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Governments between managing capitalism and transforming it



Governments around the world say they have no room to act. Although inequality and the cost of living are rising, fiscal space, we are told, is tight. Yet in many cases, the squeeze is self-imposed.

It follows from equating fiscal responsibility with cutting deficits and debt, rather than with building an economy's capacity to grow, withstand shocks, and meet its obligations over time.

In fact, cutting spending in a weak economy can leave the debt-to-GDP ratio higher, not lower; and when fiscal rules bite, public investment is often the first thing cut.

Under this self-imposed pressure, governments reach for short-term fixes. This often includes a swing between privatization and nationalization: assets are sold off when budgets look stretched, and then rescued at public expense when they fail.

Neither approach creates lasting public value. Progressive governments need their own way to create value, one that builds an economy that works for people and serves the common good, rather than merely reacting when things go wrong.

One response to that swing has been a change of language. In Britain, Prime Minister Andy Burnham has begun to use the term “**public control**,” and Chancellor of the Exchequer John Healey has made this objective a pillar of his growth strategy.

The phrase is useful because it moves beyond the old choice between selling assets and nationalizing them.

It signals that the state should have a greater say over essential services and infrastructure without committing to full public ownership.

But the concept will only be powerful if it is rigorous. Left undefined, it can mean anything: taking a government stake here, offering a subsidy there, or pursuing nationalization in a crisis.

In the United Kingdom, the phrase has been used to describe a water bill (which touches on ownership), a bus system (which is about franchising), and social-value rules (which concern procurement).

The difference between managing capitalism and transforming it

We define public control as the capacity of the state to steer economic activity toward strategic objectives through the public-purpose orientation of its policy tools. Ownership is only one such tool.

Others include regulation, procurement, and public finance. What counts is the purpose these tools serve, the conditions attached to public support, and how success is measured. That is the difference between managing capitalism and transforming it.

The distinction matters, because ownership alone is not the only relevant parameter.

For example, US President Donald Trump's administration holds a golden share in US Steel and has taken **equity stakes** in dozens of companies, including Intel. Yet the US government's 9.9% stake in the chip maker appears to be passive—with **no board representation** and a tacit commitment to vote with Intel's board.

Little in these deals suggests a mission centered on the common good, conditions on how the benefits are shared, or investment in the state's own capabilities. That is a portfolio assembled deal by deal, not public control.

Without a mission, control is simply a question of who holds the shares

Instead, policymakers should do four things. For starters, they need to set **clear missions**: bold, time-bound goals to ensure that all policy tools are moving in the same direction.

Without a mission, control is simply a question of who holds the shares; with one, it becomes a question of what the economy is for.

Second, governments must attach conditions to public support so that firms have an incentive to modernize, improve working conditions, and return a fair share of returns to the public.

NASA set a powerful example in the 1960s and 1970s when it prohibited “excess profits” in its Apollo program’s procurement contracts, thus socializing both the risks and the rewards of public investment.

Case of British Steel

A third priority is to invest in the state’s own **capacity**. A government that has outsourced its understanding of a sector lacks the capacity to originate deals, hold partners accountable, or course correct.

As the recent case of **British Steel** shows, taking a struggling firm into public hands solves little if the state lacks the expertise to negotiate with suppliers, set conditions, and deliver progress on the green transition.



Taking a struggling firm into public hands solves little if the state lacks the expertise to negotiate with suppliers, set conditions, and deliver progress on the green transition – British Steel

Lastly, governments must ensure that they are operating under sensible fiscal rules. Otherwise, public control can easily be undone.

If borrowing to finance investments in public

assets is treated the same as borrowing to fund consumption, governments will be **penalized** for doing exactly what they should be doing.

Our new **Global Council on New Economics for the 21st Century**, co-chaired with Spain’s First Vice-President Carlos Cuerdo, was set up to tackle the outdated economic assumptions that hold back progress on delivering public services, housing, and the green transition.

Our new **policy brief** considers why defining fiscal responsibility mainly through deficit and debt targets can be self-defeating and proposes measuring fiscal health using public assets and net worth instead.

The UK’s history of privatization

The UK’s own history of privatization and outsourcing public services offers a stark warning.

The UK has a bad habit of selling assets to the private sector, bailing them out when they fail, and selling them again when things start looking up.

As a result, the public is always bearing the risk and missing out on the upside. The same cycle can happen in any country where the government intervenes only during crises, without building the governance capacity to make either ownership or privatization serve the common good.

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Public control should be judged not by how much the state owns, but by what it makes possible.

Progressive governments that define this concept rigorously, backed by the capacity to deliver, can build economies that work for people and the planet.

Done properly, public control could become the foundation for a new relationship between the public and private sectors that is centered around delivering public value.

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