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Abstract 'Privatization' has taken many different forms over recent years, and different kinds of privatization have very different sociological implications for consumers of state services. The paper develops a typology of privatization and considers how each type might change the relationship between producers and consumers. It is argued that consumer powerlessness is endemic in many areas of state provision, but that privatization does not necessarily affect this. Indeed, the story of privatization in Britain over the last ten years suggests that those forms of privatization which most empower consumers relative to producers have been precisely those forms which are least developed.

Introduction

In May 1979 a new Conservative government was elected to power in Britain committed to reducing the scale of state regulation and provision in the economic and social life of the nation. The new administration promised to reduce personal taxation, break up corporatist arrangements, undermine producer cartels and trade union restrictive practices, halt the rising spiral of welfare spending and sell off various state-owned assets into the private sector. At the time, few British social scientists believed that these objectives could be fulfilled.

The reasons for this scepticism lay in the theories and assumptions which had gained ascendency in political sociology during the 1970s. Sociological analyses of politics at that time revolved around two core ideas. One, deriving from the Marxist theory of Nicos Poulantzas (1973), was the theory of the 'relative autonomy' of the state. The other, originating in the more Weberian writing of Jack Winkler (1975), was the theory of the 'corporatist' state.

These two perspectives differed markedly in their assumptions and methodologies, but they shared one essential premiss in common. This was that, no matter what a government set out to do, it would *necessarily and inevitably* end up escalating its attempts to manage the economy and the organisation of social life. This was because modern capitalism required ever more extensive state intervention and regulation in order to function. Keynesian demand management strategies had been derailed and the welfare state and mixed economy were under increasing strain, but it was inconceivable that these failures could result in any move to withdraw the state from its growing involvement in the economic and social life of the nation. The requirements of capitalist profitability demanded more state regulation, not less, for only in this way could new investment be procured, new markets be created, and trained and fit labour power be reproduced. *Laissez-faire* and the minimal state belonged to the history of ideas and were no more than quaint anachronisms dusted off from time to time by fringe right-wing think-tanks and deluded utopian intellectuals.

The last ten years have represented a test of these propositions, and they have clearly been refuted. It is true that government has stepped up its attempts to control and regulate some aspects of social life. Police powers have been increased, official secrecy has been reinforced, state power has been centralised and moral censorship has reached new heights as government has stipulated what children should be taught in school, what television programmes may be broadcast, which sexual preferences may be promoted, and so on. But it is undeniable that the state has been 'rolled back', albeit slowly and unevenly, in significant areas of economic and social policy. Exchange controls have disappeared, expenditure on council housing has been pared, tripartite planning with business and trade union leaders has become a thing of the past, credit controls are a distant memory, regional aid to industry has become insignificant, trade union legal immunities have been removed, industrial giants are no longer bailed out when they run into difficulties, a substantial part of the national debt has been paid off and direct personal taxation has been cut (from 35% to 25% on base rates and from 83% to 40% at top rates). Little is heard today of functionalist relative autonomy theories, nor of Winkler's brave prediction in 1975 that, 'corporatist institutions should be reasonably well established in Britain by around the end of the 1980s' (1977:57). Back in 1979 we believed that the state would become ever more entangled in economic and social provisioning. What has actually happened is that it has privatized where theories led us to expect that it would socialise.

The varieties of privatisation

The two crucial developments which have undermined the theories of the 1970s have been the erosion of direct welfare support and the removal of state support for a range of basic and hitherto unprofitable industries. Both developments have come to be associated with the same word – 'privatization' – but this is a confused concept which carries many different meanings. One commentator has identified no fewer than twenty-one different types of privatization policies or strategies (Pirie 1985). It is useful, therefore, to attempt some clarification.

Figure 1: A typology of privatization

Change in government's role	*New locus of responsibility* PRODUCERS	CONSUMERS
CHANGE OF OWNERSHIP	(1) Denationalization	(2) Commodification
CHANGE OF CONTROL	(3) Liberalization	(4) Marketization

There are two fundamental dimensions to privatization initiatives. One concerns the type of interests primarily affected by the change. Some privatization initiatives transfer power and responsibility from state agencies to producers and private and corporate investors, while others transfer power and responsibility to the final consumers of the goods and services in question. Obviously any change in the form or character of state provision will have some effect on both those who produce it and those who consume it. However, some initiatives are clearly designed to change the conditions and organisation of production – *e.g.* by changing ownership of the producer agency, by opening it up to a competition from other producers, and so on – while others are designed to change the conditions of consumption – *e.g.* by allowing consumers to purchase goods or services thereby transforming their role from that of client to that of customer. The first dimension, in other words, is concerned with who takes over responsibility when the state pulls out.

The second dimension refers to the nature of the change itself. Some privatization initiatives entail a change in ownership relations as resources previously owned by the state are sold into the private sector. Government may still reserve to itself certain regulatory powers, such as the right to vet price rises or to limit take-overs, but it gives up the right to determine use of the resources or to receive any profits from such use. Other privatization initiatives involve only a change in control as powers previously reserved to government are relinquished or passed to other agencies.

Taking these two dimensions together generates a four-fold typology of privatisation as set out in Figure 1. The labels in each cell have no special significance but are merely conventions adopted for ease of discussion and analysis.

Cell one, 'denationalisation', (which also includes 'demunicipalisation' in cases where local authority assets are involved) refers to cases where a previously state-owned agency is sold into private ownership. The agency continues to sell its goods or services (which means that its customers may well notice little difference as a result of the change) but its ownership shifts from a government department to private owners or institutional shareholders and this may have a major impact on producers themselves as they become directly subject to profit and loss accounting.

In Britain, this strategy has taken a number of forms. Frequently it has entailed stock market flotations of industries such as British Gas, BT (telecommunications), British Airways, BAA (airports), British Steel, Rolls Royce (aeroengines), the regional water authorities and electricity. Sometimes it has been accomplished by management and employee buy-outs as in the case of NFC (formerly the National Freight Corporation) and, prospectively, British Coal. And sometimes it has been achieved through negotiated take-overs and sales as in the case of the sale of the British Rail catering franchise, the Sealink ferries, or, most recently, sales of local authority housing estates to private or voluntary sector landlords under the 1986 and 1988 Housing Acts.

What all of these examples have in common is that new owners take responsibility for organising and providing the good or service while the position of consumers remains virtually unchanged. Domestic gas users now buy their gas supplies from a plc rather than a regional stage agency, and although prices may alter, their relationship to the producer remains much the same as before. Similarly, passengers on aeroplanes, customers of freight delivery services, patrons of station buffets and tenants on transferred housing estates continue to consume much the same service in much the same way, for the key change has occurred on the production rather than the consumption side.

Cell two ('commodification') refers to cases where state-owned resources are sold directly to those who previously consumed them. The clearest example in Britain of this strategy has been the sale of over one million council houses to sitting tenants. As with denationalization, commodification entails a change of ownership but in this case it directly affects the way in which the good or service is consumed. Compare, for example, the situation of council tenants whose estates are transferred to new landlords with that of tenants who buy the house in which they live. The first group continues to pay rent to a landlord who is responsible for the property and who reserves the right to restrict or control the way it is used. The rent they pay and the quality of service they receive may change (for better or worse) but they remain tenants. The second group, by contrast, assumes new rights and responsibilities as the owners of the dwellings they consume.

Cell three ('liberalization') refers to those privatization initiatives in which the state retains final responsibility for providing and financing a good or service but enables non-state agencies to share in or assume full responsibility for organising its provision. Sometimes this strategy simply entails removal of state monopoly rights so as to encourage private sector firms to set up in competition against state-run services. An example here is the deregulation of buses in Britain in 1986, for under this legislation local authorities may still run bus services but have to compete for routes with private operators. Alternatively, the state may retain a monopoly of provision but seek tenders from private firms prepared to act as its agent in providing the service to consumers. A clear example of this strategy is the insistence that local councils, health authorities and other public bodies put out to tender certain contracts (*e.g.* for refuse collection, cleaning, building work and so on) which were previously reserved to their own 'direct labour' organisations. Another example would be contracting out of prison services, which is currently under consideration (see Ryan and Ward 1989). Finally, liberalization may entail 'opting out' of direct state control by producer agencies such as schools or hospitals. In this case, the producers of the service still receive their funding from government, but they take over responsibility for their own budgets and are paid according to the number of consumers they manage to attract.

As in the case of denationalization, deregulation and liberalization strategies have their principal effect on the way in which production of goods or services are organised. State employees may lose their jobs if a private competitor succeeds in tendering for a particular bus route, or for a cleaning or refuse collection contract, or to build and run a prison. Similarly, the nature of work for state employees like teachers or nurses whose institutions 'opt out' is likely to change as wages and conditions become tied to their success in attracting custom rather than to nationally-negiotiated agreements. All of this is obviously likely to have some effect on consumers (indeed, producer agencies such as the medical profession have often claimed to speak for consumers when mobilising against such changes), but it does not change their essential status as clients of a state-funded service. They still pay rates (or the new 'Community Charge') to a local authority which organises dustbin collection and it may not make a lot of difference to them whether the dustcart is operated by the local council or by a private contractor. Similarly, they still pay taxes to have their children educated in a state-funded school irrespective of whether the school in question is self-governing or controlled by the local education authority.

The final type of privatization strategy (cell four) is 'marketization'. This involves the replacement of direct state provision in kind by cash transfers and allowances made to individual consumers to enable them to purchase what they need in the market. In Britain this is the least developed of the four strategies. Essentially it entails the state transferring its expenditure from provision of goods or services to supporting consumer purchasing power so as to facilitate individual market choices.

One imperfect example of a marketization strategy can be detected in changes in the organisation of housing finance. The weight of government expenditure on housing has significantly shifted from direct provision (there has been a dramatic fall in new council house building since 1980) into financial support of individuals' housing costs (the amounts paid out in housing benefit, for tenants, and in mortgage tax relief, for owners, have increased rapidly in the 1980s). The logical end-point of this move would seem to be the introduction of a single housing allowance scheme (recommended by the 1986 Duke of Edinburgh's Inquiry and by the Association of Municipal Authorities) through which low income households would receive a supplement enabling them to bid for either rented or owner-occupied accommodation. Be that as it may, we see in this example how the state is moving away from providing a service in favour of enabling consumers to buy it for themselves.

The clearest example of a move to a 'social market' strategy in Britain was, however, stillborn – namely the proposal to introduce a system of education vouchers (see Seldon 1986). Under such a system state spending on schooling would have been directed not to schools but to parents who would then have exercised a choice of how to spend their voucher. Had such a radical innovation been introduced, it would have changed the status of parents from that of clients to one of customers. It would also, of course, have resulted in a major shift in the power balance between producers of educational services (*i.e.* teachers and schools) and their consumers. Perhaps for this reason, the idea was eventually shelved as 'impractical'.

The four types of privatization strategy identified in Figure 1 clearly have very different sociological implications. Much of the political and academic discussion of privatization has failed to recognise these crucial distinctions and arguments for and against one kind of strategy have often been extrapolated to cover them all. For the remainder of this paper we shall draw out the differences between them with particular reference to the question of how consumers of goods and services previously provided by state agencies are likely to be affected by different kinds of change.

Consumers and state systems of provision

We should begin by considering the position in which consumers find themselves when they are obliged to rely on state systems of provision.

It is useful to start with the assumption that producers in both the public and the private sectors will in general try to provide as little as they can get away with for the maximum return they can secure (Tullock 1976). This will not always be the case, of course, for in both sectors there are doubtless many examples of service providers who from time-to-time sacrifice their own interests on behalf of their customers or clients, and none of us act all the time as rational, self-interested profit maximisers. The point is, however, that no system in which the aim is to meet consumer demands and preferences can afford to rely solely on the goodwill of service producers, for it is also axiomatic that none of us act all the time as disinterested, other-oriented altruists. The test of a system of provision therefore lies not in evidence of periodic producer altruism, but in an analysis of the procedures which are available to consumers when their interests are *not* satisfactorily met.

In any system of provision there is always likely to be a potential conflict between producers and consumers. Consumers want high values at low prices; producers prefer to provide low values at high prices. This is as true of state systems as of market systems. It is sociologically naive to pretend, for example, that the 'profit motive' only operates in the private sector and that it has been transcended in socialised systems. Public sector managers are likely to be every bit as concerned to expand their prestige, power and pay packets as their contemporaries employed by private firms, and public sector unions have proved over the last twenty years to be no more squeamish than any other unions about inconveniencing their publics by taking 'industrial action' in pursuit of higher pay, enhanced working conditions, or whatever. Whether we choose to define profit in common sense terms, as 'personal gain', or in elaborate theoretical terms, as a 'share in surplus value', it is clear that those who make their living in state sector agencies are 'profit-seekers'.

The crucial question, therefore, is under what conditions producers may prevail over consumers, and *vice versa.*

Intuitively we may expect that two principal factors in the organisation of goods and services are likely to maximise producer power relative to consumers. One is monopoly, for this prevents consumers from seeking out an alternative supplier who is willing to raise the quality or lower the price of the goods or services they require. The other is coercion, for where producers can oblige consumers to accept what they are offering whether or not it is what they would freely choose, the conditions clearly exist for ignoring user preferences. Both of these extreme conditions effectively amount to the same thing – namely that producer power is maximised, and consumer power is minimised, where consumers lack the ability or the right to 'exit' from the relationship (Hirschman 1970).

This simple logical deduction leads us to a critical observation. Given what we have said about monopoly and the power of exit, it is clear that more than any other single organisation in modern society, the state is in a position to restrict consumer power and maximise the power of producers. The reason for this is that it enjoys unparalleled powers of monopoly and physical coercion. According to Max Weber, 'the state is a human community that (suc- cessfully) claims the *monopoly of the legitimate use of physical force* within a given territory' (1948:78). The state thus claims for itself a right which is denied to all other bodies – the right to compel people to obey commands on pain of forfeiture, incarceration, corporal punishment or even death. The world is today full of very powerful corporations making and selling a vast range of goods and services, but few of these enjoy a pure monopoly position in the markets at which they aim their products and none of them can legitimately force customers to pay them money against their will.

Potentially, therefore, the state represents a major source of producer power and consumer weakness in the sense that those who are employed to provide state services enjoy a captive consumer market. In Britain over five million people are employed by the state, and the rest of us must simply hope and trust that this army of 'public servants' will do more or less what we want it to do while foregoing the self-interested advantages which are entailed in its powerful position.

There are three safeguards on which those who finance and consume state services are obliged to rely. One is law, for like producers in the private sector, state sector agencies cannot wilfully perpetrate acts which are illegal under Common Law or Statute. This, however, is not as sound a safeguard as it seems, for public sector agencies may be immune from prosecution or tort, and laws can in any case be made and unmade by the state itself if they stand in the way of its objectives (the lack of any written constitution or Bill of Rights, combined with the doctrine of the sovereignty of Parliament, represents an extraordinary licence for what has been termed 'elective dictatorship' in the British politico-legal system). Furthermore, many grievances are likely to arise, not as a result of unlawful treatment, nor even maladministration, but simply a deep sense of dissatisfaction with what has been offered. Parents who feel unhappy with their children's schooling, for example, are unlikely to find an effective solution through recourse to a court of law or an Ombudsman.

A second safeguard lies in professional ethics. Some of the most powerful producer interests in the state sector enjoy power precisely because they are to a large extent self-governing and self-regulating. These professions enjoy legal immunities (*e.g.* on restraint of trade) in return for policing themselves. However, as David Green (1985) has shown in relation to NHS doctors, these powers tend to operate more in defence of the producers themselves than as a safeguard for those who consume their services. Restrictions on entry, barriers to unregistered practitioners and the unwillingness to act against incompetents in the profession all hinder rather than promote accountability to consumer preferences.

The third safeguard is democratic accountability. It is often thought that public sector producers are likely to be more accountable than those in the private sector because there is an ultimate thread of democratic control stretching from the state functionary, through his or her agency to Whitehall, a minister and hence through to Parliament and the electorate. This tenuous chain of control, though important, is nevertheless a poor basis through which to ensure responsiveness and accountability to consumers of state services. There are at least three problems with democratic processes as safeguards for individual consumers.

The first is that the capacity for exerting effective control through democratic participatory systems is very unequally distributed through the population. By and large, those who have the most time, money, education and personal contacts tend to come out on top and others get ignored or do nothing. The disadvantages faced by the poor when they confront the political market place may be even greater than those which confront them in economic markets (Friedman and Friedman 1980:148). In the case of state schooling, for example, it is generally middle class parents who have the confidence to complain to head teachers, the time to stand for election as parent governors, and the money to buy a house in the catchment area of a favoured school.

The second is that democratic decision-making is an extremely blunt instrument for delivering resources to different people who want different things. As Alec Nove (1983:54) points out, voting systems are hopelessly unwieldy in responding to a wide variety of preferences and the principle of majority rule disables minorities who are surely also entitled to be supplied with what they want even if the majority does not share their preferences. Again taking the case of education as an illustration, it is clear that many members of the minority Muslim population in Britain wish their children to be educated in the Islamic tradition yet their demands have simply been ignored by local and central governments which continue to use their taxes to provide them with a uniform western-style education which they do not want.

The third is that there is an inherent tension in democratic systems between consumer demands and the judgement of 'experts'. Councillors and M.P.s do not feel obliged to vote according to the views of their constituents, and the judgements of officials who can 'take the wider view' will often be given more credence than the complaints of individual electors. In the field of education policy, for example, virtually all state secondary schools were turned into 'comprehensives' in the sixties and seventies as a result of advice from 'experts' (supported by the various mouthpieces of the teaching profession) which was allowed to overrule the preferences of many parents. Similarly today, 'experts' (again with the support of the teacher unions) are determining the detailed content of a new 'national curriculum' which will prevent parents from choosing between state schools offering different kinds of syllabus.

Legal, professional and democratic procedures are clearly inadequate to oblige producers to pay attention to the demands and preferences of those who consume their output. What is necessary in order to safeguard consumer interests is a realistic right of exit, yet this is precisely what is lacking in state systems. State sector producers are not constrained (as other producers are) by the need to please their 'customers', for irrespective of whether parents are happy with the schools, or patients with their doctors, or the unemployed with the treatment they receive in the social security office, state employees know that these people effectively have nowhere else to go and enjoy no right to withdraw their patronage.

Returning, therefore, to the question of the conditions under which producers may ignore user-preferences, it does seem that those who work in the state sector are in a unique position to do precisely this. It also follows that consumers who are forced to use (and pay for) state sector services are uniquely disabled by the inability to exit and take their money with them. State sector consumers are expected to be passive rather than active, for while we may occasionally be invited by politicians and bureaucrats to 'participate' in their decision-making, we are generally denied the opportunity of making decisions and resolving choices for ourselves.

Consumers and privatized systems of provision

Privatization in whatever form it takes involves a change in property rights. The state gives up certain property rights and some other group or individual assumes them. Privatization, therefore, would seem to offer the prospect of a potential shift in power between producers and consumers insofar as the former lose certain rights of control over goods or services while the latter gain them.

We generally think of property as defining our relationship to things – my house, your company, his bus ticket, her share certificate. It is, however, more accurate to think of property as defining sets of *power relationships between people*. To claim that this is my house, for example, is to assert that I have a right to use it which is denied to you. Similarly, if you own a company, then it follows that you can make certain kinds of decisions in which I have no right to be involved unless invited. Property is one aspect of the organisation of relationships between people. Encoded and enforced through law, it specifies rights and duties governing the behaviour of those with title and those without, and these rights and duties both enable and constrain our actions in respect of one another.

There are certain broad rights which are essential to property ownership in the sense that they represent necessary components of a claim to title. If these rights are withdrawn, then we would conclude that the property in question is no longer owned by the person claiming title. Minimally, these are (a) the right to exclusive use and benefit for as long as title is held; (b) the right to control; and (c) the right lawfully to dispose (Macpherson 1973; Reeve 1986; Rose *et al.* 1976).

Now it is important to recognise that people may sometimes enjoy one or two of these rights without thereby claiming title to ownership. Council tenants, for example, enjoy rights over the use of the dwelling in which they live even though they do not own it. Rights of use, control and disposal are not therefore always vested in the same person. Put another way, property rights are divisible.

As will be clear from Figure 1, privatization has sometimes involved transfer of all three property rights (*i.e.* a full change of ownership as in the sale of shares or the sale of council houses), but at other times (*e.g.* contracting out, opting out and voucher schemes) has entailed the state relinquishing rights of control while retaining rights of use (through nomination of eligible recipients) and rights of disposal. When it sells shares in a industry (cell 1) or sells assets directly to those who consume them (cell 2), it transfers all three rights of property (obviously it retains the right to regulate the use of that property – BA must maintain certain safety standards on its aeroplanes and council house purchasers cannot breach planning controls by building an extension which blocks their neighbours' light – but the same is true in respect of all property holdings). When, on the other hand, it allows a school to 'opt out' (cell 3) or offers a parent an education voucher (cell 4), it transfers only limited rights of control (the school can now run its own budget and the parent select its own style of schooling for its child) while retaining rights of use and disposal (the money or voucher still comes through government, recipients are determined by government, and resources must be spent on approved uses).

What difference does this full or partial transfer of property rights make to those who consume the goods or services in question? Critics of privatization have generally assumed that consumers as a whole lose out as a result of these changes. Two arguments are commonly advanced to support this contention.

The first is that consumers no longer own what was previously owned in common. During the run-up to the privatization of British Gas, for example, the advertising slogan ('Don't forget to tell Sid') was reworked by opponents of the policy into 'Tell Sid he already owns it!' Council house sales, similarly have been criticised on the grounds that 'the community' as a whole loses through the sale of common assets: 'the effect of council house sales, like that of selling public corporations, is to reduce the assets owned by public authorities on behalf of us all . . . The collective assets owned by local councils on behalf of all the people, with the intention of benefitting them according to housing need, are being reduced' (Rentoul 1987:8).

Such arguments are tenuous, however, for they fail to analyse the sense in which 'the public' actually does own these assets. To argue that ordinary citizens owned British Gas, for example, ignores the fact that they could neither control (through shareholders' meetings, electing directors to the board, and so on) nor dispose of their 'holdings'. As Veljanovski says of public ownership, 'individuals cannot trade their rights in the property. This means that in a real sense they have no property in the asset or resource. To say that individual members of the British public each own one fifty-seventh millionth of the nationalised industry is true as an abstract proposition, but it is meaningless' (1987:81).

The second way in which consumers are said to lose through privatization is that prices rise or quality falls as 'provision for need' is replaced by the logic of the market and private profit. This argument is developed in respect of most areas of privatization. Contracting out by municipal or health authori- ties, for example, is criticised on the grounds that private contractors are likely to do a worse job than 'in house' labour in order to cut costs (see Ascher 1987 for a discussion of this claim). Council house sales and the encouragement of working class home ownership similarly are said to disadvantage new owners because they may incur higher housing and repair costs (Karn, Doling and Stafford 1986). Where the argument is most forcefully put, however, is in respect of denationalization of enterprises, particularly the utilities such as gas, telecommunications, water and electricity. Users of these services are said to experience higher prices and a poorer service as companies place the interests of their shareholders above those of their customers. Furthermore, since many of these companies enjoy monopolistic or quasi-monopolistic market situations, possibilities for producer competition and consumer exit are no greater than when they were owned and run by the state.

Four points should be noted in response to this argument. First, many of the enterprises which have been sold are not monopolies. Firms like British Airways and Rolls Royce operate in cut-throat markets. British Telecom enjoys undoubted advantages as the major supplier of telephone lines and electronic communications but Mercury is a growing competitor, other new firms are likely to enter this market in the 1990s, and the spread of alternative communications media such as cable may open up alternatives for consumers in the future. British Gas does, it is true, enjoy a 'natural monopoly' over domestic gas supply, but it is in competition with electricity, coal and oil to supply heating. The only genuinely natural monopoly to be privatised is water – 'the natural monopoly *par excellence* (Littlechild 1986:5).

Second, even where competition is attenuated or (as in the case of water) absent in commodity markets, it can still take place through capital markets. In the water industry, for example, the ten new plcs will have to compete with each other (and with hundreds of other very different companies) for funds on the stock market. This should force a search for greater efficiency and will oblige their boards to avoid antagonising either their shareholders or their customers for fear of a hostile take-over bid. There is simply no equivalent to this discipline when firms are in public ownership.[1]

Third, both prices and quality are regulated by government agencies. Most of the utilities are bound by some version or other of the 'RPI-x' (or 'RPI + k' in the case of the water industry) pricing formula under which they may only raise their prices by a pre-determined percentage which generally enforces rises in productivity. Most are also subject to monitoring by watchdog bodies such as OfGas or OfTel, and water companies will similarly be regulated by a new Office of Water Services, regulating prices, and by the National Rivers Authority, policing environmental standards and water quality. It may be that such bodies prove weaker than some critics would like, and there is certainly a potential danger of 'producer capture' in all such agencies, but privatization has at least separated poacher and gamekeeper for the first time. Regulation by government is likely to prove more effective where the agency which it is regulating is not another branch of the same government department.

Fourth, there are some grounds for suggesting that the consumer voice may better be heard when companies are privatised. Clarke (1987:72) makes the point that companies often become more sensitive to varying patterns of consumer choice after they have been sold into the private sector. More important than this, however, are the opportunities which may open up for effective expression of grievances. Following the privatization of British Telecom in 1984, for example, consumer complaints escalated. Critics see this as evidence that the service deteriorated, but it seems unlikely that a massive change in service quality could have occurred so quickly. A more plausible explanation is that the company became more vulnerable to complaints which had previously gone unheard or unarticulated[2] – so much so that the chairman was forced to resign at the annual shareholders' meeting. Again there is no parallel to this in the history of nationalised industries where consumer representation is notoriously weak (see Saunders 1984 on consumer representation in the health service and the nationalized water industry).

There is, it seems, no *prima facie* case for assuming that consumers will lose as a result of privatization. Nor, of course, would it be legitimate to accept on face value the argument put by the government and others that consumers will gain through greater efficiency and enhanced accountability. Ultimately these are empirical questions which can only be answered through careful empirical research, and at present the sort of evidence we require is simply not available.[3]

The 'property-owning democracy' and 'popular capitalism'

One problem with arguments which seek to draw blanket generalisations about the effects of privatization on consumers is that they ignore the important differences between policies like denationalization and contracting out (which primarily involve changing the way services are produced) and policies like council house sales and education vouchers (which primarily involve changing the way they are consumed). Most of the academic work on privatization in Britain has focussed on the former, for most research has been conducted by economists rather than sociologists, and their concern has centred mainly on questions regarding efficiency, management structures and pricing. There is very little sociological writing which has considered the significance of privatization in the experience of consumers. This is strange, since for most people it is likely that changes affecting consumption have by far the greater significance. This is readily apparent if we compare the sociological significance of the sale of council houses to sitting tenants with that of the sale of shares to employees or customers of denationalized industries.

When the Conservative government launched its drive to sell off council housing, it did so as a deliberate strategy in engineering social change. The aim was to bring about a 'property-owning democracy', for the assumption was that popular values and attitudes were likely to change as a result of enabling people to establish a property right in the homes in which they live. The privatization of productive enterprise, by contrast, was less carefully and deliberately thought through, and there is no reason to believe that it was originally intended to bring about social (as opposed to economic) changes. Denationalization did not figure prominently in the Conservative Party's 1979 manifesto, and it was not until 1984 that a coherent privatization strategy emerged to which was attached a social rationale. As Clarke notes, 'privat- ization was stumbled upon inadvertently by the Government' (1987:67). Thus, while privatized consumption was always intended to generate social change, this was not the original intention behind privatizing production.

The early sales of firms such as Amersham, Cable and Wireless, Jaguar, Sealink and BR Hotels were usually over-subscribed due to generous offer prices, but did not attract much interest from the general public and were never aimed at a mass, novice market (only 4% of the population owned shares in 1980). It was the massive sell-off of British Telecom (itself prompted by a desire to raise new investment capital without increasing public sector borrow- ing) which first stimulated widespread public interest and participation in the privatization programme. The extensive advertising campaign launched by the government brought forth an enormous and seemingly unanticipated public response. The issue was five times over-subscribed and produced an 86% premium on the first day of trading. The demonstration effect created by this sale (and in particular by the windfall capital gains enjoyed by subscribers) then helped sustain very high levels of public demand for shares in subsequent flotations – TSB (seven times over-subscribed and a first day premium of 72%), British Gas (two times over-subscribed and a 20% premium), BA (nine times over-subscribed with a 68% premium), Rolls Royce (nearly ten times over-subscribed with a first day gain of over 50%) and the British Airports Authority – although the October 1987 stock market crash did result in losses for BP subscribers, and the 1988 British Steel flotation failed to produce a first day premium. Whether these two most recent privatizations have cooled the public's interest in privatization stock cannot yet be determined – the crucial test of this will come with the sale of the water businesses in late 1989 and then the electricity industry in 1990 and 1991.

This rolling programme of sales reduced the size of the state-owned industrial sector by 40% between 1979 and 1989 and transferred three- quarters of a million jobs into the private sector. Altogether nineteen state industries were sold in the first ten years of Thatcher governments realising a total revenue of £22.5 billion (*The Independent* 27 March 1989). The proportion of the population owning shares has risen dramatically as a result – from around four percent before the BT sale to around twenty percent today (MORI 1987).

This massive rise in small-scale personal shareholding was, however, never intended or anticipated when the government first started its denationalization programme. Today, of course, the extension of personal shareholding is claimed by the government as one of the key aspects of its privatization programme, and attempts have been made in recent years to supplement the effects of privatization by extending share ownership even more widely and more deeply through complementary policies such as the introduction of Personal Equity Plans and the move of some Building Societies from mutualism to plc status. Originally, however, denationalization was limited almost entirely to economic objectives such as raising revenue, increasing efficiency through competition, enabling managements to make commercial judgements free of political control, reducing pressures on public sector borrowing, and dampening wage militancy among pubic sector unions (Heald and Steel 1986). Unlike the sale of council houses, denationalization was never originally intended to have much of an effect on social relations and popular culture.

As time has passed, so the objectives have changed. Over the last four or five years there has been a gradual shift away from the original economic objectives towards a primary emphasis on political and sociological goals. Nowhere is this clearer than in the 1987 Conservative Party manifesto which spoke of an 'historic transformation' in British society wrought by the extension of personal share holding and which went on to promise that, like 'cars, television sets, washing machines and foreign holidays', share holding would become 'the expectation of the many' during a third term of Thatcher government. As Veljanovski suggests, 'the government believes that privatization will create a property-owning democracy and that this will signifi- cantly alter attitudes. By enabling people to share in the success and failures of the economy more directly it will foster a nation of entrepreneurs and wealth creators' (1987:106).

Why should it be thought that share purchase would or could generate such effects? The answer seems to be that the logic which was consciously pursued in the policy of council house sales has been re-employed *ex post facto* as the rationale for denationalization. Just as the sale of council houses is said to encourage a *property-owning democracy*, so it is assumed that somehow, the sale of shares in nationalized industries will produce a new, individualistic, entrepreneurial spirit of *popular capitalism*. Give people some property and it will transform society! Home ownership gives people a stake in the country, therefore share ownership must give them an interest in the capitalist economy.

There are four main reasons why this logic is faulty. First, shareholding, unlike homeownership, is extremely skewed in its distribution across social classes and its effects on the working class in particular are therefore unlikely to be very significant. It is estimated that only six to eight per cent of semi- and unskilled manual worker households own shares (Guirdham and Tan 1987:7). This compares with owner occupation rates of 33% among unskilled manual workers and 46% among the semi-skilled (OPCS 1987).

Second, many share buyers sell their holdings and therefore move in and out of ownership quite casually, while homeowners, once they have purchased, tend to stay as home owners (see Mayer and Meadowcroft 1986 on turnover of shareholdings). The status of shareowner may therefore be transitory and have little enduring impact on self-conceptions, attitudes or behaviour.

Third, the stakes involved in share purchase pale into insignificance besides the sums which people have invested in their housing, and this suggests that their significance for those involved is unlikely to be as great. Most shareholders today own less than £1000 worth of stock concentrated in just one company.

Fourth, and most important, the social meanings of home ownership and share ownership are very different. The parallels between privatized consumption and privatized production break down mainly because they represent two very different kinds of property. Although housing in Britain is most certainly a major source of capital accumulation for most owners (Saunders 1990, chapter 3), it is first and foremost a use value. Share certificates, on the other hand, although possibly functioning as claims to social status or as props in sustaining a particular conception of self, are first and foremost titles to capital, and their primary function lies in the potential for accumulation. The social meanings attaching to property as use value are likely to be quite different from those associated with property as exchange value. People do not live in their share certificates, nor can they decorate them, build extensions onto them, assert their autonomy and identity through them or encapsulate their memories within them. Assumptions about the effects of popular shareholding which simply extrapolate from the effects of the spread of home ownership are therefore likely to prove extremely misleading.

Conclusion

In 1985 one of us published a paper entitled 'The new right is half right' (Saunders 1985). This argued that neo-liberal theories and prescriptions regarding the link between market systems and individual freedoms were only appropriate when applied to the organization of consumption. It really does not make much difference to most of us whether major industries are in public or private ownership, but it may make an enormous difference if we are free to choose our own housing, or own schooling and our own level and type of health care.

The main reason for this has to do with *scale*. So much production is now necessarily organised on such a scale that neither the left's dream of a society where means of production are owned and controlled in common, nor the right's dream of a society where means of production are owned and controlled by individual shareholders, any longer seem feasible or realistic. As André Gorz (1982) has argued, core areas of productive activity will probably always be experienced as alien to workers and consumers alike, for it is impossible in modern conditions for employees, customers or shareholders to achieve any significant degree of individual control over them. The privatization or nationalization of an industry may well prove important for those who manage it and for its major institutional customers and financiers, but for most people we may hypothesize that it makes very little difference at all (it is this hypothesis which we are currently testing in our research on the privatization of the water industry).

This is not the case, however, when means of consumption are privatized, for in this case individuals can begin to *control* key areas of their lives (outside of formal employment) which were previously controlled by somebody else. This is clearest in the case of housing. Enable somebody to buy a house which they previously rented and you transfer a bundle of property rights which they could never have enjoyed to anything like the same extent under even the most liberal of state rental systems. These include the right to move freely and hence choose where to live, the right to bequeath, sell or give away the property, the right to let the property out or to nominate others to use it, the right to alter its physical appearance, and the right to lay claim to any rise in the value of the property. Little wonder, then, that the Right to Buy has proved so popular in Britain.

What this means in terms of Figure 1 is that the sociological significance of privatization is likely to be most profound in those cases where producers (the left-hand column) are leap-frogged in favour of consumers (the right-hand column). Arguments for and against denationalization and liberalization (cells 1 and 3 in Figure 1) are important in economic terms but arguably have little consequence for a sociological analysis of social change. Commodification and the creation of social market arrangements (cells 2 and 4) are where we should look for evidence of fundamental changes in the organization and experience of everyday life.

The irony, however, is that most privatization initiatives in Britain have occurred on the production rather than the consumption side. Large industries have been sold, local authority services have been put out to tender, producer agencies have been granted enhanced autonomy from government departments, and private firms have been allowed to set up in competition with state-run enterprises. All of this has excited much argument and controversy among politicians, political analysts and commentators, trade union activists, professional associations such as the BMA, and management boards, but it has left most of us standing on the sidelines. The only initiative which has directly empowered consumers has been the sale of council houses.

It is not difficult to understand why privatization has largely been limited to changing conditions of production and has failed fundamentally to alter the organization of consumption. Any government is likely to encounter enormous problems in confronting entrenched producer interests within the state system, but these problems will be greatest where they attempt to shift power away from producers and towards consumers. It is one thing to transfer decision-making powers from local education authorities to schools (by allowing schools to opt for self-governing status), but it would be quite another to shift it out of the production sphere altogether by directing finance to consumers (*e.g.* by issuing parents with vouchers) thereby allowing ordinary people to decide how money shall be spent. Similarly, N.H.S. doctors have recently been engaged in a massive campaign against government attempts to change the basis of their funding, but their opposition is as nothing compared with what would follow from any attempt to redirect funding away from medical professionals altogether and into the hands of their patients.

Privatization, in short, is most significant when it empowers consumers at the expense of producers, but it is precisely this type of privatization which has been least in evidence over the past ten years in Britain.

Notes

1. It should be said, however, that many of the companies which have been privatised have effectively been cushioned from the full effects of competition in capital markets as a result of government restrictions on foreign purchasers and the retention by government of a 'golden share' which can be used to block hostile take-over bids. It is also obvious that many of these companies are too large to be taken over and are too strategically important for government ever realistically to allow them to suffer the full consequences of poor management by going bankrupt. Like their nationalized predecessors, therefore, companies like British Gas seem

effectively sheltered from the full rigours of the capital market, and it is for this reason that many critics have attacked the government for its failure to break up state monopolies before they are sold off. See, for example, Veljanovski (1989).

2. The literature on 'non-decision-making' is of obvious relevance here. We would argue that the growth of consumer complaints following the privatization of BT should be seen as evidence of how such protests were effectively choked off when the industry was in the public sector.
3. Our current research is designed to generate evidence on this issue. We are interviewing samples of consumers and employees prior to the privatization of the water businesses, and shall be re-interviewing the same people two years after the sale. It is our belief that neither consumers nor the mass of employees will be much affected either way despite current evidence that many consumers fear that the quality of service will deteriorate and that employees often express a concern for their future job security. We shall shortly be producing a separate paper discussing the likely impact of privatization on employees.

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