What can an institution do? Towards Public-Common partnerships and a new common-sense

Bertie Russell and Keir Milburn

Neoliberals wanted to transform the institutions of economic and social life so that they demand individuals behave as individualistic self-maximisers. The left now needs to commit to the commoning of our institutions so that they engender collective and solidaristic behaviour.

On 3 May 1981, the Sunday Times published an interview with Margaret Thatcher reflecting on the first two years of her Conservative government. Although the most aggressive elements of the privatisation programme occurred later in her premiership, these first years had already seen the Conservatives sell both British Aerospace and Cable & Wireless, and reducing the government’s shareholding in British Petroleum.1 As Guinan and O’Neill noted in their summer editorial for Renewal, this was a sign of things to come: between 1980 and 1996 Britain accounted for ‘forty per cent of the total value of all assets privatised across the OECD’.2 Given the speed and scale of the British experience of privatisation, it is understandable that it has come to be a central aspect of popular characterisations of neoliberalism: an ideological commitment to rolling back public ownership, the emergence and increasing primacy of the financial markets and mass deregulation.

The Sunday Times interview largely reflected this characterisation, as Thatcher proudly reflected on the government’s effort to confront ‘the monopoly nationalised industry inheritance of socialism’, and its ongoing commitment to ‘sell the whole of
it off and get rid of it’, as well as her pride in overseeing 70,000 redundancies in the British steel sector. This all formed part of an emerging blueprint for neoliberalism’s ‘institutional turn’. Yet, as Thatcher made clear in the final words of the interview, whilst ‘economics are the method’, ‘the object is to change the heart and soul’. While neoliberalism unquestionably means a commitment to privatisation, it has never been an end in itself, but rather a means to effect a more fundamental change not only to our societies, but to what it means to be human.

Ten years on from an economic crisis that decisively broke the neoliberal settlement, we can safely call neoliberalism a ‘dead but dominant’ ideology that continues to ‘lurch haphazardly onward (if not forward)’, incapable of managing the contradictions it helped create. Faced with such a zombie, it is incumbent on the left to step forward and undertake a project of transformation even more ambitious than that taken on by Thatcher. Guinan and O’Neill are right to pose our own institutional turn as an essential component of a contemporary socialist strategy. What is less clear is precisely how the establishment of municipal energy companies (as we’ve seen in Bristol or Nottingham, and is under consideration by the Greater Manchester Combined Authority), or the redirection of procurement spend (which is a key part of the emerging community wealth-building model for local government emanating from Preston, Greater Manchester, Birmingham and elsewhere), could fit as part of a transformative socialist strategy. What would characterise this institutional turn as going beyond a traditional social-democratic commitment to redistributive publicly-owned services and infrastructure, and would position it as part of a ‘programme of fundamental change’ capable of producing the ‘transformational shift’ in our societies called for by Guinan and O’Neill?

We argue that a strong clue to the answer can be found in Thatcher’s positioning of economics not as an end but a means – a method – for producing seismic societal changes. First and foremost, neoliberalism has always been a political-philosophical and ideological project concerned with promoting and fulfilling a certain vision of what constitutes ‘freedom’. Furnished with a rigid belief system of how humans should interact with others and the world around them, neoliberal economic reforms have been the ‘toolkit’ for turning belief into reality. Rather than just rolling back public ownership and regulations (as popular understandings would have it), the neoliberal project has been fundamentally concerned with rolling out a new way of thinking and being in the world. Neoliberalism – as a variegated ensemble of policies and institutional designs that have been applied and reapplied over the past forty years – should thus be understood as ‘a “restoration” not only of class power, of capitalism as the only possible economic system, [but] a restoration of capitalism as synonymous with rationality’.

Just as the proponents of neoliberalism looked to utilise institutional reforms to produce a certain type of human behaviour, the raison d’être of contemporary
BUILDING THE NEW ECONOMY  What can an institution do?

socialist models of ownership must be to contribute to the production of our own version of what it means to be human – based on a conception of freedom more expansive than the impoverished version of the political right. The ‘bold transformation of the British economy organised around ownership, control, democracy, and participation’ discussed in Guinan and O’Neill’s ‘Institutional Turn’ is a central part of this agenda. However – just as was the case with the neoliberal project – a change in ownership is a necessary yet not sufficient condition for the development of a truly transformative project.

In what could be best thought of as a ‘training in democracy’ – or perhaps a training in living in common – we must focus on designing institutions that place democracy and decentralisation not as an end in itself, but as part of a strategy that changes the parameters of what feels both possible and rational in everyday life.

The roll-back and roll-out of neoliberalism

Neoliberal political-philosophical and economic thought had been actively incubated for decades before the accumulation of economic, political and social crises in the 1970s provided the opportunity for its application. When the Keynesian orthodoxy itself entered a terminal spin, the neoliberal ‘alternative’ did not amount to a full-service blueprint for a new political-economic order. Nonetheless, both domestically and abroad, neoliberal policies were devised and adopted in response to what Harvey would call the ‘spatio-temporal’ limits of capital accumulation, and an attempt to restore profitability to a stalling capitalist system was pursued through the privatisation of public assets, politically facilitated processes of globalisation, and a turn to a financialised and debt-driven global economy. Retrospectively, ‘neoliberalism’ has largely become shorthand for these ideologically informed responses, a set of evolving and often inconsistent political-economic tactics used to respond in a particular fashion to crises of capital accumulation (which have both accelerated and intensified over time).

However, as Dardot and Laval have argued, ‘neoliberalism does not only respond to a crisis of accumulation: it responds to a crisis of governmentality’. Indeed, in neoliberal analyses of the crises of the 1970s the two were inseparable, as what Samuel Huntington famously called an ‘excess of democracy’ was posited as the direct cause of the era’s inflationary spirals. Social spending was too high, the argument went, because legislators were subject to too much pressure from voters and the political action of previously docile sectors, while wages were too high because workers could put too much pressure on managers. Too much money was chasing too few goods. The short-term answer to inflation was constriction of the money supply through dramatic hikes in interest rates, but over the medium and long-term, neoliberal reform sought to insulate decision makers – both within the
firm and in wider society – from pressure from below. This is a logic that explains
the rise of quangos, regulation by specialist, often ad hoc, bodies such as ratings
agencies, and the contracting out of ever more functions of the state. It unites the
individualisation of remuneration with the financialisation of everyday life, in which
the state’s role as the final guarantor of social reproduction is replaced by debt.

Whilst popular understandings of neoliberalism tend to focus on the ‘rolling back’
of public ownership, the more nuanced processes of ‘rolling out’ are concerned with
constructing and embedding a fundamentally different vision of society, and of what
it means to be a successful and well-functioning human. Whilst it was fractured,
contradictory, and perhaps on occasion even rolled-out unwittingly by politicians
and public servants who lacked the ideological furor of Thatcher herself, neoliberal-
ism has nonetheless always been more than an economic policy agenda. The
economic ‘fixes’ may have served capital’s immediate material needs through
opening up new opportunities for accumulation; but, even at the earliest of stages,
these economic policies were intended to be part of a wider ideological ‘agenda of
cultural and institutional change, extending – at least in potential – through every
arena of social life’.14

What did neoliberalism do to institutions?

To understand how neoliberal institutional reform works to alter behaviour and
change the way we see ourselves and others we can use the analogy of Reality TV.15
Early reality shows produced a constructed ‘realism’ that lent heavily on the tradition
of documentary. Groups of strangers were brought together in unusual environ-
ments, and the results were filmed and edited into a dramatic narrative. In the early
2000s, with shows such as Big Brother and The Apprentice, the genre was reinvented
around the principle of competition. A competitive ‘voting out’ element was added
as a stimulus to anti-social, cut-throat, and backstabbing behaviour. The formats of
shows are continually tweaked to ensure this behaviour predominates. As contest-
ants grasp the institutional logic of the situation, they alter their behaviour to
conform to its expectations.16

Neoliberal institutional reforms, and the managerial practices that accompany them,
follow a similar model. Neoliberalism is different from classical liberalism, and
indeed other iterations of capitalism, due to its drive to refound the whole of society
around an ethos of competition. Neoliberal theorists recognise that competitive
markets are not naturally occurring, but must be constructed by an active, interven-
tionist state.17 Extending them beyond the economic sphere requires dramatic
institutional reform and intrusive managerial practices to mould and assess behav-
ior. When we interact within competitive or pseudo-competitive market structures
we must conform to their logic or we will lose out. Our forced engagement with
these ‘market’ mechanisms acts as a kind of training. It trains us to adopt a particular subjectivity, a particular mode of thinking and acting. The institutions we interact with on a daily basis are continually tweaked to ensure they reward ruthlessly competitive, selfish and self-promoting behaviour, while penalising those who behave in any other way. Through repetition we internalise this institutional logic and come to anticipate it and act accordingly, until it eventually comes to structure the common-sense view of human possibility. This is the attempt to transform the ‘heart and soul’ to which Thatcher was referring.18

In the private sector, institutional transformation has been driven by changes in management theory and practice. Primary among these was the ‘shareholder value’ revolution, which ostensibly was intended to deal with the so-called ‘agency problem’; that is, the separation of ownership and control in publicly traded companies was seen to incentivise managers to pursue their own interests instead of the interests of owners. The response was two-fold. Firstly, changes in corporate governance introduced a notional independence between executive boards and senior management (CEOs). Secondly, managers’ interests were brought in line with the owners by linking their remuneration to the price of company shares.

In the public sphere, this same logic was introduced by Public Choice Theory (developed by writers such as James Buchanan and Gordon Tullock). This argued that a certain kind of bureaucracy is prone to empire building and so produces behaviour akin to the ‘agency problem’. As Gordon Tullock puts it, ‘[a]s a general rule, a bureaucrat will find that his possibilities for promotion increase, his power, influence, and public respect improve, and even the physical conditions of his office improve, if the bureaucracy in which he works expands’.19 The size of the state increases, the argument goes, because an alliance of bureaucrats and services users (in the form of pressure groups) have a shared interest in increased social spending.

The overarching logic of neoliberal institutional reform is succinctly posed in a 1991 UK government white paper called Competing for Quality: ‘privatise if market solutions are better, but if not introduce market mechanisms as much as possible to increase consumer control over service’.20 In the latter instance, the interests of citizens, reconceptualised as consumers, would now be represented abstractly through arbitrary units of measurement. The National Audit Office, established in 1982, functioned to centralise control during the distributed roll-out of neoliberal governmentality by designing and imposing auditing standards and units of measurements. The result has been the well-discussed proliferation of benchmarking, performance indicators and league tables.21 In this way, the practices of accountancy displaced democratic accountability, whilst ‘consumer choice’ was substituted for political decision. The idea of a collective interest (aka ‘society’) was deemed anathema to the project of promoting a return-maximising human, a
'common sense' which – far from natural – had to be systematically constructed through almost four decades of ideological reforms.

Now, post-Carillion, with the deadening weight of the exponentially proliferating bureaucracies that are needed to simulate markets, the whole of this governmental logic lays in tatters. The lack of an analysis of monopoly power opened the door for the ruinous Private Finance Initiatives. Meanwhile public procurement, dominated by an oligopoly of four massive intermediary firms, G4S, Serco, Interserve and Carillion, lurches through serial scandals. In a seminal moment, the recent abandonment of the Haringey Development Vehicle has, hopefully, put the final nail in the coffin of the long-discredited system of Public Private Partnerships.

**What can institutions do for the new socialism?**

Just as neoliberalism involves not only a set of economic and state policies but also the production of a neoliberal subject, *homo economicus*, that sustains and animates these policies, so too a postneoliberal society will not emerge until alternative subjectivities are created.

The door is wide open for the left to provide a new logic for institutional reform. But such reform must not be restricted to developing populist economic policies that persuade people to vote for a socialist Labour Party; we need to develop institutional forms that *disentangle* our consciousness and produce new ways of knowing ourselves and the world around us. After more than forty years of social conditioning within the socio-economic infrastructure of neoliberalism, we need to start consciously envisioning and promulgating a new common sense, designing institutions that work to inculcate and disseminate a different everyday understanding of what constitutes rational behaviour. This is not to say that people currently do not have a *feeling* of what it could mean to take collective decisions for the benefit of all, but rather that the opportunity to practise such decisions – on all but the smallest of scales – has been radically foreclosed.

As Hilary Wainwright argues, the failure of the 1945-51 Labour government to ‘create new common institutions of self-government’ can be seen as a major error. Despite the dramatic wave of post-war nationalisations, ‘workers were not granted any control over industry but were instead expected to submit to the authority of managers’. A transformational socialist approach to our institutions will have to go considerably further than the pursuit of public ownership and a social-democratic commitment to redistributive policies. Instead, as Andrew Cumbers has argued, we need to commit to developing ‘variegated forms’ of institutional governance that ‘respect geographical variations in pre-existing economic practices and cultures and take diverse, dispersed and overlapping forms as a way of combating
the centralization and concentration of economic power and decision-making',\(^{27}\) as Cumbers also notes, such processes of centralisation and concentration have been characteristic of both traditional Morrisonian and neoliberal institutional designs.\(^{28}\) New forms of institutions are needed that can provide each of us with the opportunity – and perhaps obligation – to learn what it actually means for us to take collective decisions over our common future.

Although the development of such institutions could be referred to as a process of ‘democratisation’, we believe we need to go further, and to also make a commitment to the *commoning* of our institutions. The ‘decentralisation’ and ‘democratisation’ that John McDonnell places as the watchwords of contemporary socialism require us to deliberately and consciously ensure that power is distributed outwards – not just outside of Whitehall, but outside of our Town Halls – such that opportunities for democratic control increasingly rest at the very fringes of state institutions. This doesn’t mean handing over control to the private sector, but rather developing distributed forms of governance whereby people are in fundamentally closer proximity to the decisions that matter to them. This, we argue, is a political project of the commons, in which ‘the political project of instituting the common ... cuts diagonally across these false alternatives – neither private nor public, neither capitalist nor socialist – and opens a new space for politics’.\(^{29}\)

As the P2P Foundation (amongst others) have noted, the Commons is ‘neither the resource, the community that gathers around it, nor the protocols for its stewardship, but the dynamic interaction between all these elements’. Taken together, these elements also contribute to the emergence of a ‘paradigm shift’ that sees ‘commons and the act of commoning’ as ‘a world-view’;\(^{30}\) or something that we would call a new everyday *common sense*. While publicly-run institutions can be made to include democratic forms of governance and management, they are not intrinsic to them. The commons, on the other hand, is a form of property (in fact a non-property form of property) which has a dynamic of active, democratic governance built into it. Commons cannot persist unless they are actively tended by a community of commoners.\(^{31}\)

**Towards Public-Commons partnerships**

One approach for pursuing such a commoning of society could be through the development of Public-Commons Partnerships, such as that developed in the town of Wolfhagen, Germany. In 2012, Wolfhagen developed a form of ‘cooperative participation’ that would make the municipality and a new cooperative – *BEG Wolfhagen* – joint stakeholders in the town’s energy utility, *Stadtwerke Wolfhagen*. This has meant that both the ownership and the decision-making process of the town’s energy infrastructure is distributed outwards, with the municipality acting as...
a partner that guarantees collective forms of decisional-participation over both assets and surpluses. The setting up of BEG Wolfhagen was driven partly by the lack of the necessary financial resources to fulfil the city’s goal to become 100 per cent self-sufficient in renewable energy, and partly by a vision of a coproduced and co-owned energy system. Speaking in 2011, the director of the Stadtwerke Martin Rühl explained:

Through the cooperative participation we want to make the citizens not only co-owners and co-earners, but through the form of a direct participation in the Stadtwerke also co-decision-makers. For future projects, citizens and electricity customers will be at the table from the very beginning.\(^1\)

The cooperative holds a 25 per cent stake in the Stadtwerke and is only open to those who purchase electricity from the company. Valued at €2.3 million at the time of its formation in 2012, the cooperative’s stake was funded through the sale of shares (with a maximum of five per member). To ensure membership in the cooperative is inclusive, new members are given a two-year period to pay for an initial share in twenty instalments. Most immediately, the formation of BEG Wolfhagen generated sufficient capital investment to facilitate the establishment of a solar park, contributing to the town achieving its goal of producing 100 per cent renewable energy by 2015.

The cooperative has two members sitting on the nine-person board of the Stadtwerke, and thus has voting rights on all issues concerning electricity production and supply in the region, ranging from the setting of energy prices through to the reinvestment of financial surplus. Meanwhile, members of the cooperative receive an annual dividend (which was around 4 per cent in 2016), whilst the remaining funds flow into the cooperative’s energy saving fund. The cooperative’s Energy Advisory Board – which is comprised of 9 cooperative members alongside one each from the local energy agency, the Stadtwerk, and the municipality – then develops strategies and initiatives for increasing energy efficiency among its members. In practice, this means that the citizen cooperative has a direct role in the energy industry development of the region, and the implementation of the energy transition in Wolfhagen.

Such Public-Commons Partnerships do more than devolve power downwards, they distribute power outwards. Rather than reducing the residents of the city to consumers (whose ability to shape society is limited to their purchasing decisions) or an electorate (where political expression is solely through irregular elections and consultations), participants in the cooperative experience their capacity to act as collective decision-makers. Meanwhile, the distributed model of governance means that power – understood here as the capacity to shape the collective conditions under which we live our lives – is less concentrated in the state apparatus. Rather than a centralised and paternalistic state making decisions on behalf of consumers and the electorate, we instead see the possibility for distributed forms of governance.
that incubate and promote new forms of relationships between citizens. Furthermore, through the co-financing process, citizens are enabled to have a stake in the ownership and governance of capital-intensive sectors – something that is often unattainable for cooperatives and mutual associations, due to the sheer quantity of liquid capital required.

**Conclusions (so what can an institution do?)**

The requirement for ‘dispersed and overlapping forms’ of distributed governance is now clear. But as we move away from a centralisation of power, how do we make this an iterative process incorporating ever more areas of life? How do we supercharge the self-expansive logic of the commons to combat the self-expansive logic of capital? Looking back at the role played by the National Audit Office in the roll-out of neoliberal institutional reform, we could imagine a National Office for Commoning tasked with developing commons transition plans, and rolling out Public Commons Partnerships. It should be driven by the following logic: create commons where the conditions for a commons exist, but if not introduce democratic mechanisms to produce the conditions for commoning further down the line. In this way, the commons can act as anchor institutions for the task of expanding democracy.

Neither utopian, nor a final model of post-capitalism, these new institutional arrangements fit with a proper definition of socialism – a transitional phase that moves us in the direction of a world after capitalism. The success of this institutional turn will thus not be measured on the basis of the institutions themselves, but on the type of citizens they produce, and the transformative politics they enable.

**Keir Milburn** is a Lecturer in Political Economy and Organisation at the University of Leicester Business School. He tweets @keirmilburn.

**Bertie Russell** is a Research Associate at the Urban Institute at the University of Sheffield. He is working on two projects: ESRC Jam and Justice and Mistra Urban Futures Participatory Cities. He tweets @alterurbanist.

**Notes**

15. In fact, the Reality TV format is more than an analogy of neoliberal institutional reform; it is also a component and cultural expression of it.
18. We should note that neoliberal governmentality is effective despite its failure to fully colonise our ‘heart and souls’. As Jeremy Gilbert puts it, ‘this common sense is not primarily a matter of clearly-held beliefs to which the subject consciously accedes, but of the materially instantiated, institutionalised, “ritual” forms of behaviour in which they are obliged or persuaded to engage’; this leads to a ‘resigned compliance with its demands’ and a constriction on what seems socially and politically possible rather than a full embrace of its ideas: J. Gilbert, ‘What Sort of Thing is ‘Neoliberalism’?’ *New Formations*, 80/81, 2013, p13.
23. On the Haringey Development Vehicle see, A. Chakrabortty, ‘A Labour Council Attacking its Own People? This is Regeneration Gone Bad’, *Guardian*, 25.10.17:
BUILDING THE NEW ECONOMY  What can an institution do?

28. Herbert Morrison is considered the architect of the post-war nationalisation process, ranging from the creation of the NHS through to the National Coal Board. The ‘Morrisonian’ approach (even if it was not necessarily always consistent with Herbert Morrison’s own views) tended towards a centralised command-and-control approach, which in certain cases – such as in the creation of the NCB – simply ‘scaled up’ existing hierarchical and undemocratic structures, and the individuals who oversaw them, to the national level (see Cumbers, Reclaiming Public Ownership).