

Public Ownership and the Common Wealth – A MAHB Dialogue with Author Thomas Hanna

Geoffrey Holland



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Thomas Hanna is the Research Director of The Democracy Collaborative, an organization working to carry out a vision of a new economic system where shared ownership and control creates more equitable and inclusive outcomes, fosters ecological sustainability, and promotes flourishing democratic and community life.

Geoffrey Holland: You recent book, *Our Common Wealth*, explores the merits of public versus private ownership of businesses. Can you explain what public ownership means, and what kinds of businesses are commonly operated under public ownership?

Thomas Hanna: In the book, I use a traditional definition of public ownership – enterprises and services that are operated by state entities and agencies at various levels on behalf of all people in a given geography. Alongside other forms of ownership, like cooperatives, public ownership can play an important role in the establishment of a more democratic and equitable economy. Around the world and throughout history, public ownership can be found in virtually every economic sector. In the United States, public ownership is most commonly found in the

transportation, water, electricity, education, and land/real estate sectors. But it is also found in banking, agricultural processing, telecommunications, healthcare, insurance, and other sectors.

GH: Take public transportation as an example; why are most local, regional, and even national public transport systems more often than not operated as publicly owned enterprises?

TH: Public transportation systems are complex networks with high fixed costs and substantial coordination needs. They are often identified as a classic example of natural monopoly, where it is not effective, advisable, or even possible (in some cases) to have multiple competitive providers and or private, for profit entities involved. Moreover, as their name implies, public transportation systems play a vital social and economic role. They move millions of people to jobs and other activities, and support billions of dollars of indirect economic activity. Thus, ensuring widespread access, affordability, and service quality is critically important. Private enterprises – which must extract a profit – are often ill-suited to such tasks. The railway system in the United Kingdom is an example of this. Since service was privatized in the early 1990s, costs for consumers have soared and service quality has declined. The for-profit rail companies have extracted hundreds of millions of pounds in profits for their shareholders, while at the same time receiving billions in public subsidies every year (in fact, public subsidies are now around 200 percent higher than they were when the system was in public ownership).

GH: ‘Privatization’ is the term used when a public asset, such as a municipal water supply, is given over to private corporate control. Increased efficiency is often cited as a reason for privatizing a publicly owned asset. Is there any evidence that private ownership is more efficient than public ownership?

TH: One of the dominant narratives of the neoliberal era is that there is a consensus that public ownership is *inherently* less efficient than private ownership, and thus in all cases it is preferable to embark on a process of privatization. This is embodied in the Margaret Thatcher phrase that “There is No Alternative” or the Ronald Reagan comment that “government is the problem, not the solution.” However, in reality there is no such consensus in the academic or theoretical literature. There are many historical and contemporary examples, like the one about the British railroads, where public ownership was, actually, more efficient and effective than private ownership and where privatization was a disaster. This is not to say that there are not inefficient or ineffective publicly owned enterprises or services. There clearly have been. Rather, the comparative efficiency of publicly owned and private owned enterprises or services is context specific and varies by sector and with changes to the operational and regulatory environment. Additionally, how efficiency is considered and measured is important. Many comparative efficiency studies are based on easily observed financial and economic metrics, but potential broader benefits of public ownership – such as more equitable wealth and income

distribution, higher quality jobs and benefits, and indirect contribution to other economic activity – are usually not considered.

GH: What is the difference between public ownership and private ownership in relation to the profit motive?

TH: Private ownership – and especially the publicly traded for profit corporation – is extremely constrained by the need to constantly generate profits. In recent decades, this has become even more acute through the rise to dominance of the so-called “shareholder value maximization” approach to corporate governance. Simply put, it is now accepted that the dominant, overriding goal of many corporations is to deliver maximum financial returns to shareholders. This has contributed to a short-termism that values immediate financial gains over longer-term investments, strategic planning, and social and environmental outcomes. Publicly ownership, by contrast, does not face the same constraints. It is a flexible ownership form that can be deployed to a variety of different objectives, not simply profit maximization. These can include reducing costs for consumers, improving access and quality, cross-subsidizing other social services, reducing inequality, protecting the environment, supporting economic development, providing high-quality and stable employment, etc. However, publicly owned enterprises must be tasked with clear goals and objectives in order to measure effectiveness and improve performance in lieu of the profit motive.

GH: Your book makes the case for expanding public ownership. What are the advantages of public ownership versus private ownership?

TH: Structured appropriately, public ownership can be used for a variety of purposes and have numerous social, economic, and ecological benefits. For instance, it can reduce inequality by ensuring a more equitable distribution of economic returns (rather than allowing those returns to accrue to a small group of already wealthy individuals), by holding down the excessive remuneration of top managers (which has been identified by Thomas Piketty and others as a driving force behind rising inequality), and by providing stable jobs with good pay and benefits (such as healthcare and defined pension plans), especially for women and people of color (who are traditionally underrepresented, especially in leadership positions, in the private sector). At the local level, public ownership can play a vitally important role in generating revenues that can be used to support social services, re-invest in economic development, and lower tax burdens (rather than have those revenues syphoned off by national and international corporations). Moreover, for many American communities, the decisions made in far-away corporate boardrooms (such as closing factories and moving headquarters) have massive social and economic effects. Public ownership gives local communities more democratic control over those economic decisions.

GH: Can you talk about the merits of hybrid forms of public ownership that include various levels and forms of employee and other stakeholder oversight?

TH: Simply shifting ownership forms from private to public (or cooperative or other) is no guarantee of better outcomes or a more equitable, sustainable, or democratic economic system. Traditionally, many publicly owned enterprises and services have been conventionally organized and oriented – often top-down, centralized, and managerial in their governance structures, and relatively opaque and unaccountable to the general public. As public ownership returns to the political agenda around the world in response to the many challenges we now face, it is imperative to not simply recreate old models, but to develop new, radical approaches that empower individuals, workers, and communities. What is needed are forms of *democratic* public ownership. One of the key considerations is decentralization, both internally and externally, as a way to bring enterprises and services (as well as decision-making) closer to the people most affected while preserving the ability respond to larger-order needs, such as climate change and network coordination. Here, the principles of subsidiarity (devolving matters to the smallest scale possible for the task) and appropriate scale are relevant. A second key consideration relates to involving workers, consumers, local residents, and other stakeholders in ownership and governance structures. This can include multi-stakeholder boards, work councils, participatory planning processes, public-public partnerships, and democratic assemblies. And a third key consideration is how to increase accountability and transparency. This includes open meetings and open records, but also the use of new technology to broaden and deepen public oversight. Many of these approaches have been tried and tested in various settings and sectors around the world, and the task now is to learn from these experiences and adapt them as part of the movement to expand public ownership.

GH: Do you think it's possible to expand public ownership when government policy is shaped by politicians, whose primary allegiance is to bankers, billionaires, and private corporate interests?

TH: Because the United States has a relatively decentralized political system (especially compared with some countries, such as the UK), there are often significant opportunities to advance different economic models and approaches (including public ownership). Local governments have a relatively broad array of powers and tools at their disposal, and in many places, citizens can also affect policy directly through referendums and initiatives. For instance, in the 1930s and 40s, Nebraska became an all-public power state by bypassing the corporate controlled legislature and going straight to the ballot box. More recently, this has also been seen in the struggle to municipalize Boulder, Colorado's electric utility, the expansion of publicly owned broadband internet networks around the country, and resistance to water privatization. Moreover, despite the influence of corporations and elite interests in the political system, the United States has never been shy of using public ownership, especially in crisis

situations. Railroads have been nationalized (including during World War I and during the 1970s), as have banks and insurance companies (repeatedly, including during the most recent financial crisis), mines and factories, retail stores, airport security, domestic subsidiary companies of companies in enemy countries, and so on. Next time there is a crisis, be it economic, ecological, or social, there will, inevitably, be an opportunity to expand public ownership.

GH: There is increasing awareness that treating corporations as persons and money as speech is at the root of our political dysfunction. Do you agree? What can be done about it?

I believe that this is an important factor, but not the root cause. Money in politics and corporate personhood is a logical outgrowth of our particular systemic model. Under global capitalism, private forms of ownership are both predominant and driven by the profit motive such that the accumulation of capital on behalf of private individuals works against any semblance of the common good. Moreover, within this system of private ownership a particular form has come to dominate in recent decades – the large international corporation with shares traded on stock markets or closely held by a small group of individuals (and, specifically, large corporations that are financial in nature).

While instating and reinstating strong regulations on money in politics is vitally important, ultimately this extractive and exploitative corporate model must be supplanted with different, more democratic ownership forms. This includes public ownership (as well as cooperatives, non-profits, community-based organizations, and communal and commons approaches). Expanding public ownership will, hopefully, both make the transition to a new system more likely (by displacing for-profit corporations) and reduce the amount of corporate and elite money in politics. We know from comparative analysis in our current system that publicly owned enterprises and services are far less involved in lobbying and campaigns than for-profit corporations, have more egalitarian distributions of income, and are more responsive to democratic institutions.

GH: The print media and television, to a large degree, has been taken over and consolidated by multinational corporate interests. How does that impact the dialogue on public ownership versus privatization?

Over the past forty years or so, backers of neoliberalism have done a very good job of suggesting, erroneously, that there is an economic consensus in favor of increased marketization, privatization, and deregulation. Supported by wealthy elites and business interests, this has included systematically influencing (and taking over) both the academy and the media. While this undoubtedly continues to have an impact, the repeated failures of privatization (to say nothing of the wholesale hypocrisy involved in the capitalist system being rescued by massive state action in 2008/09) have changed the narrative. Public ownership is

now being championed by major political parties (such as the British Labor Party), activists and politicians in cities across the world, and in alternative media outlets that are developing around the periphery of the corporate controlled mainstream media. Public ownership in the media sector is, and should be, on the agenda for activists concerned both with corporate control and the deeply troubling re-emergence of xenophobic, white supremacy, misogyny, and Anti-Semitism masquerading as right-wing populism. While publicly owned broadcasters like the BBC (in the UK) and PBS (in the US) are not without their problems and in desperate need of reform, they do continue to serve an important, socially beneficial purpose. Public ownership could also play a role in arresting the precipitous decline of local news.

GH: How can an increased public desire for public ownership or a shift toward increased public ownership impact the global existential threats we face?

TH: Perhaps the greatest existential threat humanity now faces is climate change. We are unflinchingly barreling towards a future of massive social upheavals, wars, droughts, flooding, disease, natural disasters, and starvation. The engine that is propelling us down this road is our corporate capitalist economic system. Large, for-profit fossil fuel companies (including both in extraction and electricity generation) linked to global financial firms and world capital markets are committed (their profits and share value depends on it) to burning all their proven reserves (which would condemn the planet), locating new fossil fuels, and stymying government regulation and action to prevent climate change. Without a new institutional approach, we are facing the prospect of either climate catastrophe or another massive financial crisis. Climate activists and civic leaders across the world are beginning to realize that public ownership can play a role in avoiding or mitigating climate change, especially by catalyzing the renewable energy transition that will be necessary. Germany, for instance, has remunicipalized dozens of utilities as part of their energy transition. In the U.S. publicly owned utilities are a major component of many cities' climate action plans. Public green banks are being set up to finance renewable energy, and public banking was mentioned in the Green New Deal legislation recently introduced in the United States Congress. Ultimately, however, it is likely that major for-profit fossil fuel companies will need to be nationalized and decommissioned. While this may seem radical, it is worth bearing in mind that public ownership is a tried and tested approach when it comes to crises (such as wars and economic downturns). Climate change is a crisis on a scale of magnitude bigger than what we as a civilization have faced in the past, and by the time that is recognized, public ownership will likely be the only recourse we have left.

Thomas Hanna received his M.A. and B.A. degrees in History from Virginia Commonwealth University. Thomas' area of expertise include public ownership, privatization, local government, democratic ownership, and banking, among others. He is the author of *Our Common Wealth: The Return of Public Ownership in the United States* (Manchester University Press, 2018), co-editor of the e-book *Scaling Up the Cooperative Movement*, and has published articles in popular and academic journals including *The New York Times*, *The Nation*, *Truthout*, *Yes! Magazine*, *Alternet*, *OpenDemocracy*, *Renewal*, *IPPR Progressive Review*, *The Independent*, and *The Good Society*.

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