

Power and Ownership

Swedish Left Party

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Power and Ownership

Introduction

by Michael Barratt Brown

The Swedish Left Party, occupying a minority but far from negligible position in Swedish politics, has prepared for the European Social Forum a paper on 'Power and Ownership'. This is most timely. It is not only in Sweden, but elsewhere, and most particularly in Britain, that the results of the privatisation of public assets have greatly increased the power of capital over labour, and in so doing have diminished democracy and widened inequalities. That this process is closely related to the increasing globalisation of capital means that the response of labour has to be international as well as national, regional and local. The Swedish Left Party argues that the question of ownership has once more to be put on the agenda of socialists. The strategy of capital has been to expand ownership as an extension of power. The strategy of labour must be a counter-offensive, to re-establish public ownership. But the lesson of previous attempts at public ownership is that they have failed because they lacked democratic control.

Ownership as Strategy

A strategy is not just a plan of action. In a battle it is the commitment of forces to a more favourable position for victory. In military battles this is a matter of generalship and the forces can be required to obey, whatever the risks. In the battle between labour and capital, the forces of labour have to be convinced that the strategy is truly in their interest, despite the risks involved. This means that the results of victory, the aims of the strategy, must be a society where the influence and satisfaction of the overwhelming majority of the people are enhanced. Since ownership of the means of production of goods, and equally of the many services which a modern society requires for health and education and security, grants power, it must be made clear that forms of public rather than private ownership will give to the people that influence and satisfaction.

This paper on 'Power and Ownership' from the Swedish Left Party has revealed the interest in short-term profit, rather than long-term sustainability, the loss of democratic control and the widening inequalities in Swedish society which have resulted from the increase in private ownership and the power of capital over the last two

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decades. But it has done something much more important. It has looked in some detail at the forms of public ownership – national state, regional and local government and non-governmental, workers' and consumers' co-operatives – to show how democratic control could be enhanced and inequalities reduced. It examines the possibilities of developing a diversity of social ownership, of new co-operative and worker owned enterprises, of decentralised undertakings, of open public shareholders' meetings; but shows clearly the need for a framework of state regulation, both in encouraging such initiatives and proscribing profit-seeking activities.

The paper emphasises in particular the contrast between the enormously expanded value of workers' pension funds and the absolute absence of workers' control over their investment, which lies entirely in the hands of a small number of banks and other capitalist institutions. It suggests that the new privately managed pension system 'has a potential for developing a fund-based strategy for economic democracy' if it is not handed over to the big private financial institutions. The authors are well aware of the possibility of a conflict of interest between workers in large companies and the general public, but they believe that an overall framework of regulation can ensure the general interest of society while recognising the special interests of producers. They recommend the proposals made some years ago by the Swedish trade union economist, Rudolf Meidner, for a profit-sharing model in large companies by which some part of the annual surplus is transferred to the employees in shares rather than in cash – until in time the workers would own the company.

Some Questions

Any strategy must start from the position in which forces are currently held and which needs to be made more favourable for victory. Socialism is recognised in this statement as a long term goal, but a beginning has to be made now. However, the propaganda accompanying the advance of capital over labour in the last two decades has been busy emphasising the undemocratic nature of state owned enterprise, its many inefficiencies and especially lack of dynamism and capacity for change, its drabness and absence of choice. This propaganda repeats in many different ways that the United States capitalist model has produced the most advanced and innovative economy in the world and its very inequalities are the guarantee of the rise of the living standards of the whole population.

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The Swedish Left Party's proposals engage effectively with the issue of democracy, which was so evidently lacking in the Soviet model. They fail to deal in equal measure with the issue of economic dynamism.

It is perhaps unreasonable to ask of a first statement of principle that it should go into detail. The authors of this statement are much to be recommended for putting back onto the political agenda of socialists the central question of ownership and power. In their discussion of workers' pension funds, where they recognise most clearly the potential area of conflict between the interests of producers and the general interest of society, their response is to call upon the regulative role of the central nation state authority. This is eminently sensible, but it raises the question of the capture of the state as central to a labour strategy. The authors hardly engage with this, but suggest the possibility of a slow accretion of power from below by expanding ownership of production of goods and services by local groups of consumers and workers through co-operatives and other non-governmental agencies. The potential strength of these is assumed to be large, although their current numbers are small.

One might have expected that the trade unions of organised labour might be cited as essential agents of any such pressure from below. In fact the references to the central trade union agency in Sweden, the LO, are hardly encouraging. The pejorative word 'even' is placed before reference to LO economists' challenging the right of companies to fix the rights of shareholders, and LO is shown to have transferred the power of trade union pensioners' funds to a private insurance company, the very opposite of the Left Party's proposal for a fund-based democratic strategy. Nor is there, surprisingly, any discussion of the potential power of the consumer movement which has in the past exercised considerable influence on price controls through the Swedish co-operatives and has in recent years taken up 'green' issues of fair trade and sustainability. It is here too that the feminist credentials of the Left Party may be important. This absence of reference to agencies for change, however, leaves uncertain the whole question of the deployment of labour's forces in an ownership strategy. In any such strategy there must be advanced echelons and outriders as well as a central body of fighters. The small Left Party in Sweden can hardly see itself advancing without a large body of allies among both producers and consumers.

The most serious question to be raised about the Swedish Left Party's statement arises from the international aspect of the proposals.

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The authors recognise the increased globalisation of capital and call at the end of their statement for a 'debate around international initiatives for societal funds which concern big companies.' This reflects an important recognition of the realities of globalisation. At the start of such a debate it would be necessary to recognise that there will be a cost to any of the measures proposed for raising welfare standards, increasing workers' participation, improving pension rights, which will all tend to reduce the competitiveness of Swedish labour in relation to cheaper labour outside, to which global capital will certainly resort as soon as its profitability in Sweden is reduced. The first step in any strategy for challenging capitalist ownership and power must necessarily be to reach agreements with representatives of labour and consumer movements on an international basis. Socialism in one country is less possible than ever before and certainly not in a small country like Sweden, with a heavy dependence on international trade.

It is for this internationalist reason that the statement of the Left Party of Sweden deserves the most serious consideration throughout the membership of the Social Forum. The democratic aims and possibilities of a socialist strategy have been clearly laid down. It remains to discuss how they might be realised.

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The Swedish Left Party

The time has come to put questions about power and ownership on the agenda.

Power and ownership are still unjustly distributed in Swedish society. Economic power is concentrated in a minority. Power and influence have been moved from the public sector to the private sector, from a democratic sector governed by the general interest to a private sector governed by self-interest. The scope for political action has shrunk as 'the market' has expanded. Power has drifted from labour to capital. This process amounts to a diminution of democracy. These developments challenge the left to develop its own analyses and policies towards such issues as globalisation, feminism and environmental problems. As the first step in a wider approach, we have chosen to concentrate on ownership issues.

A crucial question is what kind of strategy does the left need to break this concentration of power? What can be done at a national level to build counter-weights? What strategy is valid to transform power and ownership? The strategic goal is an economic democracy where everyone has a real influence on production and the economy, and where all wield power and influence over their work and daily life. This presupposes a change in the present ownership relations.

A modern socialist strategy must build on movement from below and on a wide range of forms of collective ownership. The overarching strategy is gradually to expand common, democratic ownership compared to private ownership, so that the main part of the economy becomes democratically controlled and commonly owned. Capitalism is global. Therefore, the left has to build socialist counter-weights at local, regional, national and international levels.

The left and a united labour movement has to frame a counter response to the developments that breed inequality and widen the divisions between people. The time has come for a broad debate about economic democracy. We want to contribute to that debate.

Ownership As Strategy

Ownership creates power

We are socialists and feminists. Our goal is to implement an economic and political system that is democratic. We seek a society that makes

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possible genuine influence and real equality. Our aim is to expand democracy into all areas of society. In Sweden there are many channels for power and influence. Historically, they have worked effectively through freedom of speech and organization, through our non-governmental organizations which have built influence over working and social life, and through anti-monopoly and labour legislation which reduces the power of capital. In this pamphlet we want to develop our strategy to challenge the power of ownership.

The basis of Marxism is its focus on the relationship between ownership and its effects on all social arrangements. The powers of production and ownership, together with other relationships affecting production, make up the material and economic base. This forms the basic power relationships that shape politics, culture and ideology. The common denominator in all societal relationships is the fact that, in the final analysis, social power lies with those who own and control the means of production. Those who own business and capital, a select few with a stake in power and profit, control a system of production that purports to satisfy the needs of all. Marxism describes this unequal relationship as a division into classes, where those who possess ownership and control are the power-wielding bourgeoisie, and those who must work for a living constitute the subordinated working class.

There is another group, or level, in society that is difficult to place within this class system. Existing parallel with the current power system is a patriarchal system of exploitation and oppression. Even if the patriarchal system has 'its own material foundations in reproduction', the systematic subordination of women in the distribution of ownership, and thus power, is quite evident. Women own less than men, and a larger number of men are salaried workers.

Capitalism and society are constantly involved in a process of change. These changes work in conjunction with patriarchy, and this of course affects the nature of class division. For instance, with the expansion of the public sector we can observe how, as women increasingly enter the workforce, they are relegated to the lower end of the class system. We can also see how many administrative jobs become increasingly de-skilled and low paid. The basic conflict, however, between the working class and capitalists remains. This can only be resolved with the eradication of capitalism.

A changing ownership

Ownership has changed in the Swedish economy. Institutions concerned only with short-term profits, as well as foreign investors, have expanded their share of Swedish company stock at the expense of individual owners. In 2001, both Swedish and foreign institutions held more than 25% of the top 100 company shares. Compared to the old capitalist families, these institutions aim for quick profits. Stock exchange value is more important to them than long-term investment.

Swedish capitalism is international. For a long time Swedish company investments abroad were considerably larger than foreign investments in Sweden. During the 1990s, the flow increased strongly in both directions. A dominant proportion of these flows consisted of take-overs and mergers, such as those of ABB, Astra Zeneca and Ford-Volvo. The number of workers in foreign-owned Swedish companies (those where more than 50% of the shares were held by foreign investors) more than doubled during the 1990s. In 2000, 450,000 people worked for such companies.

Some of the foreign-owned companies made huge investments in Sweden. Others have substantially reduced their operations. The home of the parent company may influence decisions about where to make reductions. Similarly, the acquisitions of foreign companies by Swedish companies have been considerable during the 1990s. The Swedish domestic market is small, so companies must search for new markets.

Alongside expanded trade and complex ownership structures, legal ownership bases have been harmonized. This takes place through the European Union, but also in relation to the rest of the world. Rules for ownership, competition and trade have become increasingly global. Strategic conditions are also changed by the development of productive forces. Modern telecommunications and media are borderless.

It is true that we make our own history, but we do not make it under circumstances of our own choosing. In this respect we stress those limits to democracy that the capitalist economic system implies. A far-reaching democratisation presupposes a far-reaching change in power and ownership relations.

Many factors determine which social changes are possible at any given time. If reforms are going to be legitimate they must secure support from a popular majority. But that is not enough. Far-reaching political, social and economic changes correspond to the development of our common capacity to produce and reproduce our

lives. This relationship forms the basis of historical development, but it is not independent of political and economic forces. It circumscribes what is possible, and forms the content of political struggle.

Under capitalism, the different parts of the economy have become more and more interdependent, both nationally and internationally. At the same time private ownership leads to a short-term hunt for profits. Stock exchange quotations become more important than expanding production. This emphasises the need for social, democratic control and co-ordination of the economy. A highly developed economy needs a qualified labour force. Knowledge becomes ever more important. But it is a productive factor that is hard to control. This may strengthen labour's position and pave the way for democratisation from below.

The need for a commonly financed public sector is another indication that democracy, and production for need, are the principles that belong to the future. However, we cannot know in advance when and in what form the development of productive forces, and our struggle for democracy and justice, might create the space for transformed ownership and power relations.

Ownership forms: some concepts

In order to develop our view on ownership we first have to define some concepts. A reasonable definition of social ownership includes state ownership at national, regional and local levels. Those forms may be generalised in the concept of public ownership. In addition to social ownership we have the concepts of collective and common ownership. Both of these include social/public ownership. But they are also wider, and they include various forms of worker, co-operative, and trade union ownership.

The private ownership of the means of production has become increasingly collective or institutional, through the rise of unit trusts, pensions funds, and the like. This is often held to mean that ownership has broadened to include wide popular participation. Yes, ownership relations have changed, and institutional ownership has grown. But when it comes to real power, this has been concentrated in a few capitalist concerns which own and control the majority of the stock. The vast majority, the small shareholders, still lack real power and influence.

Institutional ownership (by insurance companies, unit trusts, pension funds and so on) is not democratically structured. It does not conform to the principle of one person-one vote. Instead, voting rights follow share ownership, and the big shareholders appoint the boards of

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management. When big Swedish pension funds, like AMF and Alecta, do not seek to exert influence by taking seats on company boards, private capitalist interests are strengthened even more. When banks and insurance companies establish unit trusts, it is not the thousands of small savers who have the power to appoint representatives on company boards, but the major owners of the bank or the insurance company. This usually amounts to no more than a few individuals.

This means that the present institutional ownership does not contradict private ownership. Rather, it is a form of private ownership. Its opposite is common ownership, based on the democratic principle of one person-one vote. The incessant search for greater profits forces capital to push for monopoly control through mergers and by the driving of smaller rivals out of business. The owners of capital shape these monopolies to fit their need for ever expanding profits. There is no truly free market in capitalism. We can see, therefore, that ownership forms and relationships are not static but widely variable, and that private ownership and power over the means of production are still the foundations of the capitalist mode of production.

Economic democracy and socialism

Capitalist society is incompatible with economic democracy. Production should be guided by people's needs, not by the short-term profit interests of the owners of capital and investors. Every one should have equal value and opportunity. Society should make it possible for everyone to exercise real influence. Political democracy is based on the principle of one-citizen-one-vote. In an economic democracy that principle is extended to include the economy.

Ownership and power are intimately inter-related, so that a real democracy, that is democratic socialism, requires that the major part of the economy is commonly owned. It is especially important that the big companies, which possess great power, are commonly owned and democratically controlled. This is a long-term goal. Socialism requires that capitalism be abolished. That goal has to be realized internationally.

History has clearly shown that social ownership is not a sufficient condition for developing democratic socialism. The example of 'actually existing socialism', as it was known in Eastern Europe, stands as a warning. Social ownership (all forms of common ownership) must be combined with a democratic form of organization. Common ownership is a necessary, but not a sufficient, condition. This means that our strategy for breaking the power of big finance and

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democratising ownership must build on popular and collective mobilization. To be successful, the struggle for a democratic economy requires support from a broad and active trade union and political movement. Economic democracy comprises two central factors: an overarching structural perspective which concerns ownership and control of the means of production, and a strong input from below which involves democratic organizing, self-governance and influence.

A strategy for power and influence

The commonly owned share of the economy has been shrinking in comparison with the private share, over a long period. Today about three-quarters of the Swedish economy is privately owned. Common ownership is dominated by social ownership, of which co-operative and worker-owned concerns make up a minor share. Social ownership in its turn is dominated by the state.

State, local government, co-operative and worker-ownership are all examples of common ownership and therefore a natural part of a socialist strategy. But what role have small businesses play? Small companies, where the owners perform basic work, often constitute good, innovative enterprises which may contribute to a dynamic economy. However, a high proportion of small companies in an economy may be a sign of poverty and weak public structures, where people are forced to start businesses of their own in the struggle to make a living. Nor can small enterprises form the foundation of a democratic economy under the capitalist mode of production.

We advocate small businesses that complement common ownership. These are small businesses that are socially and environmentally responsible, that have good terms of employment and healthy work environments, and contribute to economic growth and dynamism.

Common ownership must dominate if democracy is to expand into the economy. Our strategy is, therefore, to gradually increase common ownership in relation to private ownership. This sets us on the road of developing our policy for state, local government, co-operative and worker ownership in order to bring us nearer to our long-term goal of economic democracy and socialism.

State Ownership

Then and now

In Sweden the rationale for government ownership has changed over time. For the labour movement an important rationale was that state

ownership was seen as a counterweight to the power of big capital and as a remedy for market failures. But even non-ideological motives have been central to state ownership. They have concerned the control of fundamental national resources, security policy issues, and demands for planned responses after economic restructuring and rationalization, and so forth.

During the 1990s, the state-owned sector has changed considerably through privatizations focusing on core activities and rationalizations. Privatizations, in particular, have considerably reduced government influence. In total, the government sector was reduced by one-third during the 1990s. However, the state is still the largest company owner in Sweden.

Social interest versus demand for profits

Demands for a business ethic have been intensified, and today profit is the overarching goal for all state owned concerns, *i.e.* to 'create acceptable returns from state capital' and 'effective management'. This 'focuses on growing stock value as the owner's overarching purpose or goal' (according to a government document).

Why state ownership?

State-owned companies may operate as monopolists or in competition, but the public interest must always be the *raison d'être* of state ownership. For some companies the state may accept lower rates of profit than could apply to private capitalist companies. For instance, the state may prescribe a nationally comprehensive supply of mail or telecommunication services, electricity generation and delivery. Except in those activities that are financed through taxes out of social or other political motives, the companies are able to generate profits for their own use. All social development, even in a socialist society, presupposes the creation of a surplus value that can be transformed into new technology, research and strategic investment.

State-owned companies belong to the people. Instead of shareholders holding the crucial power, democratically elected representatives decide in the last instance. When state ownership is reduced compared to private capitalist ownership, power and influence are shifted from democratic control to the large shareholders.

Therefore state ownership, and the public sector as a whole, is a counterweight to the power of big capital. In a socialist strategy ownership is crucial, but it must be combined with democratic

organization. In sum, social ownership should aim at activities which favour the public interest.

What should be owned by the state?

Common, state ownership possesses unique possibilities in comparison to private ownership. The state should own companies which form important elements of the economy, elements that in their turn create conditions for responsible social development and which are a counterweight to the power of private capital. This means that there should exist national, state responsibility for activities that constitute the basic financial structure of the economy (a democratically owned bank and credit sector, a democratically owned stock exchange), for transport, communication and energy infrastructures, for pharmaceuticals, and for a basic media structure (public service).

It is also important that the state controls strategic natural resources.

According to another perspective the state should own companies whose activities for various reasons are not suitable for private ownership. These may be activities of public interest that cannot be satisfyingly operated in a market. It may also be activities where government ownership and democratic control are seen as motivated through a concern for justice and/or social reasons. Swedish examples are Systembolaget AB and Apoteksbolaget AB for distribution of alcohol and pharmaceuticals, respectively.

Left policy, short and long term

Expanding share of common ownership

Common ownership includes state ownership. As common ownership by itself shields parts of the economy against short-term private capital interests, it is of strategic worth not only to preserve but also expand common ownership in crucial areas. However, it must be possible to restructure the state ownership by changing less essential to more essential ownership.

Every state-owned company should have a strategy established by the parliament

We mean that every state-owned company should have a strategy which defines the motive for state ownership and acts as a guide for the board and the shareholders' meeting. Parliament should appoint boards which are nominated by the cabinet, and members of the parliament should take an active part in these meetings.

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The ownership strategy should always be focused on the public interest

The ownership strategy should always be focused on the public interest, and the activities of the state-owned companies should be continually monitored and evaluated. If important social interests are not safeguarded the ownership strategy must be revised.

Aiming for maximum profit reduces the possibility of state-owned companies fulfilling qualitative goals. All companies should be effectively operated, but when the search for profit clashes with social interests, the strategic criteria should be revised accordingly.

Every state-owned company should have regional policy goals

It is a responsibility of the government, and thereby of state-owned companies, to contribute to nationally coherent development. State-owned companies must not constitute governmental 'islands' in the surrounding local society, but should act according to regional development goals which parliament and the cabinet have laid down. Every state-owned company should have a division for external relations, where anchorage in the local society is an important element. Such activities as processing, training, research, environmental technology and the like, should consciously be established with regional policy goals in sight.

The state should actively expand its commitment to activities which form part of important public structures

State ownership and control in energy, technical infrastructure, basic financial and media infrastructure and strategic natural resources should gradually be expanded.

The state should actively develop new companies which may act as spearheads in important industries

State ownership has unique possibilities to support advanced technological development and innovation, and thereby to take on the responsibility for general long term social development. The state should make use of strategically relevant expertise to develop new public companies which will be at the cutting edge of industries such as environmental technology, pharmaceuticals, and so on.

Open popular shareholders' meetings

We also want to expand civic participation by instituting 'popular shareholders' meetings'. This would mean that the real owner, the general public, is invited to open shareholders' meetings, where they

can get information about company activities, ask questions and discuss policy, goals and related matters.

Public companies should be exemplary employers

All publicly owned companies should be good employers. This means that they should be exemplary regarding the working environment and workers' influence over the company. In line with the overarching company goals the workers should wield maximum power over the day-to-day activities of the company.

All state-owned companies should actively and systematically act against discrimination and encourage gender equality and ethnic variety. They should have good equality plans with clear goals about rectifying wage discrimination against women, and reaching a just gender representation at all levels. Diversification plans should bear witness to conscious efforts to recruit foreign-born workers.

All state-owned companies should also be exemplary when it comes to the internal and external environment. Their production should be oriented towards an environmentally sustainable economy. Their working environment should be informed by principles of recycling and environmental responsibility.

Local And Regional Government

Introduction

Swedish welfare policy has as its keystones full employment, an active labour-market policy and an extensive public sector. It is characterized by common social security systems and mutually financed and publicly provided services. The Swedish model incorporates the values of solidarity, justice and equality. Importantly it has given women greater possibilities for economic independence.

This general welfare model has been weakened in several ways. The cuts of the 1990s have not yet been reversed, which means that the quality of welfare provision is sometimes uncertain; that stress and exhaustion become ever more common; that fewer people want to work in social care and education; that workers and service users often have difficulty in influencing their lives and environment. Privatisations and competition expand, and market forces gain more and more influence.

We defend the labour movement principle of a thriving public sector financed through the progressive taxation of citizens and

companies. The basic principle should be 'from each according to his ability, to each according to his needs'.

Privatisation raises the question of whether development should be guided by human needs or by purchasing power. Who should dominate an expanding economic sector? We reject those market philosophers who turn children, students and the elderly into mere customers of a service market. Our political goal is to preserve and develop a strong, mutually financed public sector. We want to provide care and education through public management.

The public sector and economic democracy

Economic democracy has two important elements: a general structural perspective on basic ownership relations, and a strong input of power and influence from the grass-roots. Applied to local and regional government, the structural perspective corresponds to democratic control and political responsibility while the grass-roots perspective corresponds to power and influence for workers and service users.

A thriving public sector demands that a part of the social economy is commonly and democratically controlled. It can be seen as a popular counter-weight to private capital. Local and regional government has an obvious role to play in any coherent power and ownership strategy.

Three strategic elements

1. We want to preserve tax revenues that can provide strong resources to the public sector.

The preservation of a well functioning, mutually financed public sector presupposes popular support and a long-term economic policy. More resources are needed in order to improve quality, work conditions and wages.

Impartial comparisons that include transfer taxes show that, relatively, Sweden does not have extremely high taxes. It therefore seems quite possible to preserve a mutually financed and well-developed public sector. What we need in addition is a conscious policy which increases the employment rate so as to enlarge the taxation base, and which strives to expand public consumption. In other words, this is a question of political will and of broad popular support for financing from taxation.

2. We want to preserve and develop public activities. Local parliaments should prepare documents to show how workers and

service users can develop the possibility of influence on how their lives and environment are shaped.

It is most important that public activities become developed and democratised. We need a new form of democratic organization that dissolves hierarchies and opens up better co-operation across social boundaries. Political control should be modified, and we recommend regional parliaments whose members are elected by direct voting. Then it will be up to workers and service users to put to use their expertise, knowledge and commitment, and to begin to shape their lives and environment. There must be scope for variation, for new orientations and directions. In every school, in every old people's home workers and service users ought to have the possibility of realizing their own political goals in their own way.

3. We strive to renationalise activities that have been privatised.

It is of great importance that competing care and education activities are brought back into public management, with priority given to activities that now are operated by profit-seeking companies.

When workers or service users have taken over activities they should be offered the option to transfer to high quality, commonly managed, activities. People's self-sacrifice should be voluntary, and not forced on them through deficiencies in public services.

Privatisations result in an overall loss of competence from local and regional government. However, in many cases it is still possible to reclaim privatised activities when service contracts expire. In other cases a gradual retaking, and phased reconstruction of competence will be needed.

Welfare services and alternative associations

Co-operative and other voluntary associations are situated in an intermediate sector of sorts. What separates these associations from the public sector is that they are not controlled by society but by their members or partners. It is also important to note that a co-operative or a voluntary organization may have interests that contradict social interests. This problem can be resolved by properly formulating operating conditions.

Commitment in co-operatives or voluntary organizations may be a way to strengthen democracy. More people will be able to develop more influence over more areas of their lives. It has also been shown, however, that men tend to use their political commitment to strengthen their resources and existing networks, while women focus on socially oriented activities with less power but much more responsibility. It is also the case

that people with more socio-economic resources, i.e. managers, are over-represented in, for instance, parent's childcare co-operatives.

From a democratic perspective, our view is that a commonly operated old people's home, for instance, is generally preferable to a workers co-operative, and always better than a privately owned one.

Co-operative companies and voluntary organizations that do not compete with or replace public operations may complement them. These bodies, especially the social co-operatives, enhance the variety of provision.

Contracting or direct operation?

As we have shown, there are many reasons for managing welfare services commonly. But local councils have many responsibilities, and they often lack the resources for such things as paving streets or building houses. In these circumstances there are often sound reasons for local governments to buy-in some external services and contract out parts of their activities. Inviting tenders squeezes prices and also gives local or regional companies the opportunity to broaden their markets. Public openness and control are essential irrespective of whether activities are operated directly or by contract.

Local and regional government companies

In 1999 there were, according to Swedish governmental statistics, 1,533 firms where local and regional government had a majority share. Most of them were organized as joint-stock companies and the most common fields of activity were electricity, heating, water, real estate and employment agencies.

Local and regional parliaments must establish well thought-out ownership strategies for their companies.

Just as state-owned companies may constitute important, democratically controlled tools which contribute to a positive development in localities and regions, so too can local and regional government companies. Crucial social interests can be safeguarded, for instance by:

- Public housing. Housing companies owned by local authorities are tools for a socially and ecologically sustainable housing policy. Local governments should have housing plans that guarantee the establishment of comprehensive, socially mixed housing districts and environments, counteract segregation, act for class and gender equality, safeguard tenants' influence and promote conservation.

- Local government companies in the energy sector are important as links in the adjustment to a new national energy policy. Energy provision is an important part of the social infrastructure. Through their energy companies local government may supply district heating, combined with environmentally sound electricity production. They can co-operate with other such companies to obtain lower charges, start broadband investments, and offer interesting and qualified jobs with opportunities for trainees.
- Public transport. Public transport aims at providing local citizens with cheap and environmentally friendly travel. Women are the main users of public transport. The privatisation of the Stockholm commuter trains demonstrates the importance of a public responsibility. Public transport usually entails large organizations, and it is often necessary for local governments to co-operate in joint operations to be able to compete with Linjebuss, Swebus and other big companies.
- Economic policy. Even here local and regional government companies may play an important role through activities that complement and in various ways support and broaden the local economy. A local authority can provide premises through its housing or real estate company, encourage tourism and build-up the leisure infrastructure. In its ownership strategy the local authority should state how it intends to satisfy its citizens' need for control and participation. Local plans for equality, environmental, and other overarching goals should be valid even for local government companies.

Compared with other local government activities, companies are often deficient in matters pertaining to control and openness. When it is judged positive for an activity to be organized into a company, openness and transparency must prevail. It is important to form models of improving citizen control by, for instance, open shareholders' meetings and regular, easily accessible reports. In order to guide their own enterprises local parliaments should formulate clear ownership strategies for these companies. They should indicate the ways in which aspirations towards citizen control, openness and participation might be fulfilled. Local plans for equality, environment, integration and so on should also be applicable to local government companies.

Local self-governance versus national responsibility

Privatizations weaken democratic control and impair welfare. While it is possible to sell off quickly what has taken a long time to build-up,

these resources will take a long time to renationalize. Given this fact, it makes good sense to legislate against, or in other ways limit the scope for, local governments to sell off public activities.

Decisions to sell-off services and resources are taken in local parliaments, and a limitation of that right also means a limitation of local self-governance. But local government activities belong to a national welfare system, and all forms of entitlement rights are a limitation of that local self-governance. Therefore it is beside the point to say that limitations on local self-governance cannot be defended. Instead, the relevant question is whether particular interventions are necessary or unacceptable. This in turn requires clarity about political goals and values.

Political means of control to counteract privatizations

Lately there has been a debate on the need for legal forms which prevent or obstruct privatization of regional or local government activities. Some temporary laws have been passed. Here is a list of possible alternatives that in our opinion should be discussed.

1. Economic incentives

- The government may grant local government companies certain advantages, for instance through subsidized interest rates and investments, or lower taxes. Conversely companies which compete with public activities can be subjected to less favourable conditions.
- State subsidies to education, child care or care of the elderly, for instance, may be ring-fenced and given only to public bodies.

2. Economic sanctions against privatisation

On privatisation, state subsidies to local government should be reduced in relation to the receipts. Today this applies to public housing.

3. Options

- When a local government company is sold another public company should have the option to take on that service.
- When a public housing company is for sale, the tenants should have the collective option to buy that company.

4. Restrictions on privatisation

- Only certain forms of local government property may be sold without permission. Restrictions may be applicable above a certain value related

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to the income and expenditure of the particular local authority.

- Selling will be permitted only in special cases, such as when it would clearly harm the local government not to sell.

5. Laws against profit-seeking companies

- Proscriptions should apply to certain activities, for instance the care sector, to prevent those services being taken over by profit-seeking companies. Such laws exist in the Netherlands and Canada.

6. Transfer to foundations

- Local government property may be transferred to foundations that are designed to prevent new political majorities disposing of assets. The foundations will become 'public goods', companies that own themselves.

7. Entitlement laws

- Instead of prohibiting selling and/or privatisation, laws could be based on entitlements and obligations. For instance, local authorities may be obliged to have, related to their size, at least one public housing company which offers a certain amount of housing at a reasonable rent.

All the above-mentioned means of control imply major or minor restrictions of local self-governance. They also have other advantages and disadvantages. We must be especially conscious of the possibility of the national parliament determining the policy orientation of local and regional governments irrespective of their political majority. Constitutional rules that prevent bourgeois majorities in localities and regions from privatising, may be used by bourgeois cabinets and parliamentary majorities to prevent local or regional left majorities from nationalising. In other words, there are good reasons to be restrictive in using such laws. The real defence of a mutually financed public sector must come from below. This will require an active majority for such a policy at all levels of government.

Funds as a Strategic Tool for Economic Democracy

Introduction

Through their accumulated pension capital global workers own more than the total worth of the three biggest-stock exchanges of the world. Yet capitalists hold the power in the overwhelming majority of the big

companies. Collective capital acquisition through funds is a strategy which may contribute to the development of economic democracy and democratic socialism. Efforts to democratise the Swedish economy have been somewhat slow. During the 1970s the social debate was heavily influenced by a proposal for wage earners' investment funds that was presented in 1975.

Collectively built funds are once again topical. Not only Sweden is debating how to strengthen the power of the workers through such funds. It is a paradox that the impetus for the present debate comes from the stronghold of capitalism, from the United States and from Canada, where union-owned pension funds play a more active role than in Sweden.

Here we want to discuss not only union pension funds, but other forms of collective capital building as well. These various forms should not be seen as mutually exclusive. They may become complementary elements in a broad strategy for economic democracy.

Union pension funds

We oppose the pensions agreement that has been settled by the Swedish social democrats and the four bourgeois political parties. This deal means that government occupational pension funds, worth hundreds of billion crowns, will gradually melt away. In their place we will all have to, individually, choose which, out of more than a hundred privately controlled funds, we wish to invest our pension money in. This system is already a fact, which we must take into consideration.

The new pension system has the potential for developing a fund-based strategy for economic democracy. These funds could be organised around the fundamental economic democracy principle of one person-one vote.

Union funds may use their responsibility as owners and the power and influence that comes with shareholdership to prevent, for instance, the closing-down of profitable companies or the moving of production to low-income countries. LO, the Swedish TUC, had a rare opportunity to grant its members a real influence over the economy through union pension funds. It transferred this, however, to the insurance company Folksam and its investors, by creating a common fund company where Folksam is majority shareholder.

Today there is good reason to criticize ownership and power concentration that is no more just than it was twenty years ago.

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More active fund management is being discussed, though presently this remains mainly at a theoretical level. But it is important to stress that the US and Canadian models do not aim at majority ownership in companies. Generally, they are about giving the workers minority board representation, and some influence. In Sweden the presence of a strong labour movement should make a more progressive course possible.

It seems reasonable that unions could create funds where their members may choose to invest their pension capital. Another alternative is to have several regional funds. Union members would appoint the fund board. This board and local union units could appoint delegates to shareholders' meetings and company boards. In the long term this model would encourage the development of companies owned and managed by their workers. The returns from the fund could be used for various purposes, to support, for instance, a wage policy which shows solidarity with low-paid workers.

Of course, union pension funds are principally an issue for the unions themselves. But it is such an important ownership and power issue that it cannot be left solely to the trade union movement. The implementation of funds which aim at democratising the economy presupposes that the labour movement acts as a united force.

We support union pension funds

Of course union funds are an initiative that should be encouraged. At the same time they have deficiencies and problems that we ought to be conscious of.

One objection is that the funds buy shares and thereby contribute to market speculation as well as to company profits. However, as the money would otherwise have ended up in private banks, insurance companies, or the pockets of stockbrokers, it seems better that the democratically elected boards of union funds have responsibility for the investing of their members' capital.

There is a risk that funds might end up supplying the private economy with venture capital, rather than targeting on majority ownership and real democratic influence. How far do we dare or wish to aim? This is a political question.

There is a risk that new inequalities might arise as some funds prosper and others decline. The unions may end up in a dual role of employers and wage-earners.

In spite of these deficiencies active union funds may become an element in a common strategy for achieving economic democracy. Active

fund management can be used for influencing important decisions about transfers and closures. In the long term it may also be a way of influencing the fundamental ownership relations of companies.

Social funds

By social funds we mean funds which are owned by a national, regional or local government. Today, by far the largest Swedish funds are 'AP-fonderna', general superannuation funds which have been transformed to a sort of cushion fund, connected to the new pension system.

Proposals have been made for activating the existing AP-funds, for instance by eliminating investment limits and other restrictions. That would cause a democratic problem as those funds, given the current structure, confer no real influence on wage-earners. Such a move must be conditional on the democratisation of state ownership, which we dealt with above. Activated AP-funds should be a supplement to union pension funds.

Our strategy for economic democracy includes an expansion of state ownership to strategically important companies whose activities are of central importance to the general public interest. It should be possible to use activated AP-funds for this purpose. This could contribute to the general goal of shifting the balance between private and common ownership. It would also contribute to moving power and influence from privately controlled large capital to citizens through democratically elected bodies. This could also guarantee that the profits which the AP-funds accrue through their shares be reinvested in Sweden.

The AP-funds should play an active owner role in the general public interest
Activated AP-funds could form a real counterbalance to short-term speculation, transfers, and 'market' lobbying of our democratically elected politicians. They could facilitate progressive product development and a necessary renovation of the economy and production. This is presently obstructed by investors with no more foresight than a few days or weeks. Investors are currently motivated by stock exchange quotations rather than by a long-term concern for the development of economic and productive activity.

Social funds from public surpluses

Sweden is no longer a net debtor nation. National, regional and local governments, together with the social security system, are now

amassing a net public surplus. Productively invested social funds are a better way of managing this capital than for the state to transfer management to banks and other private investors.

Decision-making in social funds could be decentralised so that the employees of the companies involved have a share of the power. This could be organized by transferring all or part of voting rights at shareholders' meetings to these workers. The social funds should represent the general interest according to the principle of one person-one vote. Producer-interest is represented by the workers of the company. They should hold the power over day-to-day decisions about what to produce, how to produce, marketing and investments, if they are not of such importance to the whole society that the state needs to intervene.

Social funds for regional policy

Even regional funds which are not directed at winning power can constitute constructive elements in an overall strategy. In Sweden proposals have been made for regionally based funds. Concretely, they have been about hydro-power funds which would be designed to guarantee that capital is reinvested in those regions where the power has been generated. By a levy per kilowatt a fund is created which can be used for necessary investments in the regional economy, education, and for creating jobs, and so on. In this way capital, and thereby power and influence, can be moved from private energy companies to bodies which are democratically controlled. Decisions are thereby made as closely as possible to those affected by those decisions.

Political and economic democracy funds which are mutually owned by the public sector as employer, and the workers, are of special interest. This special relationship opens the possibility of uniting political and economic democracy. A mutual fund which is based on the wage-earners' pension investments, and which is controlled by contract among the parties concerned, cannot, through one election victory, be abolished by a hostile political party.

Societal funds

A possible complement to the above-mentioned forms of fund is what we initially may call societal funds. Here we sketch out how these societal funds might look.

A fundamental problem when building a capital fund is its source of supply. An ingenious solution, constructed by the Swedish trade

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union economist Rudolf Meidner, already exists. This profit-sharing model shifts the ownership and power structure of companies without influencing their liquidity. In his scheme, a certain part of yearly returns from large companies would be transferred to wage-earner's investment funds, not as cash, but as new-issue shares. The profits would not leave the company but would remain as an active capital component. By relating the calculated sum to the total stock, the quantity of new shares could be established.

A societal fund could get its capital supply in the same way. It should comprise only large companies, for instance those with at least 100-200 workers and a certain level of turnover.

The model of wage-earner's investment funds has been criticized for unilaterally favouring trade unions, and for the potential problems associated with unions playing two roles; as representatives for the employers as well as for the workers. With a societal funds model it is possible to bring about a balance between salaried workers and the interests of civil society; interests which are sometimes identical, but which sometimes are also in conflict.

One possible solution is to combine wage-earner influence with societal ownership, preferably regionally based, with a national levelling-up fund to counteract regional inequalities. Such regional funds could be managed by a board with political representatives appointed by the regional parliament. Those funds would thereby strengthen the regional parliaments. In this way, the board could also include members appointed by government, national parliament and trade unions.

The fund representatives at shareholders' meetings and on company boards could be appointed by the fund board and regional parliament and the company workers, respectively.

When a societal fund has reached majority in a company it could perhaps appoint its board president while the workers appointed the managing director and other managers. The goal would be to bring about a balance between the society's and the workers' representatives. While the former would control the majority of the board, the workers would appoint that part of the management which was responsible for day-to-day activities. An equilibrium must be found on the board where possible conflicts are addressed by the representatives of different interests.

This model would seriously challenge the present ownership structures and establish an equilibrium between citizen interest and

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worker interest, between social power and labour power. This power-sharing model would avoid the polarisation of group interests in successful companies. The fundamental principle of the fund should be one citizen-one vote rather than one union member-one vote.

The fund board, appointed by democratically elected regional politicians, should have a general responsibility for recruiting competent persons as fund representatives on to company boards. They should also take responsibility for authorising and guaranteeing that those persons act in accordance with the general guiding principles developed by the national and regional parliament. In an open and free nomination process political parties might propose competent persons with the professional qualifications which are needed on a company board. Then the regional parliament would formally appoint the representatives – a common process in democratic bodies.

With a profit-sharing system it would take, according to Meidner's calculations, 20-40 years (depending on profitability and sharing proportions) before the fund reached majority in a company. This means that society representatives on company boards would have a long time to develop good management skills and structures. The worker deputies on a board could be appointed by company elections after open nomination of candidates. These elections could be arranged by the trade unions, assisted by a proportionally representative nominating committee.

Real self-determination presupposes elections at every level, at every place of work. In companies outside the fund system self-determination could be advanced through the co-determination law and through union negotiations.

General guidelines for the social funds should be elaborated by the cabinet/national parliament and regional parliaments. In addition to the regionally based funds there should exist a central levelling fund controlled by parliament/cabinet/ministry of industry and commerce. This fund should receive all returns from the shares of the regional funds. These monies could be used for various purposes. Extensive investments ought to be made in the public sector, and regions are in need of very large inputs. Societal funds of this type would be hard to implement on a national level in the present internationalized economy. Transnational companies and financial institutions would, as history shows, unleash powerful countermeasures that would

seriously obstruct or prevent the social funds from changing power structures. Ideas about societal or union managed funds for modifying the balance of power exist, however, in several countries. Therefore one can imagine regional and national funds which are linked together to form an international system. This system could be one of many counter-weights to global capital.

Such an international fund strategy has not been elaborated yet, however, and needs continuing debate and theoretical development.

Wage-Earner Ownership, Co-operation and Social Economy

An historical background

In contrast to a capitalist company which maximizes the profit of owners, a worker controlled company maximizes value per worker – i.e. wages plus profit. It is an advantage of a worker controlled company that its workers do not require as much supervision and control as in a capitalist company. On the other hand the debate and conciliation of a strategy for production, investments, profits and wages may be time-consuming.

There is a disadvantage to be found in worker controlled companies which also occurs in capitalist companies with self-governing groups, especially among building workers with collective piece-work. Those working collectives tend to hold down their membership and exclude underachievers in order to limit the number of sharetakers. This system may also lead to unemployment, inflation and wage differentials similar to those in an unregulated capitalist market economy. There is also a risk that the workers award themselves so large a share of the profits, that too little will remain over for investment.

Criticism of modern capitalism, in combination with the fiscal crisis of many countries, has given ideas about self-governance a renewed vigour. These ideas come from the right as well as from the left. The right uses them to justify privatisation, the left in their criticism of capitalism. The concept of a 'social economy', which emerged in France, was defined in 1999 by the Swedish ministry of culture as, '... organized activities which are primarily oriented towards societal goals, based on democratic values and independent of the public sector. These social and economic activities mostly take place in organisations, co-operatives, foundations and similar associations. Their main driving force is member good, not profit.'

Away with graded shareholders' votes!

As the economist and politician C.H. Hermansson has noted in his work on Swedish finance capital, large Swedish companies are marked by an extraordinary concentration of power. The Wallenberg family still dominates a large chunk of the leading companies, although some challengers have appeared. Share investment among the general public has strengthened rather than weakened the power of big capitalists. Smallholders' money is largely invested in funds, of which 80% are owned and controlled by the four largest Swedish banks. In Swedish law, they may own a maximum of 5% of the voting power in a company. This means that the small number of owners who hold the power in a couple of big investment firms and foundations have been able to strengthen their power and ownership. The division into A- and B-shares enables existing owners to retain power.

*Reorganise the joint-stock company law and the taxation system! Strengthen wage-earner ownership compared to speculative short-term ownership!
Abolish the division of A- and B-shares in a way that promotes wage-earner ownership!*

The legal right to grade the voting value of shares is now rightly challenged, even by LO economists. But the issue is not quite so simple. Given present power and ownership relations, an immediate abolition could mean that the existing, rather well-established owners might be replaced with short-term and speculatively oriented capitalists, rather than long-term oriented and worker dominated pension funds.

A process for the abolition of graded share votes should be initiated and coordinated with active wage-earner and other forms of non-capitalist ownership.

Cabinet and parliament should have the legal right to stop and postpone shut-downs which are not justified by a wider perspective. In certain cases the state should have the right to take-over firms and businesses.

Sweden needs the legal powers of the type which now are being introduced in France. This would mean that companies, before closing down, have to justify their actions in a wider social and economic perspective. Higher profits elsewhere are not a valid reason to close down and relocate. If the company cannot give an acceptable reason for closure and relocation, the government should be able to stop or postpone the closure.

As a last resort it may be justified for the state to take over facilities

which are in danger of being closed down. The aim would be to give the workers time to consider a takeover or other ways of transferring the company to more responsible and committed owners. The state should not be involved in saving an enterprise which is doomed in the long term.

Co-operation and the social economy

We estimate that the co-operative and social economy accounts for approximately 10% of Swedish output, though it is difficult to distinguish co-operative from private ownership.

Support the established co-op movement and the independent savings banks in their competition against private capitalist alternatives!

Many Swedish left-wingers have been or are active in the established co-op movement (KF) or in housing co-operatives. Others are involved in savings banks or farmers' producer co-operatives. They used to prefer the co-operative ownership form to the private capitalist form.

Today, however, international competition has forced the 'old' co-op movement to gradually adapt itself to capitalist conditions. Important differences remain, however, between co-operative and the private capitalist forms.

Support the establishment of a popular bank!

KF as well as the co-operative insurance company Folksam plans (together with other companies) to start competing with the big banks in straightforward financial services. Those plans deserve our support, provided that the new activities preserve a reasonable level of the co-operative ownership ideal.

We also ought to support the remaining savings banks, which are still relatively independent, in their competition against the big banks. Even the new social economy contains some banks which we should support.

Support collective living and co-operative tenancy rights!

It is important to provide alternatives in housing where speculation and privatisation have recently increased. Co-operative tenancy rights entail the formation of a co-operative and the tenants rent their flats from the co-operative in a way that separates tenant-rights from shareholder-rights. You cannot buy and sell your flat as in owner-

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occupier housing. This form should be strengthened and expanded, particularly as an alternative to the sale of public housing to owner-occupiers or to private real estate owners.

Collective living also deserves strong support.

Laws for social co-operatives

Mostly in southern Europe, there exist 'social co-operatives'. They are workers' co-operatives which sell goods and services in the market. Many of the people engaged in these concerns have some sort of physical, mental or social handicap. In Italy such co-operatives are a legally regulated company form. Several of its biggest companies in the building, agricultural or metal industries are co-operatives. Moreover, there are special laws regulating their activities. For instance, at least 40% of their workers must be handicapped. Surplus distribution is also legally regulated. If a company fulfils the stipulated conditions its taxes can be reduced.

Support the rise of new co-operative and self-governing companies as an alternative and a counter-weight to capitalist production forms! Exclude non-profit companies from purchasing rules!

It is reasonable that non-profit companies are excluded from purchasing rules. However, if co-operative and other social economic organizations are able to maintain themselves there must exist a firm framework of government regulations, together with strong social ownership and influence over investments. In their absence, co-operatives, as well as various forms of social economy and wage-earners' ownership, might end up as self-governing worker exploitation or become limited to marginal areas of the economy. By themselves, those ownership forms have difficulty in overcoming the constraints and the control which emanate from private capital. Of course, there must also exist persons who are ready for voluntary activity in those companies and associations.

To Conclude

Power and ownership are still unjustly distributed, and economic power is concentrated amongst a small minority. This amounts to a loss of democracy. Recently a protest movement has begun to emerge, not only in Sweden but also internationally.

The time has come for the left and a united labour movement to take the offensive against developments which lead to inequality and

widening gaps between people. This demands a developed analysis and various policy proposals. As a first step we have chosen to concentrate on ownership strategy.

The strategic goal is economic democracy, a concept that we have described as a union of two inseparable perspectives: ownership as such and a democratically organized ownership.

A modern socialist strategy must build counter-powers on local, national and international levels. It must be based on a grass-roots movement and a variety of ownership forms. The overall strategy is to gradually expand common, democratic ownership at the expense of private ownership so that a major part of the economy becomes democratic and commonly owned. By common ownership we mean social ownership (by national, regional and local governments) as well as co-operative and worker ownership.

State ownership must be based on the general public interest. We want national, governmental responsibility for such activities as communications, transport, energy supply and pharmaceuticals. The state should also act to develop new companies at the cutting-edge of important industries, for instance in environment technology.

Every company which is owned by the national or local state should have an established ownership strategy. The general public interest should be the guiding principle. Shareholders' meetings should be open to the general public. Public employers should be exemplary in their role as employer.

For democratic reasons, care and education should be publicly operated. Alternative operational and organizational forms, such as co-operatives may be important complements.

Local and regional government must be enabled to get more resources, and their parliaments should establish policy documents stating how workers and service users would be able to influence the forms of operation.

We want to renationalise activities which have become privatised. Priority should be given to those activities that now are operated by profit-seeking companies. In many cases these functions can be recovered when a contract expires. In other cases there must be a gradual re-absorption.

Our strategy also includes various proposals for collective funds. Through their accumulated pension capital the global workers own more than the accumulated worth of the three biggest stock exchanges of the world. Yet they do not hold the power. We support

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union pension funds where the trade union movement organizes the common management of their members' pension savings.

We want the AP-funds to be more active. We can imagine new societal funds amassed from budget surpluses as well as regional funds, built for example from hydropower profits. Moreover, we would like to see a debate around international initiatives for societal funds which concern large companies.

Our strategy includes support to the established co-op movement and independent savings banks. We also support the rise of new co-operative and self-governing companies as alternatives and counterweights to capitalist production forms. We favour the building of a popular bank, collective living and collective tenancy rights. We want the law to facilitate the forming of social co-operatives.

The time has come to put questions about power and ownership on the agenda! We do not have all the answers, by any means. This is our contribution to the debate.

To our English readers:

The document on Power and Ownership was adopted by the Left Party's (Vänsterpartiet) board in April 2002. A working group, appointed earlier by this same board, had prepared a proposal of this document that was dealt with during a conference held in March 2002. The working group consisted of four activists within the Left Party and The Centre for Marxist Social Studies.

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