Democratizing the Extended State
Public Enterprise Constraints and Capacities

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Abstract: This article assesses the constraints and capacities for Canadian state-owned enterprises (SOEs) to enhance economic democracy. Constraints include the democratic deficit produced by the commercialization of SOEs, which shifted away from historically privileging the social outcomes of public enterprise, together with the construction of a global governance architecture with binding and enforceable trade agreements that constrain democratic decision-making and state activity. Capacities include opportunities for SOEs to address deleterious economic outcomes through a rejuvenation of the socially oriented public enterprise tradition in areas of vexing policy concern. The article argues that SOEs can be an important component of enhanced extended state democracy through their redistributive outcomes that provide non-market income support for social infrastructure and services.

Keywords: Canada, economic democracy, political economy, public ownership, state-owned enterprises

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As witnessed through responses to the 2008 Global Financial Crisis and 2020+ pandemic, the state is routinely called upon to take up emergency management tasks like providing corporate bailouts and broad stimulus, mobilizing state-owned enterprises (SOEs) to stabilize markets, and enacting other forms of market-supporting monetary and fiscal policies even within an era of ostensibly free market neoliberalism (Crouch 2009; Spash 2020; Tooze 2020; Whiteside, Alami et al. 2023; Whiteside, McBride et al. 2021). The looming need for significant state support with climate change adaptation and mitigation, as well as the continued pressing need for public interventions in areas such as affordable housing and social infrastructure, suggest a reframing of crisis intervention from relatively short run "emergencies" to long-run secular crises of social, economic, ecological, and political dimensions (McBride 2022). With emergency and crisis management capacities well established by the state, reliance on private enterprise to resolve social ills has proven limits.

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The collective action problem at the heart of market-based capitalism not only requires the support of the capitalist state in resolving economic ups and downs but also carves out opportunities for more democratic forms of crisis resolution (long run and short run) that could expand beyond the limits of existing political democracy to include embedding economic democracy as practice and ideal. Literature on economic democracy is diverse, sometimes addressing results (socially progressive outcomes), more often dealing with the processes through which economic democracy might extend the reach of formal political democracy through group representation and negotiated coordination on the one hand, and direct participatory institutional practices on the other (see Cumbers 2020; Devine 1989; Malleson 2013, 2014; Thorpe and Gaventa 2020). While there is overlap between these aspects of the literature, here we focus initially on outcomes as redistribution and results. In these categories we would include, by way of example, use of SOEs to modify inequitable market outcomes – provision of social supports, including education, health, housing, regional equalization, subsidized finance, communications, transport, and utilities. Later we provide comments on the processes by which economic democracy might be enhanced in SOEs. Far from an ideal bastion of full-fledged democracy, the public sector nevertheless holds the capacity to shift toward more economically democratic outcomes through already established forms of market intervention.

Political economists have documented the various roles of the capitalist state, from supporting accumulation to providing legitimation and applying coercion (O'Connor 1973; Panitch 1977), and studies of the public sector indicate a continuum of intervention, from indirect (taxation, incentives) to direct redistribution (ownership) (Tupper and Doern 1981,1988). Focusing on ownership, we identify a unique opportunity for SOEs to play a variety of roles that meet economic, political, and social goals. We conceive of SOEs as operating within the "extended state" or broader public sector – situated not within core government ministries that follow political channels of accountability (however remote) through democratic elections, but instead as satellite public sector agencies that provide regulatory and financial services, own real estate, and support myriad capitalist markets (including in banking, exports, energy, development, infrastructure, finance, insurance, transportation, etc.). Operating at arm's length from government departments and public purview, SOEs are largely shielded from direct, discursive, and deliberative democratic processes. However, SOEs nevertheless follow channels of accountability within the trappings of the formal democratic process, and, more importantly, the outcomes of public ownership are of direct consequence for economic democracy as redistribution. Moreover, despite their "arm's

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length" operational capacity, the state retains and uses its power, derived from ownership, to strategically direct the activities of its satellite SOEs when circumstances require. Given suitable mandates and personnel, and internal institutional reforms, stronger accountability mechanisms could be developed to enhance economic democracy.[1]

Canada provides a useful national context in which to analyze and evaluate historical trends and future possibilities associated with SOEs as crisis managers and redistributors. Even after waves of privatization in the late twentieth century, there are still hundreds of Canadian Crown corporations (SOEs) at all levels of government, covering a wide swath of activities, including: finance, housing, heritage and culture, insurance, land, liquor and lottery, gambling, mining, pensions, public works, research, telecommunications, and transportation. Indeed, throughout Canadian history, SOEs have proven a highly flexible means of state economic management using various methods such as direct ownership, entering into joint ventures, and providing incentives to the private sector. Canadian SOEs have been historically deployed for various purposes, including to achieve progressive social goals and economic redistribution; their track record therefore charts a path for how these assets might be used to gain greater democratic control of the economy and meet future challenges through progressive means.

We assess the extent to which public ownership offers a solution along the road to economic democracy, and whether SOEs are an institutional configuration capable of being permanently embedded as an enduring feature of liberal democratic governance, in addition to their common usage in addressing pressing emergencies and crises. To do so, we summarize ideas of public ownership and economic democracy, and explore the historical record of Canadian Crown corporations for what SOEs have done/can do. The article next turns to the current constraints faced by SOEs in acting as instruments of economic democracy in the service of long-run crisis resolution. Notable constraints include commercialization and the adoption of investor rights agreements that dampen the socially progressive outcomes of public enterprise in the twenty-first century. SOEs are more than enterprises, they are part of the political economy of the state. Aspects of late modern capitalism like marketization, financialization, and trade agreements[2] create obstacles to progressive reforms that must be acknowledged and addressed.

The article then looks at the capacity of SOEs to deliver greater accountability through public ownership. Even if day-to-day decision-making may be vested in arm's length managers, organizational control conferred through ownership carves out an opportunity for strategic accountability through state-mandated progressive outcomes and

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participation in decision-making. SOEs cannot be expected to do it all, but they can be an important component of enhanced extended state democracy through their redistributive support for societies in crisis.

Public Ownership and Economic Democracy

The term "public enterprise" can refer to many things, capturing a spectrum of government activities from departments and ministries to relatively independent agencies, corporations, and partnerships with the private sector. SOEs, John Hodgetts's (1973) "structural heretics," straddle public-private purposes: sometimes maximizing profit just like any private enterprise and sometimes promoting non-market objectives in alignment with the activities of public sector bureaucracies. Public ownership within capitalism thus provides economic services through a constellation of extended state institutional forms like special purpose vehicles, intermunicipal corporations, special districts, and off-budget enterprises (Axelrod 1992; Bennett and DiLorenzo 1982; Deruytter and Bassens 2021; Eger 2005). As part of the extended state, in contrast to core government departments with avenues of formal ministerial responsibility stemming from elections and delegated authority, SOEs operate together with the state's other satellite special purpose agencies to support capital accumulation, legitimation, and coercion (Panitch 1977; Whiteside 2022).

Ownership confers advantages, with private property clearly preferred by capital (Blackburn 2007; Furåker 2016). Private ownership advocacy was at its heyday in the neoliberal privatization period of the 1980s–1990s with arguments rooted in claims of private sector efficiencies, supported by public choice theory, managerialism, and new public management (Hodge 2000). Such efficiency arguments were not only based on dubious assumptions, they also mainly served as cover for removing non-economic goals, such as redistribution and transferring public authority to the private sector (Bos 1991: 2–3; Hodge 2000: 35–36).

Political parties on the traditional left, particularly the social democrats that once advocated extensive state ownership as a means of development and income distribution, equally lost interest in the ownership issue under the guise of theoretical positions that diminish its importance. Versions of Keynesianism that render ownership "irrelevant" by privileging monetary and fiscal policy tools for redistribution and forms of "functional socialism" that involve state regulation rather than direct control over enterprise coalesced as a theoretical alignment of socially responsible private goals and public purposes (Adler-Karlsson 1983; Berle and Means 1932; McBride 2022).

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The separation of ownership and control thesis saw day-to-day control being exercised by managers, and strategic and financial control vested in ownership. For the private sector, the normative supposition that managers would be more socially responsible and less committed to short-term profit maximization was proven false during neoliberal-era financialization (more on this term below) (Buller and Lawrence 2022). Short-term profit maximization, increasing shareholder (owner) value, and tightly linked managerial rewards for achieving these objectives have led to unprecedented inequality, as well as being major causes of the multiple crises that characterize contemporary society (McBride 2022).

Ownership and control are thus quite distinct, with ownership conferring the right to ultimately direct activity as has been made dramatically evident in pandemic era forms of maximal state intervention and asset nationalization after the Global Financial Crisis. In short, ownership matters. To the extent that ownership has mattered mostly for results and outcomes it is clear that it can also matter in terms of the distribution of authority, and hence ownership can delimit the potential for economic democracy. Yet there remains to this day considerable ambivalence and ambiguity exhibited toward SOEs, particularly when mobilized in response to emergencies. In Canada, "Rather than undermining private enterprise, major government businesses provide goods and services which are vital to the development of robust national and provincial economies. . . . the vast majority of these [SOE] undertakings have not been inspired by any desire to alter fundamentally the balance between public and private economic power" (Tupper 1978: 543).

In contrast, economic democracy as a political project includes but seeks to move beyond redistribution and instead promotes systematic democratization of the main economic institutions (Malleson 2013). Whereas some proponents reject the need for state ownership and central planning (Malleson 2014), others remain committed to the socialization of the means of production as a necessary condition for economic democracy (Devine 1989). At the micro level, economic democracy of the workplace could proceed through workers' participation via consultation, councils, and boards (see Devine 1989). At the macro level, economic democracy might flourish through mixed economies of markets, planning, and collective ownership (Cumbers 2020), and initiatives in finance and investment, such as expanded public banks and bringing central banks under democratic control (Cumbers et al. 2020; Marois 2021).

The "puzzle," as John Prichard and Michael J. Trebilock (1983: 199) put it, is explaining "why a government might resort to public ownership instead of some other instrument—taxation, expenditure policy, regulation—to accomplish a particular interventionist objective." In

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answering this puzzle historically, government clearly saw its role in the economy as a supportive facilitator of the general accumulation needs of capitalism (Poulantzas 1973) but also one concerned with distribution among regions and classes. Herein lies the crux of how SOEs can support economic democracy, why ownership matters, and why neoliberal efforts to favor more light touch and temporary forms of intervention have been deleterious for economic democracy. Distribution, and the power to make decisions about it, is now the province of the market, not the government.

The theoretical case for public ownership shows possibilities and opportunities. Our article focuses on Canada where the historical record of public ownership reveals empirically a range of limits and possibilities. We are aware, of course, that there is considerable national variation in the experience with SOEs. An OECD (2021) report surveyed ownership and governance arrangements of SOEs in 52 countries, dividing them into six models of ownership, all of which contained exceptions from the model, ranging from centralized to dispersed or decentralized. Canada was placed in the latter category. Short of conducting a detailed comparative survey, which is well beyond the scope of this article, it can be acknowledged that the details of enhancing economic democracy through SOEs might vary considerably from place to place and would be worked out by contending social forces in ways sensitive to place and existing organizational structures. However, there is no a priori reason to suppose that the general case for public ownership and SOEs would be undermined by such variations. Indeed, notwithstanding differences in organizational form, the rationale and use of SOEs demonstrate similarities in OECD SOE models, as do the arguments for subsequent privatization of these enterprises (Clifton et al., 2004; Holland 1974; Lane 2002; Parker 1999; Parris et al. 1987; Toninelli 2000).

SOEs in Canada

Canadian Crown corporations are subject to forms of financial accountability similar to government and Parliament, federal Crown corporations seek funding through budget approval procedures, and trace political accountability through ministerial approvals and their own boards of directors. SOEs are nevertheless quite independent from government, by intention and design. Expressed clearly during the House of Commons debates leading to the creation of Canadian National Railways in 1917, as a Crown corporation the operation would be as far from the political process as possible in order to minimize government interference (Gordon

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1981: 57; Stevenson 1981: 327). With this Crown corporation, the purpose was to approximate private enterprise as much as possible (Chodos 1973: 35). SOEs thus imply a distance from public bureaucracies and hold a role within the extended state that allows the public sector to more directly compete with private companies, to provide goods and services more efficiently than would be possible from within a ministry, to operate with less political interference, and to adopt an institutional form more enduring beyond the election cycle.

Canadian public ownership has been justified by government in several ways over the twentieth century: the result of market failure (bankruptcy, monopoly), in response to circumstances where governments' market monitoring costs are high, to align aspects of the economy with public objectives (where public enterprises provide services that dis/incentivize particular economic activities), for symbolic and ideological reasons (indicative of government commitments to particular efforts or values), and where secretive operations are deemed strategic (national security). For Thomas Borcherding, public ownership is a more flexible and selective form of redistribution than is market regulation (from Prichard and Trebilock 1983: 210).

In cases of market failure, where SOEs emerge in the context of private monopoly, government intervention through ownership was often felt necessary to save employment, promote economic development, and ensure the provision of key services. Canadian National Railways was formed in 1917 after the bankruptcy of three major private railway companies (Canadian Northern, Grand Trunk, and its subsidiary Grand Trunk Pacific) in order to create competition for the remaining incumbent private monopoly (Canadian Pacific) and to support government's Confederation promise of linking the Atlantic coast to the Pacific. In pursuing mixed goals (part economic, part social), public ownership was felt to be superior to monopoly private ownership.

Fifty years later, the Cape Breton Development Corporation was established in 1967 as a response to the failure of a regionally dominant private coal company, long propped up by federal subsidies, upon which the community was dependent. In the words of then Minister of Energy and Natural Resources, "we are faced with an important labour force, we are faced with established collectivities which depend almost entirely upon a big industry which is no longer profitable" (quoted in Tupper 1978: 540). Federal government intervention through ownership was aimed not only at supporting those employed in the collieries, its ambition also stretched to the entire regional economy in Cape Breton and the province of Nova Scotia. In a surprising development, those in Ottawa opposed to the SOE did not argue against public ownership per se but instead felt

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that employment and economic stabilization required an expanded government presence, advocating for the nationalization of a steel mill and mines elsewhere in the province (Tupper 1978: 541).

Twentieth century SOEs were often used to achieve social or political objectives at the expense of profitability, in ways that challenged the arm's length status of the corporate form. Canadian National Railways charged below cost rates for transporting western grain to Pacific coast ports, operated uneconomic rail lines including passenger services, offered high wage jobs, and kept employment levels above market dictates (Gordon 1981: 57). Air Canada, initially a subsidiary (1937) of Canadian National Railways, was never designed to be a profitable venture and instead pursued the aims of developing a safe national and international airline, servicing unprofitable routes, expanding services to areas without airline coverage, offering prices below cost, and promoting bilingualism and industrial development (Langford 1981: 271).

The Wartime Housing Corporation became Canada Mortgage and Housing in 1946, expanding beyond assisting war veterans with housing services to urban housing renewal through municipal low-income initiatives in the 1950s. Export Development Canada and Business Development Bank of Canada were both founded in 1944 to assist with postwar economic transition and stimulus. The Canada Pension Plan was created by the federal government in 1965 to provide income support after retirement; with its investment activities favoring government bonds, provincial governments were able to finance public works and other expenditures through Canadians' pooled savings. Canada Lands Company was created in 1956 to function as an intermediary handling public land development, leases, permits, title transfers, and so forth.

By the late 1970s, many Canadian provinces owned public electricity utilities, provided public auto insurance, and/or owned telephone systems; the federal government had a national airline, oil company, postal provider, financial services companies, and national broadcaster, all of whom competed to varying degrees with private entities. There was substantial regulation of private companies in those sectors as well. All political parties have been involved in creating and owning SOEs, at all levels of government. Railways, airlines, and utilities provided infrastructure services for the economy; financing and development corporations provided market and income support for Canadians. In exchange, the government provided subsidies for SOEs like capital grants, forgivable loans, below-market interest rates, and guarantees (Prichard and Trebilock 1983: 216–217).

The role of public enterprise shifted once more by the first decade of the twenty-first century when Canadian federal SOEs were marshaled

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by their government owners (who ultimately control their activities) to socialize private debt and stabilize economic crises through temporary interventions. Canada Mortgage and Housing Corporation, currently the largest asset-holding Crown corporation in Canada with $267 billion in assets, launched its Insured Mortgage Purchase Program during the 2008 Global Financial Crisis, committing $130 billion in liquidity support to mortgage lenders during the market meltdown. Export Development Canada and Business Development Bank of Canada also provided liquidity assistance in 2009–10, offering banking sector guarantees of $200 billion through their joint Business Credit Availability Program. In 2017, Canada Deposit Insurance Corporation was designated the "resolution authority" for Canada's largest private banks. When Kinder Morgan suspended its Trans Mountain pipeline activities in the face of political risk and civil society unrest, Export Development Canada provided a loan guarantee supporting the $4.5 billion pipeline purchase by SOE Trans Mountain Corporation in 2018. Canada Lands Company now oversees land remediation and marketing along with managing public real property holdings in large urban centers (e.g., CN Tower, Montreal's Old Port). Beyond the discrete purpose of individual SOE mobilizations, these examples demonstrate that public ownership matters. Satellite entities within the extended state can be deployed by the government to address a wide range of perceived needs.

Constraints

A constraint central to the use of SOEs in promoting economic democracy can be found in the main tenets of neoliberalism – privatization, commercialization, financialization, and the use of binding trade agreements – all of which serve to embed market priorities and constrain public purposes. Just as public ownership was at its zenith, the late 1970s ushered in an ideological push for privatization (divesting public assets) and commercialization (making SOEs more commercially oriented and viable), consistent with government's growing desire for flexibility and market liberalization generally. Reflected through calls for SOE "autonomy" via less government interference and greater managerial discretion and decision-making control (Sexty 1980: 371), aspects of autonomy included creating stronger corporate identities beyond government affiliations (e.g., logos, advertisement, and annual reports akin to those in the private sector), seeking joint ventures with the private sector, securing debt financing from private markets, devolving regulation to administrative tribunals, and developing strong boards of directors (Sexty 1980).

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The government's ideological shift dovetailed with managerial changes required in response to the 1982 federal Auditor General identifying inadequate monitoring of Crown corporations in areas like reporting on mandate, financing, and direction (cited in Sexty 1983: 24).

Commercialization moved SOEs to a more marketized position, shifting from social targets to profitability as a core motivation (Bozec et al. 2004: 79). To fulfill this market orientation, boards of directors gained independence from managers and ministers. SOEs' earlier activities had been oriented around citizen "beneficiaries" rather than individual "consumers," and managers in the public sector sought to maximize social welfare, not profit (Bozec et al. 2004: 80–81). Emphasizing financial results, enabling price increases, setting financial targets, and abandoning non-commercial goals were four central areas of mandate change among Canadian SOEs during the commercialization phase of the 1980s (Bozec et al. 2004: 86). To ensure profitability, additional internal reforms included disaggregating elements such as transmission, generation, and distribution of power for utility companies, or consolidating post office operations to promote profitability by means such as centralizing mail delivery.

Many Canadian SOEs were commercialized not as an end goal but as a first step in the privatization process. The social objectives of Canadian National Railways and Air Canada were eliminated with commercialization in 1975 and 1978, respectively. Commercialization for both meant shifting to operate on a profit and loss basis, being cut off from automatic financing by the federal government, shedding unprofitable services and routes, and internal reorganization. With Canadian National Railways, commercialization gave life to the argument that "the public policy objective of owning a freight railway had disappeared" (Padova 2005). A similar argument was made about Air Canada after airline sector deregulation in the 1980s and once it was stripped of its broader social objectives.

In the 1980s, the federal Conservative government created a Minister of State for Privatization and a special Office of Privatization and Regulatory Affairs (disbanded in 1991) to reconfigure the extended state through, among other things, the privatization of eight SOEs (Laux 1993: 398). Once assets were divested, however, the government maintained a presence in those sectors through protections offered to the newly privatized SOEs such as favorable regulations shielding them from international competition (e.g., Air Canada, Teleglobe) and preferential bidding favoring dominant market actors (e.g., de Havilland Aircraft of Canada, Canadian National Railways). Government equally maintained some regulatory constraints such as location of production/headquarters and restrictions on foreign corporate ownership. Given their sectoral

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significance, insolvent former SOEs have also on occasion been offered significant government bailouts and other forms of financial support (e.g., Air Canada in 2003, 2009, and 2021).

For other Crown corporations, commercialization led not to the sale of the SOE but to its reconfiguration through notable changes in the role of state ownership. With the Canada Mortgage and Housing Corporation, its role in direct housing provision was narrowed to financial services provider by the 1990s through household mortgage underwriting, down payment assistance for first time homebuyers, information services, and selling Canada Mortgage Bonds. For the Canada Pension Plan, the Canada Pension Plan Investment Board was created in 1997 to maximize financial returns; rather than facilitating Canadian domestic development through government bond purchases, its new role was to make equity investments in privatized infrastructure around the world. In the 1990s, Canada Lands Company was charged with handling public land privatization through "surplus" sales associated with reorganization elsewhere in the bureaucracy, including the Canadian National Railways sale and closure of many urban military bases across the country (Whiteside 2019).

With SOEs increasingly required to secure their funds from the market rather than through public finance, the power of investors, bankers, and credit rating agencies was introduced into the mix. Finance-mediated relations have more generally come to shape, guide, and oftentimes constrain capitalist development and the activities of the state over the past four decades, a phenomenon known as "financialization" (Peck and Whiteside 2016; van der Zwan 2014). The growing influence of private financial market actors and institutions within public sector decision-making means that the logics of private finance increasingly shape, constrain, or otherwise influence the extended state too.

Along with commercialization and financialization, another major constraint on the potential for expanded forms of economic democracy implicates the investor rights agreements that now reach deep into the extended state. Often described as "new constitutionalism" (Gill and Cutler 2014; McBride 2003), democratic control over trade and investment decisions has been curtailed through trade agreements that now contain key SOE provisions that are intended to reduce national discretion. Agreements entrench a view of what is "normal": markets rather than states, and private commercial principles rather than public priorities. In emergencies (like sudden economic crises), strong states continue to enjoy flexibility, and many exceptions to constraints are written into the agreements, but the norms and expectations being established for SOEs confine their usages and seek to impose commercial rules of operation. As mentioned at the outset of this article, long-run crises like those of

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climate change, infrastructure gap, and affordable housing needs could be conceived of as emergencies if the political will were in place to do so, particularly to counter the thrust of investor rights agreements.

References to SOEs have multiplied in international trade governance. As of January 2018, there were 455 regional or preferential trade agreements and, in many of them, SOEs joined issues such as investment rules, rules of origin, and intellectual property rights, as items for regulation. Luca Rubini and Tiffany Wang (2020: 475) note that 218 preferential trade agreements had SOE regulatory provisions by 2020. Additionally, there are roughly 2,500 bilateral investment agreements in force. Typically, these include investor-state dispute settlement provisions that can be used by foreign investors to challenge and be compensated for state actions harmful to their investments, producing regulatory chill by inhibiting governments that might wish to be more assertive in managing their own economies.

The content of SOE provisions has also become more demanding and prescriptive. There is an observable transition from provisions largely tolerant of public ownership, to ones attempting to create competitive neutrality between state-owned and privately owned enterprises, to ones fostering "comprehensive regulation" in which private enterprise and commercial motives are normalized (Pham 2014; Xiaoyan 2018). Equally there may be a constraint on more robust state action, whether in establishing new public enterprises or in re-nationalizing ones that were previously privatized (Steinfort 2017).

Capacities

Overcoming constraints to unleash the democratic potential of SOEs ultimately depends on rolling back the neoliberal imperatives of commercialization, limited mandates and accountability, and restriction of democracy through international trade agreements. Doing so will require constructing a political and social base that is supportive of economic democracy.

Commercialized Crown corporations have been asked to fulfill a dual role: to pursue profitable enterprise and to exercise a public purpose. The historical record of Canadian federal SOEs presented above demonstrates that commercialization efforts in the 1970s and 1980s created significant confusion for institutional operations and accountability mechanisms. Reforms in the 1980s, most notably the 1984 Financial Administration Act, tried to balance annual approval of capital budgets by government, audits by the Auditor General, directives issued by Parliament, and

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boards of directors appointed through political processes, with the commercial need for internal SOE flexibility and autonomous (arm's length) decision-making. History further indicates that the roles and purposes of SOEs changed over the years, muddying mandates over time (Tupper and Doern 1981: 11, 21, 1988: 33–34).

The "accountability dilemma" that emerged with Crown corporations was directly related to the reconciliation of public policy objectives with commercial imperatives (Sexty 1983). Poor performance on social issues and democratic concerns began to emerge over time, including when Ontario Hydro deferred a provincial government plan to impose stricter air pollution controls in response to acid rain, when public funds were abused by Urban Transport Development Corporation executives, when Atomic Energy of Canada stymied a 1978 House of Commons investigation into its practices abroad, and when accusations of conflicts of interest by the chairperson of BC Hydro emerged in 1979 (Sexty 1983: 30–32). Diverse accountability concerns were thus funneled into "commercialization" efforts.

In the 1980s, questions of purpose, accountability, and outcome were filtered through one lens: not how to reform SOEs but whether public ownership should persist at all. For meeting twenty-first-century challenges, overcoming historical dilemmas necessitates addressing three areas of concern in promoting economic democracy through SOEs: clarifying the purpose of public enterprise (aims, ambitions), enhancing accountability and participation (process), and shaping outcomes (results). The purpose of public ownership must be guided by the public interest, determined by institutions that represent a wide range of social interests. Accountability procedures must answer questions like "how," "to whom," and "to what end." Public ownership is accountable via reporting methods, performance indicators, and a delineated timeframe of evaluation. Outcomes must reflect the social objectives of economic democracy.

If history is any guide, a combination of activity diversification and commercial imperatives can create complications for fulfilling social objectives. For example, as SOEs, just prior to privatization, Air Canada began expanding from air travel into hotel, car rental, tours, and catering, and Canadian National Railways expanded into trucking (Sexty 1978: 11). While these activities may appear to be logical next steps as commercial SOEs, they confuse the original public purposes that motivated their status as public enterprises, such as subsidizing air travel to rural and remote locations and providing passenger rail across the country. Diversification did meet other aims, such as regional employment and competition for a monopoly private incumbent, but overall, the lesson for economic democracy might well be that SOEs need more singular

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motives and rationale to ensure the desired public purpose, forms of accountability, and intended outcomes are met. The proliferation of subsidiaries attached to parent SOEs was equally problematic for tracing lines of accountability and implementing reforms historically (Tupper and Doern 1981: 33–36).

Reinvigorating the capacity for SOEs to advance economic democracy further requires addressing accountability issues and the contradiction posed for the public interest by marketized and financialized public enterprise. The historical discussion and examples provided earlier in the article indicate that SOEs have, across time, reflected the general tenor of public policy ambitions and governance paradigms. Whereas SOEs were once part of a larger effort by the state to achieve economic development, income stability, regional integration, and below cost service provision, SOEs have more recently taken up the mantle of market-oriented efforts to reinvent government in neoliberal fashion. SOEs embrace financialization and promote privatization, and their internal governance strategies appear to mirror political-economic flavors: from nation-building to demand management, and welfare state expansion to neoliberal crisis management of a more temporary sort through the socialization of private sector risks and costs during recession.

The public policy purposes to which SOEs are put today involve pursuing the political-economic objectives of private sector bailouts, cost/risk socialization, and supporting privatization elsewhere in the public sector. The changing political economy and public policy paradigm renders SOEs an expression of the extended state. Luc Bernier Patrice Dutil, and Taieb Hafsi (2018: 471) summarize the consequences of management policies focused mainly on "firefighting" rather than big picture social objectives: "neglect and policy drift." We argue instead that the ability to redeploy SOEs for new purposes, and to pivot fairly quickly during emergencies, demonstrates how important ownership is for meeting social needs and how alternative priorities might be reflected in democratically structured SOEs.

Existing SOEs offer an opportunity for government to meet pressing (long-run) policy concerns through enhanced accountability within the extended state. SOE boards of governors and forms of community consultation could be made more representative, responsive, and transparent. Mandates could be expanded to address needs through the redistribution of SOE revenue for social purposes or by shifting to the provision of below cost services. Hiring and procurement policies could help round out economic development in rural and remote locations, and support those otherwise disenfranchised through gendered and racialized labor market disparities.

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As but one example, with respect to the current housing supply crisis, Canada Mortgage and Housing Corporation has been charged with leading the National Housing Strategy (2020–30), but its role is limited to background activities like information dissemination and technical assistance, and to financing private developers and providing loans for households. In contrast, the Crown corporation played a far more interventionist role in the postwar housing crisis by directly engaging in residential development throughout the 1950s and 1960s via National Housing Act financing and home building (Oberlander and Faliick 1992). The SOE could be once more leveraged to directly supply affordable housing across the country, rather than relying on profit-seeking actors and non-democratic market mechanisms.[3]

A long-standing concern for privatization advocates, and one that economic democracy will have to contend with moving forward, is the argument that SOEs are granted tax breaks, easier access to financing, and preferential regulatory benefits compared with private companies (Tupper and Doern 1981: 24). Turning this argument on its head, one might equally say these "benefits" uniquely position public enterprise to best address pressing needs in the public interest. One can confidently assume that the unique legal position of SOE within the extended state explains why public finance and enterprise is routinely relied upon during crisis and emergency situations. This crisis/emergency reliance ought to extend to more long range (rather than extraordinary) crises; public ownership is well positioned to make contributions in areas of broader long-run social need.

Opportunities

As discussed, the Canadian public enterprise tradition has seen its share of shifting mandates over the years. Though some significant differences have emerged between what SOEs do today and what they were originally created to do, changes in mandate have most often focused on external operations or internal restructuring to promote commercialization. However, opportunities abound to reorient the fiscal dimensions of SOEs in ways that would enhance economic democracy.

One prime example, in an area that could be immediately reconfigured, implicates Canada's provincial revenue generating SOEs in liquor and lottery sales. Net revenue from British Columbia Lottery Corporation (BCLC) is already funneled into a consolidated fund for investment in education, health, community, and culture. Even if these priority areas were to remain as is for the time being, channels for deliberative democracy

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could be enacted to enable community input into fiscal redistribution (though these categories could certainly be modified as well, for instance, to better address Indigenous reconciliation through fiscal reparations). The sums involved are substantial: increasing from $923 million in 2005 to $1.4 billion in 2018 (BCLC 2006, 2019). Likewise, Manitoba Liquor and Lotteries Corporation (MLLC) earmarks profit for reinvestment in the province, targeting areas like health, education, social services, housing, and infrastructure. Similar to British Columbia, decision-making around the use of net income offers a meaningful space for substantive public input into the application of nearly $500 million in 2006, rising to over $600 million per year by 2019 (MLLC 2006, 2019). Annual net income from Liquor Control Board of Ontario (LCBO) is sent to government as a dividend, dispersed within the bureaucracy to fund public education, infrastructure, and health care, along with making charitable donations. With over two decades of yearly increases in profitability, the sums are significant: from $1.41 billion in 2009–10 to $2.54 billion in 2021–22 (LCBO 2010, 2022).[4] Since its creation in 1975, Ontario Lottery and Gaming Corporation (OLG) has sent roughly $55 billion to the province for public programs, with the recipient targets determined by government, ranging from supporting public hospitals to amateur sport. Net revenue was over $2 billion in 2019–20 (OLG 2022). All of these SOEs also provide some form of addiction support and mitigation, and revenue-sharing with First Nations where appropriate.

Tina Nabatchi (2010) argues that "public administration has an obligation to address the citizenship and democratic deficits" through venues of participatory democracy and collaborative governance. Notwithstanding some of the limitations and checkered outcomes associated with these processes (e.g., Drake 2023; Hibbing and Theiss-Morse 2002; Young 2003), institutionalizing opportunities for democratic input into the redistribution of revenue generated through the state-owned enterprises that already have an obligation to reinvest profits within the community is low hanging fruit, ripe for enhanced public input and community control.

The long history of public enterprise in Canada equally suggests opportunities for enhanced economic democracy within the operation of SOEs. From 1978 to 1982, the Saskatchewan Potash Corporation was overseen by the Work Environment Board composed of representatives from labor, management, and the provincial government (Sass 1993, 1994), providing a fleeting but practical arrangement that could be adapted for future use in enhancing worker control within public enterprise. Expanding beyond immediate employees to include community stakeholders and rightsholders, SaskPower (the province's electricity SOE), has

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engaged Indigenous and citizen groups as a means of increasing accountability. Beyond Canada, Denmark's Frederikshavn municipality imparts local control over the energy system, including through public-consumer cooperatives and municipal organizations where citizens and employees enjoy elected representation on boards of directors or similar (Cumbers and Traill 2021). Costa Rica's Banco Popular is worker-owned and controlled with a mandate of supporting local associations, cooperatives, and public works (Marois 2021, 2017). Other similar examples are pointed to through a variety of sources (e.g., see Butzbach and Spronk 2022; Mazzucato and MacFarlane 2023), the takeaway being that public enterprise can be configured to enable economic democracy through both its social outcomes and internal operations.

Concluding Remarks

As global economic crises intensify there has been a turn to various interventions and configurations of state management. One ingredient has been renewed focus on SOEs as instruments of state policy and as potential venues for greater democratic control of the economy. The multiple failings of political democracy, including a lack of representation and accountability, the depoliticization of important social issues (now left to the market), and heightened inequality and instability, likewise give rise to the call for enhanced economic democracy.

The need for a more activist state in the face of looming crises in areas like climate and infrastructure must overcome certain obstacles presented by commercialization and the rights of private foreign investors that have reoriented the extended state away from its historical capacity to address social objectives through public ownership. Part of the drive to economic democracy must involve the progressive loosening and eventual elimination of neoliberal trade agreements. De-commercializing public ownership would also allow for greater accountability as outcomes would then become refocused on social objectives. Control through ownership ensures accountability even if SOEs are run at arm's length in their day-to-day operations. Privatization attacks both dimensions of economic democracy: internal enterprise processes and the outcomes of business. However inadequate existing SOEs may be for fulsome economic democracy, public enterprise has the capacity to be far more accountable than private enterprise.

As suggested through the record of Canadian Crown corporations, SOEs have engaged in nation-building, natural monopoly regulation and externality control, economic development, income support, the

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provision of finance, promotion of national security, and encouragement of market competition in areas with demonstrated limits to regulation. Various motives have enlivened public ownership, offering a range and flexibility that portends adaptation to future needs in ways not provided for through markets or their regulation alone.

In building on existing models of SOEs to achieve greater economic democracy, several issues require attention. First, SOEs must operate more democratically in terms of their internal governance. Such arrangements should aim to empower workers in these enterprises and the communities in which they are located. New governance structures should include greater representation of, and accountability to, stakeholders in these enterprises, including managers, workers, and service recipients.[5] It is also important to ensure that governance extends beyond "stakeholder/members" to ensure they are truly of benefit to the entire community through representation in governance.

Second, even democratically governed SOEs (which might include various forms of public ownership and cooperatives, self-managed enterprises and the like) operate in a broader context that, unless transformed, is likely to impose constraints and imperatives toward market-like behavior. Thomas M. Hanna (2022), for example, has pointed to the strained relationship between the oft-cited and highly successfully Mondragon cooperatives and the broader working class in the Basque region, where international competition appears to be encouraging a three-tiered workforce including the use of temporary workers in international subsidiaries.

Besides measures to enhance internal democracy, the expansion of the public ownership sector would be beneficial in reducing the structural power of private capital through renationalization and remunicipalization (Hanna 2018; McDonald 2022). Existing and new public enterprises need to be embedded in a system of democratic national planning that avoids the errors of previous planning models (whether centralized and top down or weakly rooted in some form of indicative planning) in favor of a system of negotiated coordination to ensure that public enterprise does not tend in the direction of narrow self-interest and instead contribute to the general interests of society (Devine 1989).

Defining the general interest, or "public purpose," that an SOE serves is ultimately a political process resulting from conscious choice of objectives. The contrast between private and public ownership was well captured by E. F. Schumacher:

> Private ownership of the means of production is severely limited in its freedom of choice objectives, because it is compelled to be profit-seeking … Public ownership gives complete freedom in the choice of objectives

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> and can therefore be used for any purpose that may be chosen. While private ownership is an instrument that by itself largely determines the ends for which it can be employed, public ownership is an instrument the ends of which are undetermined and need to be consciously chosen." (cited in Hanna 2018)

The political economy context is crucial in shaping the possibilities of the extended state; thus, economic democracy can be accomplished at least in part through the redistributive outcomes of SOEs focused on pressing social concerns, delivering better outcomes through redistribution and control. Widely used as solutions to previous crises, SOEs may have in the past experienced accountability problems through the adoption of a commercialized stance but today offer the prospect of meeting current/future needs through enhanced economic democracy. Ownership matters, and public ownership is a necessary, though not sufficient, condition for achieving more democratic control of the economy in ways not possible through regulation or taxation.

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NOTES

1. Normatively, we include ourselves among those who consider that more democratic mechanisms will result in more democratic, in the sense of socially equitable, outcomes. However, there is clearly no guarantee that this will be the case.
2. The impact of trade agreements on democratic governance has received extended treatment in McBride (2003, 2006, 2010) and, with specific reference to SOEs, in McBride and Whiteside (2022). There is a short summary of this material in the article.
3. As an example of a more limited SOE redevelopment to meet public needs, the Canada Mortgage and Housing Corporation appears poised to publish a

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house design catalog to help address the country's housing supply shortage in 2024 as it once did in the 1950s (see CBC 2023; CMHC 1954).

4. Although these sums will likely be affected in the future by the Ontario government's late-2023 decision to deregulate provincial alcohol sales (see Crawley 2023).
5. Different modes of achieving better representation and accountability can be envisaged, including, but not limited to: group representation (see McBride 2022: 182–186) and sortition, or representation through random selection (see Pek, Kennedy et al. 2018; Pek, Mena et al. 2023).

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