

THE BRITISH GAS PROSPECTUS WILL BE  
PUBLISHED ON NOVEMBER 25TH.

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Hidden message: graffiti artists subvert the British Gas bid to persuade the mythical Sid to take part in the shares bonanza

# The Sid In Us All

Sid entered folklore. And with hardly a word about politics being uttered, the government sold the idea of share ownership. **Charlie Leadbeater** argues the Tories are playing for high stakes: they want share ownership to be as popular as home ownership

A culture of political consumerism has replaced grand ideology as the driving, unifying force behind the government's privatisation programme.

Privatisation, through the sale of billions of pounds worth of shares to the public, is at the forefront of the government's attempt to create a 'popular capitalism', so embedded in everyday life that it renders socialism irrelevant.

Popular capitalism is essentially a strategy to *accentuate* the capitalist in everyday life. At its core is an attempt to change people's attitudes towards their savings and investments - to make them aware that they are owners of small amounts of capital. Most people who save put money into pension funds, life assurance, unit trusts and building society accounts. Their savings go into a pool and are invested. But the link with the individual is indirect.

What the Tories want to do is create a direct link between the individual and business by making people directly responsible for where their investments go. 'By investing you are being a capitalist, but because you do it indirectly through a pension fund manager you are not fully aware of how much of a capitalist you are' - is the simple message of popular capitalism.

The government wants to nurture this capitalist consciousness through encouraging individual shareholding. Individuals will recognise their dependence upon capital accumulation - they

will be more thoroughly co-opted on the side of capital through the identification created by being a direct shareholder.

So increasing personal shareholding is essential to popular capitalism - and privatisation has been the main means of boosting individual shareholding.

The Tories are attempting to engineer an enormous social change in just a few years. For popular capitalism to succeed the Tories will have to reverse the postwar decline in personal shareholding. In 1963 individuals owned around 58.7% of the equities on the London stock market. By 1984 this had declined to 22.0%. The number of individual shareholders had declined to about 2m at the time of the British Telecom privatisation in 1984. The most recent survey suggests the privatisation programme since then has helped to create 5m more shareholders, without counting the British Gas applications of around 4.5m. The Tories want to go into the next election with 10m shareholders - one in three households, 15,000 in each constituency.

**The populist appeal of the privatisation programme** has taken over from economic efficiency, the benefits of competition, and sound public finance, as the legitimisation of denationalisation. The advertising campaign encouraging people to buy shares in British Gas said little or nothing about the company and its prospects. Instead it was aimed almost entirely at the small investor to persuade them that investing was akin to consuming: to be without a share was

akin to being without a compact disc or video.

The cult of popular capitalism has added a new dimension to the privatisation programme. It is a strategy which now works at every level of the government's politics. At the top it is part of the grand ideological mission - to push back the state and bring in the market. In dismembering collective institutions of the past the programme is a constant reassertion of the accusation of failure, and mismanagement, made against the postwar settlement.

At the same time, the proceeds from privatisation help to finance the rest of the government's programme. The sales provide the Treasury with much needed funds to keep the material supports of the government's strategy in place. The money raised goes to finance higher public spending on health, education, the police, and tax cuts, without the need to drastically overshoot the government's targets for public borrowing. The public spending plans announced this autumn, and the tax cuts that should come this March, are aimed at deepening support in the run-up to the election. Both moves are in large part due to the proceeds from privatisation.

Popular privatisation will also help to put Labour onto the defensive over nationalisation in the election campaign. Labour has to confront millions of individual shareholders as well as wider arguments about economic efficiency. After the privatisation of British Gas, Energy Secretary Peter Walker equated popular capitalism with the attack on Labour's defence policies as an election weapon.

And below all this stands the new dimension, the cultural and social change that growth in shareholding represents - little by little changing people's sense of themselves and their place in society.

So why are millions of people drawn to buying these shares: what do they see in it that they want and like? And what does this new found, often temporary, limited status of 'shareholder' imply for their sense of themselves: is it embedding a new cultural identity at the base of Thatcherism?

**One crucial explanation for the** collective rush to buy privatisation shares is individual acquisitiveness. The British Telecom, Trustee Savings Bank, and British Gas flotations were good ways to make a fast buck, with the shares rising to a premium in their first few days of trading. The British Gas sale may not have lived up to the government's high expectations - they talked of 10m applications for shares - but 4.5m is still a substantial number.

In most sales the government has deliberately engineered a low initial price which is almost certain to rise, thereby attracting small investors. One recent estimate suggests the government lost around £ 1,337m by underpricing the BT issue. The issue would

have been taken by the big institutions at a much higher price: so £ 1,337m can be seen as the subsidy the government was prepared to fork out to create around 1.75m new shareholders. When earlier privatisations like the sale of Cable and Wireless were underpriced but sold to institutions there was a short-lived outcry; not so with British Telecom.

Small investors' confidence in spotting and acting on a rigged good bet reflects the recent growth of general interest in financial services. With greater competition in the financial sector spurring banks, building societies, and pension funds into more assertive and sophisticated marketing, people have become more aware of the choices they can make about how and where to invest. Gone are the days when people felt their only savings option was to stick their money in a single building society account.

Just as individuals have good pragmatic reasons for buying the shares so the government also needs the small private investor for very pragmatic reasons. To sell £6billion shares in British Gas just to the big investing institutions risked sucking all the funds out of the market, depriving private companies of capital. So the government has turned to an alternative source - the private investor's building society account.

If the popular rush to buy shares just amounted to a confluence of these short-term pragmatic interests it might be easily dismissed. Why should it have any more impact on political attitudes and behaviour than the pools or betting? But this purely financial motive is at the core of a set of intersecting motives that have led people to join in the privatisation jamboree.

There is a sense of excitement in seeing how the shares move on 'the market'. The day after the TSB flotation there were detailed accounts of how the price rose and fell from a 100% premium. But it was more than the impression of wheeler dealing. It introduced people in a limited but very direct way to a world that previously they must have felt excluded from - the City. One of the great, closed, distant institutions of the upper classes was apparently opened to the rest.

Of course the irony is that this has happened just as the Big Bang, and the arrival of American capital has made the City irrevocably less traditionally English. It is no longer the preserve of young men from public school: it has become much more multinational and distant - both through the arrival of foreign firms, and the internationalisation of trading.

**Buying these shares is not merely an** instrumental act, aimed at reaping a profit. It also expresses something about the social status of the buyer. Those most likely to buy these shares are the beneficiaries of the unequally distributed economic growth of recent

years: those in secure jobs, with good earnings and access to borrowing - the 'insiders'. Being able to indulge a new financial habit, with the near certainty of a good profit, is confirmation of the security and strength that comes with their affluence.

But it is not just a middle class habit: indeed some of the most enthusiastic takers may well be among the upwardly mobile skilled working class. It is no accident that British Gas chose the old-style working class name Sid for its advertising campaign. One reason for the TSB's success was its give-away price - but another was its customer base among the working class. It is they who have been pampered, seduced, made to feel special, by the expensive advertising campaigns. To not get a share of the shares is to miss out on something that everyone else is doing, to be excluded from something attractive and sought after.

This must be the message for the poor and unemployed who cannot borrow or save to buy shares, whilst directors of IBM mobilise their families to send in tens of application forms. So the policy is reasserting this new radical division within society between the 'insiders' and the 'outsiders'. It reconfirms the lines of the new fortress economy the government is creating: protective of those at work within the walls of the economy, harsh on those left outside.

The shares are also being marketed just as many consumer goods are, through appeal to social aspiration. With the act of buying a share comes a sense of power, that you and what you do matters. Private shareholding, along with holidays abroad, fur coats and the rest was once the preserve of the rich and powerful. The share buyers are being told that the world has turned in their favour: now they too can have something that once only the rich could have.

**B**ut the policy plays on another, more directly political, sense of empowerment. In buying British Gas shares people were not merely benefiting from, nor just participating in, the policy - they were *enacting* it. The transfer of an enormous corporation from the public to the private has mainly been *enacted* in banks and showrooms up and down the country. When small investors see that British Gas is being privatised, they do not feel responsible but they must believe they are making it happen.

**Undoubtedly a major permissive factor** underlying this is the deep unpopularity of the great public corporations which have towered over people since the war. Through popular privatisation these giants are being humbled. Their supporters and designers are paying for years of indifference, distance, and neglect.

The old collective institutions, which increasingly came to be seen as part of the state rather than the public domain

**'For popular capitalism to succeed the Tories will have to reverse the postwar decline in personal shareholding'**



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from which they drew their name, are being swept away by a new collectivity - the rush of millions of people to buy shares.

It is the consumerism of popular privatisation that has made it so politically potent. But normalising share buying as just another consumer purchase has required the denial of any direct politics. Each night during the run-up to the British Gas sale the public was watching political adverts on television, but they were being addressed as consumers. Individuals were drawn into the political through something that stood in between - an attractive looking bargain. The indirectness meant it was a much more effective, rounded political tool than direct arguments appealing to long-run economic efficiency, or ideology. At the start, the privatisation programme was at best unexciting, at worst controversial - the populist campaign has turned it into a positive driving part of Thatcherite politics by normalising it. The shares are a consumer good like any other.

The exclusion of the political is also due to the method of the policy. Privatisation is the state divesting itself of something and yet apart from the odd ministerial appearance the government and the state hardly appear on the scene. Instead Thatcherism has mobilised the banks, building societies, advertising companies and television stations as intermediaries to carry out the policy. The consumerist symbolism of the share sales has been made possible by sanitising the politics.

**How should the Left respond to the power of this new phenomenon?** Prior to British Telecom, Labour's objections centred on financial factors to do with 'selling off the silver'. The broader arguments revolved around trade union concern for job security and working conditions, and the future of social provision - would a privatised BT maintain the loss-making services like phone boxes? With the popular investment programme the Tories have opened up another front.

There are some good reasons for believing the Left should not take it too seriously. The relative failure of British Gas may set the programme back. The nauseatingly expensive, over the top, Tell Sid campaign may have irritated more than it attracted.

Another factor feeding the attractiveness of share ownership is the state of the stock market. Since the Thatcher government came to power equities have been on a rising trend. This cannot go on forever, and once prices start falling share ownership will go out of fashion.

Moreover there is not going to be any great rush into share ownership as long as there are such attractive tax concessions on other forms of saving, notably housing and pensions. Only when private shareholding enjoys the substantial tax concessions available on pen-



**Private number: phone kiosks being auctioned in Kent**

sions and housing will money flow into shares. The government shows no signs of challenging the relatively privileged tax status of pensions and housing.

But the forces of supply and demand are, nonetheless, likely to drive in the foundations of this limited form of popular capitalism.

First there will be a demand for the kind of safe share issues the privatisation programme has yielded. Continued strong real earnings growth among those in work will generate the savings for investment. Looming behind are the financial assets of the middle class inheritors; people who are already on the way to owning their own home and who will come into property their parents bought in the 1940s and 50s. The government is hoping that some of these assets will be sold and the proceeds will go into share buying.

There will be a continuing supply of share issues to meet this public demand. There will be more privatisations - water, electricity, rail, coal and so on. Also, of late, private companies have shown an interest in mass marketing their shares. Thames TV, Yorkshire TV and Virgin are just the first to attempt to use consumer loyalty to stimulate investor loyalty - if you like the goods why not buy the shares?

**M**oreover the City is showing a greater interest in directly tapping the funds of private investors. Big American firms have come there equipped with the tradition of higher individual share ownership in the States, and the marketing skills to sell shares to individuals. In a wave of City mergers, stockbrokers have been taken over by clearing banks with a ready-made retail network. Barclays Bank for instance can channel its customers' desire for shares directly to its in-house broker Barclays de Zoete-Wedd.

**So what does the culture of wider share ownership, set off by privatisation, amount to?** It is clear that while

individual acquisitiveness is a crucial factor it goes beyond this. But it falls well short of the popular capitalism of new right ideology. This conjures up the image of popular capitalists enjoying and understanding all aspects of share ownership. They would be capital accumulators. They would manage their portfolios directly, have to choose where to invest, and thereby understand the nature of business risk. They may come to understand some of the power and the responsibility that goes with shareholding. This idea of popular capitalism envisages a world where most people are active shareholders - it is vibrant, energetic, risky.

**I**n contrast the style of shareholding encouraged by privatisation is secure, self-satisfied. There is little accumulation because many people sell the shares soon after the flotation, and most of those that hang on do not accumulate others. There is little short-term risk because underpricing ensures a handsome short-term profit. In the longer run risk is minimised because BT and British Gas, for instance, have been privatised as monopolies, with a secure position to generate profits. As a consequence they are safe investments.

For these reasons there is good reason to be suspicious of the wider shareownership movement. But the Left's objections would be strengthened by offering some alternative to this individual form of share owning. For instance the Swedish Left has developed the Meidner Plan to gradually extend social control over investment. This can be done through increased taxes on profits or by the government effectively forcing private companies to issue new shares each year. The Swedish idea is to put the money into local and regional investment funds which would be citizen controlled. Each person would get a share of the dividends generated by the investment. But the investment fund would be collectively controlled, and yet decentralised, thereby outside

## The Share Story

### (1) The Great Share Bonanza

Company	Offer Price (P)	Opening Price	Under-Valtn £m
British Telecom	50	95	1,337.2
Amersham Cable and Wireless	142	190	21.3
Jaguar	168	203	46.6
Enterprise	165	179	25.0
Oil	100	100	0

The 'offer' price (first column Table 1) is what the public and other investors paid for the shares, ie, the government's asking price. The 'opening' price (second column Table 2) is how much people paid for them when the shares started trading on the stock market, ie, what investors were prepared to pay. The difference between the asking price and the price investors were prepared to pay, multiplied by the number of shares equals the amount the government 'gave away' through underpricing (third column Table 3)

The table below gives the value of shares owned by diffe-

### (2) Pattern of Share Ownership

	1963	1984
Persons	58.7	22.0
Pension funds, insurance companies, investment and unit trusts	27.8	60.0
Industrial and commercial companies, government and overseas	13.5	18.0

rent groups of investors as a percentage of the value of all shares on the stock market.

### (3) Number of Individual Shareholders

	Total number	% of population
Pre-BT privatisation in 1984	1.75-2	4.5
Mori Poll Feb 1986	3.3	8.3
National Opinion Poll April 1986	5.7-6	14.5
Dewe Rogerson Survey Oct 1986	7	17
Abroad		
Japan		16
US		19
Sweden		21

The table above gives some idea of the impact of privatisation on the spread of shareownership. The survey figures, it should be noted, are all pre-British Gas privatisation. Until now shareownership in this country has been relatively low compared with many other countries.

### (4) Decline of Shareholders after Flotation

Amersham - within one month from 62,000 to 10,000  
Cable and Wireless 150,000 to 26,000  
Brit Aerospace 158,000 to 27,000  
BT from 2.3m to 1.7m now

The table shows that many people bought shares at the time of privatisation with the intention of making a once-and-for-all financial gain rather than becoming permanent shareholders.

the scope of the state.

But the urgent question for the Left is how the extension of individual share ownership increases the unpopularity of Labour's plans for renationalisation.

Of course Labour and the Left in general have responded to the decline in support for public ownership by drawing up a new prospectus for social ownership. This is positive but it does not tackle the central question: how to build popular support for a central plank of left economic strategy - nationalisation of some of the big corporations?

There are sound economic arguments for public ownership. At a micro-economic level it is good sense to group some productive activities together through common ownership to avoid wasteful duplication. It also makes sense to take monopolies into public ownership. Some industries, like gas and water, are close to natural monopolies - left to roam the market they

would be free to exploit the consumer.

At a macro-economic level a left strategy to expand demand in the economy in order to boost employment needs a major stake in the supply side. High technology giants like British Telecom should be motors for growth, through innovating new products, and modernising the supply side of the economy to make it more competitive and efficient. These are good economic arguments for public ownership. The problem is that they are not enough.

The Left needs to develop the kind of dual strategy the Tories have employed to popularise privatisation. The economic arguments for nationalisation have to be buttressed by embedding public ownership in a sense of the everyday benefits it brings people.

Most people confront a big monopoly like British Telecom with a sense of powerlessness in two ways. They are powerless as consumers because they have no other option but to take BT's

services, and products, at BT prices. They are powerless as members of the public because they have neither the sense nor anything near the reality of control over a *public* corporation. To make renationalisation of BT popular Labour must address this twin sense of powerlessness.

**'Each night during the run-up to the British Gas sale the public was watching political adverts on television, but they were being addressed as consumers'**



**In its plans to renationalise BT Labour** must make it clear that the government will stand on the side of the consumer against the monopoly. How could it do this?

The clearest route is to make it plain that Labour will not just allow competition and deregulation in some areas of the telecommunications market but actively *encourage* it.

Competition to provide the infrastructure of cabling does not make sense. Nor does it make sense to have competition to provide basic services like long-distance telephone calls. Competition between BT and Mercury in the market for business users has driven down the price of telephone calls for companies, but at the expense of the ordinary consumer. Here again there is a good case for little or no competition.

But there is a case for competition when the services get very close to the consumer - in the peripherals and equipment supplied. People's sense of control over their telephone services would be greatly and directly enhanced if Labour's policy meant they could walk through their shopping centre and have a number of shops to choose from to buy telephones which they could install themselves. The electricity grid is publicly owned but competing products are plugged into it. Why should not the same principle apply to telephones?

The competition could be regulated to ensure that it did not lead to an enormous surge of imports. But it would be good for BT which undertook little product development in the 1970s, mainly because there was no competitive pressure to make it bother to address the consumer.

**L**abour could also use public ownership to develop patterns of consumption which are socially beneficial. For instance particular groups like pensioners could be targeted for special subsidies on their phone bills. If public ownership is meant to fulfil social goals then make them tangible and direct.

So Labour must empower the consumer against the monopoly. It can do this through introducing areas of competition, or more directly through targeted subsidies to meet social goals. Rather than appear to collude with the giant state corporation, Labour must consistently attack it for the sake of the consumer.

**What of accentuating the sense in which public corporations are publicly controlled?** Under Labour's plans to renationalise BT the people who bought

shares when it was privatised will be given securities which will bring a fixed rate of return. If all phone users were given these securities people would have some sense they owned these public assets rather than the government, and would get an income direct from the state corporation.

**B**ut this policy would need care. At the moment profits from public corporations go into the government's coffers to finance its spending. With Labour in power taxation and spending plans would be aimed at alleviating poverty and reducing unemployment. In other words government control of the profits would ensure they could be put to wider social use. If shares were handed out to everyone, regardless of their income, this would be a regressive move.

So just as the privatisation share distributions have been largely taken up by the better-off in work, the renationalisation share distribution should go to everyone, but be biased in favour of those on lower incomes. Why not announce that on coming to power all those on incomes below 140% of supplementary benefit (the poverty line) will be given a distribution of 'public corporation securities' that will carry an income. This might be hellishly complicated but it would be progressive in terms of taxation, and it would mean that some of the income going to the less well-off would arrive without

the stigma of a visit to the social security office.

However this does not address the control of BT - control over its development and direction. Could Labour here develop the model of the ITV franchise system? BT would maintain and control the infrastructure. The government would lay down tight requirements on pricing, maintaining public services like phone boxes, and crucially, conditions of employment. But then the country would be split into 16 telecommunications regions. Once every eight years consortia would bid for the franchise to manage, but not own, the telephone service in that region.

This franchise bidding would ensure periodic competition over the provision of services with different management teams competing to run the service. However workers' interests and less organised social groups would have to be safeguarded to ensure that they were not trampled on in the rush to make a profit. To this end the public would have to maintain control of say 80% of the shares or securities in the North Western Telephone Company for example. The remaining 20% would be distributed between workers and managers to give them some material incentive to run the service more efficiently. But the managers would not have total control: that would be with the board largely made up of the elected representatives of the share-

holders, and government appointees.

The decision on which bid to accept would be down to the consumers/shareholders. This could be done through public meetings or by arranging a vote at the same time as the local elections - as well as voting for your councillor you would vote for the telephone service you want. The consortia would have to send out literature on their plans, run advertising campaigns - in short the people running the telephone service would have to pander and persuade the public rather than blindly ignore them because they are an unchallengeable monopoly.

So Labour's plan to renationalise BT should be augmented with these elements: the introduction of competition close to the consumer; targeted subsidies for special groups; a distribution of public corporation securities, biased towards the less well-off; and a regionalised franchise structure to mix localised control with periodic competition.

Labour does have a rich tradition of policies which have won popular support because they have had a strong base in the everyday. Child benefit, school milk, the GLC's Fares Fair policy all embedded themselves in some kind of popular culture. To win support for (re)nationalisation Labour must not rely on the economic arguments, but must accentuate the sense in which public corporations really are *for* the public. •

**'To win support for renationalisation Labour must not rely on the economic arguments, but must accentuate the sense in which public corporations really are for the public'**



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