

BREAKUP

of the blocs

The public and private sectors have historically been the great dividing line for Left and Right. It's no longer that simple, argues Barry Hindess. And one consequence is the current disorientation about what the Left really stands for.

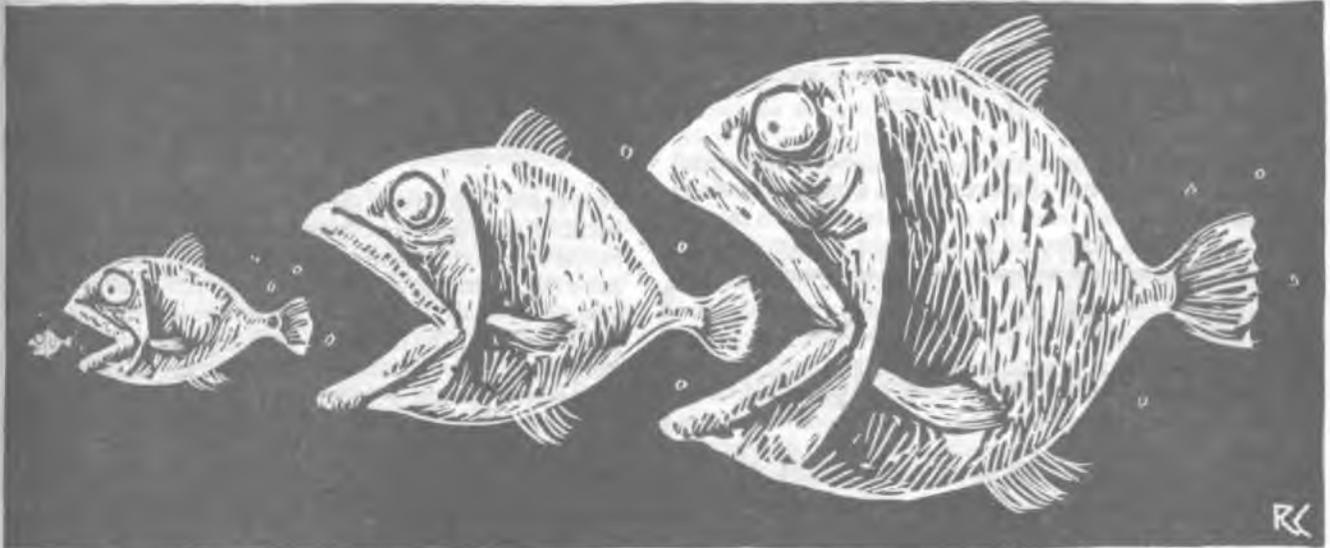
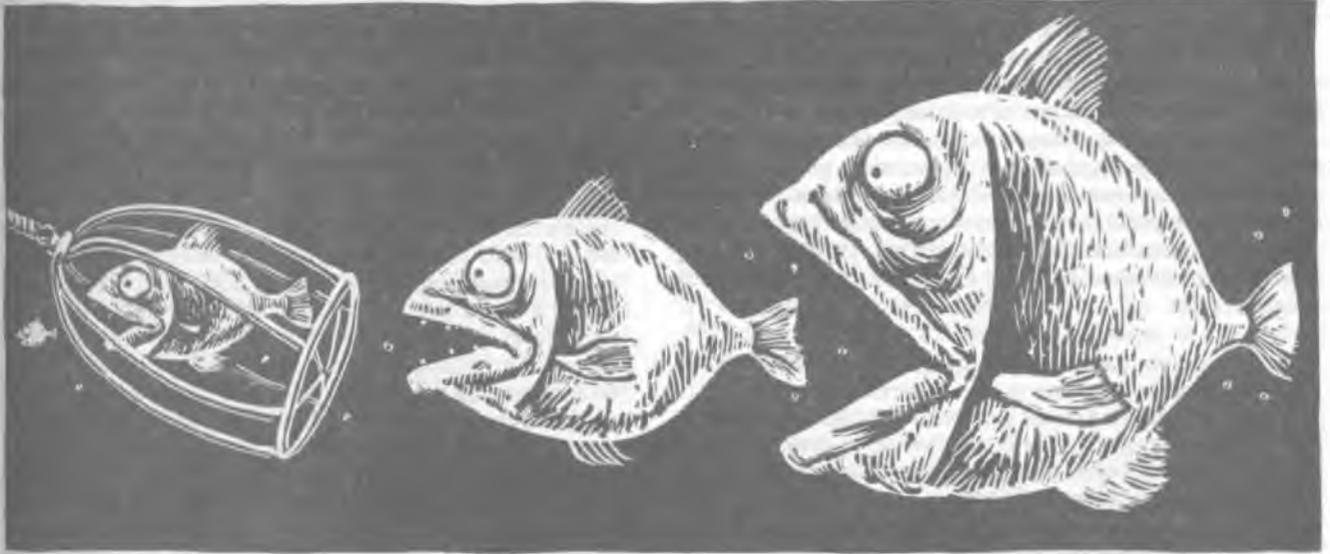
In 'Turning the Tide' (ALR 128, May 1991) Peter Baldwin and Peter Robson recognise that there are problems with the traditional Left case for public enterprise and an expanded public sector, and they discuss some of the ways in which the Left might lift its game. Much of what they say is sensible and realistic, but there is also a trickier and more general issue to be considered here.

The treatment of market and public control as distinct and opposed means of allocating resources is the site of one of the most substantial dividing lines between Left and Right in western politics. Other demarcations, only partly overlapping with the first, relate to the issues of democracy and popular control of government and to different understandings of freedom. Here I concentrate on the counterposition of the market to public control. Like many established ideas, the distinction between these modes of

allocation is widely used in political debate, but it is nevertheless of limited analytical utility. I will begin with the distinction itself and consider why it is unsatisfactory, and then move on to consider what we are left with.

It is tempting to suggest, as Baldwin does, that the Left should adopt a case by case approach. However, the limitations of that position indicate a more general problem for the Left in Australia—and in much of the Western world. To question the counterposition of market to public control is also to question one of the most important ways in which those on the Left and those on the Right of modern politics have identified themselves and their political opponents. In particular, then, it is to bring the traditional idea of the Left into question.

The counterposition of market to public control has been an ubiquitous feature of European social thought throughout much of the modern period. In the liberal tradition, the market has been regarded both as a realm of



Graphic: Rod Clement

individual freedom and as a sphere of efficiency and economic advance. The state, in contrast, is seen as a realm of dependence and of petty and arbitrary oppression, and also as a realm of inefficiency and corruption. Liberals acknowledge that states are necessary and that there may be cases in which state intervention or planning is called for—but these are presented as evils to be minimised. In this tradition the contrast between the two spheres ensures that any combination will appear to be potentially unstable—that is, it will be in perpetual danger of moving to ever greater levels of oppression, corruption and inefficiency. Hayek's *The Road to Serfdom* is one of the clearest expressions of this view, but versions of it can be found throughout the liberal tradition.

Socialist thought, on the other hand, has regarded markets as anarchic, amoral, wasteful, as placing too much power in private hands, and as generating indefensible inequalities of income and power. In particular, markets in wage-labour have been seen both as providing the basis of capitalist exploitation and as obscuring its reality. Despite

these objections, socialists have rarely sought the total elimination of markets—even in Cambodia under the Khmer Rouge. However, they have aimed to take important aspects of distribution out of the market altogether and to subject other aspects to a considerable degree of public control.

Although the presence of the markets of some kind has not been at issue in socialist thought, the role that they are supposed to play has been a matter of considerable dispute. The British Labour thinker Tony Crosland and other socialist revisionists of the 1950s argued that public control over economic activity was entirely compatible with a strictly limited role for public ownership. Socialism, in their view, was not so much about ownership of productive property as it was about equality—and the latter could be brought about under conditions of private ownership. In effect, they argued that once the major public utilities had been taken over, then the behaviour of the private sector could be regulated by means other than direct ownership of whole industries.

These revisionists saw no need for wholesale nationalisation, although they were not opposed to public ownership as such. Where necessary, governments should be prepared to set up public sector companies in competition with the private sector, and also to intervene in cases where private business was clearly failing the nation. In general, however, they argued that Keynesian techniques of economic management provided the means by which government could turn the private pursuit of profit into an efficient instrument of public policy. In *The Future of Socialism*, published in 1956, Crosland went so far as to suggest that:

acting mainly through the Budget, though with the aid of other instruments, the government can exert any influence it likes on income distribution, and can also determine within broad limits the division of total output between consumption, investment, exports and social expenditure.

On this view, full employment would bring about a number of desirable consequences. In particular, it would promote greater equality of bargaining power between employer and employee, and together with the redistributive effects of taxation, it would lead the economy in the direction of greater equality of income.

Left opposition to these views inside labour and social democratic parties has also accorded a significant role to the market. It differs from the revisionist position mainly in disputing the ability of government to regulate the

economy so long as the 'commanding heights' (variously conceived) remain in private hands, and so long as there are inadequate controls over the nation's overseas trade. A minority position on the Left of the labour movement has favoured worker co-operatives in addition to, or in place of, public ownership.

The substantial role accorded to the market in the older revisionism's view of socialism is clearly predicated on what would now be regarded as remarkably optimistic assumptions: first about the capacity of governments to regulate economic activity, and secondly about their willingness to use that capacity in pursuit of socialist objectives. The collapse of communism in Eastern Europe, widespread (if not always justified) disenchantment with the achievements of social democracy in the West, and the perceived failure of Keynesian techniques to cope with changing conditions of world trade and international finance, ensure that those assumptions are even less plausible today than they were in Crosland's time. What remains of Western social democracy now sets itself more limited goals, and it is less optimistic about its capacity to achieve them. The watered down social democracy of the Hawke Labor government, for example, combines the revisionist view of the importance of the market with a considerably more pessimistic account of the ability of government to regulate economic activity.

There are important differences between liberal and socialist evaluations of the market and of public control. Nevertheless, it would be a mistake to ignore what they have in common, namely, the construction of arguments around precisely that counterposition of 'the market' to public control. The difficulty with the liberal evaluation of public control will be familiar to readers of this journal, and it has been clearly presented in a recent article by Ross Gittins (in the *Sydney Morning Herald*, 3 July 1991). He notes that the basic "objection to government intervention is that, whatever its original motivation, it usually works to inhibit competition". Many liberals would add that it also works against individual liberty. It follows that removal of government controls should increase both economic efficiency and individual liberty. Gittins goes on to insist that "we know from our experience of financial deregulation that deregulation doesn't lead automatically to adequate competition. We discovered that government-created barriers to competition aren't the only barriers". Here, too, there is a similar point to be made about liberty.

In fact, there is a more general issue here. Gittins' article discusses the liberal evaluation of public control, but the problem he identifies arises on both sides of the liberal/socialist divide. What markets have in common is little more than the fact that something is marketed in them. Otherwise, markets always operate under specific institutional conditions which can vary considerably from one case to another. Institutional conditions here refers to such things as: market actors (buyers, sellers, regulators, speculators, and so on) and the resources at their disposal; normative and legislative regulation and other forms of political or administrative controls; links with and spillovers into other markets involving different sets of actors and controls. The workings of housing markets, for ex-

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ample, depend crucially on the forms of financing of house purchase and construction—and therefore on how those financial arrangements relate to the operation of other financial markets.

The general point here is that the consequences of market allocation of housing (or of medical care, pensions, sausages or telecommunications) cannot be determined independently of the institutional conditions in which those markets operate. What those institutional conditions are can vary enormously between markets for different goods and services, and for similar goods and services in different countries or at different times. Some of those institutional conditions can be set by government, but it would be a serious mistake to imagine that they can always be brought under government control.

There should be no general presumption in favour of either... the market or public control

The same general point applies to public control as an alternative to the market: what its consequences are will depend on the institutional conditions in which it operates. The counterposition of the market to public control is of limited analytical utility, but it will often have a clear contextual meaning—as in Australian debates about privatisation. In these cases, talk of 'deregulation', 'privatisation' and 'the market' serves as an index or shorthand for identifying a more complex set of issues. There will always be differences between market and non-market allocation, but what those differences are and how they should be evaluated will not be the same in all cases.

In practice, if not in liberal and socialist rhetoric, this point has been widely recognised. There are marvellous passages in the work of Milton Friedman and others on the Right explaining away market imperfections as if they were really the product of government intervention, and there are numerous social democratic critiques of the workings of particular state bureaucracies and systems of public provision. In these discussions, the counterposition of market to public control serves not to provide a description of how market allocation or public control operates in any particular case, but rather as an account of how they would operate in the absence of whatever is stopping them from doing so in the rough practical world. Almost despite themselves, such arguments involve an implicit recognition that the consequences of market allocation or of public control will depend on the specific conditions in which they operate.

What, then, remains of the general Left presumption in favour of public enterprise and an expanded public sector? The short answer, offered in rather different forms by both Baldwin and Robson, is that each case should be con-

sidered on its merits: sometimes public ownership will be appropriate, sometimes not.

In any particular instance, then, the relevance of public ownership or of some other form of public control should be decided by reference to a range of political objectives—not by relying on some general predisposition towards the public sector. There should be no general presumption in favour of either side in the apparent dichotomy between the market and public control. We should certainly oppose the positive evaluation of the Right of one side in that dichotomy—but we should do so by resisting the dichotomy itself, not by reversing the signs of the Right's evaluation.

That answer is fine as far as it goes, but it also poses a serious problem for the Left. My opening paragraph noted that the treatment of market and public control as distinct and opposed means of allocating resources was the site of one of the most substantial dividing lines between Left and Right in Western politics. On both sides of that demarcation the counterposition of market to public control made it possible for diverse specific concerns and objectives to be seen as part of a broader pattern. This enabled different sections of the Left (and of the Right) and to see their own struggles as particular instances of a larger conflict, and it allowed those who supported (or opposed) public ownership for different reasons to work together against what they saw as their common enemy.

To question the significance of that counterposition is therefore to deny what has been an important historical basis of such unity as the Left has been able to achieve. It is to undermine one of the most influential understandings of what the Left is and what it stands for. This is not to say, of course, that the Left or Right can be expected to wither away, for many on both sides will remain unpersuaded by arguments of the kind made above. The influence of the unpersuaded Right and of its simple-minded evaluation of 'the market' is a major problem in Australia and other English-speaking countries—but that is no reason for adopting an equally simple-minded position in response.

More significantly, as I noted earlier, there are other important lines of demarcation between Left and Right—and new ones have emerged in recent years. The point to notice here is that these demarcations do not entirely overlap, and there have always been different understandings of what the Left consists of. With the weakening of what has been perhaps the most influential of such understandings in the West, the alliances which that understanding helped to sustain will have to be reconsidered—as they have been in the radically different circumstances of the collapse of actually existing socialism in much of Europe. Not all of the alliances constructed around a presumption in favour of public enterprise and an expanded public sector can be expected to survive. To ask how the Left should regard the public sector is to presume a commonality of purpose that can no longer be taken for granted.

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