Political economy and crime policy

Colin Leys considers the role of private finance in policy making.

As in so many areas of life today, there is a huge disjuncture or 'disconnect' between what we know is the wider reality we live in, and the way we think about crime. We know we must all consume less if the planet is to remain habitable, but doing anything about this ourselves seems fruitless. Meanwhile we don't want to give up flying or living in our family-sized house just because the children have grown up and left home.

In the same way, even when we know that crimes like mugging, burglary and vandalism are directly linked to increasingly gross inequality, long-term unemployment, racial discrimination, and so on, the only useful action we feel we can take for ourselves seems to be to call for more protection and tougher punishments. The World Federation of United Nations Associations tells us that world-wide organised crime generates $2 trillion a year (The Guardian, 2007). Does this make it sensible, or stupid, to keep expanding the proportion of the population we put in prison?

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A political economy approach to crime can't offer an answer to that question, but it can offer a way of organising our thinking about it. In relation to less overwhelmingly vast issues it can suggest rational responses that transcend the dead end of harsher and harsher methods of control and punishment.

The starting point of political economy is the structure and dynamics of the economy and society, and their intimate links with politics. Its building blocks - capital and labour - are the main actors in the economy and have a relationship with the main actors in politics. Nowadays both operate globally.

The significance of this last point is not just that the most powerful firms are transnational. It is that what national governments feel they can do is increasingly limited by the transnational power of capital – a power which political leaders allied to corporate capital initially promoted, and which now sets limits to what all but the most powerful national governments can do. With financial capital free to move across national borders governments are less free than ever to ignore its wishes.

If government policies do not meet with market approval, the interest which the government has to offer on new bond issues rises. Sometimes this is called a 'political risk premium'. In the early 1990s Labour's political risk premium was said to be 2% – in other words, if a Labour government was elected, the markets advised lenders to charge 2% more for loans made in Britain, to cover the risk that Labour policies would make the borrowers' operations unprofitable. A 2% handicap on a government's economic policies is huge, so part of the task confronting the architects of 'New' Labour was to win market approval by changing the party's policies. This included granting independence to the Bank of England in setting interest rates, with a mandate only to control inflation, and accepting the Private Finance Initiative (PFI) for virtually all future public investment. The City of London called for these and other changes and got them. New Labour's risk premium fell from 2% cent to 0.5%, and presumably disappeared soon after.

How might this bear on crime? The PFI, for example, raises costs. This means less money is available for other purposes. And because PFI leases run for 25 years or more, the costs continue even when the original purpose has vanished. For instance a PFI-built school in Northern Ireland is no longer needed and is to be pulled down, but the local authority involved will pay a total of £7.4 million over the next 20 years for the maintenance of a building that no longer exists. Most people could probably think of several ways in which £7 million might be usefully spent on measures that would reduce crime.

The policy implications for crime become even clearer in relation to PFI-built prisons. There is now a very big PFI/PPP (Public Private Partnerships) industry, with its own well-resourced association, the PPP Forum, which presses constantly to enlarge its role in policy-making and will fight hard against any policy which will reduce its profits. If a decision were taken to bring down Britain's indefensibly high rate of imprisonment and eventually cut the number of prison places, significant opposition could come from this quarter, backed by ample finance and press support.

The PFI is only an example of a much wider reality. Not just financial capital but all multinational firms have policy agendas which governments

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have to heed. One of the pioneers of the study of multinational corporations, John Dunning, summed it up like this: 'If the government of a country imposes too high a corporation tax, firms – be they domestic or foreign – may decide to relocate their value-added activities in another country where taxes are lower; or, in considering where to site their new plants, firms may choose that country with the least burdensome environmental constraints, or whose government pursues the most favourable industrial policy, or which offers the most advanced telecommunications facilities or the most attractive tax breaks for R and D activities. Indeed … anything and everything a government does which affects the competitiveness of those firms which must have some latitude in their cross-border locational choices must come under scrutiny' (Dunning, 1993).

Few people realise the extent to which the policy agenda is set by corporate interests. The decision-making process begins with consultations, followed by the formal steps of Green Papers and White Papers, and ending with policy decisions and legislation. Who is consulted at the outset is largely a matter of who has market power, and can insist on being consulted. As a result, large corporations are at the table where policy is generated. They are major players in the so-called 'policy community'. The executives of medium-sized companies have access to ministers and higher civil servants. The chief executives of big companies often have access to the prime minister. The website of G4S (the former Group 4 and Securicor), for example, states that 'G4S is the world's leading international security solutions group, operating in over 100 countries and employing 480,000 employees'. It would be naïve not to assume that G4S is a rather powerful member of the crime 'policy community' in Britain.

And being in at the start of consultation is only part of it. Part of the 'Washington Consensus' shared by the corporate members of the 'policy community', and now broadly accepted within British government, is not just that the economic role of the state should be reduced to a minimum – that state-owned enterprises should be privatised and state functions largely outsourced to private companies – but also that all public institutions should be judged in terms of a business conception of 'value for money'. This effectively *excludes* values such as social solidarity from the policy calculus.

The general relevance of this to social policy is clear. Let me give a brief example: the recent government decision to close 2,500 of the existing 14,000 post offices because the system is losing about £200 million a year. According to Mr Darling, when he was Chief Secretary to the Treasury, the loss is 'unsustainable'. How does this work? Because of the jolt the government got from rural communities when they marched on London in their thousands under the banner of the Countryside Alliance, there is some evidence of a debate within government on this issue. The *Observer* reported that 'the government has indicated that if the post office network were a purely commercial organisation, it would run only 4,000 branches. However, it accepts that it has a social role' (The Observer, May 2007). But this way of putting the matter makes it clear that for the policy community, the post office is primarily a business. The only real criterion of success is breaking even, or better still running a surplus. The social benefits of the post office's so-called 'retail network' are seen as 'externalities', not to be paid for by the business if it can be avoided.

In this new policy calculus there is less and less room for catering to collective needs. Largely powerless special 'policy units' concerned with collective interests, outside the main policy-making process, such as the Social Exclusion Unit, are symptoms of this fact. There are a few exceptions – the military, for example, and the Royal Family. No one says they are 'losing' hundreds of millions a year and are 'unsustainable'. But they are the exceptions that prove the rule.

So long as social policy is made with these assumptions, and via processes so heavily conditioned by the power of corporate capital, rational discussion of policy on crime – which is after all at the heart of our collective interests – is likely to be difficult at best. But ignoring this fact is liable to leave policy-makers endlessly tinkering with a system the real drivers of which lie elsewhere. Facing up to it does not yield easy alternatives, but holds some hope of progress. Not all policy options are predetermined by the inertial force of the existing system. As a recent opinion poll shows, public opinion is, on balance, against putting ever more people in jail. (The Guardian, 2007). There is a clear need to respond to this by challenging the assumptions on which recent policy has been based, and a political economy approach is a necessary tool for doing so.

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References

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