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A reflection on the Systems of Provision framework of analysis by way of a practical example

I am glad to have the opportunity to offer a reflection on the Systems of Provision (SoP) framework. This is based on its use in my own work, which I hope will be useful as an illustration of some of its advantages to researchers.

The SoP approach was introduced to me by Ben Fine, when I undertook PhD research into the political economy of railways in Britain under his supervision.¹ Railways in Britain were one of the first in Europe to be privatised, as state-owned British Rail – a public body run at arm's length from central government – was broken-up and sold off in the mid-1990s. It was perhaps the most controversial of the privatisations of public services that began in the 1980s, and remains deeply unpopular with the British public.

When I began my PhD in 2015, much good literature had already been written about why privatisation failed to bring the benefits it had promised, centring on the pernicious role of private sector as extractors of value from the railway system, at the expense of service quality and value-for-money fares. However, by 2015, much of what was supposed to have been a competitive, autonomous market for rail transport services had lapsed into state management and control, even if much of the system was remained privately-owned. That state involvement was used by policy elites in favour of continued privatisation to argue that public demands for renationalisation were misplaced. Why renationalise, when much of the system was already under state control, which was preventing the railways from developing solutions to the many operational and economic problems they faced? Indeed, direct and detailed control by central government civil servants appears to have caused significant problems in provision, not least because the individuals involved are not necessarily 'railway people', but government managers with a lack of industry-specific knowledge, leading to significant and damaging disconnects between policy setting and implementation. But *why* was central government now in much greater control over rail services, after more than two decades of privatisation, then it had ever been under BR? Answering this question could get to the heart of the railways' problems.

¹ See: Haines-Doran, T. (2019). *Understanding the changing role of central government in Britain's railways since privatisation: A systems of provision approach*. Unpublished PhD thesis, School of Oriental and African Studies, University of London. Elements of this study have been informed a new book. See: Haines-Doran, T. (forthcoming), *Derailed: How to fix Britain's broken Railways*. Manchester: Manchester University Press.

An important step in SoP analysis is to map-out the agents, and relations between them, in order to get a clear idea of the structure of the SoP in question. I did this through a simple spider diagram, delineating flows of both money and political or legal control between agents represented in boxes. When studying a large or complex industry, it is likely that the researcher will need to identify the 'key agents' – those most important to the functioning of the SoP when considering the research question at hand. This is a form of inductive abstraction, which presupposes some prior knowledge of the SoP from background research, and is therefore not usually the first research step. In my case, the focus of the study was very much on the modern historical development of a (largely) domestic industry, and so the form of analysis involved a drawing and re-drawing of the agent-relation map according to shifts in the structure of the privatised SoP over time, each time showing diagrammatically the extent and content of central government control over the system.

One of the great advantages of the SoP approach is that it forces the researcher to consider the importance of agents that are fundamental to the provisioning of the good or service in question, but may have been hitherto left out by more partial analysis. So, in the case of railways, it is common to see descriptions of the financial relationships between the train operating companies, the rolling stock companies, the infrastructure providers and the Department for Transport, but these never include financial sector institutions. They therefore disregard something that should be obvious – that privatisation involves the insertion of the institutions of private capital into the political and economic relationships involved in the provision of goods and services – but has been left unintegrated into analysis.

However, simply including financial intuitions into agent-structure mapping was not sufficient for understanding their impact on the development of the SoP. Key to this was incorporating an understanding of financialisation as an historical development within capitalism, as elaborated by Ben Fine and collaborators. One of the implications of that analysis is an understanding that the privatisation of former public sector SoPs has opened the way for private finance to increasingly attach itself to provision, albeit in ways that are specific to each SoP itself. Through this, it was possible to show that rail privatisation, rather than being an exercise in 'market-making' and the encouragement of entrepreneurial management behaviour – as assumed by much of the literature (including much of the critical literature) – was more fundamentally an exercise in attempting to replace traditional forms of government funding through borrowing and taxation with private finance. In that respect, the privatisation of railways was little different to that of other 'public utilities', such as telecommunication and gas, which allowed international private finance to latch

onto those SoPs, securitising user charges to create tradable financial assets, while relieving the state of primary financial and political responsibility for provision. However, railways differ from other public SoPs such as telecommunications and electricity, in that the costs of provision cannot be met mainly from user charges – subsidy is required. And it was a guarantee of that state support, which important financial intermediaries such as banks and credit ratings agencies sought in order to provide the security which would allow privatised rail firms to borrow from financial markets. In other words, government subsidy became a ‘commodity form’, to be traded and speculated on in financial markets, alongside, and blended with, income from passengers’ fares.

Of course, private financial borrowing is never as cheap as government borrowing (even with government guarantees), and so it only served to increase the SoP’s cost base in the long-term. At the same time, the fragmentation of the industry into different aspects of provision and competing units – ostensibly necessary to create ‘efficiency-inducing competition’, but really to form accounting centres to allow the creation of multitudinous and discrete tradeable securities – has led to repeated and hugely damaging break-downs in provision, most dramatically in the case of serious rail crashes, but also repeated and crippling disruption to services.

The net result has been huge government bailouts, to meet the long-term increased industry costs brought about by the insertion of private finance, and government intervention to rescue provision following collapses perpetrated by the incoherence of a fragmented system. In other words, overbearing government control was the *result of privatisation and the financialisation it set it motion*. Counter-intuitively, to get the railways out of central government’s hands, renationalisation would be required.

The System of Provision approach allowed me to come to these conclusions by taking the whole chain of provision of rail services seriously and together, and allowed me to operationalise a theory of public service financialisation to answer a crucial policy-relevant question in a highly politically-contested field.

Hopefully, this example has given a flavour of how the SoP approach can be used in social science research to uncover hitherto obscured processes which determine to how particular goods and services are provided, thus illuminating how outcomes not conducive to human need satisfaction and social justice are reached. Indeed, the SoP approach, as already widely applied to distinct and differentiated forms of consumption, from motor cars, clothing fashion, housing, food and water,

has uncovered specific social injustices which need addressing. But is it enough to simply (better) understand the political economy of consumption? After all, to debase Marx, the point is to change the problematic provision, and cultural norms attached to the consumption of, goods and services, not just to intemperately them.

There are likely many ways that SoP analysis can help inform the actions of social movements (as agents of change), but I would just to suggest one here as food for thought. Could the SoP approach be used as an analytical tool for workers and their organisations struggling for fair pay and treatment in the neoliberal workplace? The recent election of Sharon Graham as the leader of Britain's largest trade union, Unite, provides some inspiration. Graham was elected on a platform of re-building workers' collective workplace power, following years of low union membership and defeat. The strategy she has proposed includes the 'vulnerability mapping' of unscrupulous employers. This involves looking at the entire operations of the employer and their corporate ownership groups, to understand the totality of their investments in order identify where the union can put industrial or political pressure ('leverage') on their profit margins, making it cheaper or easier to settle with the workers than continuing a dispute. One of the key methods used in this is 'forensic accounting' – a form of investigative accounting that goes beyond published accounting figures to understand firms' economic totality, including potential vulnerabilities. Graham claims this approach has already reaped rewards for workers' facing attack.² This could be taken further through the SoP approach by investigating the entire chain of provision that workers' find themselves situated in, which would usually mean considering the political economy of multiple firms in multiple locations, and the relationships between them and other key agents – for example, regulators, banks and government departments – in the SoP in question.³ In the current context of a global tightening in labour markets, and disrupted supply chains, the application of SoP analysis to trade union strategy could help continue and deepen a nascent, although highly uneven, relative revitalisation of the trade

² <https://labourlist.org/2021/12/sharon-graham-im-trying-to-get-what-we-do-politically-to-mean-something/>

³ This is not to suggest something entirely new for trade union practice, in which commodity supply chain pressure tactics have been long practiced, the most famous example in British trade union history being the 'Battle of Saltley Gate' in 1972, where striking miners picketed a fuel storage depot filled with coal that had been stockpiled in an effort to break the strike. Rather, it is to formalise and hone such practices, so that they are more easily replicable and effective. The Saltley Gate example is how 'leverage' can be practiced in a variety of ways, including those in which workers' collective participation is central, not just as 'corporate campaigns', which have a tendency to be undertaken by trade union officials, and so bypass collective workers' participation altogether, and therefore prove ineffective, especially in building long-term workers' power. See, for example, Becker, C. (1994). "Better than a strike": Protecting new forms of collective work stoppages under the National Labor Relations Act, *The University of Chicago Law Review*, 61(2), 351-421..

union movement,⁴ which, if it continues, may begin to reverse years of increasing inequality and worsening working and living conditions associated with neoliberalism.

⁴ See, for example: <https://www.theguardian.com/politics/2021/may/27/membership-of-uk-trade-unions-rises-for-fourth-year-in-a-row>; <https://www.theguardian.com/uk-news/2022/apr/02/strikes-in-uk-at-highest-in-five-years-as-pay-is-hit-by-inflation>; <https://www.theguardian.com/us-news/2021/dec/21/labor-organizing-pandemic-decline>.