



## SYMPOSIUM: CORPORATE POWER AND LOCAL DEMOCRACY: CHALLENGES, OPPORTUNITIES AND STRATEGIES

### Reclaiming Democratic Control: The Role of Public Ownership in Resisting Corporate Domination

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#### Abstract

*In response to increasing inequality, the rising power of large corporations, climate change, and other challenges, public ownership is back on the agenda in the United States and around the world. In this "new gilded age" there is much to learn from past experiments as we construct a new vision of public ownership for the Twenty-First Century.*

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The corporation of today has invaded every department of business and its powerful but invisible hand is felt in almost all the activities of life...the effect of this change upon the American people is radical and rapid. (Robert La Follette, 1897)

When the progressive leader Robert La Follette issued his warning about the growing power of corporations more than a century ago, the United States was in the midst of what historians now like to refer to as the “Gilded Age.” It was a time when corporate power, organized in the form of



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trusts, led to vast private economic empires, and the opulence of the few stood in stark contrast to the poverty and squalor of the many.

As Nobel Prize-winning economist Paul Krugman and many others have recognized, it is apparent that we now living in a “new gilded age” (2014). By this is meant an era defined by increasing levels of income inequality and extreme concentrations of wealth, and the intergenerational transfer of that wealth—both driven, at least in part, by the growing power and dominance of large corporations, especially in the financial sector (Piketty, 2014). In many economic sectors, a small handful of these corporations exercise monopolistic or oligopolistic control, using their economic and political power to drive out competition and engage in rent-seeking behavior (Foster and McChesney, 2012). The deleterious effects on local businesses, local economic development, and workers’ rights and security has been stark.

As the 19th century turned to the 20th, La Follette stood as part of a burgeoning movement of progressives, populists, and socialists that over the next couple decades would successfully push back against the monopolists and oligarchs-in-the-making. For both ideological and practical reasons, this movement paid close attention to patterns of ownership in society, and one of the more successful weapons in their arsenal against growing corporate power was public ownership (alongside both cooperative ownership and robust anti-trust strategies).

The story of Nebraska’s electric system is a prime example. In the early years of the 20th century, residents had responded to the failure of private companies to provide power to the mostly rural and sparsely populated state by establishing dozens of local, publicly owned electric utilities. However, by the 1920s, a small group of large, for-profit electric holding corporations (backed by Wall Street banks) began to rapidly take over and consolidate Nebraska’s existing public and private utilities alike. Stymied in the state legislature by well-funded corporate opposition, a grassroots movement in favor of local control and public ownership took the fight directly to the people, winning an initiative (referendum) in 1930. A series of state and federal laws that made it easier to form and sustain publicly owned utilities and rural electric cooperatives were subsequently passed and, by 1949, Nebraska had become the first and only all-public-power state (Southwest Museum of Engineering, Communications and Computation, 2007).

During this time period, concerns over the power of large corporations and their negative influence on democracy, broad-based prosperity, and social cohesiveness were widespread. Some of the leading personalities of the day weighed in, including Woodrow Wilson, Theodore Roosevelt, Louis Brandeis, and Eugene Debs. Even staunch free-marketeers like H.C. Simons, one of the founders of the Chicago School and a mentor of Milton Friedman, opposed large corporations, stating that “America might now be better off if the corporate form had never been invented or never made available to private enterprise” (1948:34). Perhaps even more surprising is that Simons, and others like him, believed that public ownership was a viable and legitimate

alternative to concentrated corporate power. Speaking about the banking system, Simons wrote that large banks (which at that time were minuscule by today's standards) with implicit government guarantees against failure implied "an intolerable concentration of power in private hands," and that "a good case could be made for outright socialization of the banking system" (Phillips, 1995:64).

Today, we are witnessing the fruits of the resurrection of this U.S. tradition of resistance to corporate domination and elite control. From Seattle 1999 to the Wisconsin Uprising and Occupy Wall Street to the popularity of Bernie Sanders and Alexandria Ocasio-Cortez to even the right-wing anti-elitism of the Tea Party (which was cynically exploited by plutocrat Donald Trump during the 2016 Presidential election), Americans are increasingly frustrated with corporate capitalism and searching for viable alternatives. Along the way more and more are re-discovering the possibilities of public ownership (and specifically, more democratic and accountable forms of public ownership) and analyzing its promise to solve pressing social, ecological, and economic concerns.

### **Public Ownership: Prevalent and Resilient**

Contrary to what one might expect in a country that has been a driving force behind the neoliberal agenda of privatization and marketization around the world for decades, public ownership—specifically enterprises and services owned collectively through government institutions at various levels—remains ubiquitous in the United States, especially at the local level. Moreover, it has also proven remarkably resilient, both over time and across geographies and partisan divides.

Many of the publicly owned enterprises and services established in the early 20th century as part of the progressive, populist, and municipal socialist reaction to the Gilded Age are still successfully operating today, more than one hundred years later. Nebraska is still an all-public-power state; the city of Milwaukee still produces and sells an organic fertilizer derived from its public water reclamation system; North Dakota still operates a state-wide public bank and a large agricultural processing facility; Wisconsin still runs a life insurance business; and Virginia still controls liquor distribution and owns retail and distribution facilities.

Moreover, generally, there are around 2,000 publicly owned electric utilities—many in politically conservative areas. Around 87 percent of Americans are served by public water systems, significantly higher than many countries where water privatization took hold. All commercial airports are publicly owned, as are many of the nation's largest ports. Transportation systems, markets, land, hospitals, education facilities, sovereign wealth funds (like the Alaska Permanent Fund), inter-city rail transportation (Amtrak), the post office, the Tennessee Valley Authority—the list goes on and on (Hanna, 2018).

Most Americans interact with public ownership every day, with little more than the occasional griping. Even for those who have bought into neoliberal talking points about government being the ‘problem’ and the ‘superiority’ of private business, there is usually little appetite for the handover of a county’s publicly owned electric or water utility or a city’s public transport system to extractive for-profit corporations. This is equally the case when it comes to privatizing large regional and national publicly owned enterprises like the U.S. Postal Service or the Tennessee Valley Authority or selling off public land.

The reason for this is that public ownership has real, tangible benefits for local communities. It can lower costs for consumers and expand access for underserved populations. It can generate revenue to fund social services and lower tax burdens. It can support economic development. It can provide jobs with good salaries and benefits. And it can enhance local control over and participation in economic decision-making. It also is a powerful tool against rising income and wealth inequality, distributing economic gains more broadly and holding down wage differentials between top and bottom earners, and a way to limit the amount of corporate money flowing into the political system (for a more detailed analysis of the potential benefits of public ownership, including sources, please see: Thomas M. Hanna, *Our Commonwealth: The Return of Public Ownership in the United States*).

### **Renewed Interest**

In recent years, and especially since the 2008-2009 financial crisis, public ownership has once again re-emerged as a viable institutional strategy, especially at the local level, for activists, civic leaders, and politicians concerned with the effects of increased corporate power and consolidation across a variety of sectors.

One of these is telecommunications, and more specifically, high speed internet infrastructure—a critical cornerstone of any modern economy. This sector is currently dominated by a few large, for profit corporations, and the trend is towards increased consolidation and concentration of corporate power. “Most Americans probably believe the communications sector of the economy has room for innumerable competitors,” Harvard’s Susan Crawford writes. “But they may be surprised at how concentrated the market for the modern-day equivalent of the standard phone line is” (2013:5)

This oligopolistic control has left wide swathes of the country (both geographically and socio-economically) with inferior or unaffordable service, severely limiting economic development opportunities and job prospects in many rural areas, small towns, and poor neighborhoods. According to a 2015 White House report, around fifty million Americans simply do not have access to high-speed internet and American internet is far slower and more expensive than most other advanced countries (The Executive Office of the President, 2015).

Because of this, many observers, activists, and policy makers are supporting the rapid development of local, publicly owned communication networks, especially in those communities underserved or ignored by the for-profit telecommunications oligopoly. In recent years, around 500 communities have established publicly owned full or partial networks (and another 300 have formed cooperatives), including 150 (in 29 states) with super-fast networks (Institute for Local Self Reliance, 2019).

Another area seeing intense organizing and attention is the energy sector. Spurred on by the ever-shrinking time horizons for avoiding catastrophic climate change, renewable energy advocates and climate activists are increasingly turning to public ownership of electric utilities as a way to bypass corporate intransigence and opposition. In Boulder, Colorado, activists and city council members have been engaged in a high-profile municipalization struggle with the giant corporation Xcel for several years (City of Boulder, Colorado, 2019). Recently, campaigns for public ownership have also been launched in Providence, Rhode Island and Maine targeting the for-profit utility National Grid. And in California, the bankruptcy of the large corporation PG&E amid speculation that its negligence contributed to deadly wildfires in the state has led to calls for public ownership rather than a bailout (Bozuwa, 2018).

Recently, the groundbreaking Green New Deal legislation introduced by Representative Ocasio-Cortez and others at the federal level acknowledges an important role for public ownership. In this case, identifying how public banks—another area that has seen a remarkable increase in organizing and action in recent years, especially at the state and local level—can be involved in financing necessary green infrastructure and renewable energy investments.

### **Looking Back and Moving Forward**

The reemergence of public ownership as a strategy to deal with pressing social, economic, and ecological problems in the United States mirrors developments around the world, where there has been a push back against corporate control and privatization in many areas. Yet simply transitioning from corporate ownership to public ownership is no guarantee of a more democratic, equitable, and sustainable political economic system. Traditionally, many publicly owned enterprises in the Twentieth Century were exceedingly managerial, bureaucratic, and top-down. In some places, the development of these large centralized entities eviscerated the local and regional models that had been established by earlier popular movements.

Increasingly, theorists and practitioners are articulating a different vision of public ownership that returns to its more radical roots. One that is more decentralized, more internally democratic, more transparent, more accountable, and more diverse. One that gives individuals and local communities a real say in the economic decision making that affects their lives and that reverses the disempowerment of decades of privatization and corporate consolidation. This vision, which

is based on exciting on-the-ground developments around the world, is one that La Follette and other reformers of the early Twentieth Century would surely recognize.

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