

# Bristol Dissent! Briefing

## INFORMATION FOR ACTION

### The Agenda of PFI - Creeping Corporate Control

#### The Private Economy

is the capitalist model where sole traders, partnerships and companies exist to make profit as the key driving force. When companies register as "corporate bodies", in this country under the Companies Act, they legally assume the rights of a person. The legal purpose of their existence is profitmaking: to exploit labour for profit — or as Michael Moore says: "The bottom line is the bottom line" Costs such as wages & impacts on the environment are externalized and therefore marginalized. Corporations are the single most powerful driving force in society.

#### The Public Economy

is industry in state or government control - such as the NHS, schools, army, police, the civil service, and local government. It is known as the public sector. Forms of socialism committed to state ownership of the economy, following the Communist Manifesto in 1848 and the rise of the Trades Union movement in the same century, are seen (incorrectly, but never mind that!) as the ultimate outcomes of communist and socialist theory. The Labour Party's Clause 4 committed them to a manifesto of state ownership, until it was abolished under Tony Blair's leadership, and led to the liberalisation of the Party.

#### The Mixed Economy

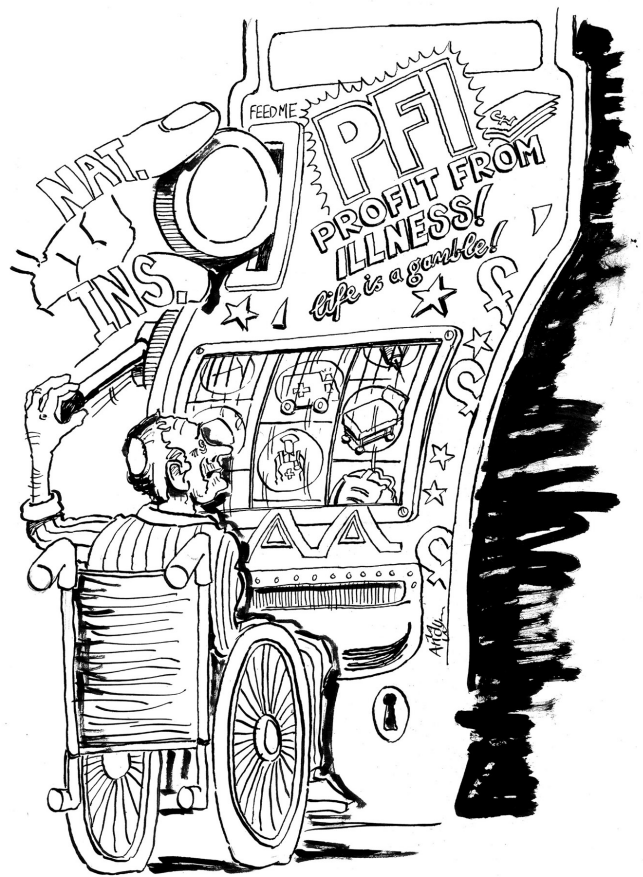
In reality most economies are a mixture of private and public, for example President Roosevelt adopting the "New Deal" to rebuild America's infrastructure through public expenditure in the 1930-40's. Many European economies support their transport and energy industry through state support, while Russia and China have opened their markets up to Western multinational corporations.

Until the mid seventies, most Western governments operated an economic model founded by JM Keynes. He believed the relationship between inflation and employment was inverse, and that government could stimulate the economy through public expenditure in times of recession, as Roosevelt had done. In the 1970s this theory was exploded when inflation and unemployment occurred at the same time. A new

economist, Milton Friedman, expounded a theory called Monetarism. According to this sound economic growth was based on a low inflation economy, with the single biggest cause of inflation being public expenditure. This gave Thatcher the intellectual backing to slash public expenditure, and commence privatizing steel, oil, coal, railways, the Post Office, buses and public utilities, and to line up education and health. It also gave her the opportunity to smash the power of the trade unions, particularly the miners.

#### Neo Liberalisation or Naked Capitalism?

Curiously, selling off state assets has become known as liberalisation; curious, because Liberalism has historically been linked to a mixed economy approach. The real meaning is simply that of opening up assets to corporate control. In an international context, multinationals seek to develop control of developing nations, such as Coca Cola's attempt to control water all over the world.



#### An alternative to Corporate or State Control.

In 1840 Pierre-Joseph Proudhon published "Qu'est-ce que la propriété?" which represented the first linkage of the term Anarchy to a political system of thought. His Anarchist vision foresaw a society based on co-operatives, collectives and decentralized forms of government. In Spain in the 1930's, following a period of 50 years of anarchist struggle driven by anarchist trades unions (ie FAI and CNT), this

model was followed. In the UK, the co-operative movement was born in Rochdale in 1844 and its principles recognized by the International Co-operative Alliance in 1895. Co-op principles have been applied to work, food, housing and land. There are currently 750 million members of co-ops worldwide. Neither private nor public, these are non-hierarchical autonomous organisations working within a free market that is not capitalist. There are 1500 workers co-ops in the UK.

### **What is the Private Finance Initiative (PFI)?**

The next phase of privatisation in the UK is in education, health and transport. This is relegated down the media agenda for discussion, and contrary to popular belief the Labour government has accelerated PFI for many of the key assets of our economy.

Under PFI, our schools and hospitals are sold off bit by bit to private companies that act in the interests of their shareholders. Local rural hospitals are closed to build 'super-hospitals', making people travel further, using taxpayers money to fund the profits of the building contractors at a much greater cost to us taxpayers than a simple total refurbishment would have cost.

### **How does it work?**

PFI means going to the private sector to take out loans on which interest rates are higher than normal for government borrowing, and then paying private sector profits on top. These repayments have to be made like a mortgage over 20 or 30 years, out of income - whether that's a hospital's revenue that might otherwise be used to pay doctors and nurses, or the school budget which might otherwise pay teachers, or a council's income that could be used on other services. Ministers argue that savings made by more efficient private-sector managers will more than offset the costs, but the evidence so far is unconvincing. However, when the contractors standards do not meet all of the requirements, or the deal becomes not profitable enough, the contractor can pull out of the deal, leaving its mess behind it. The government (taxpayers) are left to pay for it to be refinanced, and meanwhile the school/uni/hospital must carry on.

Like hire purchase, the government ends up paying several times the original bill. This government is now building up debt for the future. Firms can walk out at any point on their own grounds if they decide

or want to. Furthermore, the new services are only designed to last for the contract period - expecting that in 20 years time, another contract must be made. The full effect of PFI will be felt in 20 years time - when it will be FAR TOO LATE to do anything, except regret mistakes. The private companies bleed our public services dry, and the politicians that made the mistakes will be long gone (to the private sector!).

PFI mishaps are well documented, and beginning to emerge onto our news screens. So too are Public Private Partnerships [PPP], most notably the London Underground. Despite profits of £2 million per week, the private firms still failed 87 out of 181 performance measures. Business elites cite the many successes of PFI as a reason to continue with the sell-off of our country to private firms. They take for granted a certain proportion will go wrong. But when people's health and education are at stake, can we afford for a single project to go wrong?

### **Where does the G8 fit into this?**

The crucial thing to consider is **IN WHOSE INTERESTS ARE THE GOVERNMENT ACTING?** In the interests of the people, as they have a democratic mandate to do, or in the interests of business? Are they acting in your interests? Is the government making it easier or harder for private firms to get hold of OUR (taxpayers) money? These are the questions we must never stop asking.

We must also consider how far the UK willing to go along with the Project for a New American Century and the stated aims of neoliberalism — private ownership of everything. Consider how far this can ultimately go, and whether we want everything and anything to have an 'owner', from material goods to ideas. Where will it stop? Who is going to stop it?

But surely, privatisation has nothing to do with the G8 because they don't talk about it? **EXACTLY.** It's buried in the agenda. But **WE** do not feature in any part of the decision making process on key issues such as this; It all happens behind closed doors. They set the agenda to talk about issues we have been talking about for years. When the leaders talk at G8, think about what assumptions they have made and what they are **NOT** talking about, but is implicit in their rhetoric. We all have the power to do something. Use your voice, your brain, your body, your wallet and your vote wisely. And let them know at Gleneagles!