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THE CORBYN PROJECT

Public Capital and Labour's New Deal

FOR THE FIRST time in its history, the British parliamentary left has a realistic chance of filling the top governmental positions in this capitalist stronghold when the next general election comes. In what follows, I explore the challenges and constraints that a Corbyn government would encounter in tackling the enormous structural imbalances of the UK economy. I set out the policies that have emerged so far from the milieu of Shadow Chancellor John McDonnell, and some additional ideas that might take Corbyn and McDonnell further, if they do take office. My focus will be on economic policy, where social-democratic parties have too often lacked imagination and been gulled by the quack nostrums of Establishment opinion. But first it may be helpful to sketch the contours of the socio-economic landscape a Labour Left government will confront, as a near-decade of Tory austerity policies further corrodes what was already, after Thatcher and Blair, the most inegalitarian, neoliberalized order in Western Europe.

I. MALADIES OF THE UK ECONOMY

The maladies of the British economy extend back far beyond the present era. Capitalist landowners and City bankers had turned their backs on the UK's productive economy even before it lost its first-industrializer advantage in the 1870s, preferring the larger returns promised by financial intermediation and mineral extraction. England's manufacturing bourgeoisie always played second fiddle to this pre-existing 'gentlemanly capitalist' ruling class.¹ In the twentieth century, the Empire and its sterling area fostered uneven development at home and abroad, while the

Labour Party tailored working-class demands to operate within this top-heavy system. The modernization inflicted by Thatcher in the 1980s did not upgrade manufacturing, as West German and Japanese leaders had done, but famously throttled it with high interest rates, instigating a further shift towards the service sector. At the same time, Thatcher lifted anti-speculative restrictions on the national savings funds: pension plans, insurance policies and mortgages provided the fuel for finance capital's leveraged take-off. Privatization of public housing and the utilities—gas, electricity, telecoms, water, rail, buses—promised high returns for landlords and shareholders, with no compulsion to commit to long-term infrastructural investment.

Looked at from the City, Thatcher's 'Big Bang' was a great success; but beyond London's commuter belt, the furnace of financialization was sucking all the oxygen from the air. The hedge funds, privatizers, out-sourcers and spread-betting merchants often made a killing, but did not nourish long-term businesses. Manufacturing shrank to 17 per cent of UK gross value added by 1997, compared to 26 per cent in Germany, contributing to a long-term depression in the industrial North as well as a chronic current-account deficit, with Britain importing the goods it no longer made at home. The Blair–Brown governments continued these trends, mitigated only by the few crumbs tossed to 'hard-working families' by a tax-credit system which eventually collapsed under the weight of the Chancellor's micro-tuning.² As the UK's new economic model established itself in the 1990s and began to grow, in global conditions of footloose capital, the country's sectoral imbalances exacerbated its regional inequalities, too. The service sector ballooned to nearly 80 per cent of output, compared to 69 per cent in Germany, with profits disproportionately reliant on financial and business services based in London and the South-East.³ Structural imbalances were compounded by the hyper-inflation of London property prices under New Labour; the wealth and income levels of the well-to-do soared relative to the rest. Household debt rose from 85 per cent of disposable income in 1997 to 148 per cent in 2008.⁴

¹ Geoffrey Ingham, *Capitalism Divided? The City and Industry in British Social Development*, Oxford 1985; P. J. Cain and A. G. Hopkins, *British Imperialism: 1688–2015*, 3rd ed., London 2016; Perry Anderson, *English Questions*, London and New York, 1994.

² Charlotte Moore, 'Tax credits fiasco costs £15m', *Guardian*, 22 July 2005.

³ UN National Accounts Main Aggregates Database.

⁴ Daniel Harari, 'Household Debt: Statistics and Impact on Economy', House of Commons Library Briefing Paper, 10 May 2018.

At the same time, the public domain was assiduously plundered of assets. The policy mechanism for this was imported from the US: cut high-end taxes, on the basis that this would free up wealth creation, and then demand spending cuts to balance the books. In the 1980s, Thatcher brought corporation tax down from 52 to 35 per cent; New Labour slashed it to 28 per cent; the Cameron and May governments, to 19 per cent. Beneath the UK's constitutional flummery—the royal prerogative, the Queen's speech and an unelected upper house remain intact—much of the state, at local as well as national level, has been systematically privatized and financialized. Government no longer 'delivered' public services, but 'procured' them.⁵ New Labour's major structural legacy lay here, in hollowing out swathes of public assets and service provision for the benefit of rent-seeking firms, through the expansion of Private Finance Initiatives. Under these schemes, contracting companies establish Special-Purpose Vehicles (SPVs) which borrow capital to build and maintain schools, hospitals and prisons, with revenue streams guaranteed for thirty years or more. The Thatcher and Major governments had already experimented with PFIs. Blair and Brown went on to adopt them on a much larger scale, advised by their friends in the City that 'partnering' with finance capital would be a more providential way of raising resources for school- and hospital-building programmes than imposing higher taxes on wealthy corporations and the rich.

The PFI mania reflected the broader transition in the British economy from production to services, under the aegis of financialized capitalism. Rent-seeking is the characteristic profit-form of this regime, with its privatized, leveraged assets—land, buildings, patents, airwaves, mineral deposits, digital platforms and so forth—and the SPV as its preferred legal entity.⁶ In the short run, rents can reap windfall rewards; but in the longer term, the production of new values does more to boost productivity. Originally devised for major infrastructure projects like roads and hospitals, the PFI formula was extended into waste disposal, transport, facilities management, social care, IT, military equipment, security provision and energy supplies.⁷ These lucrative contracts were not allotted in a genuinely competitive market but instead doled out amongst a handful

⁵ Stephen Wilks, *The Revolving Door and the Corporate Colonization of UK Politics*, London 2016, pp. 5, 9; James Meek, *Private Island*, London and New York, 2014.

⁶ On land, see Brett Christophers, *The New Enclosure: The Appropriation of Public Land in Neoliberal Britain*, forthcoming from Verso in 2018.

⁷ David Walker and John Tizard, *Out of Contract: Time to move on from the 'love-in' with outsourcing and PFI*, Smith Institute, January 2018, p. 5.

of companies—Balfour Beatty, Carillion, Interserve, Jarvis, Kier, Serco.⁸ Public agencies duly signed up to over £300 billion in unitary charges covering debt repayments, financing costs, maintenance fees and additional charges, down to the 2040s—a huge taxpayer hand-out to the private sector.⁹ The crisis of 2008 was not allowed to halt the revelry: Brown set up a Treasury Infrastructure Finance Unit to pump public credit to the PFI investors, who then ‘invested’ it back into public projects.¹⁰

As well as extra financing costs and the inordinate repayment period, PFIs brought a deterioration in public-sector service standards and democratic accountability. The financial engineering embodied by the SPVs did not boost underlying performance—quite the reverse: it produced managers without industry-specific skills or local knowledge, and demoralized, underpaid employees, contributing to the poor productivity that has characterized the British economy for decades.¹¹ At 17 per cent of GDP, the UK investment rate is 5 percentage points below the OECD average and disproportionately concentrated in London and the South East. R&D spending is notably weak as well—1.6 per cent of GDP, compared to 2.1 per cent in the Eurozone and 2.8 per cent in the US. Meanwhile the proportion of non-financial corporations’ discretionary cash-flow funneled to shareholders has risen from 39 to 46 per cent since 1990, with a growing percentage now flowing overseas. The UK also has lower tax receipts as a percentage of GDP than its neighbours: 33 per cent, compared to 38 per cent in Germany and 45 per cent in France.¹²

⁸ The Office for Fair Trading fined 103 construction firms for bid-rigging on tenders between 2000 and 2006: Michael Mair and Paul Jones, ‘Politics, Government and Corruption’, in David Whyte, ed., *How Corrupt is Britain?*, London 2015, pp. 124–30.

⁹ HM Treasury, ‘Current projects as at 31 March 2017’. The National Audit Office found that annual finance costs shouldered by the SPVs were 2 to 4 per cent higher than that secured by the public-sector comparator. The overall cost of building a group of schools under PFI was 40 per cent greater. NAO, ‘PFI and PF2’, 18 January 2018, pp. 14–16. According to the NAO, the extra cost of PFI was not recouped by operational efficiency: p. 10.

¹⁰ See Mike Raco, ed., ‘Britain for Sale?’, Smith Institute, May 2016, p. 13.

¹¹ Alan White, *Shadow State*, London 2016, supplies many examples of bad morale and negligent management. For the poor value of PFI, see NAO, ‘PFI and PF2’, and Walker and Tizard, *Out of Contract*, pp. 5, 7, which supplies many telling examples of how wasteful and inappropriate most PFI has proved to be. They also document the evisceration of democratic accountability under the PFI regime. Tizard is a former senior executive at Capita and leader of the Bedfordshire County Council.

¹² Michael Jacobs, Alfie Stirling and Catherine Colebrook, ‘Out of Shape: Taking the Pulse of the UK Economy’, IPPR, November 2016, pp. 9, 11–12, 25–6.

The 2008 crisis revealed the staggering private-debt levels that sustained the financialized UK economy: household debt at 98 per cent of GDP, non-financial corporations at 109 per cent, financial corporations at 219 per cent—or 750 per cent, if derivatives were included—the highest of any G7 economy. When public debt of 81 per cent was included, the UK's total liabilities before the crash were 487 per cent of its GDP—higher than Japan's.¹³ When the crisis hit, all stops were pulled out to save the bloated financial sector: a total of £1.2 trillion in bank bailouts and guarantees, followed by £445 billion in quantitative easing between 2009 and 2016.¹⁴ As the Eurozone crisis struck, the headline figures of Britain's recovery looked impressive: by 2015, GDP was up 14 per cent from its 2009 trough, wealth had grown by 35 per cent. But even the Bank of England's chief economist could ask: 'Whose recovery?'¹⁵

The public cash poured into the financial sector fuelled another stock-market and property bubble in London and the South East, where median wealth has risen nearly 50 per cent since the crisis and incomes of FTSE 100 chief executives quadrupled between 1998 and 2015. Meanwhile the austerity that was supposed to pay for all this has hit hardest in the North, more heavily dependent on public-sector jobs. Average real wages are still below their 2008 level. Local council spending in England was cut by 26 per cent on average under the Conservative–Liberal Democrat coalition, and public-sector pay was capped—school teachers, working a 55-hour week, saw their real pay drop by 15 per cent. Personal debt is rising again, especially among the young, now saddled with huge student loans on graduation; many are struggling with repayments. Harsh cuts in housing benefit have seen poverty levels running at over 20 per cent for those of working age; there has been a rise in people sleeping rough, in job insecurity, in anxiety and depression.¹⁶ In June 2017, the fire at Grenfell Tower provided a horrific example of the declining safety standards abetted by corrupt procurement practices and outsourced

¹³ James Meadway, 'Why We Need a New Macroeconomic Strategy', NEF, 26 April 2013, pp. 10–11.

¹⁴ Andrew Haldane et al., 'QE: The Story so Far', Bank of England, October 2016.

¹⁵ Andrew Haldane, 'Whose Recovery?', Bank of England, June 2016.

¹⁶ See Philip Stevens, 'Brexit Britain may soon be humming John McDonnell's Marxist tune', FT, 9 March 2018; Haldane, 'Whose Recovery?'; Kiri Tunks, 'Towards a National Education Service', in Mike Phipps, ed., *For the Many: Preparing Labour for Power*, London 2017; Harari, 'Household Debt'.

responsibility.¹⁷ The collapse in early 2018 of Carillion, the country's second largest construction company, revealed the gimcrack nature of British infrastructure provision and maintenance in the era of the PFI. Despite profit warnings, Carillion had been handed a number of large public-sector contracts just months before it fell.¹⁸

2. A TURNING TIDE?

These were the conditions in which Corbyn's radical message struck a new note. Contingent factors—above all, the unintended consequences of Edward Miliband's switch to open primaries and 'one member, one vote' for the 2015 Party leadership election—propelled him to the attention of the public, where his programme for structural change could catch the wind of popular discontent with a system that was patently failing for much of the country. Having virtually disappeared during the Blairite ascendancy, the Labour Left has sprung back to life. With its origins in Keir Hardie's Independent Labour Party and low-church (Quaker, Methodist) traditions, the Labour Left has always supplied the conscience of the party—its 'beating heart', supplemented by the 'brains' of the Fabians and their neoliberal avatars, and the financial 'brawn' of the trade-union bureaucracies.¹⁹ Within the party's *sui generis* structures, the Left's base has been the membership, the unions controlled the apparatus, conference and the National Executive Committee, and the Labour Right held sway in Parliament. In its time, the Labour Left supported novel campaigns against nuclear weapons, colonial oppression and the misdeeds of its own party in government,

¹⁷ The Royal Borough of Kensington, the country's richest municipality, had handed administration of Grenfell Tower to a private management company, KCTMO, which in turn hired a French construction firm, Artelia, to project-manage its refurbishment, which it did by bringing in a dozen more sub-contractors. The tower was deemed an eyesore, adversely affecting neighbouring property prices so the decision was taken to cover the building with attractive, but, as it turned out, highly flammable cladding, so that a small fire in a faulty fridge turned the whole building into an inferno, resulting in scores of deaths.

¹⁸ NAO, 'Investigation into the government's handling of the collapse of Carillion', 7 June 2018; Gill Plimmer, 'Huge debts and hubris caused Carillion to come off the rails', FT, 15 January 2018; and Henry Mance and George Parker, 'Watchdog exposes lost PFI billions amid Carillion fallout', FT, 18 January 2018.

¹⁹ See Tom Nairn's two-part essay, 'The Nature of the Labour Party', in NLR 1/27, Sept–Oct 1964 and NLR 1/28, Nov–Dec 1964.

but remained trapped within the ideology of Labourism and its deference to UK institutions.

Corbyn's great advantage in the present political moment is that he is a genuine representative of egalitarianism—one of the few UK politicians in whose mouth the term 'fairness' does not immediately turn to ashes. He dislikes the personalization of politics and the term 'Corbynistas', preferring to describe the hundreds of thousands of party members who voted for him as 'supporters of radical social democracy'. The brand of social democracy Corbyn espouses has several sources, but at its core is Bennism, as elaborated in the 1980s when he served as Tony Benn's chief parliamentary lieutenant.²⁰ Since entering Parliament in 1983, Corbyn has tirelessly defended the necessity and integrity of public provision, opposing the great wave of privatization, outsourcing and PFI. He drew on Paul Foot's prescient exposés of PFI in *Private Eye* and was a tenacious and trenchant critic of Blairism. Unlike Benn, he has not focused on constitutional issues, but he has campaigned against an elitist, mercenary and class-ridden political order. As chair of Stop the War, Corbyn unmasked the lies and deception of New Labour over Iraq. When many MPs were tainted by an expenses scandal, Corbyn submitted the lowest claim of any parliamentarian. Given the chance, he would abolish the House of Lords and the royal prerogative; but his priority is rescuing public services and combatting stagnation, poverty and inequality.

After three years in office, with two resounding party-leadership victories under his belt and an unprecedented 10 percentage-point rise in Labour's popular vote in 2017, Corbyn's personal position seems secure, for the time being. But his hold over the Parliamentary Labour Party (PLP) is tenuous at best. 'Parliamentary sovereignty', in the sense of the non-accountability of elected representatives to their party, is a key tenet of Labourism, and the MPs have traditionally considered themselves 'above' the views of the membership. During his first year as leader, right-wing Labour MPs regularly yelled 'Resign!' or 'Sit down and shut up!', when Corbyn rose to address Parliament.²¹ In June 2016, claiming that he was personally responsible for the Leave vote, two-thirds of the largely Blairite Shadow Cabinet he had inherited from Miliband staged a mass

²⁰ Richard Seymour, *Corbyn: The Strange Rebirth of Radical Politics*, new edn, London 2017, pp. 1–6.

²¹ Blair's reaction was of the same ilk: 'If your heart's with Corbyn, get a transplant.'

resignation, aimed at forcing him to quit. This was followed by a ‘no confidence’ motion against him, supported by 172 Labour MPs, nearly three-quarters of the PLP, with only forty coming out in his support, chief among them John McDonnell, Corbyn’s Shadow Chancellor. In what became known as the ‘chicken coup’, Corbyn did not blink. The moral fibre that had seen him through over thirty years of principled if law-abiding opposition to this crew stood him in good stead.

It was widely assumed that May’s decision to call a snap election in June 2017 would put an end to Corbynism; liberal opinion held that he was ‘unelectable’. Instead, Corbyn delivered the highest popular vote (12.9 million) for Labour since 1997, beating Blair’s tallies in 2001 (10.7 million) and 2005 (9.6 million), as well as Brown’s 8.6 million in 2010 and Miliband’s 9.3 million in 2015, and winning overwhelming support among young voters.²² Coming barely a year after the shock result of the EU referendum, the effect was to shift the overall political climate in Britain to the left, not the right, as reactionary Brexiteers had hoped. It was tacitly understood that votes from the run-down, former industrial regions of the North had tipped the balance on Brexit.²³ The surge in Labour’s support in June 2017 showed that many voters welcomed Corbyn’s radicalism. On the morrow of the election at which he robbed her of her majority, an ashen-faced May told Conservative MPs: ‘Austerity is over.’²⁴ The government abandoned its goals of scrapping the pensioner winter-fuel allowance, the ‘triple lock’ on pensions and free school meals for primary-school children. To those claiming that elections could only be won from the centre, Corbyn could respond that the centre had shifted:

Today’s centre ground is certainly not where it was twenty or thirty years ago. A new consensus is emerging from the great economic crash and the years of austerity, when people started to find political voice for their hopes for something different and better. 2017 may be the year when politics finally caught up with the crash of 2008—because we offered people a clear choice.²⁵

²² The contrast with the neoliberal centre-left parties of the Eurozone is even starker. Against 40 per cent for Corbyn’s Labour, the German SPD scraped 20 per cent, the Italian PD, 19 per cent, and the French Socialists, a mere 6 per cent in the latest round of elections.

²³ Tom Hazeldine, ‘Revolt of the Rustbelt’, NLR 105, May–June 2017.

²⁴ Francis Elliott, ‘Austerity is over, May tells Tories’, *Sunday Times*, 13 June 2017.

²⁵ Speech to 2017 Labour Party conference.

‘This is the real centre of gravity of British politics’, he told the Labour Party conference, three months after the election. ‘We are now the political mainstream.’

Children of a wiser day

The rise in Labour’s support was widely attributed to the appeal of its 2017 Manifesto, ‘For the Many, Not the Few’, echoing Shelley’s post-Peterloo ‘Mask of Anarchy’ and its concluding call to action, repeatedly invoked at Corbyn’s election rallies: ‘Rise like lions after slumber, In unvanquishable number... Ye are many, they are few!’ One of the most striking features of the Manifesto was its confident critique of the central tenets of neoliberalism: privatization, shareholder primacy, stratospheric boardroom pay, financial-sector predominance.²⁶ For a country like Britain, after forty years of unrelenting, trans-partisan Thatcherism, this marked a novel and refreshing shift in the political-ideological climate. Privatization of basic goods and services, the Manifesto charged, had led to higher costs and poorer quality, as prices were raised to pay out dividends. Water bills had risen 40 per cent since privatization; the postal service, sold off on the cheap, with shares changing hands at a profit, had hiked costs while failing to meet customer-service obligations. Energy providers had overcharged by £2bn in 2015—‘privatization has failed to deliver’. The financial system was ‘rigged for the few’. The UK’s productive sector was suffering from ‘years of neglect by governments’—‘this wasted potential is holding us all back.’ It was the only major developed economy where earnings had fallen even as growth had returned after the financial crisis. ‘Most working people in Britain today are earning less, after inflation, than they did ten years ago’:

Inequality has ballooned as the economy has shifted towards low-paid, insecure jobs. Britain’s manufacturing base has declined and we have relied too heavily on the financial sector, centred on London and the South East . . . Britain’s failure to get all its regional and local economies working can be seen in the deterioration of the country’s current account, weak productivity growth and underinvestment in infrastructure.²⁷

Against this, the Manifesto claimed that ‘the creation of wealth is a collective endeavour between workers, entrepreneurs, investors and

²⁶ The prose was that of Andrew Fisher, thirty-something head of policy in Corbyn’s office; formerly coordinator of McDonnell’s Left Economics Advisory Panel; author of *The Failed Experiment and How to Build an Economy that Works* (2014), a lively anti-neoliberal pamphlet calling for greater economic democracy.

²⁷ ‘For the Many, Not the Few’, pp. 19, 8, 13.

government. Each contributes and each must share fairly in the rewards.’ Confronted with the UK’s mountainous inequality, its concrete proposals were modest, to put it kindly, but by no means negligible. A Corbyn government would impose an Excessive Pay levy on companies and would require firms seeking government contracts to reduce their pay gap to a ratio of 20:1. Labour would extend Stamp Duty over a wider range of financial assets, impose a firm ring-fence between investment and retail banking, and explore breaking up the Royal Bank of Scotland, nationalized during the crisis, to create local public-utility banks.²⁸

The Manifesto’s central narrative was of economic rebalancing away from the financial sector, to reanimate the productive economies of the regions through public investment, renationalization, environmental protection and egalitarian social spending. The focus of Labour’s industrial strategy is a National Investment Bank, run by a brains trust of progressive economists, industrialists, entrepreneurs and trade unionists, which would raise and manage a £250 billion fund, spread across ten years, to invest in new technology, the information economy and infrastructure, with the aim of shifting 60 per cent of energy to zero-carbon or renewable sources and raising Research & Development funding to 3 per cent of GDP by 2030. This would be a real boost to the national R&D, which in 2016 was £33 billion.²⁹ The NIB would support a network of regional development banks, providing ‘patient, long-term finance’ to small businesses, plugging gaps in the supply chain and promoting alternative forms of ownership such as co-operatives. While backing for co-ops and small business has long been a staple of Labour manifestos, the commitment to a public-utility finance system is new, as is the nod to Germany’s Fraunhofer Institute or Norway’s State Pension Fund.³⁰

Complex renationalizations

A Corbyn government would be committed to a wide-ranging nationalization programme, bringing major utilities—railways, water, energy and

²⁸ ‘For the Many, Not the Few’, pp. 8, 14–15, 16, 17.

²⁹ ONS, ‘Gross domestic expenditure on research and development, UK: 2016’, 15 March 2018.

³⁰ A report commissioned by McDonnell proposed that Labour should underline the new focus on ‘productive investment’ by basing the NIB in the historic manufacturing city of Birmingham and by moving some Bank of England functions there as well. ‘Financing Investment’, GFC Economics, December 2017; Jim Pickard, ‘Labour looks at making mortgage-lending harder for banks’, FT, 12 December 2017.

Royal Mail—into public ownership, ‘to deliver lower prices, more accountability and a more sustainable economy.’ McDonnell has argued that low interest rates will allow for a sweeping programme of nationalization of profitable utilities—indeed, it will yield a dividend. But this moment will not last forever and the needed loans should be secured as soon as appropriate valuations have been made. Looked at in more detail, the tactics and extent of what’s proposed vary according to sector. In the case of rail, the existing contracts for passenger services would be allowed to expire and train operation would be brought back under public control.³¹ The ‘dysfunctional’ patchwork of privatized water and sewage companies, mainly owned by overseas investors, would be replaced by publicly owned regional water bodies, the government swapping existing investments into public debt. Since the water companies are profitable, McDonnell argues, this would be an investment for taxpayers, not a cost: ‘When you borrow to buy an asset and that asset is producing profits, as water does, that will cover your borrowing costs.’³² It’s been estimated that public ownership could reduce the water companies’ costs by £2.3 billion each year, by eliminating shareholder dividends and reducing the interest on their debts.³³ The savings could be passed on to customers, used to invest in improvements, handed to the Treasury, or some combination of all three. At least one City law firm thinks that Parliament could specify the level of compensation offered to shareholders, if there was an electoral mandate for nationalization.³⁴ Here there could be a case for compensating only pensioner shareholders, using the dividend to do so.

On energy, Labour’s plans are more tentative: ‘supporting the creation’ of publicly owned companies, ‘to rival existing private energy suppliers’. As for the postal service, Labour commits only to renationalization ‘at the earliest opportunity’.³⁵ PFIs were not mentioned in the 2017 Manifesto, but McDonnell has since announced that under a Labour government there would be no new PFI projects and existing ones would be brought

³¹ The rail infrastructure (stations, track, tunnels), privatized in 1996 and stripped bare by its shareholders, was renationalized after the scandal of the 2000 Hatfield train crash, which revealed how far safety standards had been compromised for the sake of quick profits.

³² McDonnell on the BBC *Today* programme, cited in Jonathan Ford and Gill Plimmer, ‘Buying back the family silver’, FT, 27 February 2018.

³³ Kate Bayliss and David Hall, ‘Bringing Water into Public Ownership: Costs and Benefits’, May 2017.

³⁴ Ford and Plimmer, ‘Buying back the family silver’.

³⁵ ‘For the Many’, pp. 19, 20.

back ‘in-house’, restoring democratic accountability to the delivery of public services.³⁶ A first step could be to compile a Domesday Book of existing PFIs and PPPs, shedding light on their key terms and conditions.³⁷ Such contracts each run to hundreds, if not thousands, of pages and were drawn up with the help of expert accountants to conceal real responsibility and ownership. The money lent to SPVs, or coming due for repayment under the PFI, is often held in overseas tax havens (IFCS) hiding from HMRC a scheme which the government had itself devised. The government’s power to nationalize will then be needed to bring the schemes ‘in-house’.

The Labour Left’s forthright advocacy of public ownership under Corbyn has tapped a deep discontent with the UK’s privatized services. In one survey, three-quarters of respondents favoured the renationalization of rail and energy, and 83 per cent supported taking back control of water.³⁸ What is needed now is a reinvention of the concept of the public good, which cannot be attained without public ownership, yet also requires multiple converging strands of accountability, consultation, determination and initiative. Corbyn and McDonnell have already begun to make a case for the greater democratic accountability that public ownership should bring—‘not the centralized and remote models of the 1940s and 1950s’, but ‘models of ownership that involve workers and consumers, based on co-operative principles’:

The technology of the digital age should be empowering workers, enabling us to co-operate on a scale not possible before. And yet too often it has enabled a more rapacious and exploitative form of capitalism to emerge. Look at Uber, Deliveroo and others. The platforms these companies use are the technologies of the future. But too often their business models depend on establishing an effective monopoly in their market and using it to drive wages and conditions through the floor . . . But imagine an Uber run co-operatively by the drivers, collectively controlling their futures, agreeing their own pay and conditions, with profits shared or re-invested.³⁹

³⁶ John McDonnell, Speech to 2017 Labour Party Conference.

³⁷ Walker and Tizard, *Out of Contract*, pp. 4, 22. The authors warn that many PFI contracts have been extended without proper scrutiny because Brexit has distracted attention.

³⁸ Ford and Plimmer, ‘Buying back the family silver’.

³⁹ Jeremy Corbyn, Speech to Co-operative Party Conference, 14 October 2017. See also McDonnell’s pledge that Labour would put nationalized services and industries ‘in the hands of those who run and use them’—learning from the everyday experiences of workers and consumers: Speech to ‘Alternative Models of Ownership’ Conference, London, 10 February 2018.

An important aspect of accountable public ownership would be open access to information—a key to conscious control of the economy, as Diane Elson has pointed out.⁴⁰ The existing regulatory agencies—OFWAT, OFGEM, OFCOM and the rest—have a poor record of holding private investors to account, but could be shaken up and instructed to monitor investment, performance and prices keenly. They would be able to take advantage of what Slavoj Žižek calls the ‘parallax view’ of both producers and consumers, of differently located collective and individual agents.⁴¹

Labour plans to fund its public spending through hiking income tax on the top 5 per cent and raising corporation tax from 19 to 26 per cent for large companies—still well below the current levels of 30 per cent in Germany and 33 per cent in France. The 2017 Manifesto would also extend Stamp Duty to cover financial transactions, withdrawing a privilege enjoyed by many City firms, whose share dealings are exempt from stamp duty on the grounds that they are ‘market makers’. A careful estimate reckons this could raise an extra £1.2 to £1.9 billion annually.⁴² The manifesto also pledged to review fairer taxation of residential property—the existing council tax is regressive in many ways—and of land held in reserve by speculative developers. Here lies perhaps the greatest scope for taxing wealth in the UK today: house values have not been assessed since 1991, before the housing boom took off. A new valuation, and new price bands for taxation, could raise impressive sums.⁴³

In other areas—the school system, health, housing, foreign policy—the Manifesto reflected the still-tenacious hold of the Labour right. Labour’s 2017 pledge to abolish university tuition fees and restore student maintenance grants was a dramatic reversal of New Labour policy. There were no measures to undo the drive towards the US charter-school model. On health, there was no mention of legislation to prevent the continued

⁴⁰ See Diane Elson, ‘Market Socialism or Socialization of the Market’, *NLR*, 1/172, Nov–Dec 1988, p. 43.

⁴¹ Slavoj Žižek, *The Parallax View*, Cambridge, MA 2007, p. 53.

⁴² See Avinash Persaud, ‘Closing the Stamp Duty Loophole’, *Intelligence Capital*, April 2015. The exemption from stamp duty is often ‘inherited’ by new financial concerns, including hedge funds and spread-betting outfits, that have bought out traditional stockbrokers who really were market makers.

⁴³ A point made by Martin Wolf, ‘Reform council tax and close the generational wealth gap’, *FT*, 23 March 2018. I address the scope for wealth taxes in *Age Shock: How Finance is Failing Us*, 2nd edn, London and New York 2011, pp. 263–7.

marketization of the NHS or halt the firesale of its assets, as Corbyn and McDonnell had promised the 2016 Party Conference. Instead, the Manifesto tacitly affirmed the status quo of commercial provision.⁴⁴ On housing, while Labour lofted the slogan ‘Secure Homes for All’, it offered no alternative narrative counterposing the universal right to housing, undergirded by social provision, to that of aspirational homeownership, the basis of the financialized housing market, which now shuts out a majority of under-45s.⁴⁵ Though Corbyn has laid at least part of the blame for the housing crisis on the sell-off of public land and housing to for-profit developers, Labour proposed no legislation to call a halt to this. The Manifesto pledged: ‘Labour will invest to build over a million homes’, and insisted that these would be affordable and environmentally responsible, but did not explain how resource constraints—say of bricks and brick-layers—would be overcome. Labour’s plan is based on a local-authority house-building programme, giving municipalities permission to borrow against their own assets. If local authorities take charge of development they should be allowed to benefit, via a ‘betterment levy’, from the increase in land values that results from improved public transportation and social infrastructure, such as libraries, sports centres, farmers’ markets and so on—the type of provision needed by thriving communities, but which private property developers will skimp on, to ensure the highest dividends for their investors.

Corbyn’s taboo-breaking response to the May 2017 Manchester suicide bomber—linking British wars against Muslim countries to the subsequent irruption of Islamist terrorism at home, and declaring ‘We must be brave enough to admit that the war on terror is simply not working’—won widespread support among the electorate.⁴⁶ But this rhetorical break with the tenets of UK foreign policy wasn’t backed up with policy

⁴⁴ See Allyson Pollock, ‘Healthcare for All’, in Phipps, ed., *For the Many*, pp. 129, 139–42. The Labour Left has attempted to introduce an NHS Reinstatement Bill, declaring health to be ‘a non-economic service of general interest’ in order to protect it from EU competition law. The Bill has the support of barely forty Labour MPs, another indication of the Right’s strength in the PLP.

⁴⁵ Stuart Hodgkinson, ‘Secure Homes for All’, in Phipps, ed., *For the Many*.

⁴⁶ A YouGov poll on 26 May 2017 found that 53 per cent agreed that the UK’s wars were at least partly responsible for terror attacks, compared to 24 per cent who thought they were not; a smaller Survation survey produced the same results. See Milan Rai, ‘Corbyn’s disappearing speech’, *Peace News*, 22 June 2017. As Rai points out, Corbyn’s careful formulations—drafted by key advisors Seumas Milne and Andrew Murray—were met with a torrent of denunciation from mainstream pundits and politicians, though some later took up his arguments without mentioning his name.

commitments. Though the 2017 Manifesto vowed to ‘end support for unilateral aggressive wars of intervention’, it was weak on foreign affairs and defence, where traditional right-wing Labourism still held sway—pro-NATO, increased defence spending, support for the arms industry, renewal of the Trident nuclear-weapons system, though scrapping it would release £4 billion annually for other purposes. Though a possible majority of parliamentarians (including SNP and Green members) would like to decommission Trident, rightwing Labour MPs have been able to veto any questioning of it, playing on fears of lost jobs in the defence industries and of displeasing Washington. Britain relies wholly on the US for the operation of its so-called ‘independent nuclear deterrent’.⁴⁷ Defence policy is likely to stay a redoubt of the Blairite diehards.

3. NEW HORIZONS FOR A NEW LEFT

It’s been argued that the new Labour Left lacks the type of intellectual infrastructure that provided so much support for the neoliberals’ original ascent—in particular, a dense layer of think tanks, focused on the problem of turning scholarship into policy, operating in the space between politicians and sympathetic economists and social scientists.⁴⁸ While this is true in general, the Corbyn–McDonnell leadership does draw on a range of resources, including—more or less radical—work by think tanks such as the New Economics Foundation and the union-backed Centre for Labour and Social Studies (CLASS), alongside mainstream contributions from the Smith Institute and IPPR.⁴⁹ While there is not yet any real equivalent to Michael Foot’s *Tribune* or Victor Gollancz’s Left

⁴⁷ See Norman Dombey, ‘What Is Trident For?’, *LRB*, 5 April 2007.

⁴⁸ Christine Berry, ‘The Making of a Movement: Who’s Shaping Corbynism?’, *Civil Society Futures*, 5 December 2017.

⁴⁹ NEF: founded in 1986 by the leaders of The Other Economic Summit (TOES), an alternative to G7 meetings, originally focused on international debt forgiveness, the Jubilee 2000 campaign, ethical trading initiatives and social investment. CLASS: founded in 2012 by Unite, GMB and other UK trade unions; current projects address race and class, automation, the labour market and Brexit. Smith Institute: founded in 1996, associated with Gordon Brown during the New Labour years; recently sponsored Walker and Tizard’s critical paper on PFIS, *Out of Contract*. IPPR: founded in 1986 by Clive Hollick, seedbed in the 1990s for Third Way researchers (Patricia Hewitt, David Miliband); corporate and foundation funding. The IPPR report *Out of Shape* (2016) took a more critical view of the inequalities of the UK economy after the shock of Brexit. John McDonnell has welcomed the

Book Club, Novara Media provides a platform for wide-ranging discussion of ideas and the annual World Transformed conference an ‘in real life’ forum for debate, alongside activist publications like *Canary* and *Evolve*. Positive as all this is, it is still a far cry from the hegemonic vision displayed by, say, John Strachey in his interwar classic, *The Coming Struggle for Power* (1932).

McDonnell’s economic advisory team has seen some turnover but seems to have reconsolidated since the 2017 election, with 39-year-old James Meadway, former senior economist at the NEF, playing a central role. To some extent Meadway exemplifies the relation between younger and older generations of left economic advisors coalescing around the Corbyn project. Born in 1980, he studied economics and economic history at the LSE and SOAS, where he completed his PhD in 2013 under the supervision of Costas Lapavistas.⁵⁰ Meadway was a participant in the Research on Money and Finance group at SOAS and contributed to the interventionist volume Lapavistas edited, *Crisis in the Eurozone* (2012). At the NEF, Meadway’s paper ‘Why We Need a New Macro-Economic Strategy’ portrayed the UK as ‘chained to a dysfunctional, over-exposed financial system that is symbiotically linked to a weak real economy’—‘a weak economy sucks in imports, requiring finance; a continual demand for financing helps support a bloated financial system’, leaving policy-making overly vulnerable to investors’ demands.

‘The key to breaking the grip of austerity is to undermine the financial sector’, Meadway argued. ‘The key to undermining the financial sector, in turn, is to reinforce the real economy.’ Tools to shrink and reshape the financial sector could involve debt cancellation and breaking up the banks. Those for strengthening the productive economy included not only the orthodox notion of a State Investment Bank—the state-owned Royal Bank of Scotland could be used to finance projects with clear

IPPR’s Commission on Economic Justice due to report in Autumn 2018 on ‘economic policy for a post-Brexit economy’. In an IPPR pamphlet, *Future Proof: Britain in the 2020s*, Mathew Lawrence warns against the danger of ‘economic feudalism’ in tomorrow’s digital society.

⁵⁰ James Meadway, ‘Stocks, Flows and Uncertainty: Critical Problems in the Stock Flow Consistent Approach to Monetary Economics’ (SOAS, 2013). This was a (not unsympathetic) left critique of the post-Keynesian ‘stock-flow consistent’ approach to macro modelling that had been pioneered by Wynne Godley, looking at the hoarding of money within circuits of accumulation, with particular reference to shadow banking.

public objectives—but also more unconventional policies: injections of Quantitative Easing cash directly into real economic activity, such as financing Dieter Helm’s £500bn project for green infrastructure: ‘used wisely and sparingly’, popular QE could be ‘a major blow against the domination of private finance over public economic outcomes’. Meadway also shrugged off conventional scare-mongering about capital flight, pointing out that the imposition of capital controls had become relatively common, from Malaysia’s one-year ‘stay period’ during the Asian financial crisis in 1997 to Gordon Brown’s snaffling of the assets of Icelandic banks in 2008 and the cooling measures introduced by Brazil and South Korea in 2009.⁵¹

Other younger-generation economists include Mary Robertson, a co-author with Ben Fine and Kate Bayliss of SOAS on financialization, housing and water privatization, and Labour’s Head of Economic Policy.⁵² Meanwhile Labour’s thinking on industrial strategy is said to be informed by Mariana Mazzucato’s work on ‘public entrepreneurialism’, underlining the role of state-backed research in twentieth-century technological breakthroughs, but also by the concept of ‘universal basic infrastructure’, including health and social care, as a key component of twenty-first-century industrial strategy.⁵³ At the same time, McDonnell has been supportive of the call for ‘universal basic services’, as opposed to universal basic income, proposed by Henrietta Moore (UCL) and Jonathan Portes (KCL).⁵⁴ A former Treasury official and chief economist

⁵¹ James Meadway, ‘Why We Need a New Macro-Economic Strategy’, *NEF*, 2013, pp. 19, 23–8. This was well to the left of Labour’s 2017 Manifesto, which claimed ‘The UK has a successful international finance industry’, even if the country also needed a ‘safe and socially useful banking system’ to meet local and regional needs: *For the Many*, p. 16.

⁵² See the special issue of *New Political Economy* on ‘Material Cultures of Financialization’ guest-edited by Kate Bayliss, Ben Fine and Mary Robertson: *NPE*, vol. 22, 2017.

⁵³ See Mariana Mazzucato, *The Entrepreneurial State*, London 2015; and *The Value of Everything: Making and Taking in the Global Economy*, London 2018. Universal Basic Infrastructure was proposed by the Industrial Strategy Commission, jointly led by researchers from the University of Manchester and the Sheffield Political Economy Research Institute (SPERI), the latter now apparently a magnet for radical young political economists, as well as older scholars like Andrew Gamble. (See, for example, the trenchant review of David Coates’s *Flawed Capitalism* by Scott Lavery on the SPERI blog.)

⁵⁴ Henrietta Moore, Jonathan Portes, Andrew Percy, Howard Reed, ‘Social Prosperity for the Future: A Proposal for Universal Basic Services’, Institute for Global Prosperity 2017.

at the Cabinet Office during the financial crisis, Portes was co-author with Simon Wren-Lewis (Oxford) of the paper behind McDonnell's Fiscal Credibility Rule—promising to balance government spending across a five-year cycle, borrowing only for investment—of which Meadway is now a proponent.⁵⁵ Other older-generation thinkers drawn into the Labour Left orbit include Ann Pettifor, fellow at the New Economics Foundation and author of *The Coming First World Debt Crisis* (2006) and *The Production of Money* (2017), and Graham Turner, an economist at the Tokai Bank in Japan during the 1990s, now an economic consultant and author of *The Credit Crunch* (2008).⁵⁶ McDonnell commissioned a report from Turner, 'Financing Investment' (2017), highly critical of domestic banks' lending to non-productive sectors, 'bloated' real estate in particular.

Public-utility banking?

In what follows, I draw on the work of these and other heterodox economists, but also go beyond them to identify measures that are simultaneously practical and radical. They are not yet anti-capitalist but they challenge poverty, inequality and commodification. They enhance popular resistance to, and potential control over, the accumulation process. They promote democracy and popular superintendence of the social surplus and how it is invested. At the limit, a progressive and popular measure might prove transitional, beyond capitalism as we know it, embodied in new forms of cooperation and association, based on the conviction that the free development of all is the precondition for the free development of each. The various proposals below—taxing the liabilities of the largest banks and the assets or revenue of the Big Tech companies, pension-fund reform, 'public capital' managed by a network of social funds, massive debt forgiveness—are obviously incomplete and schematic, but they would signal a quite new direction of travel. They are modest yet tangible steps towards 'the expropriation of the expropriators' and the construction of 'public capital' in a regime of 'responsible accumulation' and 'network socialism'.

⁵⁵ Jonathan Portes and Simon Wren-Lewis, 'Issues in the Design of Fiscal Policy Rules', Dept. of Economics Discussion Paper 704, University of Oxford, May 2014. For Meadway's defence of the Fiscal Credibility Rule, see his exchange with Richard Murphy, author of *The Joy of Tax* (2015) and an early proponent of 'People's QE', posted on the latter's blog as 'A note to John McDonnell's economic adviser on fiscal rules and their desirability', 1 August 2016.

⁵⁶ Reviewed by Tag Murphy, 'Bubblenomics', NLR 57, May–June 2009.

In his essay, 'Crisis in the Heartland', Peter Gowan contrasted the model of 'public-utility credit and banking', geared to the productive sector, to a 'private-capitalist credit system' which 'subordinates all other economic activities to its own profit drives'. As Gowan argued:

All modern economic systems, capitalist or not, need credit institutions to smooth exchanges and transactions; they need banks to produce credit money and clearance systems to smooth the payment of debts. These are vital public services, like a health service.

But such credit systems were also inherently unstable, Gowan went on—the essence of a bank is that it does not hold enough funds to cover all the claims of its depositors at any one time. Ensuring the safety of the system requires that competition between banks should be suppressed.

Furthermore, policy questions as to where credit should be channelled are issues of great economic, social and political moment. Thus public ownership of the credit and banking system is rational and, indeed, necessary, along with democratic control.⁵⁷

As Gowan pointed out, a public-utility credit system can operate within a capitalist economy: the German *Landesbanken* and post-war Japanese banks arguably conformed, in different ways, to this function.

By contrast, the private-capitalist credit and banking model operated under the logic of 'money capital'—in Marx's formula, M–M': advancing money to others to make more money. This was the system adopted in the UK and US from the 1980s, entwined with the fiat-dollar international monetary system, Gowan argued: 'making money-capital king'. It entailed the subordination of the credit system's public functions to the self-expansion of money capital, which comes to absorb a growing share of the profits generated across all other sectors. A generator of extraordinary wealth within the financial sector, and motor of the debt-fuelled consumption that had driven growth since the 1990s, the private-capitalist credit system was deep in crisis. The question of some new form of public-utility banking is now back on the agenda. As we've

⁵⁷ Peter Gowan, 'Crisis in the Heartland: Consequences of the New Wall Street System', *NLR* 55, Jan–Feb 2009. See also Ann Pettifor, *The Production of Money: How to Break the Power of Bankers*, London and New York 2017, pp. 93–153; and Mary Mellor, *The Future of Money: From Financial Crisis to Public Resource*, London 2010.

seen, projects for orienting the publicly owned Royal Bank of Scotland towards productive and socially useful investment would be concrete examples of this.

Rethinking public capital

The importance of public capital hardly needs to be underlined here. As Wolfgang Streeck has observed, the general crisis of public finances in the advanced-capitalist economies is particularly ominous for social-democratic policies, because it narrows the possibilities for redistribution.⁵⁸ While the power to tax has been greatly weakened—by the shrinking tax base of full-time employees and prevalence of low wages, by corporations hoarding profits in overseas tax havens, or shopping for the lowest jurisdiction—the need for public resources is as strong as ever, to meet growing demographic challenges and environmental imperatives.⁵⁹ The British government is out on a limb here because it licenses so many tax havens. Yet the ‘grey wave’ of rising care costs will be hugely expensive, for it involves the living and health costs of a fifth or more of the population. Addressing climate change will demand massive expenditures on renewables, while grotesque inequalities at national and international level need to be addressed with programmes of direct re-distribution. In addition, tertiary education and training should be available to all young adults free of charge, women need equal remuneration, resources and respect, and far greater spending is required for ‘early years’. More and better Research and Development in life sciences, information technology and transportation is critical to modern economies. The combined effect of these trends is to make the search for effective taxes—and efficient public ownership—among the key questions facing the emergent new left.

As the Labour Left argues, the financial industry will be an important source of new revenues. The crisis of 2008 and its aftermath led to further concentration and oligopoly in the sector, giving an added twist to

⁵⁸ Wolfgang Streeck, ‘How Will Capitalism End?’, NLR 87, May–June 2014.

⁵⁹ A recent analysis showed that effective reported tax rates for the largest technology and industrial companies have fallen by about 13 per cent as a proportion of profits since 2008. The report added that the tax which the companies claimed to pay was substantially higher than what was actually paid over a three year period. See Rochelle Toplensky, ‘Multinationals pay less tax despite curb on avoidance’, FT, 10 March 2018.

that sector's reliance on 'too big to fail'. The British government introduced a bank levy in 2011 but has considerably reduced its incidence after pressure from HSBC and StanChart. The rather conservative Australian government has been bolder, introducing a quarterly levy of 0.015 per cent on the liabilities of the country's five largest banks, effective from July 2017. This measure will oblige 'major banks' to pay for the implicit public subsidy they enjoy. The tax would fall on the sources of the banks' funds and was expected to raise AU\$1.5 to 1.6 billion each year. The banks would be tempted to pass along this extra cost to their customers but would be restrained by the knowledge that smaller banks would not need to do so. The measure will stimulate competition in the financial sector and be reviewed in two years.⁶⁰ The willingness to have higher rates for the largest banks is justified by the fact that they enjoy the status of 'too big to fail', and are paying for this implicit insurance. This is a measure which could be introduced in every major financial jurisdiction.

It would be perfectly feasible to introduce the corporate asset-levy proposed by Rudolf Meidner, Chief Economist to the Swedish trade-union federation and one of the architects of the Swedish welfare state.⁶¹ This would require corporations to issue new shares equivalent each year to 10 per cent of annual profits. The shares collected in this way would not be sold but held under the guardianship of a regional network of 'employee funds', and stowed away to finance future benefits, drawn down tranche by tranche as successive cohorts reach retirement age. Apart from this, all dividends, rights issues and capital growth would be ploughed back into the fund network, which would be used to encourage responsible accumulation.⁶² The detailed policies favoured by each fund would be the outcome of democratic debate.

Today's Big Tech companies have a lust for monopoly power that is just as keen as that displayed by the robber barons of yesteryear. By 2017 Facebook, Amazon, Google, Microsoft were outspending the banks when it came to political lobbying in Washington and securing favourable tax treatment when they repatriated profits to the US. Big Tech's

⁶⁰ Phillip Hawkins, 'The Major Bank Levy Explained', Parliament of Australia website, 23 June 2017.

⁶¹ Rudolf Meidner, *Employee Investment Funds*, London 1978.

⁶² On the Swedish experience, see Phillip Whyman, 'Post-Keynesianism, the Socialisation of Investment and Swedish Wage-earner Funds', *Cambridge Journal of Economics*, January 2006.

philanthropic pose and the profusion of ‘free’ or cheap services made available by the Web have allowed ‘the titans of Silicon valley to pose as ‘saving the world.’⁶³ They have used their monopoly control of intellectual property to escape from taxation on a massive scale. Since they manipulate profits data there is every reason to calculate their tax liability using revenue as a proxy and to collect information from the supply chain and marketing spend. The OECD has identified this issue and the EU is belatedly taking up the cause with a plan to tax the 150 largest corporate entities operating in the EU by turnover and capital value; half of them are US-owned, most of the rest European, but some Japanese and Chinese. The tax was set at 3 per cent of revenue and was estimated to yield just 5 billion euros. This tentative and modest experiment was accompanied by fervent assurance that it was in no way a response to or retaliation for other countries’ trade initiatives.

The public authorities already own important fractions of the private sector. The bailout of the banks in September 2008 left the US and British treasuries holding massive stakes in most banks, with RBS still two-thirds state-owned. The governments have typically managed the assets they’ve accrued in an inert and lifeless fashion, declining to use them to influence management or to channel future income streams to good causes. Sovereign wealth funds (SWFs), created as a counter-cyclical stabilizer, a way of spreading the benefit of windfall gains, or as a mechanism to redistribute income between the generations, can offer a counter example. Once such ‘public capital’ exists, it should be expected to practice responsible investment, using its leverage to encourage sustainable technologies and decent labour practices.⁶⁴ Since the late 1980s Norway has channeled surplus oil revenues to such an entity, building a fund now worth \$1 trillion—so large that it is close to being a ‘universal’

⁶³ Gillian Tett, ‘The Big Tech bonanza demands scrutiny’, FT, 22 September 2017. See also Linsey McGoe, *No Such Thing as a Free Gift*, London and New York 2015.

⁶⁴ An informative survey of ‘public capital’ by Angela Cummine identifies problems and pitfalls but leaves the reader aware that we have here an unexpected new arena of political economy, democratic contestation and class struggle. *Citizen’s Wealth: why (and how) sovereign funds should be managed by the people for the people*, New Haven 2017. Note that any mobilization of pension funds would have to be approached with great care. If competition is not vigilantly curbed public managers will simply reinforce the most regressive imperatives of capitalist accumulation. See the important argument and findings of Michael McCarthy, ‘Politics as a Market Force: The Class Politics of ESG Investing’, in Kevin Skerrett et al., eds, *The Contradictions of Pension Fund Capitalism*, Ithaca 2018, pp. 99–120.

⁶⁵ Paul Cleary, *Trillion Dollar Baby*, London 2016.

investor.⁶⁵ However the case for dedicating public assets to a SWF is by no means confined to oil states. The US Social Security programme has stowed away surplus revenues to a Trust Fund, dedicated to paying pensions to contributors when they reach the qualifying age. However the Trust Fund is prohibited from actively investing this money, because of fears that this would be a step towards socialism.

Pension-fund reform

The holdings of the institutional funds managed in the UK are massive: over £4 trillion, mainly pension and insurance funds, are being managed for UK clients. Yet the principles of their management are dubious or unclear. They could be directed to foster responsible investment: the mobilization of even a very modest tranche of this massive wealth could make a large contribution to the national investment effort. Fred Block urges the importance of ‘rechanneling people’s savings into public and non-profit financial entities’ that will make credit available for local economic development, rebuilding urban areas and the development of small and medium sized businesses. ‘This democratization of financial decision-making is a critical tool for giving citizens the capacity to shape the communities where they live.’⁶⁶ The commercial suppliers of pensions have an industry thanks to tax-breaks—legislation that allows their customers to pay no tax on savings for their retirement. Pension funds are thus obvious targets for a reform that would oblige their managers to take notice of social priorities, employee rights and environmental standards. However all too often fund management has fostered ‘grey capitalism’, with its opaque and complex procedures, and failure to deliver even for its supposed beneficiaries. The fund managers incur heavy marketing expenses and administrative charges which deplete the funds’ value without removing insecurity. Yet excessive investment ‘churn’ can be discouraged by trading rules. Institutional investors can also be obliged to monitor the performance of the companies they invest in, to respect workers’ rights and to discourage blatantly irresponsible practices. Institutional investors could also help to dissuade financial concerns from pushing the panic button whenever a government acts in a way they don’t like. Modern portfolio management urges that ‘engagement’ not ‘exit’ is the best way to induce a corporation to behave responsibly.

⁶⁶ Fred Block, ‘Towards a new paradigm’, in David Coates, ed., *Reflections on the Future of the Left*, Newcastle 2017, pp. 45–66.

The UK state pension remains one of the least generous in the advanced countries.⁶⁷ The Coalition government introduced an additional personal pension, to which the government would make matching contributions. Full-time employees would be automatically enrolled but could opt out. The self-employed are not covered, and even those who are will find that the pension pot they accumulate is woefully short of the retirement income they will need. Occupational pension schemes had been hit by the effects of QE, which by driving down interest rates has lowered the yield on pension assets. For a while future pensioners might be glad to see their pension pots growing, but when they came to turn them into income, the low returns to these savings were a source of disappointment. A Corbyn government should explore secondary pensions for all, allowing pension-holders to fold their existing entitlement into a safer universal scheme. A Pensions Task Force should be established to simplify provision, with a brief to integrate all forms of secondary pension into a single scheme securing an active and decent old age to everyone and embodying an honourable compact between the generations. Existing occupational and commercial provision should be obliged to adhere to common standards, and in particular to reduce annual charges to 0.2 per cent.⁶⁸ Pension funds should be managed with clear social objectives and subject to regular audit; contributors and beneficiaries should have a role in fund management.

Debt forgiveness and helicopter money

Meadway's 'New Macro-Economic Strategy' nodded towards debt cancellation, but others have given this more thought. They argue that the stubborn indebtedness of banks, governments and households casts a pall on the global economy, which needs stronger demand to maintain household purchasing power. Ann Pettifor and Steve Keen have suggested that modified versions of the classic device of the Jubilee are tailor-made for the job.⁶⁹ The biblical Jubilee saw a bonfire of accumulated debts every forty-nine years, bringing succor to all the indebted. The new approach is broader. Every citizen would receive a special social dividend of—say—£40,000. This money would have to be used, first,

⁶⁷ John Hills, *Good Times, Bad Times: The Welfare Myth of Them and Us*, London 2014.

⁶⁸ I have much more on this in *Age Shock*, pp. 195–226.

⁶⁹ Steve Keen's proposals are best accessed by visiting his website. See also Pettifor, *The Production of Money*, p. 43. Pettifor was closely involved in Jubilee 2000, a successful campaign to write off the sovereign debt of poor states.

to pay down any debt the individual was carrying, whether mortgage debt, consumer debt or student debt, any residue could be freely spent thereafter. The important proviso here is that all benefit, not only those who are indebted. If the measure was only given to the latter it could be seen as unfair, rewarding the reckless spenders. This approach to debt forgiveness uses universalism to promote the legitimacy of an egalitarian measure (note that £40,000 is useful money for most but a bagatelle for the richest one per cent).

A more modest version, labelled as a Universal Basic Opportunity Fund, proposes the idea of a 'dividend' of £10,000 paid in two installments, over ten years, to every citizen under 55.⁷⁰ The 'Opportunity Fund' would be set up as a sovereign entity to be financed from government debt, a wealth tax and the investment of 'corporate levies'. While recipients could spend the money as they liked, they would be encouraged to invest it in 'betterment': acquiring skills, contributing to a small business and so forth. The Jubilee-style debt-forgiveness proposal is larger—£40,000 rather than £10,000—and would help to pay off graduate debt. Both approaches could claim to be stepping stones to Universal Basic Income. Critics of the latter argue that its huge expense is a major obstacle. The Opportunity Fund authors cut the bill by offsetting tax and benefit reliefs, but still envisage a cost of £145 billion over ten years.

These proposals are not so far from the 'helicopter money' plan backed by Milton Friedman in 1968 according to which the way to restore demand in a serious crisis would be to load helicopters with bank notes and shower them on the population from the skies. Robert Skidelsky explains that there remains the difficulty that many would hoard rather than spend:

That is why many contemporary advocates of helicopter money like Willem Buiter and Adair Turner see it mainly in terms of monetary financing of additional government spending. The government should pay for, say, an investment programme not by issuing debt to the public but by borrowing from the central bank. This will increase the government's deficit, but not the national debt, since a loan by the central bank to the government is not intended to be repaid. Thus the government acquires an asset but no corresponding liability.⁷¹

⁷⁰ Anthony Painter, Jake Thorold and Jamie Cooke, 'Pathways to Universal Basic Income: The Case for a Universal Basic Opportunity Fund', Royal Society of Arts, February 2018.

⁷¹ Robert Skidelsky, 'A tweak to helicopter money will help the economy to take off', FT, 5 August 2016.

A wider understanding of ‘the production of money’ will strengthen the new narrative on the need for public investment. In an indication of the fresh winds blowing since the UK’s ‘double shock’ of Brexit and Corbyn, the chief economics commentator of the *Financial Times* has mooted the possibility of ‘truly unconventional policies, possibly including direct monetary financing of government spending’, if a big fall in asset prices, in the context of still highly leveraged financial sector, threatened to cripple demand. This ‘helicopter hint’ was followed by an ethical indictment of *laissez faire*: ‘It is immoral and ultimately impossible to sacrifice the welfare of the bulk of the people in order to placate the gods of the financial markets. If a policy designed to stabilize our economies destabilizes finance, the answer has to be even more radical reform of the latter.’⁷²

4. PROSPECTS

If the Labour Left now has a real chance of heading a government, it remains a slim one. Though—barring accidents—Corbyn’s position as leader seems secure for now, his hold over the party shouldn’t be taken for granted. Strengthened by the enormous influx of 350,000 new members, the Labour Left has advanced through the labyrinthine committee structures. But the organization of the party at national and regional level remains fundamentally undemocratic, with decisions stitched up by small cliques and ‘one member, one vote’ rarely applied. On many of the key committees the balance is held by representatives of the amorphous centre, whose arms can be twisted by regional or trade-union officials to de-rail democratizing initiatives. Corbyn’s present majority on the NEC may prove vulnerable to this sort of pressure. Momentum activists are pushing ahead with a modest programme of re-selection, hoping to get Labour Left candidates chosen in around a third of marginal constituencies. But regional party officials, mostly Blairite placemen—with the occasional Blairite placewoman—control much of the selection process, notoriously so in the West Midlands, and have a record of cancelling meetings or excluding members in order to get their way.

⁷² Martin Wolf, ‘A bit of fear is exactly what markets need’, FT, 14 February 2018. Wolf and Adair Turner belong to a radical school of thought within the establishment that favours ‘Overt Monetary Financing’ and a ‘Sovereign Monetary System’. See Pettifor, *The Production of Money*, pp. 93–130.

Of the present PLP of 262 MPs, around sixty are hard-core Blairites, operating in tandem with the likes of Peter Mandelson in the House of Lords. Openly antagonistic, they lose no chance to slander Corbyn, but reserve their main efforts for media campaigns against him in the run-up to local and national elections.⁷³ A smaller group, probably forty at most, are genuine Labour Left supporters, chief among them John McDonnell, Corbyn's Shadow Chancellor. But the mass of Labour MPs, the middle 160 or so, are simple opportunists. They have an eye on the main chance but few firm commitments. For the time being they have reconciled themselves to Corbyn, thanks to his electoral successes and the slow accumulation of power and patronage in the Leader of the Opposition's Office, as opposed to the party's HQ at Southside, Victoria, still a right-wing stronghold. But they would desert him in a trice if they smelt a wind blowing in the other direction. In office, the Blairite rump will urge a return to austerity and privatization at the first opportunity. The political context for such a venture might be a National Government, as in the 1930s. The sorry fate of Ramsay MacDonald then, or of the Liberal Democrats after 2010, should warn against heeding any such siren song. In order to form a government, Labour may require an agreement with the Scottish National Party (SNP), which could allow for progressive outcomes, but there are no guarantees. The SNP government in Holyrood has been very cautious.

The economic outlook remains bleak. Given high levels of household debt, a Corbyn government would pay a high political cost if it were forced to raise interest rates at the behest of 'the markets'. Brexit remains uncharted territory; a perpetually extended 'transition', during which very little changes.⁷⁴ But tariff wars, currency shocks, rising interest rates, the onset of recession or geo-political turbulence could bring a further buffeting, if not the lorry jams, bankruptcies and empty supermarkets foreseen

⁷³ Most recently, the Labour Right organized a concerted smear campaign targeting Corbyn with 'anti-Semitism' in the run-up to the May 2018 local elections; it petered out almost as soon as the vote was over. Corbyn doesn't have a prejudiced bone in his body, though he is a staunch critic of Netanyahu's murderous policies in Gaza. For a forensic analysis of the campaign see Daniel Finn, 'Corbyn under Fire', *Jacobin*, 9 April 2018.

⁷⁴ May's Chancellor of the Exchequer let the cat out of the bag at Davos on UK negotiators' desired Brexit end game: 'We are taking two completely interconnected and aligned economies with high levels of trade between them and, selectively, moving them, hopefully very modestly, apart': Philip Hammond, 'Davos 2018: Chancellor's speech at the CBI's British Business Leaders Lunch', 25 January 2018. Hammond's goal does not, of course, leave the Northern Ireland border or British membership of the EU as mere details.

by Remainers. The real danger may not be the 'cliff edge' but the status quo of continuing stagnation; already depressed, median British living standards are likely to deteriorate further.

Nor is there any certainty when, and in what conditions, the next UK election will be held. The May government faces growing popular disenchantment with the results of two years of largely fruitless Brexit negotiations. It could be brought down quite easily if only the Tory 'rebels' stuck to their guns. But when it comes to the crucial votes they back down, fearful of precipitating an election. The opposition parties cannot prevail in parliament unless many more Conservatives join in. Labour's 2017 Manifesto promised support for a Constitutional Convention, a badly needed step towards democratization of the misnamed United Kingdom. In electoral terms, a Corbyn government would require not only tactical votes for Labour cast by supporters of the smaller parties, which Corbyn achieved to a remarkable extent in 2017, but also a collapse of the Tory vote, the recipe for Blair's majorities between 1997 and 2005. Anger at the 'betrayal' of Brexit may provoke some Conservative voters to return to UKIP, even if they fall far short of electing any MPs. Amid boarded-up high streets and falling real wages, a lame-duck May government, staggering on towards 2022, consumed by internal divisions over the UK establishment's preferred form of Brexit, might yet deliver this. Given these stakes, it is all the more important to advance a real and plausible alternative to the UK's grotesque and broken status quo.