6 Shareholding as Managed Intervention

In this final chapter we discuss local and regional authority shareholding in relation to the theoretical approaches outlined in the Introduction and the implications local and regional shareholding has for the ‘planning’ system we also outlined in the Introduction.

In previous chapters we have discussed the role of the state in the crisis; we have seen how local and regional authorities have assumed the role of risk-takers through the medium of the limited liability company. The introduction of limited liability in company law over 100 years ago greatly extended the centralisation of capital and expanded the accumulation process. The more systematic use of state shareholding since the mid-1960s at national, regional and local levels has represented a further use of limited liability in the accumulation process. It has enabled the state to encourage investment and development in a controlled way. The limited liability of the shareholder is a basic safeguard for the state in facilitating investment and development in an accumulation crisis where state expenditure in general is strictly controlled. At the same time the involvement of the state in risk-taking attracts private capital, facilitates investment and controls development. The advantage of state shareholding to private capital is in fact its limited nature. The state’s support for an investment is limited in its liability to the state and it limits the liability of other investors by sharing in the risk of a particular venture; it is also restricted in its extent and in its duration.

We must now examine this new extension of entrepreneurial activity by the state in relation to some of the functions of the state in capital accumulation. Firstly, the state provides mechanisms for economic ‘planning’ and coordination. Secondly, it provides or regulates inputs for the accumulation process, such as land supply or finance. Thirdly, it intervenes to maintain consensus by reducing ‘the more disruptive effects of accumulation, including the prevention of pollution, degradation of land and townscape, or wide regional disparities’.1 These functions vary in their importance according to the stage of the accumulation process. In a crisis, the third one, intervention for consensus, assumes less importance than the other two. The first two functions are performed by the state at other times than in a crisis, but they assume far more importance in a crisis when they concentrate on particular aspects of restructuring and adopt
new forms of intervention such as shareholding.

Local and regional shareholding from 1966 was concerned with restructuring as part of the state's economic planning function. But involvement in restructuring was accompanied by attempts to protect the local economy from the disruptive effects of developments. Many of these attempts to control disruptive effects had their historical origins in the need to intervene to establish or protect consensus over issues, and there had been extensive discussions by local authorities during the 1960s and early 1970s about how to secure such objectives. There was also a history of regional policy which had been aimed at minimising the disruptive effects of regional unemployment disparities. We have described how the HIDB and NIFC began as developments of this policy. We have also described how in Shetland the local authority attempted to control the disruptive effects of oil developments, and how in Southend the Council was concerned about the disruptive effects of the third London airport. However, we have also described how all the local and regional authorities were concerned to facilitate development or investment as well, and how the policies of the HIDB and NIFC, as well as those of the local authorities in facilitating development, are concerned chiefly with securing profitable schemes or enterprises. In the case of the HIDB and NIFC only the original establishment of the regional agencies as 'special cases' can be seen as intervention for consensus. Their performance in providing equity is more consistent with the function of supplying vital inputs for firms which faced similar financial restructuring problems regardless of their regional location. In the case of the local authorities concerned with minimising disruptive effects and securing development, their performance is consistent with supplying inputs for development in a controlled way within strict financial limits. In other words, the maintenance of consensus has not disappeared but in relative terms it has assumed less importance than the financial restructuring and facilitation role of the state.

It was no coincidence that the need arose to support the existence of a local authority airport in the East Midlands and that at the same time passenger transport authorities sought mechanisms for raising additional finance for their operations, that local and regional authorities supported the growth of new firms, either connected with their existing functions or not, that development and speculation was influenced and controlled, and that an increasing involvement with the local economy came about. Shareholding was a mechanism which in a small way helped to secure a range of objectives which all arose out of the crisis. The importance of shareholding is its role as a tool of managed intervention, which has assumed growing importance during the crisis.

The pattern of local and regional authority shareholding reflects a particular role in a specific historical period of the accumulation process. This role consists of a set of responses to the three elements of the crisis we have discussed earlier: