

# Socialism, Instrumental Value and Public Ownership

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## Introduction

This paper is motivated by the desire to contribute to the literature challenging the dominance of neo-liberal oriented reform, and offer an alternative vision founded on egalitarian values and social justice. Neo-liberalism has successfully challenged the vision of socialism and collective action: indeed, the rhetoric of globalisation, the hypermobility of finance capital and the dominance of multinational corporations are all cited as reasons why policies of nationalisation and public ownership are outdated, misguided, and highly inefficient. Notions of state failure have dominated the tenor of policy debate within mainstream economics over the past twenty or thirty years (see, for example, Fine, 2001; and Arestis and Sawyer, 2001), leading to the frequently held view that mainstream economics (if not economists) is associated with an endorsement of a ubiquity of markets.

Socialism, in such a climate, seems a busted flush. Yet such a perception derives from the association of socialism with centralised state ownership and control and collective planning, and its antagonism towards decentralised decision-making, private property and markets. Hodgson (1999) observes that the emergence of the term ‘socialism’ coincides with the emergence of ‘individualism’, and both are invoked as antonyms. This need not be the case, as Hodgson (1999: 17) states:

“... in all its diverse meanings, the modern concept of socialism is very much a product of eighteenth century Enlightenment. Socialism has made strong appeals to the Enlightenment ideals of equality and co-operation”.

The rights of the individual can be upheld with such an underlying value orientation. Moreover, public ownership need not be the only model that promotes such ideals. These are massive subject areas, and this paper confines itself to considerations of the latter.

Hodgson (1999) further notes that socialism suffers from the ambiguity of its alternative structures: a case of strong on criticism, but weak on alternatives. As Hodgson (1999: 16) argues:

“Without a fundamentally different, and detailed alternative proposal, we have no sound basis to give ‘socialism’ a meaning that is different from that which it has acquired and largely retained since its exception”.

In general terms, we agree with much of Hodgson’s arguments, although we believe that ambiguity is not necessarily a vice. This paper appeals to John Dewey’s fallibility of knowledge, and the reflexivity of knowledge in making warranted assertions, in developing an alternative conceptualisation on the basis of an instrumental valuation principle founded on a synthesis of the works of Thorstein Veblen and John Dewey (Tool, 1995). Further, we take heart from Joan Robinson’s (1962) reference to the difficulties in defining ideology. She employs the analogy of attempting to define an elephant: “But how to define an elephant? ... I cannot define an elephant but I know one when I see it” (Robinson, 1962: 8). For us ‘socialism’ has much in the way of the same qualities: it is a value system, we believe, that shares much in common with the principle of instrumental valuation, despite the hostility of the latter to any dogmatic “isms” (Tool, 1993, *et al.*). Both share an egalitarian orientation, both challenge hierarchical elites and power structures, and both stress the importance of co-operation – instrumental valuation through deliberative democracy.

The mounting problems at home and abroad stemming from the impact of neo-liberal market deregulation and privatisation policies over the past twenty years,<sup>1</sup> suggest that an alternative to the environmentally destructive and socially divisive model of free market capitalism is urgently needed. We need to remake the case for an economy run in the interests of the people, not, as is increasingly the case, in the interests of a small global corporate elite. Under these circumstances, it is important to develop an alternative socialist economics that at the same time retains a commitment to pluralism and democracy. In this paper we consider these issues in the context of an attempt to reconceptualised public ownership. We critique past forms of public ownership under a state-centric Morrisonian model and argue for alternative and varied forms of ownership that are designed first and foremost to enhance democratic decision-making in the economy, to achieve greater equality and social cohesion, and wherever possible, to encourage localised rather than central control. They are also set out as a pragmatic set of policy options that can achieve progressive change in the present context of advanced capitalism, whilst recognising the problems inherent in both centralised planning and unfettered free markets as forms of economic organisation (Hodgson 1999). Following this introduction, the second section of the paper offers a critique of previous approaches to public ownership in the UK. The following section briefly reviews the instrumental value principle and its utility in helping us move beyond dogmatic models of public ownership before, in the penultimate section offering an attempt to apply this principle in recasting the governance arrangements of the energy sector in Scotland.

### **A critique of past forms of post-war nationalisation in the UK**

One of the problems with public ownership is that it carries a lot of baggage with it. The Morrisonian model of nationalisation adopted by Labour Governments over the 1945-79 period was both heavily over-bureaucratic, and lacking in democratic accountability. There was also the related problem that, at its heart, the nationalisation programme was underpinned by a Keynesian instinct to modernise and stabilise the British system of market capitalism at a time when the threat of more radical alternatives at home and abroad was very real (Foster 1993). In this sense, the 1945 Labour Government’s programme needs to be viewed in the broader contemporary context of Cold War geopolitics and the attempt to bolster the tarnished reputation of Western European capitalism (Armstrong *et al* 1984). As a result, the forms of

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<sup>1</sup> See Cumbers (2003) for a critique of privatisation and a lengthier development of the arguments for public ownership laid out here.

nationalisation adopted were more often than not seen as complementary to, or even facilitating, the continued accumulation of private profit<sup>2</sup>.

In making this critique however it is important to add two caveats. In the first instance, the Government's room for manoeuvre was restricted by the harsh realities of the post-war period, the virtual bankruptcy of both state and economy and the imperative to rebuild the country's shattered infrastructure to stave off the very real threat of mass poverty and even starvation in the early post-war years. Some of the compromises reached reflected the concrete realities of transforming a radical manifesto into a practical programme of delivery. Secondly, for reasons, that will be discussed later in the paper, the purpose here is not to develop a polemical critique along the lines of 'public sector good, private sector bad' as the primary concern here is with promoting economic democracy and social justice which experience suggests are no more guaranteed under a system of 100% state ownership than they are under pure market capitalism.

In short, it is important to acknowledge the radicalism of the Atlee Government's nationalisation programme whilst being constructively critical of both its and subsequent Labour Governments' strategies. In this respect, the key criticism that applies relates to the failure to inject anything approaching a more democratic form of organisation into the nationalised industries. Instead, ministers preferred the model of the large public corporation along the lines of the BBC - at arms length from government control - but at the same time providing no effective voice for either workers or consumers (Saville 1993). Despite union opposition and protests, the Government bowed to the interests of elitist civil servants, managers and private business in excluding worker representatives from the new corporations' boards.

These criticisms were enunciated in the 1970s when a far more radical and democratic agenda was being constructed at the grassroots and within the unions that was to culminate in the first Alternative Economic Strategy. Addressing the perceived unpopularity of the nationalised industries, the AES commented on the fact that:

widespread nationalisation is simply not popular [...] the experience of nationalisation, however much we may condemn the failure to "socialise" the public sector, has not been such as to give support for a socialist case for public ownership. The way that nationalised industries have in practice operated, particular in so far as the socialist criteria of production for social need and democratic forms of management are concerned, has not greatly differed from firms in the private sector. Public ownership is identified, however unjustified this may be, with inefficiency and bureaucracy. (London CSE 1980: 74)

Rather than delivering greater democracy and involvement in economic decision-making, nationalisation had by the late 1970s – in the context of the growing ascendancy of Thatcherism (see Jessop et al 1989) - become a pejorative term for inefficiency and state subsidy of monolithic enterprises. Communities and workers remained excluded from strategic decision-making on the economy as these quotes from workers in the mining industry illustrate:

"I can remember standing at the pit with the banners, celebrating with my father and his friends. They thought, this was it. What a surprise they were going to get. They

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<sup>2</sup> Even in the setting up of the National Health System, the most revolutionary and successful legacy of the 1945 administration, opportunities remained for the private sector, through for example the continued agreement for consultants to undertake non-NHS work, and the continued monopoly of drug manufacture by the private sector, albeit with increasing public subsidy (King's Fund 2003).

thought nationalisation would bring everything they'd fought for. But within a very short space of time they found out that they'd swapped one boss for another. The first boss we got was a major from the Indian Army, six months later followed by Captain Nicholson .... Later we had a banker!"

"We really believed it would make a difference. We really thought it was the beginning of socialism, you know, almost time to hoist the red flag. I thought that we'd be working for ourselves, that we'd be in control. But in fact the supervision and bureaucratic administration became a hundred times worse. You'd get 10 foremen where you only had one; you'd have to use 10 pieces of paper where before you'd only have one. You'd always have to go through many more channels to get anything done. That approach killed nationalisation. A lot of us felt really frustrated. Mind, I still think nationalisation is the only way, but next time it will have to be different".

[former coalminers discussing the 1940s nationalisation in Beynon and Wainwright, 1978: 180]

The AES's response to the problems facing nationalisation was to advocate a new set of relationships, between management and workers, giving the workforce a greater voice in the strategic planning of businesses. Whilst clearly an advance on existing forms of organisation, arguably this approach does not go far enough in taking up the challenge of how to run an economy along more democratic and accountable lines. In this respect, the AES placed too much emphasis on 'workers' at the expense of other stakeholders within society. The focus purely on workers reveals a productivist bias repeated in much traditional socialist thinking from Marx onwards. Yet, as Baran and Sweezy (1966) argued, in contemporary capitalist society, some of the worst exploitation by corporations takes place in the sphere of consumption, particularly in the deregulated and privatised utilities where production for social need has been replaced by the profit motive. Thus, we find that it is low-income consumer groups, especially pensioners, single parent households, children, those who are marginalised from full time and permanent forms of work, and even some small businesses that are most vulnerable to changes brought about by privatisation. It follows therefore that any new model of economic democracy developed has to have this broader vision of society that goes beyond producer interests.

The other major problem at the heart of the AES approach was its view of how economic decision-making should take place. Specifically, it advocated five-year strategic plans in a model that is essentially similar to the Soviet regime of centralised planning. Such a model is likely to be highly undemocratic in practice, particularly where industries remain organised on a large-scale national basis (see Clarke 1993). At the same time, for an economic system to be democratic requires a level of devolved decision making, variety and choice which is simply not present under centrally imposed planning regimes:

"No convincing scheme for durable economic decentralisation has been proposed, without the equivalent decentralisation of the powers to make contracts, set prices, and exchange products and property rights, through markets or other forms of property exchange. This does not mean that markets are regarded as optimal or ideal, nor that an entire economy is made subject to "market forces". It does mean, however, that markets and exchange are necessary to sustain genuine economic pluralism and diversity" (Hodgson 1999: 31).

This point is inescapable. A system of completely centralised planning contains some serious flaws, in terms of economic efficiency, social need and democratic accountability, which need to be addressed. Economists who have been sympathetic to socialist ideals have long recognised the limits to planning:

“Clearly in all economies, and especially socialist ones, an efficient mechanism has to be found to devolve decisions about investment to lower levels, while ensuring that the rest of the economic integument is favourable to making such “investments” ‘effective’” (McFarlane 1997: 165).

Geoff Hodgson’s (1999, 2005) observations on, and criticisms of, various models of socialism, particularly Adaman and Devine’s (1996, 2001) proposals for a participatory model of socialism, provide a valuable reference point for our particular purposes.

Adaman and Devine have in various publications advocated limits to the market mechanism, proposing instead greater recourse to a democratic system of participatory planning. They state:

“Democratic participatory planning is envisaged as a process in which the values and interests of people in all aspects of their lives interact and shape one another through negotiation and cooperation. In the course of this process tacit knowledge is discovered and articulated and, on the basis of that knowledge, economic decisions are consciously planned and coordinated”. (Adaman and Devine, 1996: 531-532).

Whilst the objective of participatory planning is highly laudable, and the first sentence of the quote is very much in the spirit of this paper, the second is not. As Hodgson correctly highlights, there are profound problems with Adaman and Devine’s analysis of knowledge; particularly regarding the impression that they presume a linear progression of knowledge, and the overt presumption that tacit knowledge is codifiable.

Taking the latter point initially, Hodgson (1999, 2005) provides a compelling critique. For example, contests:

“The idea that this [tacit] knowledge can be readily extracted from its institutional carriers, and freely codified and processed by a committee ... perpetuates a fatal error of Enlightenment thought: that such matters can largely be made subject to reason and deliberation; and that the mind may soar free of all habits, preconceptions and institutions – of which in fact it is unavoidably obliged to make extensive use” Hodgson (1999: 60) .

The codification of tacit knowledge is an error that has been committed by some mainstream economists, such as Dasgupta and David (1994), who argue that tacit knowledge is an increasingly redundant concept since the boundary between tacit and codified knowledge is determined by costs and benefits, and the increasing sophistication of information technology is converting tacit into codified knowledge. Instead, following Darwinian evolutionary biology, Nightingale argues that tacit and codified forms of knowledge are not alternatives as Adaman and Devine and Dasgupta and David presume, but complements. Nature retains and re-employs earlier adaptations, such as non-conscious knowledge, to support more recent evolutionary adaptations such as conscious thought and speech<sup>3</sup>. Consciousness is a process acting as a searchlight permitting the selection of images and focal awareness (Nightingale, 2003). It crucially relies on tacit knowledge to accomplish this (Hodgson, 2005). Thus, “The

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<sup>3</sup> Drawing from evolutionary biology, evolutionary psychology and the work of John Searle, Nightingale (2003: 155) observes that consciousness depends on three inter-related neural systems: a proto-self, and unconscious neural image of the body that monitors and responds to internal changes; second, unconscious images of external objects; and third, second-order neural maps of the relationships between the foregoing.

physical structure of the brain, and not external costs and benefits, determines what can and cannot be made conscious” (Nightingale, 2003: 156).

Importantly, learning can convert conscious deliberation, or rule following into a process of routine and into tacit background knowledge. Hence, expert knowledge acquired through practice over a period of time is difficult, if not impossible, to codify, and creates the distinction between ‘know how’ and ‘know that’ (Nightingale, 2003).

Thus, knowledge is a capacity, whereas information is a state. The case advanced by Adaman and Devine (along with mainstream economists) that tacit knowledge can be converted into codified knowledge, albeit by different mechanisms, is deeply flawed as it conflates knowledge with information. This also relates to the initial point indicated above: Adaman and Devine appear to assume that the establishment of committees will generate more information that acts to increase knowledge (in a linear fashion). This fails to appreciate the social embeddedness of knowledge, at the centre of Dewey’s and Veblen’s arguments, and that consciousness is socially constructed. Hence, Hodgson’s (2005) allusion to knowledge residing in institutional customs and traditions (habits) in complex systems of historically layered institutions. Moreover, Adaman and Devine imply that their committee system will create knowledge and increase certainty: witness their reference (1996: 553) to the diminution of principal-agent problems, and the embracing of more extensive tacit knowledge. Again, this fails to appreciate the fallibility of knowledge stressed by Dewey. Even if principal-agent problems are addressed, there can be no presumption that ending information asymmetries will enhance knowledge.

The foregoing, of course, does not in any sense mean that the state or deliberative processes should not be heavily involved in addressing socio-economic problems. Indeed, as Moreau (2004) argues the state may have a creative function to perform in an evolving economy through the enablement of individuals. This requires more imagination than the blanket call for state ownership. The main flaw in central planning is not that it is more inefficient at allocating resources than market based systems, but rather that it stymies innovation and human creativity. The work of Peter Murrell in particular has shown that Soviet bloc countries performed as well as western capitalist states in the short term in resource allocation. Where Soviet economics lagged however was in long term dynamic efficiency, which involves ‘not the allocation of existing resources but the potential for dynamic and transformative growth’ (Hodgson 1999, 59). This is because the forms of knowledge that lead to new innovations in products, services and processes do not arise in the main from formal planned research, administered by committees (whether of multinational companies or state bureaucracies) but take place through the coming together of individuals in a free, open and democratic exchange of ideas.

### **Rethinking and rescaling public ownership: Some observations on the instrumental value principle**

Theories of value in economics have been abridged from the Classical delineation of use and exchange value domains to sole concentration on the latter. Indeed, some commentators consider that mainstream economics is devoid of value theory, whether labour or marginal utility theories, with the price theory of mainstream economics eclipsing theories of value (Samuels, 1998: 125). Nevertheless, mainstream evaluations are grounded on utilitarian-oriented notions of value and resonate with the Paretian rubric. Following from the embeddedness of the mainstream approach in the Cartesian notion of the objectivity of science, it may be contested that both utilitarian-oriented and Paretian approaches provide an insipid credence that the status quo is morally neutral (Avio, 2004). Hence the status quo acts

as a default position and as the efficiency base (see for example, Samuels, 1995; Tilman, 1998)<sup>4</sup>. The Panglossian, ‘what is, is best’ follows.

This does not necessarily imply a particular favouritism towards capitalism *per se*. Hodgson’s (1999) commentary on the socialist calculation debate demonstrates that the Walrasian version of neoclassical economics furnishes an adept framework in endorsing a socialist model as it can for a laissez faire capitalist one. Rather, this suggests that, certainly the Walrasian neoclassical construct combined with the more general adoption of Pareto principles ensures a tacit preference for the status quo. Nevertheless, as Hodgson (1999) *et al.*, identify, all too frequently the mainstream in economics is constructed on the presumption of a ubiquity of markets, and as a consequence there is a propensity to view all interactions as market transactions. Not only is this erroneous in its highly reductionist tenor: all institutions are markets of some sort, thereby entailing that the term ‘market’ becomes so broad that it loses meaning (and context); but it also implies that policy prescriptions can be fundamentally flawed. The classic tragic example of this, of course, is the World Bank’s and IMF’s flawed reform programme of Eastern European economies in the early 1990s. The belief that markets are natural underpinned the quest for rapid privatisations without due diligence of the absence or inadequacies of supporting institutions. Indeed, such international agencies were guilty of reification in their promotion of market reforms. We venture that while, undoubtedly, the adherence to the institutionally-reductionist mainstream approach is the principal conceptual contributor to this egregious policy movement; but also, an inadequate theory of value further exacerbates the shift to a one-size fits all capitalism. Obviously there has been some retrenchment in this area, and some notable reconsiderations and recantations, such as the World Bank’s recent commitment to greater institutional and policy-making diversity, and Lawrence Summers’ *mea culpa*: yet the broad thrust of the market-oriented pattern of reform continues.

This paper does not endeavour to advocate the labour theory of value as an alternative to the dominance of mainstream price theory. Instead, it argues that the synthesis in John Dewey’s<sup>5</sup> instrumentalism<sup>6</sup> and Thorstein Veblen’s (1994) delineation between classes of institutions<sup>7</sup>

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<sup>4</sup> Tilman (1998) outlines John Dewey’s dismissal of the neoclassical conflation of value, and the presumption that the only measure of value is price. Dewey asserted that this stemmed from neoclassical economics’ methodological individualism with its consequent lack of social realism. As Tilman (1998: 149) observes, “Dewey, of course, viewed this as a self-serving and unscientific doctrine aimed at reinforcing social hierarchy and inequality both of which he strongly disliked”.

<sup>5</sup> John Dewey has frequently been proclaimed as the USA’s most prominent philosopher (see, for instance, Bertrand Russell’s *History of Western Philosophy*), but as Haack (2004) reports Dewey insisted that philosophy had to be wedded to life in that it had political and social relevance. Dewey was a leading and active social reformer and was involved in the founding of several associations, including: the American Council of Civil Liberties, and was a member of the commission dispatched to Mexico to investigate Stalin’s charges against Trotsky.

Dewey is strongly associated with other pragmatist philosophers, especially Charles Sanders Peirce. Space precludes any exploration of this association, beyond noting that Dewey and Peirce shared many perspectives (see Haack, 2004), and indeed, Peirce may have had a greater influence on Veblen than Dewey (Waller and Robertson, 1993). However, Dewey is acknowledged as providing a central influence on development of the instrumental valuation principle: hence the focus on him.

<sup>6</sup> Dewey’s instrumentalism should not be confused with the instrumentalism of some contemporary commentaries, most notably Milton Friedman in economics. This approach considers that scientific hypotheses possess no truth value in themselves, they are merely tools for prediction. By contrast, Dewey defines instrumentalism in terms of how thought functions in the experimental determination of further actions (Haack, 2004: 16). In effect, instrumentalism refers to the connectedness between means and ends; and, as Tool (1993) notes, alludes to a continuum between means and ends (or consequences).

offer a potentially lucrative prognosis of democratically-established governance arrangements.

Dewey (1939) recognised that the word ‘value’ embodied considerable ambiguity. For instance, the verb “to value” implies subjective feelings relating to the cherishing of, or prizing, something, and moreover, involves appraisal in terms of placing a value on, as well as assigning value to. Indeed, Dewey (1939: 383) argued:

“All conduct that is not simply either blindly impulsive or mechanically routine seems to involve valuations. The problem of valuation is thus closely associated with the problem of the structure of the sciences of *human* activities and *human* relations” (original emphasis).

From Dewey’s theory of knowledge and his adumbration of the means-end continuum, value adopts a processual, or ethical dialectical quality (Waller and Robertson, 1993). This is in direct contrast to other principles of value, such utilitarianism, where the acceptance of ‘given wants’ infers an ethical relativism that may engender an ethical absolutism. Specifically, Tool (1993: 126) argues that society distinguishes between admissible and inadmissible wants, and therefore, “... any unwillingness to uncritically accept the market satisfaction of wants evades judgemental responsibility”. This, for Tool, can result in ethical absolutism that favours the status quo. If compelled to make judgements about acceptable and unacceptable preferences, unreflective decision makers may opt to employ the status quo as an absolutist benchmark.

Dewey (1963) and Veblen (1990) have both argued that knowledge is socially embedded, and that knowing is a type of practice (Dewey, 1963). Conscious knowledge is socially constructed in particular cultural contexts, and is vested in institutions (Hodgson, 2004); and is hence neither absolute nor relative: it evolves. Following Dewey, the dualisms of fact-value, and objective-subjective are rejected. Instead, knowledge may possess a temporary warranted assertability on the basis of supporting evidence, but this can never be conclusive. Knowledge is fallible and only tentative. It is also not independent of reality, and is in part constituted by individuals’ interactions with that independent reality, i.e., individuals’ experiences. Hence, mainstream economic allusions to knowledge as a stock, and the potential conflation of tacit and codifiable knowledge are utterly rejected, as is the Cartesian mind-body dual.

The acquisition of knowledge through inquiry is a value-laden exercise, and the process of inquiry is a process of valuation: in effect no scientific endeavour can be value free (Klein, 1995). The dictum of the analyst as independent spectator is rejected: inquiry is action, and action is partly constitutive of reality (Haack, 2004, Khalil, 2004). An analyst’s beliefs and imagination are as intrinsic to discussions of reality as empirical evidence: warranted beliefs partly shape reality (Khalil, 2004).

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<sup>7</sup> Veblen (1994: 208) argues that: “... institutions – economic structure – may be roughly distinguished into two classes or categories, according as they serve one or other of two divergent purposes of economic life”. These purposes include acquisition or production, pecuniary or industrial activities, and Veblen further delineates between “salesmanship” and “workmanship”, and “vested interest” and the “common man” (see also Tool, 1993). Moreover, Veblen also highlights a dichotomy between “invidious” and “non-invidious” interest. Veblen’s categorisation is the basis of his criticisms of the “leisure class”, that part of society that does not contribute to economic well-being and extracts pecuniary benefits from others. While this undoubtedly resonates with Marx, Veblen did not tar all capitalists with the same brush: he admired those who contributed to industrial technology and production. This, “The relation of the leisure (that is, propertied non-industrial) class to the economic process is a pecuniary relation – a relation of acquisition, not of production; of exploitation, not serviceability” (Veblen, 1994: 209).

Dewey's scepticism of dualisms extended to means and ends. He advocated a means-ends continuum, where as the means (of inquiry) are selected this influences, even determines, the ends-in-view (effectively the immediate ends or consequences), but these ends-in-view develop into instrumental means to further ends-in-view. Contra utilitarianism and consequentialism, means and ends are not duals but elements constituting a continuum. Given the fallibility of knowledge inquiry is a process proceeding from doubt, or a problematic situation, to settled belief, but this belief can never be taken as given: there is always doubt and a need for on-going revision.

The social embeddedness of knowledge and inquiry, and the process of inquiry as a process of valuation profoundly shape the institutionalist approach to valuation. Clarence Ayres<sup>8</sup> was arguably the initiator of the principle of instrumental valuation, but his reliance on technological progress as a locus of value has been criticised in subsequent contributions (see, for example, Dugger, 1995; Samuels, 1995; Tool, 1993, 1995). Hence, we concentrate on these subsequent contributions, particularly that of Tool and Samuels.

For Tool (1993, 1995) the origin of instrumental social value principle embodies the historical application of reason to experience that is reflected in the creation of a technological continuum.

“This continuum – the cumulative ‘increase and diffusion of knowledge among men’ – is pursued by tool and idea combinations in quest for a causal understanding of observable realities. The instrumental value principle is a processual construct, in accord with evidential social reality to which it is addressed” (Tool, 1993: 125).

In this respect Tool asserts that the instrumental value principle cannot be considered to be taxonomic, since it is an evolutionary concept; or teleological since, following Dewey, ends are causal and provisional; or hedonistic since agents are viewed as being moulded or conditioned by their institutional environment and are conditioning of that environment. This diverges from the absolutism of other value systems or ideologies. As Dugger remarks these so called “ism-ideologies” are frequently employed to defend existing hierarchies and power structures, and detracts from the potential of inquiry to address social problems. Dugger citing Tool notes:

“This retarding element [propensities through acquired habits to retain and perpetuate hierarchical status and the existing power structure] is intellectually solidified in the form of “ism-ideologies”, such as capitalism and communism. These ism-ideologies

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<sup>8</sup> Ayres was a prominent student of Veblen's who was a notable contributor to the development of institutionalism. However, Ayres initiated the adoption of dichotomies in institutionalism, principally the Veblenian dichotomy between instrumental and ceremonial values. The former govern problem solving behaviours and are associated with technological and productive activities. Whereas the latter refers to behaviours embedded in the culture of ceremony that reinforce status and privilege. Paul Bush is the most prominent contributor on instrumental valuation in the Ayresian tradition. He distinguishes between progressive and regressive institutional changes. The former occurs where instrumental values dominate ceremonial ones, and the converse is the case with regressive change. Hodgson (2004) convincingly argues that Ayres either misunderstood or distorted Veblen in respect to the latter's arguments concerning types of institutions. Hodgson (2004: 202) contends: “... Veblen never proclaimed a general dichotomy between ‘technology’ and ‘institutions’... The true general dichotomy in Veblen's writings was not between technology and institutions, but instead between the alleged imperatives of workmanlike ‘industry’ and of pecuniary ‘business’”. This need not occur at the level of institutions, but could also occur within individuals in the form of complex mixed motives. According to Tilman (1998: 148) Dewey shared much of Veblen's views on the differentiation between the pecuniary and the industrial.

are systems of ideas and assumptions that support particular institutional forms. They come to determine the way problems are seen and their assumptions become “first principles” or “eternal truths” that lie beyond the realm of legitimate inquiry. Fully developed they block inquiry ...” (Dugger, 1995: 198, citing Tool’s 1979 *The Discretionary Economy*: 26-29).

Samuels (1995) considers that economics is a contributor to the social valuation process, but following Dewey and Veblen mainstream economics acts in the manner of an ism-ideology and blocks inquiry (Dugger, 1995; Tilman, 1998). Beyond Dewey’s criticisms of utilitarianism, he was scornful of neoclassical economics, believing that neoclassical economists were the apologists of capitalism (Tilman, 1998: 147). Of course, it is well documented that Veblen had a profound disdain for neoclassicism and much of the apparatus of capitalism (see Veblen, 1994). Yet both held deep suspicions of communism and socialism (see Veblen, 1990)<sup>9</sup>, especially as manifest in the former Soviet Union. In his call for voluntary agreements Dewey (1962: 118) makes the following point:

“A coordinating and directive council in which the captains of industry and finance would meet with representatives of labor and public officials to plan the regulation of industrial activity would signify that we (the US) had entered *constructively* and *voluntarily* upon the road which Soviet Russia (sic) is travelling with so much attendant destruction and coercion” (emphasis added).

Dewey’s passage demonstrates the desire for dialogue and pluralism that informs the instrumental valuation principle. The principle is not absolute, but provides a *framework* of discourse and policy analysis, and embodies pluralistic values (Samuels, 1995, 1998). It does not imply a particular pattern of ownership or governance, and, “Accordingly, it is neither identified with nor supportive of any Grand Alternatives, the isms of political economy – capitalism, socialism, communism – all of which offer timeless, institutionally defined economic models” (Tool, 1993: 126). Instead, it furnishes *criteria* for the selection of alternative institutional structures. Here the instrumental value principle furnishes a clear association between scientific inquiry and social well-being, with institutions being evaluated on the basis of the instrumental use of knowledge. For Dewey, intelligence is an instrument for the advancement of social well-being (Samuels, 1995). Hence, institutional change *should* be governed by intelligent action guided by desired future consequences of that action (ends-in-view), and that this should be facilitated by widespread participation in decision-making processes that reflect the pluralism of society (Atkinson, 1987; Samuels, 1995; Tool, 1993, 1995, *et al.*).

The instrumental use of knowledge and the locus of the instrumental value principle require to be defined further. Prior to this it is worth noting that Veblen (1994) recognised the significance of science and technology as elements of progressive change, “... yet he remained cognizant of the retardant and ... atavistic effects of politics, culture and society” (Tilman, 1995: 241). Hodgson (2004) also recognises that Veblen highlighted conservative features of some institutions, and that social change can only arise through a change in the

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<sup>9</sup> Veblen was sympathetic too much of Marx’s writings, but was highly critical of what he viewed as Marx’s teleological, metaphysical and overly rational approach. Marx’s teleology arises from his analysis being driven by its desired outcomes; as opposed to consequences emerging from analysis. Veblen also considered Marx’s value theory to be metaphysical as it lacked empirical support, and he criticised Marx for presuming that agents were inherently calculative (see, for example, Veblen, 2000; Hodgson, 1999).

habits of thought of the community<sup>10</sup>, and there are likely to be forces resistant to change. Indeed, Veblen was pessimistic that these conservative forces, embodied in habit, would act as a block to instrumental knowledge. He focussed on the potentially retarding role of “imbecile institutions” (Klein, 1995), such as monarchy and the papacy, and how such institutions could remain “triumphant” for protracted periods of time.

Tool (1995: 23), following Foster, designates the following as the essence of the instrumental value principle:

“... do or choose that which provides for the *continuity* of human life and the *noninvidious* re-creation of community through the instrumental use of knowledge” (emphasis added).

To reiterate the principle is an instrument of policy analysis, and not policy *per se*. It furnishes guidance on policy evaluation (Samuels, 1995). The principle as a process of valuation is emphasised further by Samuels (1998), who argues that it provides only a mode of discourse as opposed to calculus of “best solutions” of valuation can be conclusively reached. The worth of actions, measures and institutional arrangements, and the problems of policy have to be addressed through inquiry.

Avio (2004) notes that there are two possible interpretations arising from the process of instrumental valuation: “Plain meaning”, where the principle is a directive as to how to proceed, and the principle is a description of successful inquiry. The two are not inconsistent, and both infer that the valuation process/process of inquiry are directed in particular directions by the instrumental principle, and that, moreover, outcomes cannot be judged independently of process (means).

Yet, as Klein (1995) and Avio recognise, the principle of instrumental valuation resonates considerable ambiguity. What is the basis of judgement? Whose judgement counts? What are the guiding principles? Klein notes various judgemental criteria from Veblen’s “enhancing human life”; John Commons’ “reasonable value”; Ayres’ “toward a reasonable society”, to Tool’s Veblenian invidious-noninvidious distinction. There is ambiguity in the terms “reasonable” and “non-invidious”. As Klein observes, for Hayek this could mean avoidance of “serfdom”, for Marx a classless society, for some contemporary economists the freeing of the market. “The problem is in giving teeth to the notion of reasonableness ... we might be left with very inadequate reeds on which to rely” (Klein: 134 and 138).

This ambiguity is inevitable given that the principle refers to a process of valuation: value emerges following inquiry and discourse. Inquiry is framed by notions of reasonableness, which Samuels (1995) asserts are guided by Veblen’s discussion of progressive change. Social value is an evolutionary process that is a matter of a continuous revising synthesis. Tool’s frame further contributes to the framing of the process. Tool cites Veblen in his delineation of invidious and non-invidious. Invidious refers to a comparison of individuals on the basis of providing some value or relative worth. Thus, invidious distinctions relate to judgements on the basis of race, gender, wealth, power, tradition, etc.

“Those groups and individuals against whom invidious distinctions is directed are denied options, entitlements, and the full development of their *capabilities* (for example, access to education, occupation, or income). In consequence, the

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<sup>10</sup> Veblen (1990: 239) defined institutions as the, “settled habits of thought in the body of men”. This reflects the key role of habit in Veblenian analysis deriving from the influence of the instinct psychologists and Dewey (see Hodgson, 2004).

development of individuals' creative potential and productive capacities (and their self-worth) are arrested or eroded" (Tool, 1993: 122-123, emphasis added).

Three points emerge here: There is a potentially lucrative correspondence between Tool's interpretation of the instrumental value principle and the capabilities approach associated with Martha Nussbaum and Hilary Putnam (and others such as David Levine and Amartya Sen)<sup>11</sup>, and opens up the possibility of the instrumental value principle informing fundamental human rights. Second, while not advocating socialism, there is a particular interpretation of socialism that appears to be at the root of Tool's *et al's* eschewal. From Tool's earlier quote socialism is generally equated with a particular mode of ownership of resources (see Hodgson, 1999). However, it is obvious that while the instrumental principle does not support this *ex ante*, it does clearly have an egalitarian ethos that most socialists would approve of. Indeed, Tool refers to a widening income gap in society as a profound social problem, and advocates increased incomes for the poor on the basis that this acts to enhance capabilities. Third, there is a need to ground the valuation process in democratic procedure.

The instrumental valuation principle establishes value as an on-going process as opposed to an absolute state (Dugger, 1995). As noted, from Dewey, the process of inquiry necessarily changes the constitution of reality and change will change communities: changed communities should be re-created following non-invidious deliberation. As Tool recognises, power structures afford elites the ability to impose invidious distinctions: consequently, the locus of instrumental valuation should reside in a process of deliberative democracy. This is the basis of the reform advocated in this paper.

Tool (1993, 1995) adopts a decidedly Deweyan mantle in locating instrumental valuation in the democratic process: spanning the means-ends continuum. The means of achieving progress must be democratic and the ends-in-view must also be democratic. For Samuels the instrumental value principle has two roles: advancing a pluralist society, which is free, open, democratic and liberal, and to advance deliberative over non-deliberative decision-making. The precise nature of this emerges over time and is context dependent<sup>12</sup>.

As has been argued, the old Morrisonian forms of post-war nationalisation were more concerned with managerialist 'independence' than with economic democracy and essentially failed to challenge the underlying structures of value within the industries that were nationalised. An important principle for a renewed system of public ownership in this sense should be to develop forms of ownership that instil both pluralism and deliberative decision-making. We would argue that this is best guaranteed through a commitment to *localised democratic control* over central planning in economic development (Hines 2000), wherever this is technically possible. Whilst certain activities, because of economies of scope and scale are better organised at the national or even in the context of the European Union at the international level (e.g. transport and telecommunications), many others can be organised at

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<sup>11</sup> Nussbaum defines capabilities essentially amount to rights of opportunity, and include life (including freedom from premature mortality) and bodily health (including reproductive health, adequate nourishment and shelter) and bodily integrity (freedom from violence, rights to mobility and choice in reproductive matters). Given the foundational right to life and freedom from premature mortality access to non-frivolous health care can be viewed as a basic human right. This is an important point, and a reflection of a more general point that freedom from poverty should be seen as a human right (see Putnam, 2003). Such a correspondence may not be entirely surprising given that Nussbaum and Putnam share the same philosophical influences as institutional economics having common affiliations to Dewey and Peirce (see Haack, 2004).

<sup>12</sup> Avio (2004) has presented a case that instrumental valuation principle lacks an analysis of legitimation in its reference to deliberative democracy. Avio advocates the employment of Habermassian discourse analysis.

the local level (e.g. food). And, in some cases, the development of new technologies (e.g. wind and solar energy), or growing environmental concerns, such as the need to reduce carbon emissions in the transportations of food supplies, make localised production and delivery of services more appropriate.

However, any commitment to more decentralised forms of public ownership should not be at the expense of a more general commitment to social equity between localities, or take the form of a regressive protectionist agenda that frustrates the development of broader solidarity relations, which is apparent in some Green localisation strategies. There will in this sense be a delicate balancing act between encouraging diversity and local autonomy and ensuring a set of basic economic, social and political rights for citizens irrespective of location. In these circumstances therefore we need to think about a *rescaling of public ownership*, recasting relations between national and local levels, whereby states remain important in overseeing and regulating sectors and markets (including worker and consumer rights to participate in decision-making), but local level actors are given the power to determine forms of organisation and ownership. In other words, following the instrumental valuation principle, there should be a proper devolution of power, which includes decisions regarding the level and nature of ownership of the economy. Any progressive government should aspire towards examples of democratically controlled forms of public ownership that are technically and socially necessary at the national level, whilst relinquishing control of other activities as far as possible to the local level. In the interests of diversity and stimulating innovation, a mix of ownership forms, including forms of private ownership should be tolerated and even encouraged, in line with local needs and aspirations so that employees and consumer groups have a genuine voice.

Of interest to the discussion here is Sawyer and O'Donnell's (1999) typification of forms of public ownership. They identify six forms: full public ownership (FPO), partial public ownership (PPO), strategic public ownership (SPO), regional public ownership (RPO), consumer co-operatives or mutualisation (MU) and employee ownership (EO). In posing the question, which forms are most appropriate, they highlight the aspirations of public ownership, which are broadly: to regain the commanding heights of the economy (i.e. take into public ownership industries too important to be left in private hands); to facilitate greater community control over resources, especially in the context of globalisation and increasing foreign ownership; to redistribute income and wealth; and, to secure better environmental and regulatory standards. A further rationale to add here is that of promoting greater participation by ordinary citizens in economic decision-making. The point to make is that some forms of public ownership are better at delivering economic democracy than others, although as we have noted there will be an inevitable trade-off between delivering greater local participation and securing broader distributional equity and social justice. For example, taking an industry into full public ownership (FPO) – akin to the 'Morrisonian' model of nationalisation - will in theory secure the objective of public participation through Parliament and the minister responsible, but control on a day to day basis still remains a long way from the grassroots. RPOs, particularly if they are organised at the local authority level and under the control of local government, are better in this respect, as are both MUs and EOs.

Given the argument articulated here, ownership forms selected must be subject to Deweyan democratic deliberation. These forms will vary according to the needs of particular industries and conditions in a particular time and place. In this sense, there can be no one model but rather a commitment to a set of values expressed in a plethora of different forms. In their recommendations however, Sawyer and O'Donnell advocate three principles:

- that whatever form is chosen is accountable to a layer of government
- that public enterprises operate according to a clearly defined public interest with set targets and objectives

- that best employment practice should be adhered to. This should include trade union recognition, a commitment to worker involvement in decision-making, and a commitment to skills training and upgrading.

Sawyer and O'Donnell's principles are consistent with the thrust of the instrumental valuation principle: there is no inclination towards invidious change; indeed, non-invidious change would appear to play a prominent role in Sawyer and O'Donnell's proposals. Moreover, the final principle clearly invokes the instrumentalist valuation principle and demonstrates a commitment to enhance individual capabilities.

In this paper we present a proposal that is guided by the instrumental value principle.

### **Rethinking and rescaling public ownership. A possible application of the instrumental value principle: the energy sector in Scotland**

Energy is arguably the key sector requiring institutional reform that addresses existing power structures, and enables greater democratic decision making as a result of its strategic importance in geopolitical, environmental and social terms<sup>13</sup>. At the same time, it is the sector most under pressure from continuing neo-liberal reforms at the European level. Various ongoing directives are geared towards introducing more competition into the energy and electricity sectors across Europe with scant regard for either the environmental or social cost. Yet, on environmental grounds alone, the evidence suggests that those countries that have gone furthest down the route of reducing CO2 emissions and introducing renewable forms of energy are those that retain a strong commitment to public or common ownership (see Cumbers 2003 for further details). Nevertheless the break up of the energy utilities and the fragmentation of state enterprises into a new and dispersed geography of ownership in which regionally based firms compete with foreign multinationals raises considerable problems that make it an important test case.

#### *The energy sector in Scotland*

For Scotland, energy plays an even more critical role in the economy than for the UK as a whole. At a conservative estimate, the number of jobs in Scotland either wholly or partly dependent upon oil development is likely to be around 200,000 or 10% of the total workforce with a particular concentration in Aberdeen where there are estimated to be around 900 oil-related firms (Cumbers 2003). Recent research has also confirmed the continuing dominance of the sector by foreign multinationals, with local communities, firms and workers having very little power to influence events (Cumbers et al 2003). There has also been little debate about the long-term implications of oil for regional and local economic development in the areas concerned. Recent restructuring in the industry - driven by the imperative for oil companies to reduce costs in order to reinvest elsewhere, notably in Russia and the Caspian Sea - has further mitigated against small and more innovative local firms gaining a foothold in the market as supply chains have been consolidated into a few larger integrated contractors (Cumbers *et al* 2003).

The dominant oil companies in the North Sea remain BP and Shell, although both have been disinvesting in recent years, selling licences to smaller independent operators. The ownership structure of the North Sea is complicated further because, whilst a small number of oil companies act as the main operators, ownership of licences in most fields is split between a number of different investing companies and institutions. There is a similar diversity of

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<sup>13</sup> See also, Trebling's (1995) paper concerning the US in the collection of works honouring Marc Tool's contribution to the instrumental valuation principle.

ownership in the production of gas with an estimated 50 companies involved in total (Key Note 2000) leading to a fragmented structure of the industry that has implications for re-nationalisation strategies. Clearly, the economic context of the North Sea has also changed in the quarter of a century since nationalisation was a serious policy objective. Most independent experts recognise that North Sea production has peaked with a gradual decline forecast over the next decade (Key Note 2000). Most of the cheaper and more accessible oil fields are now under development and future development will involve smaller and more costly reserves. For this reason, wholesale nationalisation of the industry would be ill advised, because the public sector would in many cases be taking over declining assets, incurring considerable decommissioning costs. Nevertheless, whilst activity is expected to decline, the North Sea is still likely to be a significant producer for the next two decades. Simultaneously, the level of production, whilst generally expected to decline, is subject to a huge margin of error reflecting enormous uncertainty and instability in world oil prices. The recent upsurge in oil prices to over \$50 per barrel at the time of writing (April 2005) merely illustrates this point further.

For the reasons outlined above, a full transfer of all operations would be inadvisable at the current juncture. Instead, the strategy advocated here would involve a selective transferral of assets. At the heart of the strategy would be a full transfer of BP's Scottish operations into public ownership, alongside those of the electricity and energy utility companies (see below), combined with partial ownership of other key oil fields and at least a 51% stake in all new field developments. Additionally, a devolved or independent Scottish Government would need the ability to draw up new legislation relating to all North Sea oil and gas developments in areas such as health and safety legislation and employment rights. Of particular importance would be an industry-wide agreement on employment conditions that ensured that all workers are treated equally regardless of their employment status and recognised the importance of a collective voice for the workforce in company decision-making.<sup>14</sup> It would also have the ability to set up a new taxation regime to ensure a greater public share of revenues from existing fields, without jeopardising future developments. In the downstream sector of the industry, a public stake would provide the ability to support hard hit rural areas both through a price differentiation strategy in the petrol retail sector and an overhaul of the currently regressive fuel tax escalator.

In contrast to the oil and gas industry, the other energy sectors have much more simplified forms of ownership. Additionally, and in contrast to the situation in England and Wales where a separate company, the National Grid has been established, the transmission system in the electricity sector continues to be operated by the generating companies. Although there have been attempts to introduce more competition into the electricity and gas markets in Scotland, the reality is that these sectors remain dominated by a few key players. These include Scottish Power, Scottish Gas, and Scottish and Southern Energy. Another significant player is Scottish Nuclear, which is now part of British Energy. Despite a slightly more complicated ownership structure in the aftermath of privatisation, and the vertical disintegration of the industry, it would be relatively straightforward to return both sectors to public ownership. This would involve the consolidation of assets from different companies into a public enterprise(s). The market capitalisation of Scottish Power, one of the larger utility companies, was estimated at £12.5 billion in 1999, although Scottish assets were valued at around £7.8 billion (Huckle 2000).

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<sup>14</sup> Currently, wages and conditions for individuals doing the same job vary enormously across the North Sea sector. To take one example, under recently signed union agreements, grade 4 catering workers on drilling rigs currently receive around £3,000 less per annum than their equivalents on production platforms (Cumbers 2005 forthcoming).

### *A proposal for public ownership and democratisation in the energy sector*

The failings of privatisation are particularly evident in the energy industries, where deregulation has led to a lack of strategic planning of resources in the interests of the wider community. As a result of recent market-led policies, the UK has one of the worst records in Europe in shifting towards renewable energy. The new Labour Government's Performance and Innovation Unit recently conceded that the 10% target for renewable energy by 2010 is unlikely to be met with current policies and that 4.6% would be a more likely figure (*The Guardian* 26 June, 2001). Simultaneously, the ill-advised 'dash for gas' accompanying the dismantling of the coal industry has threatened long term security of energy supplies. It is likely that within the current decade the UK (though not Scotland) will be a net importer of both oil and gas.

Moving on from the well-trammelled debate about the shortcomings of privatisation, this paper has also highlighted the weaknesses of past nationalisation processes which in many cases replaced privately run entities with monolithic state-run organisations which continued to lack genuine economic democracy and accountability to consumer groups. In devising an alternative strategy for Scotland's energy resources, the proposals advocated here are dictated by the following five key objectives:

- achieving long term security of energy supply within Scotland;
- creating an environmentally more sustainable energy policy;
- enhancing the redistribution of income from rich to poor;
- developing progressive forms of employment relations;
- widening participation and decentralising economic decision-making.

The proposed structure, whilst encouraging more integrated strategic planning, would seek to make decision-making more democratic and accountable, by stimulating greater participation at the local level. At the apex of the new structure would be a Scottish Energy Agency (SEA, figure 1), a body charged with overseeing the sector and setting key objectives and targets. A key target would be a shift towards renewable energy of 40% of domestic energy consumption by 2020. SEA will also have responsibility for North Sea oil and gas developments, ensuring that policies in this area fit with the wider societal objectives.

The operations of the nationalised oil and gas companies (primarily BP-Amoco, but also some smaller concerns) would be integrated into a subsidiary organisation, a fully publicly owned entity, the Scottish Hydrocarbons Corporation (SHC). It will also take over the remnants of the coal industry in Scotland and have the task of phasing out open-cast mining and considering the contribution of mining to future energy strategies. In some cases, this might include the redevelopment of some underground seams for local domestic needs, given the rundown of gas resources, although a strong emphasis should be placed upon 'clean coal technologies' and incorporating coal with a broader sustainable development strategy. As a subsidiary of the SEA, it is intended to avoid the problems of agency capture. The SHC would be charged with the day-to-day running of the industry and the development of medium term planning (5 years) to meet objectives set by SEA. It would also take over responsibility for the gas distribution network, thus reintegrating the operations of the former nationalised entity British Gas. In the electricity distribution industry, a similar national level corporation would also be established through the merger of the privatised companies Scottish Power, the Scottish arm of Scottish and Southern (formerly Scottish Hydro-Electric) and Scottish Nuclear (which is still state run). The new organisation, the Scottish Electricity Corporation (SEC), would have the responsibility for the electricity grid and distribution system and conventional non-renewable electricity generation plants. Continued national regulation of electricity distribution would ensure equity in pricing arrangements and service delivery across the system, whilst allowing opportunity for cross-subsidisation and income

redistribution. SEC would also be charged with the dismantling of Scotland's nuclear power plants in the shortest and safest time-span.

Whilst under the earlier nationalisation programme the electricity sector was run as a vertically integrated operation subdivided into regional divisions, there is no reason that such a structure, which is heavily top-down in orientation and involves little effective participation of the different stakeholders needs to be re-introduced. Prior to nationalisation, many local authorities played a key role in the ownership and management of gas supplies for example. In this respect much can be learned from the experience of other countries, especially Denmark where the dramatic increase in wind energy in recent years has been achieved largely through a decentralised system in which local authorities, cooperatives and even individual families own most of the country's turbine capacity. In the interests of promoting more localised forms of public ownership it is proposed that a separate branch for renewable energy should be created, the Scottish Renewables Association (SRA), in which local authorities have a 50% stake in decision-making. The SRA will be charged with releasing funds and co-ordinating the shift towards renewable energy. The various existing hydro-electric schemes would also come under the SRA's remit. The SRA's main role would be to co-ordinate and regulate the action of the Sustainable Energy Network (SEN). The SEN would provide the main impetus for achieving a shift towards renewable energy and would be composed of local energy companies (LEGCs) established by local authorities throughout Scotland. The LEGCs will be concerned with the development and running of renewable energy plants and will receive investment for start up and research and development from a renewable energy fund, drawn from revenues from North Sea oil and administered by the SRA.

A key element of the proposed structure is strong community participation, democratic accountability and over time, the decentralisation of decision-making and economic action. While the SEA would be organised at a national level, its board membership (of non-executive directors) would ensure a high level of representation of stakeholders through representatives from local authorities and the combined workforce across the energy sector on the main board, alongside ministerial appointees (Table 2). Similarly, the three other national organisations would also have a mix of interest groups represented on their boards. It is important in the new structure to avoid creating inter-organisational rivalry, conflict and turf wars. Thus, it is critical that different interest groups do not become tied to one institution, but instead have representation across the different range of agencies. To this end, an important component of the new structure is to create communities of interest that overlap and range across the different organisations, ensuring a more co-operative and consensual approach to the development of strategy (e.g. Amin and Thomas 1996).

Finally, it is also proposed to develop a diversity of ownership forms that enable flexibility and innovation within the system but do not deteriorate into destructive competition. Whilst the main rationale for the proposed structure is the return of the energy sector to public control and accountability, it is important to introduce a mix of ownership forms that promote institutional diversity and individual autonomy. Whilst, for reasons of economic efficiency and broader social equity it makes sense for the three larger nationally organised entities (SEA, SHC and SEC) to be run as fully-owned public companies at a national level, there is scope for innovation in ownership in the renewables area to stimulate greater local control over decision-making. Thus, a recommendation would be that local authorities have jurisdiction over the forms of ownership developed for LEGCs. The SEA could provide subsidies for forms of employee ownership (EOs) and co-operative/mutual organisations (MUs), but small private companies (SMEs) could also be established within this framework. Alternatively, local authorities could establish their own municipal companies either individually or through collaboration with other authorities. An important potential development would be the ability for rural local authorities (many of whom will have rich resources of sustainable energy) to export surplus supplies to the national grid. Given the shift

towards renewables, it would be expected that over time there will be an increased in the autonomy of local communities over energy supply issues.

## **Conclusion**

In this paper our aim has been to contribute to the debate about progressive alternatives to neoliberal economics by returning to the subject of economic democracy and public ownership. Having highlighted the flaws in both pure markets and centralised planning in delivering greater economic democracy and participation, we argue for the importance of institutional variety over prescriptive policy models in developing a socialist economics. A commitment to egalitarian values and principles that is capable of adjusting to different contexts in time and space is more important than the adherence to 'a single truth' or vision. In this respect, the instrumental valuation principle offers a potentially lucrative avenue for the exploration of, and experimentation in, enhancing deliberative democracy and, hence, human rights. It offers a framework to promote non-invidious policy proposals that stress both community and the individual. Unlike many socialist proposals, it does not present a utopian solution; instead it offers a framework for effective processes of addressing social problems. It is inclusive, and its strength lies in the rejection of absolute assessments of value.

The instrumental valuation principle cautions against the dangers of returning to over-centralised and monolithic state entities that are far removed from the ordinary citizen. But it is also equally critical of the current pure market vision of neoliberalism that is leading to the increased concentration of economic power within multinational corporations. The paper argues instead for a rethink of the relations between the local and national levels, providing organisational structures that enhance local democracy but retain the commitment to broader patterns of equity and distributive justice at the national scale. The example of Scotland's energy sector is used to demonstrate the possibilities but also the obstacles to realising the goal of deliberative democracy.

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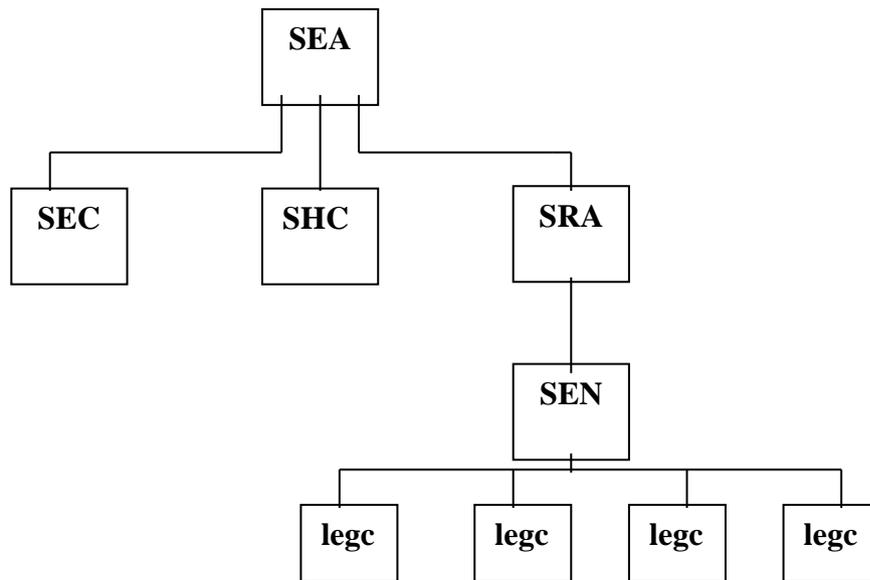
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**Figure 1:** Proposed structure of Scottish energy sector under public ownership



**Key:**  
SEA = Scottish Energy Agency  
SHC = Scottish Hydrocarbons Corporation  
SEC = Scottish Electricity Corporation  
SRA = Scottish Renewables Association  
SEN = Sustainable Energy Network  
legc = Local energy generating companies

**Table 1:** Membership structure of proposed public energy companies

<i>Org.</i>	<i>Membership structure of Board</i>	<i>Nature of public ownership</i>	<i>Additional comments</i>
SEA	33% ministerial appointee 33% local authority representatives 33% employee representatives	FPO	
SHC	66% nominated by SEA 33% employee representatives	FPO	Direct subsidiary of SEA
SEC	33% SEA appointees 33% consumer representatives 33% employee representatives	FPO	
SRA	50% SEA 50% local authority representatives	No fixed assets	Umbrella body overseeing SEN
LEGCs./ SEN	Determined by local authorities but statutory regulation requiring employee representation	RPO/LPO/MU/EO/ SMEs	Renewal energy companies regulated by local authorities