



THE RETURN OF THE STATE

AND WHY IT IS ESSENTIAL FOR OUR HEALTH,
WEALTH AND HAPPINESS



GRAEME GARRARD

YALE UNIVERSITY PRESS
NEW HAVEN AND LONDON

CONTENTS

	<i>Acknowledgements</i>	<i>ix</i>
	Introduction	1
1	Building a People's State	16
2	Private Good, Public Bad	45
3	The Rise of Private Governments	73
4	Preying on the Weak	96
5	Wishful Thinking Between State and Market	120
6	State Capitalism: From Washington to Beijing	149
7	The State We Need	175



CONTENTS

Conclusion	195
<i>Endnotes</i>	200
<i>Bibliography</i>	208
<i>Index</i>	213

INTRODUCTION

In mid-Victorian Britain, in the bleak world of Charles Dickens before the welfare state existed, access to healthcare was almost entirely a matter of social class. The tiny upper class and most of the middle class (then very small) paid for their medical treatment out of their own pockets. The doctor's basic fee of sixpence plus the cost of the medicines he prescribed were beyond the means of the vast majority of people. A home visit by a private doctor enabled the well off to avoid going to a hospital, which was then widely seen as a thoroughly unhealthy place.

For the rest there was a system of voluntary hospitals supported by charities and staffed by volunteers, and publicly funded (and underfunded) workhouse infirmaries. The lucky few were admitted as patients to voluntary hospitals, which accounted for about a third of all hospital beds in England by the early twentieth century. Sometimes individuals were required



THE RETURN OF THE STATE

to make some financial contribution to their care if it was judged that they could afford it, although most were charged nothing. Membership in a community-owned mutual aid fund, medical club or work-related insurance scheme enabled some working men to pay small regular premiums to cover the cost of health-care should it be needed, particularly for medicines, although their family members were not usually covered.

For the destitute poor there was the dreaded workhouse, which Ebenezer Scrooge cruelly commended for ‘their useful course’. These grim institutions, so powerfully evoked by Dickens in his novel *Oliver Twist*, were the last resort of those who could find no other work. Workhouse inmates laboured in return for a meagre subsistence. If they became ill, as they often did in such conditions, they were kept in the crowded, unsanitary and badly ventilated infirmary where they received the most rudimentary care from overworked and often demoralised (and not infrequently drunk) doctors.

Imagine what the world would be like today in a global pandemic under such a Malthusian system, even if a vaccine was available. Your health would depend on the whims of charity, your ability to pay private corporations or your place in a hierarchical client–patron network. Think more generally of a world of private, for-profit monopolies demanding payment for primary and secondary education, healthcare, access to roads and ports, police protection, the running of prisons and the military.





INTRODUCTION

The revolution in publicly funded health and welfare that occurred in the West between 1850 and 1950 reflected a growing belief in the fundamental unfairness of such an arbitrary system, where ability to pay played a dominant part in people's lives. Most wealthier states now provide all of their citizens with access to some form of publicly funded health-care as a basic right, the US being a notable exception. But for several centuries after the emergence of states in the early-modern period, the health and welfare of the general population was considered no part of their purpose or responsibility. Churches and charities provided virtually all such care for the vast majority who could not afford it themselves. Today, universal, publicly funded healthcare is one of the greatest achievements of the state in those parts of the world that are wealthy enough to afford it and decent enough to provide it.

This system is not now under threat of collapse or reverting to what preceded it. But it is on the defensive and has been for some time now. It is beleaguered and demeaned, subject to constant outsourcing, privatisation, marketisation and austerity measures by a political ideology that seeks to 'roll back the frontiers of the state'. This deliberate political project has been underway for a generation now and has done massive cumulative damage to many of the most vulnerable while profiting many of the most well off. Political and economic elites have their own resources to pay for such services privately, so they have little 'skin in the game' of this





THE RETURN OF THE STATE

welfare system, as they don't suffer the direct consequences of underfunding it.

Things are very much worse for people in many poorer parts of the world, like Somalia, where the state barely exists. After 1991 it was not only a land without peace but it lacked the basic public goods that many states now provide to their citizens, such as education, healthcare, a well-maintained transportation and communications infrastructure and a regular system of laws. The plight of Somalia at the time (and to some degree since) is a nightmare vision of life without any functioning state. While it is an extreme example, since states rarely collapse completely, it serves to remind us of what we take for granted about the state.

Almost four centuries ago the English state failed, creating a political vacuum in which a civil war caused the deaths of tens of thousands (proportionately, the equivalent today of almost two million people). This led the English philosopher Thomas Hobbes to write one of the first and most influential defences of the state, which he called *Leviathan* (1651) after the biblical sea-monster. He only narrowly escaped with his life when he changed sides – twice – in that conflict. In his eyes, the only realistic alternative to a strong state was anarchy, literally 'no rule', a condition in which no one is safe, he thought. He saw a strong state as the *only* way to keep the peace, without which life would be, in his famous phrase, 'solitary, poor, nasty, brutish and short'.





INTRODUCTION

But the modern state now looks increasingly like a beached whale rather than the mighty leviathan state of Hobbes. Today it is gripped by a new kind of crisis. The state is being increasingly challenged by the rise of new powers that did not exist in the seventeenth century. These are subverting its capacity to protect citizens and act for the public good. While states are retreating from active involvement in the market through widespread privatisations, outsourcing and deregulation, corporations are rapidly expanding their wealth and power. Today half of the hundred largest economies in the world are private corporations.¹ Apple, Amazon, Microsoft and Alphabet/Google are each worth more than the GDP of 168 nations. If the state continues to be whittled away from within and eclipsed by these mega-corporations from without, the lives and well-being of most of us will be increasingly subject to unaccountable corporate powers driven exclusively by their own interests. In Hobbes's time, a weak or failed state meant anarchy and civil war; in our time, it means potentially despotic rule by private, profit-seeking powers that serve the interests of the few, leaving the many at their mercy. In most countries the state now provides a whole range of public goods beyond just physical security (Hobbes's paramount concern), such as health, education, welfare and culture. But caught between the rise of regional governments, sub-state movements and powerful globalising forces, the state as we have known it since World War Two has been gradually ground down, sold off, delegitimated and increasingly marginalised.





THE RETURN OF THE STATE

I am not predicting that the state will completely collapse or ‘wither away’ under capitalism, as Friedrich Engels imagined it would under communism, although that may be a realistic possibility in some rare cases. The state is not dying. Indeed, it has increased its capacity in some areas, such as the surveillance of its own citizens, owing to advances in technology. And its spending sometimes increases as a percentage of GDP, as it did during the 2008 financial crisis and, more recently, during the Coronavirus pandemic. Most government spending in most developed countries is on health, welfare and pensions, although these services have all been subject to incessant long-term privatisation, austerity regimes and outsourcing. Even so, states in the neoliberal West and in large parts of the world that are under its economic hegemony have retreated significantly from direct involvement in markets, which they prefer to leave more or less alone except when they fail. Then they come running with money to bail out supposedly too-big-to-fail banks and businesses whose collapse threatens to bring the whole house down. States are losing their capacity to act effectively in a global economy increasingly led and dominated by multinational corporations whose sole motivation is profit.

These changes to the state since, roughly, the late 1970s were neither accidental nor inevitable. They are primarily the result of deliberate policies by those who subscribe to the ideology of neoliberalism, according to which unimpeded





INTRODUCTION

capitalist markets are the fairest, most efficient and most cost-effective way to run an economy and promote general well-being. It became the dominant ideology and principal political project of many countries, epitomised by British prime minister Margaret Thatcher but by no means confined to the political right. It led to policies such as deregulation of the economy (particularly financial markets), privatisation of public utilities, the outsourcing of government functions to the private sector, reductions to impediments to the free movement of people, goods and capital, and the elimination of price controls.

The state's diminishing capacity to act for the public good is especially dangerous in the absence of any other agency in the world realistically capable of countering the growing power of rival entities, such as multinational corporations, international organisations, drug cartels, terrorist networks, organised crime and technology-driven social media companies, that will always put their own interests first. For people and organisations who are dependent on it, as almost all of us now are, the retreat of the state poses a very real danger, as the agencies that replace it are likely to be unwilling or unable to protect and support the lives of ordinary people to the extent that they have been used to for the last seventy-five years in the West. Now, only the state has the power and potential to protect and promote public goods, individual rights and general welfare from unelected non-state powers that pursue





THE RETURN OF THE STATE

their own private agendas, unanswerable to the majority and increasingly free from external scrutiny and control. If the state is weakened sufficiently, we will face a bleak future that looks more like the nineteenth than the twentieth century, where the lives of most people are governed by capricious local oligarchs and access to vital goods and resources is directly dependent on an individual's status, wealth and power.

Sceptics on both the left and the right correctly point out that the state and the market have often colluded against the general interest, more mutually supportive than antagonistic. The Scottish economist Adam Smith noticed this tendency almost 250 years ago when he observed with concern that 'the English legislature has been peculiarly attentive to the interest of commerce and manufactures', even when this had been harmful to the public good. What was to Smith in the eighteenth century a worrisome cosiness between business and the state was to Marx and Engels in the nineteenth century the complete subordination of the state to capitalism. 'The executive of the modern State', they wrote in 1848, 'is but a committee for managing the common affairs of the whole bourgeoisie'.² And in the twentieth century the anarcho-syndicalist Noam Chomsky echoed Marx's views in his own influential assaults on the 'State–Corporate Nexus'.

This outlook is by no means confined to the left. Recent 'civil society' conservatives like Phillip Blond in the UK and Patrick Deneen in the US share this idea of the state and the market as





INTRODUCTION

co-conspirators against the commonweal. Blond rejects both the modern welfare state for fostering authoritarian gigantism and the free market for promoting selfish individualism. His alternative is the 'Big Society', a realm between state and market rich with freely associating groups such as churches, charities, schools, pubs, clubs and small local businesses that support and strengthen social bonds without encouraging the growth of giant market monopolies and a leviathan state. Deneen portrays contemporary states and markets as aspects of a single liberal pathology that has dissolved traditional communitarian attachments that are essential to any healthy form of collective life. For state-sceptics on the left and the right, freedom can only be found beyond the market and the state in 'civil society', the so-called 'third sector' of free, independent associations.



But civil society has been too thoroughly penetrated and colonised by market forces to offer any kind of realistic alternative now. Its 'little platoons' are nowhere near strong or numerous enough to resist the pervasive power and influence of global markets and consumer culture in our lives, which have been greatly magnified by technology. It is a fantasy to think that there is, or could be, a 'Big Society' to which we can turn to escape the overbearing power of the Big Market. The only plausible check on big business today is the Big State. This is our only realistic option now and for the foreseeable future for challenging the growing power and influence of multinational corporations.





THE RETURN OF THE STATE

A Big State, but not the Biggest State. A state that is too big may be weakened by overextension, dissipating its power and resources by trying to do too much. No state has infinite resources and limitless knowledge. All states must have priorities and allocate resources according to them. Some hard choices are unavoidable. There is an optimal point beyond which state power diminishes as its size increases, an ideal spot where it is strong enough to control runaway market forces without itself becoming oppressive or ineffective. In the West today, we have fallen short of this point and we have not found the best balance between private profit and broader social goods. This is partly because of the dominance of an ideology that naively assumes that markets are almost always the best way to provide such goods. But it isn't just the consequence of ideology warping perceptions of how capitalism really works. Self-interest has also played a big part in the popularity of these policies among political and economic elites, who are usually their principal beneficiaries.

It would be foolish to deny that state power entails very significant risks. But so does market power. And while strong states are dangerous, so are weak states, as Hobbes knew well. There is no risk-free option. Debates about the state should therefore be about the degree and nature of the risks that each poses. And this requires an understanding of the risks that markets pose, which are considerable and growing, although too often underestimated, particularly in the West.





INTRODUCTION

We are now in an age of monopoly and oligopoly capitalism. There is no realistic alternative to this in which many small and medium-sized firms compete in a free market that is efficient, fair and responsible, except in economics textbooks and ideological tracts, neither of which are reliable guides to the real world. A small number of mega-corporations now dominate the global economy and account for a growing share of its wealth and power. These are either private, as in the West, or public, as they often are in the Far East and parts of the Global South. Those are now our options.

The trend towards greater private power at the expense of public power is not uniform across the world. In many developing countries the balance still favours the state. It is even fair to speak of a resurgence of state capitalism in some regions, where the state acts as the dominant economic power and can act for the public good, even if it doesn't always do so.³ The leader of this approach is China, where only three of its forty-two biggest companies are privately owned and state enterprises account for a third of all capital spending, compared to just 5 per cent in most developed economies.⁴ In many countries outside the West today China's statist approach to its economy is an increasingly popular alternative to the neoliberal orthodoxy favoured by elites in most developed countries and by the international financial agencies such as the International Monetary Fund (IMF) and the World Bank that they dominate. This new statist trend began even before the





THE RETURN OF THE STATE

crisis of 2008, when it accelerated rapidly. In the four years prior to this, 117 state-owned firms in Brazil, Russia, India and China were included in the Forbes Global 2000 list of the world's largest companies, while 239 privately owned Western companies were knocked off it.⁵ State-owned companies today control 75 per cent of the world's oil reserves.⁶ Even within the West there has been a recent shift (albeit probably temporary) towards more direct state involvement in economic life in response to the 2008 financial crisis and the Covid-19 pandemic, although there has not yet been any general movement to renationalise parts of the economy.

Taking a major step in the direction of state capitalism and more active, direct government involvement in economic life does not necessarily require political authoritarianism of the kind practised in China today, despite the claims of some of its opponents. It is neither unrealistic nor unprecedented for popular governments to assert the public interest this way, particularly at a time when trust in free market capitalism around the world is declining, particularly among the young.⁷ It is only since the neoliberal wave of privatisations, deregulation and outsourcing that began in the 1970s that the state has increasingly removed itself from the business of business, except when it has jumped in temporarily to bail corporations out of their own folly.

It is natural to be ambivalent about the state because it is reasonable to fear that an entity powerful enough to do so





INTRODUCTION

much good is also powerful enough to do a great deal of bad. Certainly the modern state is not an easy thing to love, with its lumbering bureaucracy, arbitrary borders and reputation for violence. That's why it has never lacked enemies. The state has been attacked from every angle, left, right and centre, and in every age since it first emerged in its modern form four centuries ago. Popular attitudes to the state tend to be less rigid than those of ideologues and are more influenced by changing circumstances. Events since early 2020 have reminded us of some of the good and the bad that it can do. While the state is an abstraction, it is a very concrete and immediate reality in our daily lives, although it often takes a crisis to remind us of this. The Covid pandemic has shown that, at its best, the state can and does play a highly positive, sometimes even lifesaving, role in the lives of many people today. But it has also provoked a backlash against what some perceive as excessive control that threatens civil liberties, leading to demonstrations and protests in many parts of the world.

The balance between state power and market power is constantly shifting. We have been living in an era when the balance tilted towards business to a dangerous degree. But very recently it has shifted back somewhat towards the state because of the financial crisis of 2008 and the Covid-19 virus, the worst pandemic since the 1918 Spanish flu. Although many failures and mistakes have been made in response to this global crisis, and many lives lost as a result, vaccines were developed





THE RETURN OF THE STATE

and administered in much of the world in record time, public health services were mobilised and adapted to treat the afflicted on a global scale, and governments have dispensed vast amounts of money to support businesses forced to close and workers facing possible ruin by prolonged and repeated lockdowns and restrictions.

The time has come to restore the balance between states and markets by reasserting greater state control over and involvement in the market to promote the public interest, checking the burgeoning power of private corporations and ensuring greater accountability over the powers that dominate our lives. This means bringing the neoliberal experiment of the last fifty years to a complete end, a process that may already have begun. It also means democratisation of the economy by using the power of the state to make the economy serve the public good rather than the other way round. And it means reversing the incessant privatisation and outsourcing of the welfare mission of the state that ensures the greatest possible access to the full range of public goods that all citizens need to lead fulfilling lives.

The state is the dominant form of organised public power in the world today. That hasn't always been the case. Before the rise of the state in early modernity, the two 'estates' of the church and the aristocracy were predominant. They have now been replaced in that position by the state and the market. It is likely that these will one day be succeeded by new forms of power. But until that happens they are the only two games in





INTRODUCTION

town. This book makes the case for a Public Interest State as the best path and the lesser risk. Only states have the potential to ensure there is common provision for those who cannot afford many of the basic ingredients of a good life. The state can be a force for good in a way that profit-maximising corporations never can. The twenty-first-century post-neoliberal world will require a bold return of the state to its proper role as the principal champion of the public good and general welfare.





BUILDING A PEOPLE'S STATE

The state is an enigma. We cannot see it or touch it directly, though we can see and feel its effects, sometimes violently (such as in wars and law enforcement). It is an abstraction, yet it is arguably the most powerful human force on earth today. We all live in states, which are now the main unit of political organisation in the world, and almost the entire planet today is covered by them, yet for most of human history states did not exist. They are a relatively recent invention that might one day cease to exist or become just one power among many, and perhaps not the greatest or most important of them.

The earliest states were small and limited to providing some measure of peace and security for their citizens in a very dangerous world with fairly primitive technology compared to today. They were ruled by small, unelected elites who were unaccountable to those they governed. Most states today are



BUILDING A PEOPLE'S STATE

democracies, at least formally, and are expected by their members to provide for their general well-being with free (or publicly subsidised) healthcare, education and welfare. That is mainly why states now are so much larger, richer and stronger than their earliest predecessors.

States do not exist in isolation. They have evolved and adapted constantly in response to the challenges they face, both internally and externally. At first, the power and sovereignty of states were challenged mainly by established religious institutions. Now, their principal rivals are large multinational corporations. The state today has been fundamentally shaped by the existence of this enormous and growing form of private power, which barely existed when the first states were created. Much of the history of the state since the emergence of industrial capitalism in the early nineteenth century has been a struggle between public power, embodied in the state, and private power, in the form of large international corporations. This battle has gone on at many levels, from abstract ideas to the everyday lived experience of ordinary people trying to survive and prosper in a world now dominated by states and corporations.



Inventing the State

Politics has always existed in human history. When the ancient Greek philosopher Aristotle said that 'man is a political animal' he meant that humans naturally form political communities of some kind. It is part of what makes us human. But for most





THE RETURN OF THE STATE

of the life of our species such communities were not states, which is a specific, modern way of conceiving of politics. Until the sixteenth century, non-state forms of governance were the norm, such as tribes, fiefdoms and principalities, although these shared some characteristics with the state as we know it today. In the West now we tend to assume politics and states naturally go together because politics has been intrinsic to the state for several centuries. States first emerged from the fragmentation and chaos of the Middle Ages, mainly to provide a stable structure powerful enough to maintain internal peace and order. In the twentieth century, the purpose of states massively expanded beyond just keeping the peace to include the health and welfare of its members, and its power and cost have expanded proportionately.



Prior to the modern age, government was personal. In the ancient world there was no ‘state’ understood in abstraction from the people. ‘Where we could say “the state”’, Martin van Creveld has said of the ancient Greeks and Romans, ‘they would write “the public” or “the people”.’¹ In feudal Europe, relations of power were based on personal bonds between peasants, lords and kings similar to the members of an extended family, which is why oaths of loyalty were made to specific people rather than to general concepts like the nation, the state or the constitution.



It was not until the sixteenth century that political communities began to be formed into states. The first use of the word

