7 Careful what you ask for

State-led alternatives to privatisation

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In the search for alternatives to privatisation one of the most commonly heard calls for action is to "bring the state (back) in". Strictly speaking, the state was never "out" – it authored and managed privatisation – but scholars, activists, and policy makers alike have argued that a necessary part of countering the commercialisation of public services is to defend and advance state-owned, state-funded and state-operated services such as municipal water providers, provincial electricity generators, and national health care agencies.

This is not simply a "left wing" narrative. Since the failure of much of the privatisation agenda of the 1980s and 1990s, even the World Bank has begun a "rethink" of market fundamentalism and private sector involvement in essential services and now calls for a stronger presence of the state.

Nor is this a new narrative. Over a century ago, many private services were municipalised or nationalised, often by conservative governments looking to rationalise fragmented, corrupt, and inefficient private service delivery systems. Since that time, there has been a steady stream of calls to bring the state (back) in by nationalising and municipalising sectors as diverse as health care, car manufacturing and tourism, and from regimes as disparate as Mussolini's Italy to Evo Morales's Bolivia. In other words, calling for state-owned/managed services is neither institutionally novel nor ideologically uniform.

After World War II, a large number of state-owned enterprises were formed, and these became central to national development strategies in both "advanced" and "less developed" countries. They were a means to provide universal public services, promote social objectives, and build national identity in what were called "mixed economies". The Mexican government, for example, owned over 1 500 enterprises, from airlines to oil. Socialist-inclined governments moved beyond mixed economies towards more extensive nationalisation. In the mid-1980s, however, most state enterprises ran aground: the state could no longer fund nationalised firms, service quality was poor, and corruption and persistent strikes by public sector workers led to large-scale public resentment. In response, neoliberal ideas and privatisation became hegemonic, as evidenced by the election of popular conservatives such as Margaret Thatcher and Ronald Reagan in the late 1970s and early 1980s, and "social" neoliberals such as Bill Clinton, Thabo Mbeki, and Tony Blair in the 1990s.

In moving beyond neoliberalism, the variety of forms of state ownership and the difference between a Mussolini (fascist state) and a Morales (democratic movement) government are crucial. Property forms and state organisations cannot be evaluated independently of their contexts, and it cannot be assumed that all countries have followed the European path of state and civil society formation (Mamdani 1995).

It is equally important to see the debate about "bringing the state back in" in terms of historical specificity. State intervention that is motivated on the part of capital to save a system that has spiralled out of control (such as state-sponsored buyouts after the financial crisis of 2008) is very different from defending public systems with anti-capitalist objectives. Calls for bringing the state back in must therefore be conditional and clearly specified, making it important to take a historical and contextual perspective on the role of the state in challenging privatisation, and proposing "alternatives", as the very diverse record of state-led service delivery over the past 150 years has demonstrated. Unless it has been radically democratised, there may be little point in bringing the state back in since it can act as a crude instrument to reassert a neoliberal agenda and market ideology.

Our objective in this chapter is to critically investigate this history, with a focus on instances in which the state has explicitly attempted to reverse and/or resist privatisation in the areas of water, electricity, and health care. The focus is on "modern" public services – i.e. industrialised networked service systems since the mid-1800s – with the aim of drawing lessons from these state-led service experiments: What were the reasons for state intervention? What did they look like institutionally and ideologically? Were they successful and why? What do these experiments tell us about state-led alternatives to privatisation in the global South today?

The review raises important questions about the nature of the state, the meanings of citizenship, and how we define notions of "public" and good-quality services. It also suggests that we should avoid seeing the state as a bureaucratic set of institutions (as Weberians tend to do) endowed with its own capacity and suspended above society, but rather as a condensation of social relations (Mamdani 1995). The socio-political processes of service delivery are as important as the deliverables. These are complex and contentious issues, and we cannot expect to resolve them here, but we do hope to challenge some simplistic assumptions about the ability of states to alter commercialisation trends simply through ownership, without political and social mobilisation and without questioning the larger productive and distributional mechanisms of the economy.

We are largely supportive of state-owned and state-operated services, under democratic conditions, but our objective in this chapter is to highlight some of the tensions and limitations associated with this policy objective and to emphasise the very different practical and ideological tones it can take on. Calling for state-owned/managed services is of little value in and of itself without considering how state and social groups are interrelated and how "empowered democracy" and public ethics might be attained. It is the *type* of state, and the social, political, and economic *milieu* within which it operates, that matter. We must, therefore, be careful what we ask for.

Our discussion ranges from 19th-century European efforts to municipalise water to contemporary experiences of renationalisation in the global South. We look at a wide range of scalar and institutional state formations, from fascist dictatorships to socialist local governments. We do this intentionally to highlight the breadth of institutional formations and state ideologies that have explicitly challenged the privatisation of services, and to demonstrate just how different state ownership and management of services can be.

THE STATE AND STATE OWNERSHIP

For heuristic purposes, we have divided our analysis of state intervention into two broad categories – capitalist states and socialist states – and look at the ways in which these two types of governments have argued for state ownership and management of basic services. The former is made up of states that are supportive of market economies but which have decided that state ownership of (certain) services is preferential to private ownership, at least at a particular moment in time. Socialist states, by contrast, are those opposed to marketised systems of production and distribution and generally in favour of state ownership and management of essential services.

These are crude characterisations, of course, but we have done this for two reasons. First, the overwhelming majority of states today are market-oriented, and any attempt to "bring the state back in" will necessarily be within a market context (locally or internationally). Understanding the variegated history of state engagement in services within capitalist systems helps us understand the possibilities and limitations of such state interventions in the future.

Second, some of the most interesting alternatives to privatisation today are taking place in socialist-oriented states, notably in Latin America, and there remains an interest in the service delivery experience of former socialist countries. It is therefore important to understand what differentiates these socialist states from their market-oriented counterparts – as well as what makes them similar – and to try to decipher discernible patterns associated with state-led socialist service delivery systems.

The primary focus of the chapter is on capitalist states, however, in an attempt to throw critical light on what has (too often) become a naïve celebration of "publicly owned" services in market economies. This is not to suggest that state ownership of services should not continue to be a primary demand of anti-privatisation activists – as noted above we are supportive of state ownership over private ownership of essential services – but we do feel it is important to challenge the notion that state ownership is inherently positive. Without such a critical lens, we are prone to promoting/accepting policy programmes that fail to address some of the underlying problems of commercialisation. Both privatisation and nationalisation are strategies that have been deployed by capital at various moments. At the very least, we need to see state intervention as a characteristic and cyclical feature of capitalist state behaviour and not an altruistic move on the part of market-oriented decision makers. Nationalisation is often a temporary bailout of failed capitalist enterprises, reversed when capital is stronger and desires to take them over again.

Our understanding of the reasons for state-led services in capitalist economies therefore depends in part on different perspectives of how and why these states intervene against privatisation and what is termed “market failure”. The mainstream pluralist perspective is one that sees the capitalist state as politically contested terrain with many different social forces competing for access and influence. These analysts see the state as having varying degrees of autonomy from these social formations, with decisions to take state control of a service away from the private sector to be a demonstration of the state’s willingness and capacity to act *against* the interests of factions of capital to preserve broader social stability and address issues of equity and sustainability (Evans et al., 1985). Democratic institutions are seen to be critical to the maintenance and management of these dynamic forms of governance.

A competing view is one that sees capitalist state institutions as inherently oriented to serving dominant class interests, because the state operates within circumstances beyond its control and has to prioritise economic growth, protect profits and social order, and defend private property. As Harvey writes, the role of the state is explained by the need for “capital to find ways to maintain a reserve army alive and in place by unemployment benefits, social security, welfare schemes and so on. Individual capitalists cannot easily assume such burdens which typically devolve upon the state” (1982, 382). Even the progressive welfare state and public health measures can be seen as characteristic of the state, which is the “general manager” of the capitalist class *as a whole,* and much of the social functions of the capitalist state can be explained by this rationale. The neoclassical notion of “public goods” intellectually expresses capitalism’s inner workings rather than scientific concepts. Why, for example, do mainstream economists see food as a private good but water as a public good?

Seen from this perspective, capitalist services and infrastructure can be a double-edged sword. “Public” services such as roads and schools may bring benefits but can equally serve to exploit, pacify, integrate, and reconstitute subjects and cultures (Payer 1982). Welfare states can help produce docile subjects. In order to extend its authority, the state needs routinised, everyday forms of surveillance and everyday incentives for integrating various strata into society. Statecraft occurs as a continuous but delicate process of social and cultural engineering by trial and error and through new institutional forms of rule and norms of routinised behaviour (Doornbos 1990).

The conspiratorial view of the state as captive of economic elites is a weaker version of the Marxist theory that sees the state as internally heterogeneous with intra-elite struggles that illustrate how the state and capital are involved in processes of realignment in order to constitute stable ruling-class alliances and partly incorporate the dominated classes through buying them off with concessions. However, the state's subjects are not passive, and the state is not all-powerful. Militant protests, strikes, and uprisings force the state to make concessions and reforms. For many on the left, the reforms and spaces won by the poor can be seen as necessary to further struggles for fundamental (socialist) change.

EXISTING VARIETIES OF STATES

These two perspectives (mainstream and left) impose very different conceptual lenses on interpreting the motivation for, and possible outcomes of, state intervention in essential services in capitalist economies. We associate ourselves broadly with the leftist perspective but also recognise that state involvement is complex and contested, and that some capitalist states are more powerful than others. The US, Uganda, and Slovenia are market-oriented states but possess very different capacities to realise and resist privatisation. States are also marked by the conditions of their birth and the specific class configurations that gave rise to them. More advanced and powerful economies have more means to pursue co-option and hegemonic social inclusion and stability.

The welfare state in advanced economies produced labour aristocracies (and trade unions), which often defended their own privileges against countries of the South (Arrighi and Silver 1999). Authoritarian states often emerged because the economic basis for widespread social welfare and incorporation did not exist. In some cases limited co-option of some groups in corporatist structures emerged (e.g. Latin America has a history of authoritarian corporatist states in which a selected group of leaders representing social sectors formed part of the state). Furthermore, in Europe the development of liberal democratic states was a slow process, while in post-colonial states universal franchise often came about overnight in the context of unevenly developed state institutions and political parties. Civil war was often the result, leaving deep scars and blocking even a modicum of "stateness" in many parts of the world where state formation and consolidation is still in process. Notions of a coordinated capitalist interest have been hard to sustain in the face of centrifugal forces (Nigeria, the Democratic Republic of the Congo [DRC] and Sudan being good examples).

There is also the question of scales of stateness. As both supranational and subnational state entities have proliferated and become more powerful over the past 30 years, the notion of a centralised, omnipotent national state has been exploded (though reports of its death have most certainly been exaggerated!). Which scales of state now mediate on behalf of capital are exponentially more difficult to calculate and assess today, with multiple interventions often taking place at any one time (e.g. a World Bank loan might make water privatisation a "conditionality" in a particular country, but this typically requires the involvement of national, regional, and/or local authorities, in conjunction with transnational and/or local capital).

Socialist states are also complex and diverse, but the literature on how and why socialist states have resisted/reversed the privatisation of essential services is not nearly as large or as conceptually advanced as it is with regard to capitalist states (a point we return to below). Most socialist states have state-run water, health care, and electricity, but there is a dearth of critical literature on how and why these different models emerged, how they have differed across place and time, and whether they are appropriate for struggles against privatisation today.

What we can say is that the dynamics of state-run services in socialist systems is typically very different than that of capitalist states. There may be little that binds the centralised service delivery systems of the Soviet bloc to the more localised initiatives of Hugo Chávez's "modern socialism" in Venezuela, but there is much that distinguishes them from their market-oriented cousins – most notably the absence of demands by the private sector for the state to intervene in services and infrastructure at times of economic crisis. It is the latter dynamic that shapes much of the debate over privatisation in a market economy, and it is this point that we take up below in our review of state interventions in market systems.

Our argument, in short, is that state-run services in capitalist economies are never fully "public". Despite the well-meaning and often highly effective efforts of millions of public sector employees and anti-privatisation activists around the world to preserve and enhance these state services, the accumulation demands of the private sector and the boom-bust cycles of the market have invariably led to an unequal distribution of state resources (even at the height of welfarism) and eventually to pressures to (re)privatise services. There have been important gains along the way – particularly when compared to the more *laissez-faire* forms of privatisation that have often preceded state intervention – but nowhere have market-oriented states been able to sustain truly equitable and democratic service provision in the face of market pressures, and nowhere have these localised systems managed to escape the productive demands of the market or systematically share these gains with the most needy parts of the world.

Once again, this is not to say that we should abandon efforts to push for more progressive state ownership of services in market economies. Nor do we agree with some anarchist theories of the state that reject *all* forms of state intervention as inherently oppressive and unequal. Equally, we do not want to argue that socialist states have offered magic alternatives – compromised as many have been by cronyism, a lack of transparency, and blind attempts to "catch up" to the perceived productivity and modernity of their capitalist competitors. In the end, there may be no "ideal" state-led models that we can point to but it is important that we understand the different rationales and *modus operandi* of what has existed to date and how this might affect our choices in the future. For states are the only actors large enough to affect the scale of change required for basic service delivery around the world today, and they will need to be central to any serious effort to resist and reverse privatisation trends and to develop sustainable "public" alternatives. Our review is more negative than affirmative in this regard but is intended as constructive criticism for what has become a somewhat populist and sanguine call for state-led service delivery on the part of anti-privatisation advocates.

STATE OWNERSHIP OF SERVICES IN CAPITALIST ECONOMIES

Pre-Keynesian "rationalisation"

Much of what we consider to be modern services today – reticulated water supplies, household sanitation, electricity – were begun by the private sector in the 1800s. As towns, cities, and industries expanded across Europe (and in some colonial regions), the demand for mass service delivery increased, creating opportunities for private firms to meet growing productive and consumptive needs (Goubert 1989). Many of these service entities remained highly localised, but there were opportunities for expansion into new geographical and sectoral areas for profit making early on – including transnational operations (Clifton et al., 2007a) – giving birth to many of the large private service delivery firms that still dominate the market today (e.g. the precursor to *Suez Lyonnaise des Eaux* was founded in 1880, while the *Compagnie Générale des Eaux*, the precursor to Violea, was founded in 1853). The emergence of these private service providers was encouraged by governments that were ideologically committed to reducing public spending, while at the same time creating market opportunities for an increasingly restless capitalist class (Kellet 1978, Jone 1983, Johnson 2000, Harvey 2006).

A lack of regulatory capacity and laws soon led to a patchwork of inefficient and irrational private service systems. However, with growing public health problems such as cholera that cut across geographic and class lines

(Lewis 1952), there were public outcries and complaints from industrial and business interests about the "sanitary syndrome" that threatened the health and welfare of the bourgeoisie (not to mention the impact on profits due to absenteeism and the unpredictable costs of service delivery) that soon led to calls for reform. In London, private companies had partitioned the water supply amongst themselves in what became a "nine-headed monopoly", with none of these firms supplying water for non-paying purposes such as fire-fighting, street cleaning, or flushing sewers. John Stuart Mill, one of the leading liberal thinkers of the time, criticised the Byzantine inefficiencies of this Balkanised private sector supply, arguing that great savings in labour:

> would be obtained if London were supplied by a single gas or water company instead of the existing plurality. While there are even as many as two, this implies double establishments of all sorts, when one only, with a small increase, could probably perform the whole operation equally well; double sets of machinery and works, when the whole of the gas or water required could generally be produced by one set only; even double sets of pipes, if the companies did not prevent this needless expense by agreeing upon a division of the territory. Were there only one establishment, it could make lower charges, consistently with obtaining the rate of profit now realized. (Mill 1872, 176)

It was an error, he argued, to believe that competition among utility companies actually kept prices down. Collusion was the inevitable result, he said, not cheaper prices:

> Where competitors are so few, they always end by agreeing not to compete. They may run a race of cheapness to ruin a new candidate, but as soon as he has established his footing they come to terms with him. When, therefore, a business of real public importance can only be carried on advantageously upon so large a scale as to render the liberty of competition almost illusory...it is much better to treat it at once as a public function. (Mill 1872, 88–89)

Water was not the only service deemed more efficiently provided by a single supplier. According to Mill:

> The cases to which the water-supply of towns bears most analogy are the making of roads and bridges, the paving, lighting, and cleansing of streets. The nearest analogy of all is the drainage of towns, with which the supply of water has a natural connexion. Of all these operations it may reasonably be affirmed to be the duty of Government, not necessarily to perform them itself, but to ensure their being adequately performed. (Mill 1967)

It was an uphill battle for such reformers initially, but in the end it was the bourgeois fear of contagion, "enlightened" self-interest, and the need for insulation from the working classes that forced the rich, and political elites, to tolerate the idea that services should be universal and public (Hardy 1993). The state increasingly imposed rationality of a certain kind upon an atomised capitalist class, which lacked a broader vision, but other social forces played a role in forcing the state to act against segments of capital – in this case private service delivery companies.

Similar developments took place in the US where, by the late 1870s, water supply was seen as "the first important public utility" and the "first municipal service that demonstrated a city's commitment to growth":

> City officials and urban boosters, such as chambers of commerce, boards of trade, and commercial clubs, promoted a variety of downtown improvements in competition with rival communities. In concert with sanitarians and municipal engineers they supported sanitary services to improve health conditions and to secure bragging rights about the cleanliness of their cities. (Melosi 2000, 119)

In 1870 less than half of the waterworks in the US were state-owned. By 1924, 70% were state-owned (Melosi 2000). The emergence of national bond markets for public takeovers of services was a catalyst here, emerging alongside the growth of investment banking at the time.

Otto von Bismarck's Prussia of the 1870s–1880s is also emblematic of this proto-welfare state. As the first national government to introduce basic social security to workers (health, accident, and old age insurance), Bismarck's policies were explicitly market-oriented and introduced in the hopes that they would be an antidote to revolutionary socialism (Taylor 1996; and given that he set the age of retirement at 70, some 25 years after the average Prussian's life expectancy, it did not cost much to run). These were not the sophisticated Keynesian welfare policies that were to be developed by capitalist states after the Depression of the 1930s, but they served the same basic purpose with regard to essential services by attempting to ensure a reliable, affordable, and (nearly) universal supply of certain public goods with the intent of supporting and expanding capitalist growth. To provide and maintain adequate "public goods" and social solidarity, moderate socialists (the Fabians) embellished the idea of "the state as a public servant, total commitment to parliamentary democracy, unequivocal support for the welfare state, notion of the state and a neutral embodiment of the general will, moral collectivism", and so on (Taylor 1996, 164). In other words, these were capitalist states intervening in service delivery to enhance capital accumulation, not hinder it, and to ultimately promote market ideologies and market growth, not to challenge them.

This practice was not limited to the metropole. Although many colonial governments initially allowed private companies to establish and run many (if not most) services, there were many cases of reversal, with colonial governments intervening to republicise and/or prevent further private sector service delivery expansion (Floyd 1984). In some cases colonial governments decided early on to keep key services in state hands for accumulation purposes. As Jomo and Tan explain in the Malaysian context:

> [British] colonial authorities recognized the need to develop utilities and other infrastructure so crucial to profit making in the colonial economy. Hence, public enterprise or state-owned enterprise (SOE) emerged during Malaysia's colonial era to provide the public goods and services needed by British private enterprise to secure profits from their control of tin mining, plantation agriculture and international commerce. (2006, 2)

These early interventions against privatisation by the state capture the essence of "public" services in a capitalist economy. The motivation for state ownership and management is primarily one of protecting the interests of (particular factions of) capital and re-establishing a platform for growth, not necessarily for improving the broader public good. The form and language of intervention was to change over the years – as we shall see in subsequent sections – but the essence of market-oriented state intervention has remained largely the same.

Keynesian stimulus states

The high watermark for state intervention in public services in market economies – intellectually and practically – was post-World War II Keynesianism in Western Europe. State involvement in essential services was particularly strong and "considerably decommodified the daily lives of the population" (Keane, as cited in Offe 1984, 18). Huge numbers of services were either municipalised, nationalised, or built from scratch by the state, partly in response to post-war reconstruction efforts in Europe, and partly to contain the ongoing threats of socialist and communist parties demanding more equitable control and allocation of resources. State-owned services allowed some of these demands to be met while at the same time providing stimulus spending in areas deemed critical to renewed capital growth after the Depression and war (roads, electricity, airports, etc.).

Far from being socialist in orientation, the rationale for state intervention was to stimulate a "capitalist spirit" through the incorporation of a wide swath of humanity into mass consumption societies (Toninelli and Vasta 2007). Keynes himself made it clear that one of his primary motivations for writing his General Theory was to combat the rise of socialism in Europe, noting that "the class war will find me on the side of the educated bourgeoisie" (as quoted in Moggridge 1992, 453). As Offe notes, the social policies that accompanied Keynesian-era, state-sponsored social rights were intended to maintain the reproduction of the working class. The "flanking sub-systems" of services necessary for the incorporation of labour power into the labour market – composed of specialist institutions such as the family, school, health care facilities and urban water supply – ensured that the working class had the "cultural motivation" to become productive wage-labourers. In short, the state's intervention in the delivery of essential services was both a reaction to the "problem" of the strong working class after World War II *and* the need to reconstitute the working class, with the most decisive function of state social policy being its regulation of the process of proletarianisation (Offe 1984).

But whereas pre-1940s' rationalisation was related to orderly urbanisation, the post-World War II period was driven geographically by massive suburbanisation, extensification of housing developments, transport systems, and private automobiles (Harvey 1982). These spatial expansions required a scaling up of state intervention as well, with national and international-level authorities becoming predominant vehicles for state-led service delivery (as compared to the municipal-level interventions in services in the 19th century), with the creation, for example, of regional water planning boards, national health care systems, and interstate electricity authorities. The scope and size of state intervention cannot be overemphasised, and most large "public" service systems in the capitalist West today originate from this period.

There is much to celebrate from this time, of course, with major gains in public health, education, and welfare, not to mention labour laws and regulatory frameworks, many of which remain in place today. But it is equally important to see the underlying rationale for state intervention in the Keynesian era as one driven by assisting capital accumulation, not hindering it, and one of re-establishing capital's strength (in general) by investing in services and infrastructure (in particular). That there should be a clawing back of such state involvement from the 1970s onwards – sometimes by the same people/parties responsible for state intervention in the first place – is less of an ideological *volte-face* than an inherent feature of Keynesian boom/bust management: move the state in when the system is in crisis; move the state out when capital is ready to stand more on its own feet. In this regard, Keynesianism and neoliberalism can be seen more as a continuum of each other than as ideological opposites – as mainstream analysts tend to portray them – with formal policies on state ownership and management being more a product of the inherently cyclical nature of the market economy than philosophical commitments to individualism or communitarianism.

Finally, it should be noted that Keynesianist welfare states were typically constituted as professional bureaucracies, which were benevolent but top-down and depoliticising. The citizen was incorporated as a beneficiary and demobilised. It is questionable how much social solidarity and commitment to public interests was built by the welfare systems, even at their best. Republican ideals of citizenship, such as the political citizen who both governs and respects the laws, were less important to welfare states (Ignatieff 1995), with the norms being solidly male and family-centred.

Post-colonial nationalist states

Some of the biggest post-war service and infrastructure deficits were in Africa, Asia, and Latin America, and the role of the state in public service delivery in these post-colonial entities is worthy of separate discussion. The colonial legacy had left highly uneven physical, economic, and social infrastructures: roads and railways were designed to extract minerals, not to connect people or build state authority, and water and health facilities were designed to serve a colonial elite, not to assist local populations.

Addressing these deficits was the first task of many post-colonial governments, with most regimes emulating their erstwhile masters, broadly following the Keynesian pattern of state-led service delivery under the labels of "national planning" or "import substitution industrialisation". In many cases it was a matter of nationalising foreign-owned corporations – relatively easy and popular targets for newly minted independent governments wanting to make a political statement, particularly some of the more charismatic nationalist leaders such as Getulio Vargas in Brazil (1930–1945 and 1951–1954), Lázaro Cárdenas in Mexico (1934–1940), and Juan Domingo Perón in Argentina (1946–1955), with Asia and Africa seeing similar bursts of nationalisation with their post-independence restructurings.

But "the state" in the global South after World War II was seen by mainstream analysts as "underdeveloped" and weak compared to Europe, with uneven capacity to exercise control, collect taxes, and maintain the service systems required for large-scale capital accumulation. Africa fared the worst. Despite early efforts at economic nationalism and striving to build cohesive state systems, many states remained internally weak. In the 1960s and 1970s Zambia, Tanzania, Mozambique, and others encouraged extensive state ownership and "Africanisation" to capture the "commanding heights" of the economy, but although highly visible politically, the state-owned enterprises that emerged more often than not created patronage networks, rewarded connected political elites, and failed to provide a basis for social citizenship, let alone sustained capital accumulation or improved welfare for residents.

Authoritarian regimes in Asia and Latin America fared better in this regard – typically bolstered by massive economic and military support from the US – using strategic investments in key infrastructures and services to build national industries and jump-start a domestic capitalist class. In some cases (e.g. Singapore), sustained state spending eventually contributed to a welfare system more akin to that of Europe, but most market-oriented "developmental states" in the South have resulted in highly polarised societies with state-subsidised services tending to benefit a small middle class and elite, largely in urban areas.

That many of these so-called inefficient states were subsequently the target of privatisation agendas is another indication of the inherent limitations of such Keynesian strategies. Having served to help build and expand networks of capital penetration – or at least having helped keep a lid on demands for greater equality – the need for direct state intervention was no longer as great by the 1980s, with privatisation seen to promise even greater rewards for domestic and transnational capital. That this too was to fail, and fuel another round of calls for direct state intervention, is the basis of our current round of "social" or "third way" neoliberalism, throughout most of the North and the South.

"THIRD WAY" STATES

The 1970s and 1980s saw aggressive attacks on Keynesian state-led models of delivery. The initial phases of neoliberalism of this time saw wholesale privatisations of everything from airlines to water systems to hospitals. Blocs of capital that had once called for state intervention were now howling for its removal, demanding the right to own and/or manage virtually every state service on offer. There were windfall gains for many factions of capital, but as with earlier experiences with privatisation, concerns with efficiency, reliability, and public health began to surface over the zealous and under-regulated sell-offs and outsourcing of essential services, giving birth to another round of calls for state intervention in the 1990s and 2000s.

But instead of the Keynesian-era models of direct ownership and control, the response was one of "social" neoliberalism, using residual or safety net approaches to social delivery alongside public-private partnerships and commercialised public services. The role of the state is to ensure that services are "targeted" at the poor (as opposed to expensive universal entitlements of citizenship) and to offer new forms of "public management" such as corporatisation, which incorporate private sector management techniques and some private sector outsourcing and "partnerships", as opposed to full-blown privatisation. The objective has been one of better controlling the flow of public resources to areas deemed most critical to the (ever-changing) needs of capital accumulation and to better manage the demands of an un(der)employed consuming class through new monitoring and disciplining techniques such as prepaid water meters, differential user fees, geographically defined development zones such as "business improvement districts", and so on – ideological tools that "encourage people to see themselves as individualized and active subjects responsible for enhancing their own well-being" (Larner 2000, 13; see also Brenner and Theodore 2002, Harvey 2005, Peck 2007). On a larger scale, loan conditionalities from the

World Bank, the International Monetary Fund (IMF), and some bilateral donors contained privatisation and commercialisation clauses, serving as a lever for capital penetration from the North into the "emerging" markets of the South (Amenga-Etego and Grusky 2005).

We need not detain ourselves here with this well-known story of commercialisation by stealth since the 1990s except to say that the state (at increasingly diversified scales) has been a critical actor in, and author of, this form of neoliberalisation (Harvey 2005). Efforts to "bring the state back in" must therefore be cognizant of the ideological and institutional construct of much of what exists under contemporary forms of neoliberalism, with heavily commercialised notions of the "public good" having penetrated all levels of decision making in market economies in the North and the South.

As noted at the outset of this chapter, unless contemporary market-oriented states have been radically democratised, there may be little point in bringing them back in, as they may simply reassert a neoliberal agenda and market ideology, under the guise of being "public". Even democratic initiatives such as participatory budgeting are increasingly being captured by neoliberal ideals, serving to contain demands for social and economic justice rather than expanding them (Wampler 2007, Barrett et al., 2008, Geddes 2010).

Authoritarian states

Finally, we look briefly at some of the fascist, military, and dictatorial regimes of the 20th century that promoted state-led service delivery, if for no other reason than to demonstrate how diverse and problematic the call for state intervention in services has been in market economies. Recent neoconservative reactions to the individualism and "amoralism" of unbridled capitalism also provide interesting material for understanding how an interventionist state might work to "restore social values" (Harvey 2005). Ridiculed as chauvinistic and irrationally megalomaniacal, it is often forgotten that many fascist regimes – particularly those in Europe – came to power on an explicitly anti-market, anti-liberalisation rhetoric, arguing that capitalism would erode the moral, productive, and racial character of a country (with *Nazi* being short for "national socialism").

In Italy, Mussolini created the *Istituto per la Ricostruzione Industriale* (Institute for Industrial Reconstruction), which, "as of the late 1930s...led to the Italian state owning a bigger share in the economy than in any other country except the USSR" (Baker 2006, 229). Hitler took similar initiatives in Germany, building an expanded range of new state-run public services intended to improve "the folk" and boost public welfare (at least for those deemed sufficiently "Germanic"). The state was argued to be the only institution capable of seeing the moral obligations of public service and was regarded as essential to the generation and protection of a disciplined and good society.

Much of this anti-market rhetoric was hollow in the end – with Mussolini and Hitler both embracing big capital to boost strategic industries (Guérin 1938) and with the Nazis beginning to privatise in the late 1930s due to fiscal pressures (Schweitzer 1946, Bel 2009) – but there was considerable emphasis put on nationalisation of services long before it became a Keynesian mantra in liberal-democratic states, revealing once again the temporal, crisis-management nature of state intervention in market-driven economies that serves to strengthen, not weaken, the private sector.

Notably, this nationalisation trend began to fade with longer-lasting – and less capitalist – European dictatorships, such as those in Greece, Spain, and Portugal, which "fail[ed] to develop either a strong welfare state or significant SOEs [state-owned enterprises] in public services" (Clifton et al., 2007b, 12, Bela Nunes et al., 2007). By the 1970s the trend had come full circle, epitomised by the Pinochet regime of Chile, which, from the mid-1970s, became the standard bearer for a privatising state and a testing ground for newly emerging doctrines of neoliberalism introduced by the technocrats known as the "Chicago Boys" (Skidmore and Smith 1997, 142).

STATE OWNERSHIP OF SERVICES IN SOCIALIST ECONOMIES

Socialist states have not been immune to these dictatorial tendencies. Nor have they been all that different from capitalist states when it comes to seeing services such as water, electricity, and health care as central to the building of a "modern" productivist economy, best kept out of the hands of a self-serving private oligopoly. There is much that binds the economistic mind.

What does differentiate socialist states from market states in this regard is the lack of pressure associated with capital accumulation. There have, to be sure, been "special" demands from political and military elites that have skewed resource distribution in socialist economies, but the motivation for – and the necessity of – using services and their related infrastructure to try to fix crises of capital accumulation do not factor into service delivery decisions in countries that have eliminated or drastically reduced private ownership of the means of production. In socialist economies the locus of decision making around services has moved away from the boom-bust cycles of the market towards politically determined priorities, be it an attempt to ensure universal access to a service to correct injustices of the past (e.g. the introduction of free water services for all residents in post-revolutionary Cuba), as a strategy to diversify the productive base of an economy (e.g. the nationalisation of electricity in Bolivia since 2004), or narrower, narcissistic efforts to immortalise a political leader (such as the investments in Stalingrad in the 1930s or Pyongyang today).

Our argument here is a simple but important one. Capitalist states have taken on state ownership and management of key services in the past largely because they have been forced to by economic crises. They alter their pro/anti-privatisation rhetoric depending on the scale and stage of accumulation problems and the capacity of a given state to intervene. Socialist states, on the other hand, are not bound by these "laws" of the market, with decisions over service delivery being more ideological in nature. As Thomas notes of the vigorous urban planning debates that took place in the early years of the Soviet Union, planners asked complex questions about the nature of urban infrastructure and services that had little to do with market logics: How does communist ideology express itself in infrastructure and services? What is the relationship between physical form and political thought? At what speed and at what cost was communist society to be created? What use was to be made of the experience of the rest of the world (Thomas 1978)?

In short, socialist service delivery planners have been able to think beyond the demands of capital accumulation cycles. They may make wise, efficient, and consultative decisions that meet the real needs of citizens, or they may make ill-conceived, autocratic, and wasteful decisions that expose the empty promises of an undemocratic regime. Either way, without the pressures of private capital accumulation, socialist state ownership and management of essential services are much less predictable than that of capitalist states.

As a result, they are also more politicised and volatile, all of which makes an understanding of the decision making around state intervention in service delivery in socialist societies critical. As with capitalist states, we need to ask what motivations there have there been for state-run services, how these have differed across socialist countries, what kinds of technical and ideological debates have taken place in different sectors at different times, what level of state has been deemed most appropriate, and what role, if any, citizens have played in decision making.

Unfortunately, there is little literature that discusses these questions or provides details on the specifics of service delivery in particular socialist countries, in particular sectors, at particular times. Much of the contemporary writing on the subject compares socialist and post-socialist service delivery, with a focus on what has been lost/gained as a result of liberalisation since the 1990s (e.g. Vinogradov 1996, World Bank 1999, Anex 2002, Williams and Dubash 2004, Wang et al., 2009). The historical reviews in this literature tend to be broad and cursory, and although much of it argues that socialist states generally offered good-quality, universal, and affordable services in the past, there is a tendency to either dismiss these systems out of hand as too hierarchical, non-transparent, and inefficient (e.g. Deason and Daane 1998, World Bank 1999, Komives et al., 2005) or to uncritically celebrate them with little analysis as to how (and if) they could be reproduced today.

There was a substantial contemporaneous literature (in English) that explored Soviet, Chinese and, to a lesser extent, other Asian, African, and Latin American socialist service systems while they were in operation in the 20th century, but this writing (as with so much scholarship of the time) tended to be tainted by Cold War overtones, offering limited insights into the specifics of service delivery that could assist in understanding how and why particular systems emerged (e.g. Micklin 1987, 1988). There is, no doubt, much more written in Russian, Mandarin, and other languages by scholars situated in various socialist countries, but this literature has been insufficiently mined by academics, activists, and policy makers engaged in the search for alternatives to privatisation today (the current authors included).[1]

As a result we have an insufficient understanding of the various motivations for, and debates around, state-led delivery in specific service sectors in socialist countries, and even less in the way of critical writing on how these lessons might help in the current struggle for alternatives to privatisation in the global South. When compared to the vast literature on privatisation (whether pro or anti), or the relatively sophisticated understanding we have about the motivations for state-led service delivery in capitalist economies (as discussed above), the dearth of careful historical research on the rich and complex debates and practice of state-led service delivery in socialist countries is notable. The growing literature examining more contemporary efforts to create "socialist" services in such places as Venezuela and Bolivia is a useful correction, but there is a vast vault of historical knowledge that remains largely untapped.

Nevertheless, it is possible to make some general observations on the motivations for, and outcomes of, state interventions in service delivery in socialist systems. These broad observations are not intended as a typology of state formations of the kind provided above for capitalist states, but they do serve to highlight some of the decision-making architecture that has informed socialist state interventions in essential services in the past – be it 1920s USSR, 1970s Angola, or Venezuela today. Despite the very different scales, levels of industrialisation and balances of political forces that have animated the theory and practice of socialism in different countries, there are some important common themes.

The most obvious and pertinent point to note is the desire on the part of socialist states to rapidly address massive service inequalities. The degree to which services actually existed, or were privatised, prior to a particular socialist regime varies, but virtually all socialist governments have inherited service systems that were radically unequal – be it the quasi-feudal arrangements of Tsarist Russia, the sabotaged remnants of colonial service provision in Mozambique, or the impacts of shock therapy privatisation in contemporary Bolivia. Revolutionary governments came to power at least in part on the promise that they would make essential services more widely available, and it was inconceivable that this responsibility would be handed over to the private sector (though China's more recent forays into privatisation under the name of "socialism" deviate from this theme, as do some of Cuba's private sector "joint ventures").

Making services affordable has also been a priority. In some cases services have been provided for free as part of a package of state services offered to most, if not all, citizens. Socialist states have also tended to target the most needy/vulnerable with heavily subsidised services (such as water and electricity in the former Soviet Union [Deason and Daane 1998]). In some cases industry subsidised residential consumption, in part because the former was by far the largest service user (Zaidi et al., 2009), a far cry from the tax breaks and subsidisation of services for industry in market economies at the expense of (low-income) households. The objective has often been to provide universal coverage at affordable/free rates. The fact that this would make for a more "productive" workforce was central to much of this thinking, but it was a decision motivated more by long-term state planning rather than by short-term reactions to market crises.

Socialist state services have also tended to be highly centralised and "modernised", in part because this was deemed the fastest way to roll out services on a massive scale, in part because it was seen as necessary for industrialisation, and in part because of a "keeping up with the Joneses" complex that saw many socialist states attempting to accomplish what capitalist states had done, only faster and better. The result has largely been highly technicised and hierarchical systems of service delivery, though there have been some notable exceptions, such as the decentralised system of health care in Kerala (Elamon et al., 2004, Suchitra 2009), and more recent efforts in Venezuela and Bolivia to create decentralised systems of provision in services such as water and sanitation (see Chapter 15, this volume).

In terms of outcomes, the quality and quantity of services generally improved dramatically over pre-socialist systems, and most socialist countries attained equal or superior quality and quantity of service provision when compared to their market-oriented peers (such as Cuba's widely vaunted health system relative to other Latin American countries [see Chapter 14, this volume]). As Zoidze et al. note of the *Semashko* health model developed by the Soviets, it provided

> universal or close to universal entitlement to free health care...[and there were] few financial barriers to accessing services...From 1950 to 1970, many of the [Soviet bloc] countries experienced a dramatic fall in early mortality and enjoyed better health outcomes than other countries with a similar level of average income. (2006, 29)

Less positively, there have been widespread criticisms of socialist service delivery systems as top-down, undemocratic, inflexible and environmentally destructive (to name but a few of the complaints). As Zoidze et al. note of the *Semashko* model, it was "not without flaws", tending to be "inefficient and unresponsive to patients' demands and needs" (2006, 29). It is not just anti-socialist ideologues that have made these criticisms, and it is not just the Soviets who suffered from these difficulties.

"Third World" socialisms struggled with the additional challenges of neocolonial drag – including heavy intervention and exploitation at the hands of their Soviet or Chinese "friends" – and they often lacked sufficient numbers of technical and managerial skills and funds for infrastructure to roll out modern services on a large scale. As a result there was a trend towards an urban bias in service delivery in many post-colonial socialist states and a growing nepotism in decision making bolstered by commodity resource booms and busts.

Not all socialist service systems have fallen victim to these problems, and there have been lessons learned and applied within, and across, socialist states over place and time. Current efforts to introduce "modern socialism" in Venezuela and Bolivia are shaped in part by this history, though, as noted above, it is not clear that we have a sufficient understanding of the role that states played in service delivery in socialist systems in the past to say that this is a suitably rich source of information.

What we can say is that the absence of internal market pressures has freed socialist states to pursue a more egalitarian-oriented approach to service delivery should they choose, one that is based more on the use value of services for citizens than exchange value for private capital. The extent to which states have succeeded in pursuing and achieving these goals has varied from place to place, with some notable successes and some spectacular failures, but the lack of private sector pressures creates a very different environment for state ownership of services in non-capitalist systems.

WHERE TO IN THE FUTURE?

The single most important message from this discussion is that we must not too readily accept "state ownership" as a positive alternative to privatisation. In recognising that the state can be a site of contested forms of class rule and that there are different forms and types of state, it is important to note that we are both "in" and "against" the state. Needs, the role of experts in service delivery, and community/citizenship are major issues for democratic negotiation. We therefore stress that *horizontal* relations between citizens or communities and the various forms of sociality and collectivism they produce should take precedence over technocratic approaches to state-led service delivery. The negotiation across, between, and within particular collectivities about services and needs raises crucial issues around universalism and values such as solidarity. The *vertical* relation between citizens and the state needs to be de-emphasised (Pateman 1985).

We also stress that popular movements and projects that dissolve the state-society boundary need to be considered. Citizens or communities can become self-acting states. Each society can adopt forms of social-political and ecological organisation that makes sense culturally and historically rather than following blueprints, though some form of "universal norms" in terms of service outcomes should inform any evaluation of the success or failure of a particular state project (see Chapter 2, this volume, for an extended discussion of the need to see universalisms and particularisms in service debates).

As we have seen from this historical review, state ownership in market economies is often a means for directing public resources that implement market-friendly policies in the name of "public" services (e.g. "new public management"). It is essential that we recognise the inherently cyclical nature of these state interventions and how they fit with the boom-bust cycles of capitalism. In an increasingly neoliberal world, where decisions on ownership can make enormous differences to people's daily lives – life and death for many – we must be sophisticated as well as pragmatic in our thinking and action, evaluating the pros and cons of particular state interventions and pushing for meaningful people's participation in decision making, equitable pricing, environmentally oriented services, and so on. It should be taken as a given that the private sector and neoliberal bureaucrats will use "public" language rhetoric to create an impression of universality and democracy, while working behind the scenes to redirect resources to market ends, and perhaps even preparing the ground for a future round of privatisation, as has been the case with much of the trend towards the "corporatisation" of state services.

Monitoring and challenging neoliberal discourse and action requires technical and political knowledge, organisational capacity, and resources. Public sector unions are perhaps best equipped to play a central role in this regard given their frontline understanding of services, their skills, and global coordination, but any serious attempt to monitor/manage state-owned services must include social movements, community organisations, and other non-profit agents if we are to avoid the kinds of overly centralised, bureaucratic, and technocratic state service agencies we have seen in capitalist economies in the past. Doing so will expand the horizontal relations of stateness and create better awareness about "good" and "bad" public management.

And finally, we must continuously remind ourselves that the formal capacity for state-led services in the global North remains significantly stronger than that in the global South. Yet the impetus for community and people-driven transformation is greater in the South. It is important to celebrate victories in the North such as the "Model Municipalities" programme in Norway[2] and the remunicipalisation of water in Paris in 2010, but as long as these state-led services benefit only a localised population and continue to reflect a North-South disparity in service delivery, they are but a partial victory. Preserving state-owned universal public health care in Canada is valuable, but when two million people a year in the South die from diarrhoea-related illnesses due to a lack of water and sanitation, the success is necessarily limited. Positive advances in "public" state services in the North are important, but they cannot distract us from the larger, global task at hand.

Nevertheless, local victories can provide inspiration and set precedents for advances elsewhere, providing valuable insights into successes and failures across regions and sectors. It is here that state-led service activities of socialist states may be of most value. With the triumphal "end of history" discourse about the superiority of markets finally waning, there is renewed interest in learning from historical and contemporary models of socialist service delivery. Notwithstanding serious mistakes, the Soviets, the Chinese, the Tanzanians, the Sandinistas, Frelimo, and a myriad of other socialist states made massive gains in public health and welfare with state-led service delivery in the past, while the Cubans and the governments of Venezuela and Bolivia continue to push socialist service delivery agendas forward today. There may be limited scope for creating new socialist states, but learning from the successes and failures of these experiments are as important as learning from the circumscribed gains made within market economies.

There will be no single state-led (or public- or community-led) model that meets all the complex and differentiated challenges of transformative service delivery, but gains made in specific places can act as beacons and catalysts elsewhere and may contribute to the development of hybrid models of state services that ameliorate the most negative aspects of capture by private capital, while ensuring a more sustainable, equitable, and democratic form of services for all. Central to this will be a less top-down approach to state decisions. Following Unger, we would argue that "the use of coercive state power to impose alternatives without grassroots participation is likely to backfire", while grassroots innovations and self-mobilisation can be consolidated and widened through state support (1997, 268–269). As movements grow stronger, so do their senses of possibility. Whether this means "breaking off parts of the state and using these 'floating' levers to reinforce social mobilisation" (Unger 1997, 274) is a matter of debate, but such positions are suggestive of the kinds of practical and theoretical discussions that are required when asking to "bring the state back in".

NOTES

1. The difficulty of such undertakings should not be underestimated, however, as research by one of the authors into decision making on water reforms in revolutionary Cuba demonstrates (Cocq and McDonald 2010). Getting access to documents and decision makers in Cuba was challenging, taking many years, and there was no coordinated record keeping or critical secondary literature on the subject in Spanish.
2. For information, see www.qpsconference.org/content/co-operation-not-co-option.

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