The privatisation debate has left Labor and the wider Left with a crisis of values and priorities. Nothing will ever be the same. To open a much wider debate, here are two quite contrasting assessments of the political terrain after privatisation.

**Market MYTHS**

Terry Flew sees parallels in the demise of public ownership East and West.

While the Hawke government has formally abandoned its commitment to public ownership of some major government business enterprises with the privatisation of Australian Airlines and the part-sale of Qantas, Mikhail Gorbachev has announced a 500-day plan designed to reduce radically the role of the state in enterprise management, and greatly extend the scope of markets in the Soviet economy.

Even if the timing of these two developments is quite coincidental, their concurrence has not been lost upon media commentators and Labor politicians. At the ALP Special Conference in September, Bob Hawke went so far as to claim that a continued commitment to centralism and public ownership would put Australia in a league with only Albania and Cuba.

The fact that these changes are occurring simultaneously does, however, pose some real questions, particularly for the Left. For, despite their substantial differences, both Labourist social democracy and Soviet-type socialism shared a similar vision of how a state-controlled economy could benefit the mass of society. For social democrats, the aim was extensive ownership and regulation of key sectors of the economy to protect living standards from economic instability; social policies were the vehicle for achieving a
better society. The central planning model saw state control of the whole economy, through state ownership and centralised planning, as the vehicle for creating a new society, a socialist humanity.

The travails of Soviet-type economies, and their slide into economic stagnation, is a story well-known, and particularly well-told by East European economists. Essentially, an economy based upon state ownership and central planning could not make the transition from a system of growth based upon extensive accumulation (growth through the creation of new plant, equipment, industries, resources and sources of labour-power) to one based upon intensive accumulation which requires more intensive and efficient use of all of the above. In the advanced capitalist economies this transition occurred, through the almighty jolts of the Great Depression and World War II, through the emergence of the system of growth we have come to term 'Fordism'. Over time, the gap kept growing, especially in the 70s and 80s, as new generation computer-based technologies began to flow into capitalist economies.

The crisis of Soviet-type economies expressed itself in two particular ways. The first is associated with a shortage economy whereby the demand for goods and services chronically exceeds the amount in supply, leading to shortages and queues, under a system of prices fixed by the state planners. Queues are obviously not a desirable thing. However, it should be noted that the alternative under such conditions in a market-based system is price inflation. What makes them a particular problem is that the shortages get greater as the population becomes more affluent, and that the products which are available are of poor quality, as producers know they can sell whatever they produce, and are thus not responsive to consumer wants and needs. The shortage economy also interacted with the one-party political system, in that there were always two markets: one for those with political power, and one for those without.

The second set of problems is associated with an absence of dynamism in the economy. The requirement that production and investment decisions conform to plan targets (invariably set at over-ambitious levels), promoted conservatism rather than innovation at the enterprise level, a tendency reinforced by the shortage economy. The availability of state subsidies, and the impossibility of bankruptcy, also promoted the ‘slack’ economy. Such a system enabled full employment, but it also led to enormous resource wastage, as enterprises were making the ‘wrong’ products using antiquated plant and machinery and as the economic and social infrastructure became more run down. Gorbachev’s original perestroika program sought to end this malaise by promoting greater enterprise autonomy from central planners, with particular stress on self-financing of investment, combined with reform of price and wage structures. It aimed to preserve a socialist system by reforming it, incorporating aspects of a market economy yet preserving state ownership.

Socialists have traditionally been suspicious of the market, being critical of the two major claims made by its advocates: the ability to deliver efficiency and rational prices. The first claim is fatuous, since orthodox economic theory has defined efficiency in terms of markets, and inefficiency in terms of their absence. As Gary Wickham noted in October’s ALR, the whole concept of efficiency lacks objective criteria, applicable across all industries, all social groups and all societies. The claim that markets also deliver rational prices is also suspect. Putting aside issues such as monopolies, and the whole idea of what is a ‘rational’ price, it has become clear to those who have researched the question that prices in capitalist economies, for most manufactured goods bear a close ‘fit’ to costs of production, with demand factors mainly influencing the
quantity supplied. The failings of administered pricing in Soviet-type economies is as much to do with political factors (the fear of raising prices for basic goods) as a failure of non-market pricing systems as such.

What, then, can markets provide? In the area of most consumer goods, and non-labour inputs for producers, quite a lot. They enable production to occur without a prior, costly process of information-gathering. Production for markets, based upon calculations of monetary reward, also promotes innovation, in terms of introducing new technologies and in terms of new products. Markets also promote flexibility - for some goods and services, it is impossible to predict future demand with accuracy, other than through the success or otherwise of selling such commodities.

Even more importantly, in the Soviet economy, a move towards markets and away from the administrative command system allows for a substantial decentralisation of decision-making. Finally, markets do promote choice, in the sense that having money in one's pocket which can be used however one likes (well, almost!) is a real form of freedom that would be noticed if it was not there. The question for socialists is how to distribute income more equitably, rather than establishing a priori what people's needs are.

As part of the 500-day plan, Gorbachev is seeking to sell 42,000 state-owned enterprises. Who could buy them? There are three possibilities: the workers themselves, private capital in the Soviet Union, and foreign capital. For a socialist, the obvious choice is the workers themselves, since private capital in the Soviet Union has hitherto mostly been accumulated by corrupt means, and since purchase by foreign capital would seem to intensify the scope for stagnating socialist economies to become third-rate capitalist satellites. Worker-owned co-operatives would by foreign capital would seem to intensify the scope for a socialist, the obvious choice is the workers themselves.

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The central point, often lost in the debate on privatisation, is that public ownership and social control are not necessarily the same thing. With public enterprises, the insistence upon 'neutral' administrators and conventional market-based performance assessment often militates against the capacity of such enterprises to meet social objectives, such as providing services based upon community needs, catering to diversity, creating employment and improving working conditions. At the same time, private enterprises are not sovereign beings. Their scope for discretionary behaviour is constrained by groups such as suppliers, consumers, shareholders, financiers, trade unions, community groups and governments, as well as competitive pressures in the economy generally.

In the case of the airlines, the implication is that, while there were few compelling social reasons for retaining public ownership, there were also few compelling economic reasons for privatisation. It is a minority who use air travel regularly, yet as public enterprises, Australian Airlines and Qantas were constrained in their pursuit of competitive objectives by ill-considered political factors (eg. the obstacles to borrowing on credit and equity markets). Telecommunications represents a more significant battleground. With the introduction of a private competitor, there will be greater pressure to abandon regulations and practices which have more equity-oriented objectives. The next great battle in this area is almost certain to be over the introduction of timed local calls, and perhaps also the removal of cross-subsidies to rural areas.

The general lesson to be learnt is that public ownership should be seen as a means to various economic and social ends, rather than as the end in itself. The vision of socialism which was based around nationalisation and state planning in order to eliminate the market is effectively dead. Australian Airlines was no more a beachhead of socialism than the Soviet Union was a desirable model for the Australian Left. In many areas of the economy, more effective social control may be achieved through regulation rather than public ownership, by some combination of both, or by diverse actions by individuals and groups (trade union, environmental, community) independently or around the policy actions of the state.

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