

EDITORIAL

Can Labour break free?

Anthony Painter

The left is developing a new socialist political economy built out of new institutions. But the centralisation or decentralisation written into those institutions will determine whether this ‘institutional turn’ will extend freedom and empower individuals and communities, or tend towards bureaucracy and paternalism.

Towards the end of the economy chapter in Labour’s 2017 manifesto, ‘For the Many, Not the Few’, there appears a section on democratic ownership. It makes the simple and plain point that ‘the distribution of ownership of the country’s economy means that decisions about our economy are often made by a narrow elite’. The ‘often’ was an unnecessary qualification; ‘almost always’ is the reality.

It is in this line, more than any other in the manifesto, that the shoots of a genuinely different socialist political economy can be seen. And in what is far and away the most successful attempt to consolidate and expound the political economy of the current Labour Party, Joe Guinan and Martin O’Neill took this theme of economic democracy and ran with it in the previous issue of *Renewal* (26.2).

Labour’s commitment to economic democracy is not just contained within a few lines of the election manifesto. A further document has been published by the Labour Party, ‘*Alternative Models of Ownership*’, which deepens and develops the arguments for and methods of promoting economic democracy as one organising principle for a socialist political economy.¹ Several other organising principles run alongside wider distribution of ownership – greater progressivity in taxation (including wealth, income, and corporate taxes), industrial democracy, increased public ownership, and widening provision of public services. Taken together, there

can be little doubt that these principles mark a point of departure from ‘neoliberal’ principles, where the state saw its role as expanding the market sphere throughout all aspects of economic life.

And this programme does not just place neoliberal statecraft into reverse. It offers something new, not just a revision to a past settlement. Yet, without a strong economic democracy strand, the programme would risk doing just that. That is why an ‘institutional turn’ towards a wider civic economy, in which ownership is dispersed and shared, is so important. Without an ethos of democracy, the programme could feel like one of reversal rather than progress. This is important, given that the structure of the UK’s economy and society is now so radically different from the mid-1970s when statecraft began to take a market turn.

Sometimes one’s adversaries have insights that can be helpful. One of the ideas that was embraced within the neoliberal stable is the notion that knowledge is too dispersed and too complex for large bodies (be they states or large firms) to make good decisions from the centre. This theory of knowledge is associated with Friedrich Hayek.² Knowledge is dispersed and so decisions are often better taken in a decentralised fashion.

Hayek used this argument to favour markets – and the price mechanism – over centralised planning. But there is no reason why the same logic should not be deployed in favour of greater economic democracy. We know from the work of Elinor Ostrom that co-operative mechanisms are generated through social institutions way beyond the price mechanism.³ Knowledge can be shared usefully and develop collective power beyond the market though it does have a decentralised characteristic. For example, worker ownership facilitates the deployment of knowledge in ways that could be superior to centralised management.⁴ Communities and localities can better coordinate flows of resources to support diverse and inclusive local economies – and the success of the ‘Preston Model’ speaks to this.⁵ Public services might be better delivered as part of a civic infrastructure that also attempts to enlist those who rely on services in their development.

The point is that you don’t have to buy into a market primacy credo to understand that the modern state might be most effective if it were more democratic and civic in orientation. Ironically, the Thatcher Government was anti-Hayekian when it came to public services – New Public Management was deeply centralising and controlling, which extended into the statecraft of New Labour.

The biggest risk that Labour’s new political economy as outlined by Guinan and O’Neill faces is that it glosses over the fundamental strategic choice between central planning and economic democracy. It could actually continue the centralist statecraft of recent governments. Take the NHS as a case in point. The NHS is in fact two things combined. Firstly, it is a means of providing universal healthcare free at the point of

use, funded through taxation. That is an entirely sensible way of organising resources as long as you ensure that funding is adequate and you do not crowd out other vital social expenditure. Of course, the current government failed on both counts.

Secondly, the NHS is a delivery mechanism. It does many things extremely well – it is most definitely efficient despite claims to the contrary⁶ – but it can also lack flexibility and responsiveness, and can do too little to integrate with locally provided public health, social and other services. So health inequalities remain persistent and community and care services poorly funded. Local health economies too seldom operate as whole systems, and resources flow too readily towards treatment rather than prevention. And enlisting the NHS as a local anchor institution in community wealth and well-being building may prove problematic. The same applies to Network Rail and other national bodies. The powers, assets and resources of these national institutions are critical for strong civic and inclusive local economies but they are often locked in national delivery institutions rather than focused tightly on local problems.

So there has to be a fear that new national bodies, such as a National Education Service or a National Care Service as Labour proposes, could actually pull against a strong civic political economy. And looking at the breadth of responsibilities and powers that the proposed National Education Service, for example, will enjoy, to cover cradle to grave, with targets, frameworks, management of whole new services, design of provision, investment and so on, it is easy to see this becoming unwieldy, unresponsive, and disconnected from local civic and inclusive economies very quickly.⁷

For example, the National Education Service will abolish childcare payments and provide a state service instead. Why not make childcare payments fairer, invest in high quality state provision, but let parents and local communities organise the childcare that suits their needs best? Perhaps a community wealth fund can support the creation of egalitarian and user-focused co-operative childcare provision? Well-designed co-operative provision could meet a range of needs better than direct state provision. The new political economy should seek to encourage such creativity rather than bypass it.

And nowhere is this potential tendency in the modern socialist political economy to do things for people rather than empowering people to do things for themselves clearer than the argument made for ‘Universal’ Basic Services over Universal Basic Income. Universal Basic Services offers people food, transport, some additional help with housing, broadband and mobile telephony. In most models, and for most of the services discussed, provision is universal in the sense that Universal Credit is universal, i.e. heavily targeted.⁸

Universal Basic Income gives all a bedrock of security and freedom to make choices about their work, caring, civic engagement, learning and enterprise.⁹ What is more likely to give workers a strong voice in the new political economy that Guinan and O’Neill outline: a baseline income that enables both organising and the ability to walk

away from poor quality work or access to more free school meals and meals on wheels? The RSA's research into economic security has shown how precarious modern work has become – 41 per cent have access to less than £1,000 of savings. This underpins the problem that too many are stuck without a real say or ability to progress or take risks. Economic democracy without the baseline of security and freedom that Universal Basic Income provides is rather like electoral democracy without universal voting rights.

And these dilemmas will ultimately decide the character of Labour's new institutional turn. Will it be grounded in freedom or paternalism? Will it unleash civic and community wealth-building or will it extend the bureaucratic tendencies of the UK's highly centralised (Thatcherite) polity? Will it undergird people and communities or make decisions on their behalf? There is much to commend Labour's recent development of economic democracy into both policy and platform. But will the 'institutional turn' be experienced more as a paternalistic state institution every which way one turns? The answer to this will determine whether Labour's socialism is truly one for freedom in the modern age or an attempt to turn back to a bygone age. But the discussion is now very much alive.

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Notes

- 1 *Alternative Models of Ownership, Report to the Shadow Chancellor of the Exchequer and Shadow Secretary of State for Business, Energy and Industrial Strategy*, 2017, <https://labour.org.uk/wp-content/uploads/2017/10/Alternative-Models-of-Ownership.pdf>.
- 2 F.A. Hayek, *The Use of Knowledge in Society*, https://www.econlib.org/library/Essays/hykKw.html?chapter_num=1#book-reader.
- 3 E. Ostrom, *Governing the Commons*, Cambridge, Cambridge University Press, 1980.
- 4 See G.D.H. Cole, *Guild Socialism Restated*, 1920.
- 5 See Matthew Brown interviewed by Martin O'Neill, 'The Road to Socialism is the A59: The Preston Model', *Renewal*, 24.2, 2016.
- 6 See <https://www.kingsfund.org.uk/publications/nhs-myth-busters>.
- 7 See <https://labour.org.uk/manifesto/education/>.
- 8 See eg. J. Portes, H. Reed and A. Percy, 'Social prosperity for the future: A proposal for Universal Basic Services', Institute for Global Prosperity, 2017, https://www.ucl.ac.uk/bartlett/igp/sites/bartlett/files/universal_basic_services_-_the_institute_for_global_prosperity_.pdf.
- 9 A. Painter and C. Thong, 'Creative citizen, creative state. The principled and pragmatic case for a Universal Basic Income', RSA, 2015, <https://medium.com/pathways-to-universal-basic-income/creative-citizen-creative-state-a3cef3f25775> and A.Painter, J.Cooke and J.Thorold, 'Pathways to Universal Basic Income: the case for a Universal Basic Opportunity Fund', <https://www.thersa.org/discover/publications-and-articles/reports/pathways-to-universal-basic-income-the-case-for-a-universal-basic-opportunity-fund>.