

EDITORIAL

The unspoken dilemmas of Corbynomics

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Advocates of Corbynomics will need to decide on the place of decentralisation and democratisation within their overall vision of economic transformation. History shows just how difficult it is for the left to give up on the idea of manipulating the levers of the central state to bring about change. And if we are serious about decentralising power we must consider how we will also achieve the paradigmatic changes needed to decarbonise our economy and save our planet.

The recent launch of the think tank Common Wealth by Mathew Lawrence is the latest portent of a new left-wing political economy in Britain.¹ This flowering of Corbynomics – in which *Renewal* has played an integral part – has generated a stimulating cohort of proposals and is a sign of a new confidence among the British intellectual left.

However, there are ambiguities nestled within the emerging agenda of Corbynomics. Its proponents champion democratising and decentralising the economy through industrial democracy and further devolution. Yet, they simulta-

neously advocate far-reaching, ambitious policies, like debt jubilees and Green New Deals, which may not gel easily with a wish to pluralise economic and political power.

These kinds of issues are not new. Since the 1970s, Labour's left-wing thinkers have struggled with similar dilemmas over the role of decentralisation and democratisation within their broader political vision. Debate has raged over whether Corbyn wants to take Labour 'back to the 70s', and in this issue of *Renewal*, Lewis Bassett argues that, in crucial respects, Corbynomics differs from its Bennite ancestor. Still, revisiting the debates of the 1970s, 1980s and 1990s today reveals key questions that proponents of Corbynomics will have to answer, if they hope to provide an intellectual framework for a Labour government.

The 'institutional turn'

Among the British left in recent years, there has been a resurgence of calls for fundamental reforms to economic statehood and ownership. This has some roots in Ed Miliband's 'predistribution' agenda, but was turbocharged by the election of Jeremy Corbyn as Labour Party leader. More widely, it has been filliped by the 2008 crash, insurgent left challenges to social democratic establishments across Europe and the United States, and finally the Brexit vote – which, whatever its underlying roots, has led commentators to highlight regional, wealth and income inequalities.²

This 'Corbynomics' has been fleshed out in *Renewal*, and by think tanks like the IPPR, the Centre for Local Economic Strategies, and the USA's Democracy Collaborative. There are differences between these groups, but the broad aim is to 'hardwire' redistribution into the economy, rebalancing the economy at the point of production. A loose consensus has also emerged over the need to transform economic governance, through decentralisation and democratisation of both political and economic power.³

The golden child for Corbynomics is Preston City Council, with its explicit encouragement of local procurement through anchor institutions like educational bodies and housing associations, as an attempt to rejuvenate Lancashire's economy.⁴ Novara Media's Ash Sarkar even praised the council recently on *Have I Got News For You*.

In other words, left-wing economics in this country has taken an 'institutional turn'. As influential proponents Martin O'Neill and Joe Guinan have outlined, this foregrounds ownership and the interconnections between political and economic

structures.⁵ Alongside more prominent Corbyn-McDonnell pledges like nationalisation of the utilities, Corbynite thinkers advocate further devolution to the nations and regions, expanding collective bargaining, and democratising enterprises.⁶

Past echoes

Some of Corbynomics stands out as new in the British context – for example, the proposal for a Citizen’s Wealth Fund.⁷ Yet many of its propositions bear a family resemblance to recurring left-wing ideas in political economy. The British left has long been interested in institutions – a glance at the Wilson governments would tell you that. Moreover, those who argue for a four-day week today have more in common with 1990s thinkers who contributed much to Blairism, like Patricia Hewitt, than may be apparent at first glance.⁸ Outside the UK, some have compared Corbynite ideas like the inclusive ownership fund to the Swedish Meidner Plan.⁹

Two historical comparisons from the British Labour Party are especially relevant: first, the theorists behind the ‘Alternative Economic Strategy’ (AES) of the 1970s, and, second, late 1980s and early 1990s soft-left thinkers and MPs. Both groups can claim to have directly influenced Corbynomics. Martin O’Neill, for example, has interviewed one of the most important proponents of the AES, Stuart Holland, for this journal, and has also written favourably about key 1980s and 1990s soft-left intellectuals like Paul Hirst and Will Hutton.¹⁰

The AES arose at a time when the Labour left was in an unusually strong position in the party. Expressed through National Executive Committee (NEC) documents endorsed at Conference, the strategy aimed to fundamentally reorder economic power through major extensions of public ownership and national planning agreements for large companies. It justified itself partly by pointing to the rising power of ‘multinationals’. Additionally, like today, many of its proponents attempted to incorporate industrial democracy and worker control into the wider strategy.¹¹

By the early 1980s, the AES was totemic among the left. Labour MPs like Tony Benn and Judith Hart enthusiastically championed the strategy, and its development led to the 1974 Labour manifesto pledge to ‘bring about a fundamental and irreversible shift in the balance of power and wealth in favour of working people and their families’.

In the later 1980s and 1990s, the British ‘soft left’ was also exploring decentralising economic power, and the links between constitutional and economic matters. Hutton’s writing was probably the most famous at the time. Through his newspa-

per columns and bestselling book *The State We're In* (1995), Hutton advocated a developmental state, inspired by West Germany. This meant decentralised economic power, governed through corporatist structures involving owners, managers, trade unions, and the state. To achieve this, he supported devolution to nations and regions, the rejuvenation of local government, and a 'stakeholder economy'.

Similar policies were also advocated within the Labour Party by those who accepted the need for 'modernisation' but who diverged from the direction of the Labour Party under Kinnock, Smith and Blair after around 1989. Two prominent MPs within this group were Bryan Gould and Peter Hain.

Gould had been the golden boy of the 1987 general election, and a key voice in policy formation, but by the 1990s he was increasingly disillusioned. He advocated employee share ownership and the state sponsorship of cooperatives, and the empowerment and democratisation of regional planning boards and local health authorities. He believed that employee share ownership was a socialist alternative to Right to Buy under Margaret Thatcher – and that these ideas would mitigate against the downsides of centralised nationalisation.¹²

Meanwhile, Labour MP and former anti-apartheid activist and trade union researcher Peter Hain had long been a radical critic of centralised governance, and proponent of community politics, situating himself in the libertarian socialist tradition. Into the 1990s, he acted as a fervent advocate for decentralisation.¹³

Decentralisation *and* a stronger nation state?

Why are these examples relevant? Because both groups nursed ambiguities over whether they prioritised strong action from the centre or the permanent decentralisation of power.

The AES demonstrated this dilemma perfectly. It was never obvious how its supporters would reconcile dreams for extending worker democracy on the shop floor with the strategy's wider vision. Partly this was because many trade unions, steeped in the adversarial tradition of 'free collective bargaining', were unenthusiastic about worker involvement in company governance. Yet there was another glaring tension – how could a Labour government decentralise economic power to workers, and simultaneously impose national planning agreements from the top?

In 1975, Stuart Holland tried to answer this question by sketching out tripartite bargaining structures to develop the national plans. But this relied on the rather heroic assumption that, during the polarised 1970s, Whitehall mandarins,

company managers and empowered shop stewards would be able to reach a consensus. Mark Wickham-Jones, among others, has stressed that Holland's enthusiasm for strengthening national intervention and control did not easily co-exist with dreams of industrial democracy.¹⁴

These tensions also afflicted the soft left. Gould and Hain were not just interested in decentralisation; they could also be major cheerleaders for the capacity of the nation state. While people like Gordon Brown were stressing external constraints and looking to join international initiatives like the European Exchange Rate Mechanism, Gould – a noted Eurosceptic – evangelised the possibility of an industrial revival spearheaded by a Westminster-controlled devaluation of sterling.¹⁵

Additionally, however, like many of this generation, Gould thought that globalisation was changing the nature of the game. As he reluctantly put it in 1989, the 'internationalisation of capital and the increased interdependence of national economies' undermined the autonomy of the nation state, and made international structures a 'regrettable necessity'. He stressed that Labour had to 'separate out those powers of government that inescapably have to be exercised at a high and remote level, and those that can appropriately be devolved to smaller-scale and more accessible institutions'.¹⁶

This begged the question: *which* powers 'inescapably have to be exercised at a high and remote level' and *which* could be exercised more locally? To pursue an obvious example: in the late 1980s, Gould clearly diverged drastically from Gordon Brown over the correct level for monetary policy.

Different aspects of Gould's programme could also easily clash. Pursuing a deliberate devaluation, as Gould has continually advocated from the 1970s to the present, could also totally scupper the local economic strategy of a devolved institution. What if a 'sunrise industry', which formed the core of an empowered regional government's industrial strategy, depended heavily on imported raw materials or components? A devaluation would make these products significantly more expensive to produce and could kill the region's strategy at birth.

Hain was afflicted by similar tensions. While campaigning for decentralising British economic governance, he also advocated European-wide strategies to tackle multinational capital.¹⁷ Not only that, in the 1990s he was one of the leading voices within Labour calling for a macroeconomic reflation spearheaded by the nation state, partly to critique the cautious direction Brown was taking.¹⁸

Therefore, again, Hain was ambiguous about precedence and priority. As a left-wing critic of New Labour, Hain championed central government demand management. Yet, over time, the tools for achieving this reflation could plausibly

be constrained in a decentralised polity. What would happen, for example, if a devolved Conservative-led administration, with significant autonomy in tax and spending, refused to play ball with a national plan of reflation?

Gould was progressively marginalised, partly because of his increasingly heterodox views on Europe, but I would take Hain to be a classic exemplar of the argumentative moves made by the soft left at the close of the twentieth century. Soft-left politicians often argued for both decentralisation and supranationalisation as a ‘modern’ path for socialism, while still agitating for strong national interventions, and mostly they did not explore in depth how these different strands related and could be reconciled. These technical questions mattered then, and still do today. While decentralisation is designed to rebalance the UK away from London and the wealthy, it also implies much more consensual decision-making. Give devolved parliaments and regions significant autonomy, for example, and Whitehall will have to coordinate their policies with these other decision-makers. Otherwise, policy-makers can easily cancel each other out – or, worse, sabotage each other’s strategies. This is to say nothing about the need to navigate international and global economic actors – from the WTO to ‘systemically important’ megabanks – even if the UK leaves the EU. Indeed, in this issue of *Renewal*, Matthew Bishop and Anthony Payne examine how a Labour government should try to interact with – and change – international institutions, in order to bring about a ‘re-globalisation’ that favours labour, rather than capital.

What do you mean by ‘radical transformation’?

The analogy is not perfect, but similar ambiguities are nestled within the emerging agenda of Corbynomics. In their understandable excitement to smash the Overton window, its vocal proponents are not dwelling enough on these potential conflicts.

To an extent, the IPPR has recognised the need to facilitate coordination between different levels of economic decision-making. In keeping with the institutional turn, its recent Commission on Economic Justice proposed a ‘new economic constitution’ with a new regional tier of English economic governance and the bolstering of economic sovereignty for devolved Parliaments. Their institutional solution to the coordination problem is a ‘National Economic Council’ which would include the Chancellor, Business Secretary and regional finance ministers.¹⁹

However, it is easy to see how this kind of consensual body could also dilute the dreams of the tribunes of Corbynomics. For example, many have championed a ‘Green New Deal’ to decisively tackle the climate emergency. Localising procure-

ment may cut down on transport-generating emissions. But many of the local industries that an empowered regional government could subsidise will not necessarily be very green. A glance at the decentralised, developmental state of Germany, and the slow death of coal mining and continuing presence of lignite mining in its energy production, illustrates this danger.²⁰

In this light, it is significant that McDonnell recently hinted at expanding the Bank of England's mandate to include greening the economy.²¹ While a noble suggestion, the fact that the Bank of England is unelected and has been formally independent of democratic government since 1997 sits uneasily with vows to 'democratise' the UK's economy.

To put it bluntly, some of the environmental policies which are almost certainly critical for the survival of life as we know it seem un-implementable except through the clunking fist of a powerful central authority at the national (or perhaps supranational) level. Banning carbon-fuelled cars, or delisting companies judged as insufficiently green from the London Stock Exchange, spring to mind.²²

Corbynites often suggest that their policies will inaugurate an era-defining 'revolution', comparable to the 1945-51 Attlee governments, or Thatcherism after 1979. In this vein, some have advocated extremely radical policies, such as Grace Blakeley's proposal for writing off all unsecured consumer debt.²³ Yet – insofar as 1945 or 1979 were ever sudden 'revolutions' – postwar Labour depended on a massive majority in a unitary, centralised and unfettered House of Commons, while Thatcher's governments rode roughshod over local and regional interests to secure their goals. Most famously, Thatcher cut local government to near death, provoking Trotskyist rates rebellions, and abolished the Greater London Council.

All this poses a key question: what do you mean by a radical transformation? Do you prioritise overhauling *how decisions are taken*, or instead *which decisions are taken*? Decentralisation and democratisation would be transformative for the UK, as would a debt jubilee and a vigorous greening of the economy – but these ambitious plans are not necessarily complementary.

Some sympathisers have begun to consider this possible tension, such as Anthony Painter, who last year praised the institutional turn but also cautioned Corbyn's Labour against what he saw as 'paternalist' policies.²⁴ In this issue of *Renewal*, several authors consider questions about democracy and the devolution of power: Alexandra Runswick argues that deeper and more participatory forms of democracy must bring power closer to the people; John Denham argues for constitutional reform to devolve power to England; and Elizabeth Anderson discusses worker democracy and what it might achieve with Daniel Chandler.

These questions must be addressed in more depth. It is encouraging to see such a creative period for the left, but we must tackle the ambiguities of the emerging Corbynomics head-on if it is to provide an effective intellectual framework for a possible Labour government.

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Further reading

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Notes

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