want and consistently campaigned for it, in alliance with tenants. In contrast, in the Health Service, the unions have failed to connect with the mass movement which has emerged in defence of local hospitals and services, where massive demonstrations have been organised, often without any union involvement.

There is of, course, currently no political force with a significant social base of support to implement social ownership, nor will there unless there is serious debate and campaigning.

We need to organise a struggle within the unions to win them to a policy of social ownership, one which draws on the lessons of post-Second World War nationalisation. Without developing such an agenda, then the best the unions can do is mitigate the impact of the government's neo-liberal programme. They will in practise be accepting the logic of TINA (there is no alternative), and failing to chart another course.

## ABOLISH PRESCRIPTION CHARGES

Swindon TUC has opened a campaign for the abolition of NHS prescription charges in England. They have already been abolished in Wales whilst the SNP minority administration in Scotland has begun a process of progressive reduction of charges, with abolition in 2011.

The Citizen's Advice Bureau and the Macmillan cancer organisation are demanding abolition. According to research by the CAB, up to 800,000 do not take the full range of drugs they have been prescribed because they cannot afford them. It is common for people to ask their pharmacists "which are the most important ones" because they haven't the money to buy them all. Prescription charges for each item are £7.10.

Even people with life threatening illnesses have to pay. For instance, if somebody with cancer has chemotherapy administered in hospital they get it free. But if it is in tablet form they have to pay for it. Chemotherapy usually comes with a cocktail of drugs, £7.10 per item. They can buy a card which covers their drugs over a year, but not everybody can afford £100 up front.

The list of exemptions for drugs originates from 1968. Such illnesses as asthma, cancer and HIV are not included.

The fact that the question of abolition has been taken up by the CAB and Macmillan is surely an indictment of the unions, especially those in the health service, more so in the light of the decisions in Scotland and Wales.

STUC has produced a statement/petition which is available on its website, together with a briefing which explains the background to the issue.

The government has insisted that healthcare will continue to be "free at the point of need". In reality it is only free for people over 60 and for children.

Money raised by prescription charges in England is only £430 million per year. This compares very favorably with the £2.7 billion the government managed to find over the 10p tax debacle, not to mention the billions available to tackle the Northern Rock crisis.

Visit Swindon TUC's website at:  
<http://swindontuc.wordpress.com>