

# Hanging in the balance: the democratic economy after Corbyn

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Under Jeremy Corbyn and John McDonnell, a space was created for left thinkers and activists to advance a detailed and intellectually coherent alternative to our plutocratic, extractive and environmentally devastating economic model. After Labour's defeat, we need to hold our nerve and build a broader, more durable movement for radical change.

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December's general election result was the first major setback for the fledgling political movement that sprang unexpectedly into being as a result of Jeremy Corbyn's successful campaign for the leadership of the Labour Party. The devastating scale of the defeat has dealt this movement a decapitating blow, forcing Corbyn's resignation and potentially severing the vital link between a radical party leadership and the mass membership it created. The question now is whether the magnitude of this loss proves fatal for the underlying political project that defined Corbynism. Can Corbynism the movement – however reformulated and rebranded for a next phase of development – survive beyond the now greatly diminished political fortunes of Corbyn the person?

Much will turn upon the answer to this question. At stake is the enormous progress, intellectually and in policy terms, that has been achieved over the past few years. During this time the left, for the first time in decades, began to chart a viable political-economic path forward through and beyond the multiple crises – eco-

conomic, political, social and ecological – of our decaying neoliberal order. This programme has been dubbed ‘Corbynomics’ – something of a misnomer in that, while the Labour Party’s recent platform has certainly been developed in substantial part by a small group of key advisors, policy wonks and political allies closely arrayed around the leadership (the offices of both Jeremy Corbyn and John McDonnell), it has also been the culmination of years – even decades – of thinking about a new left political economy, both in the United Kingdom and overseas.

Corbyn and McDonnell were so important because they provided both the leadership and the political space in which this programme could be articulated and advanced at the national political level. ‘Corbynomics’ matters because it represents not just the political platform of a particular wing of the UK Labour Party but also the most advanced version yet to appear internationally of a deep strategic response to our overlapping crises, and a powerfully progressive vision of what can and must come next. It remains incomplete – important gaps are yet to be filled on issues ranging from international trade to big data and the digital monopolies – and many technical and practical details of implementation are still to be worked out.

Nevertheless, it stands as an impressive body of work. Taken as a whole, ‘the new economics’ (as John McDonnell has styled it) aims to bring about a radical egalitarian rebalancing of power through a reordering and democratisation of the basic institutions of Britain’s economy – a breathtakingly ambitious agenda, but one commensurate with the scale of the crisis.<sup>1</sup> Nowhere else in the advanced industrial world has such a programme been developed in such detail, and with a realistic prospect of actually being implemented. This is what now hangs in the balance.

## A democratic economy?

The core insight of Corbynomics is its recognition that our deepening crises are not accidental, or merely the result of poor policy choices, but the predictable outcome of the basic organisation of the economy. Addressing the crises would thus require more than reforms that tinker around the edges, or correct outcomes after they have already occurred: what was needed was the delivery of fundamental structural change in our economic system.

Over the course of four decades, the institutions and relations of our economy have facilitated a flow of wealth and power upwards to economic elites – a narrow propertied class whose ownership of the lion’s share of productive assets in an increasingly financialised economy has allowed them to capture almost all of its gains through a process of *extraction*. Land is controlled by landlords and property developers, the money supply by banks, our natural resources by the big energy companies, and so on. Instead of producing new wealth, this economy functions by *extracting* wealth from others, whether through rip-off utility bills, usurious interest

charges, sky-high rents, or share buybacks that bid up existing asset values. The same goes for the unsustainable extraction of natural resources that is pushing us ever further towards ecological ruin.

Against this, the new economics posits the possibility of a *democratic economy* in opposition to the extractive, unjust and unsustainable economy of neoliberal corporate capitalism. The argument for a democratic economy proceeds from the recognition that a society half plutocratic and half democratic cannot long endure. One half must – *will* – eventually supersede the other. This has been occurring all around the world over the past decade, as the plutocratic economy consumes our democratic polity. If this dangerous development is to be halted, if a rapid descent into neo-fascism and ecocide is to be avoided, then this order of things must be reversed. Democracy must be suffused into the economy. Only in this way can we see a rebirth of our failing democracy.

The good news is that this future is in fact already here – it’s just not evenly distributed. Even though the present is a painful moment of breakdown, it’s also a time of deep innovation and redesign. Many of the new, more democratic economic models that we need already exist, in real-world, practical form. The democratic economy is more than a mere dream or a rallying cry; it is emerging in the spontaneous work of thousands the world over. Extraordinary economic creativity has been underway in those long-standing ‘laboratories of democracy’ – our communities.<sup>2</sup>

Taken together, these local models and experiments could form the basis for a vision of a practical and viable new economy – one that is designed to meet the essential needs of everyone, to balance human consumption with the earth’s regenerative capacity, to respond to the voices of ordinary people, and to share prosperity without regard to race, gender or national origin. This is an economy in which the common good isn’t simply bolted on ‘after the fact’ in regulations and social safety nets but is at its heart, woven deeply into its institutions and practices in order to produce better social, economic and environmental outcomes *as a matter of course, through the system’s ordinary functioning*.

Such an economy can take the form of democratic and broad-based ownership of enterprise; place-based economic development with equity at its core; larger institutional procurement strategies that are localised and responsible; and investing for beneficial social impact rather than mere financial return; it is predicated on democratic and community participation at all levels and scales.<sup>3</sup> The key is to bring together these efforts in the public mind to form a coherent new intellectual paradigm and a persuasive new politics.

It was to this challenge that the radical economic programme being developed under Corbyn and McDonnell was addressed.

## Corbyn's programme

What is this programme? It has been well-documented in the pages of *Renewal* and elsewhere, so there is little need to rehearse it in great detail here, beyond broad contours.<sup>4</sup>

In short, under Corbyn, the Labour Party developed a necessary and credible approach to undoing the damage wrought by four decades of neoliberalism in order to make the economy work better for most people – for the many, not the few. For inspiration it drew upon existing democratic economy models and experiments as well as a longer-standing left heritage of bodies of thought and strategies developed in response to previous crises, but precluded or defeated by the rise of neoliberalism – a series of ‘roads not taken’, which it can be seen as both doubling back to and advancing from in a new way forward. This body of ideas includes economic democracy, industrial strategy, participatory economic planning, ecological economics, localism, community wealth building, and more. Collectively, they form the mosaic of a new political economy, of which Corbynism became the exemplar internationally.

The core components of the Corbyn agenda represent a deep response to Britain's overlapping crises of economic and regional inequality, climate change and financialisation. Key among them has been the overhaul of Britain's concentrated and extractive financial system, with proposals for a new top-to-bottom public financial system built around a postal bank, regional development banks, an ecosystem of social purpose banks (including community and local cooperative banks) and a national investment bank.<sup>5</sup> An ambitious green industrial strategy – dubbed the ‘Green Industrial Revolution’ by Rebecca Long-Bailey, drawing on proposals for a Green New Deal – included a proposal for a Green Transformation Fund as the vehicle for a £250 billion spending programme committed to a just transition to an environmentally sustainable economy. Alongside this was a radical plan to decentralise power, expanding community energy and bringing utilities, water, the railways and Royal Mail back into democratic public ownership, meeting one of the party's key goals of rebuilding the public sector, but doing so in ways that enhance public participation, accountability and transparency. This tied directly to Labour's support for community wealth building and the ‘Preston Model’.<sup>6</sup> In sum, Labour's economic strategy presented a dramatic shift and rebalancing of power, away from corporate finance and the City of London to so-called ‘left-behind’ regions and communities, and ordinary working people.

Three insights lay at the heart of this policy programme. The first was the need to break fundamentally with free market dogma, and, in particular, a recognition that an active, interventionist state strengthens national economies rather than weakens them. Second was the realisation that the climate and environmental emergency

necessitates urgent action well outside the bounds of ‘normal’ economic policy. The third was the political imperative to repair and rebuild the social fabric, including through the restoration and expansion of the public sector and of public services, accompanied by a fairer system of taxation and the extension of democracy into economic life.

Labour’s idea of a ‘Green Industrial Revolution’ was intended to bring together these objectives – the climate emergency requires drastic change across every sector, whether energy, transport, industry or agriculture. Delivering this drastic change makes an opportunity out of the necessity for a much more interventionist approach to the economy, one that would create new jobs and industries in areas that lost them under Thatcher, had to rely on the public sector under Blair, and have since been left with next to nothing as a result of a decade of austerity. It also means making economic discourse a discourse about *power*, in which left behind communities can genuinely ‘take back control’, while government invests in public services and democratises the economy.<sup>7</sup>

When a general election was called for December 2019, this radical programme helped inspire an exceptional and unprecedented ‘ground war’ in which an army of party activists organised themselves to go door-to-door to make sure that as many voters as possible had a chance to hear a fair rendition of Labour’s values, vision and policies. However, notwithstanding this impressive mobilisation, Labour’s general election campaign fell far short of what it should have been, and crucially failed to translate Labour’s programme, as set out in the 2019 manifesto, into its core political messages. As a result, the ‘air war’ was lost – and with it the December election.

## A failed campaign

As a new party leadership replaces Corbyn and McDonnell and a new direction is contemplated, there is a real danger that a narrative will emerge – especially from those who were opposed to the Corbyn project in the first place – that it was *too much* economic vision that led to the party’s general election defeat. The failure of the campaign to turn radical policies into an overarching message should not lead to the abandonment of this essential economic programme. Instead, as the election defeat continues to be dissected amid criticism and pressure to change course or completely abandon the project, it is important to be very careful in choosing which lessons to learn.

The fact of the matter is that Labour’s election campaign signally failed to reflect the party’s radical economic plans, as set out in the 2019 manifesto and accompanying policy papers. This meant Labour’s core vision, which centred around changing

Britain's economic model in a way that brought together tackling climate change, extending economic democracy and rebalancing the economy, was never properly set out by the national campaign. All indications are that the elements of this programme are in fact resoundingly popular. They have not failed the test of public support – they simply haven't yet been tested. This is because they were never effectively presented by the party itself.

This grave strategic error was compounded by significant tactical mistakes on the part of Labour's campaign. To take just one example, an early focus on increasing funding for public services, announced without any higher-level overarching narrative around universalism or the value of these services, fed distrust about Labour's tax proposals, with the danger that promising 'too much free stuff' was sowing scepticism about the overall credibility of Labour's plans. This attack arose not from political lack of viability for Labour's tax proposals (which were not directly contested) but from over-reliance on the dubious '95 per cent' claim (which was) in communicating these plans.

Labour committed to £83 billion in extra public spending against government baselines, and the accompanying tax changes were set out in the Grey Book that was published alongside the manifesto. These tax plans included a commitment that income tax would only be increased for the top five per cent of earners. This was reinterpreted by the media – with encouragement from Labour HQ and communications – as a pledge that 95 per cent of taxpayers wouldn't pay anything additional at all. This interpretation did not reflect Labour's actual plans, under which some of the 95 per cent would in fact pay more in taxes (for instance, by virtue of the removal of the marriage tax allowance and higher rates on dividends and capital gains). Over-use of, and dependence on, the 95 per cent claim thus became a vulnerability, sowing confusion and distrust, allowing the Conservatives and a hostile media to create the perception of dishonesty and of Labour's spending plans 'not adding up.'

A better approach would have been to foreground Labour's programme of structural economic reforms, which should have been at the forefront of the campaign in the first place. This would have served to provide a more compelling answer as to *how* a Corbyn Labour government would make people's lives better. Labour's commitments on increased workers' rights, for example, or on reductions in working time, presuppose a more productive economy. But Labour's general election campaign never set out how they would create such an economy.

Such a message, had it been delivered, would also have shifted the discourse away from spending commitments and towards a values-based vision of what a Labour government would bring – that it would not just make people better off but would also give them more power and control over their lives, together with a sense of

purpose, fulfilment, and pride. These topline messages were entirely absent from Labour's campaign.

Attacks on Labour's tax and spending plans created a panicked response that stopped people from talking about the policy programme; instead the party sought to reorient its campaign towards the issues the polls highlighted as most important among target voters – the National Health Service and cost of living – rather than actually attempting to set its own election agenda. As part of this shift, the campaign sought to make the 'free stuff' tangible by shifting emphasis to a cost of living discourse. The direct effect of this was to insert a spurious number about the 'money in your pocket' people would see from a Labour government into an already sceptical public debate. The flimsy nature of the number and crude form of the pitch meant it ended up reinforcing a general sense that politicians can't be trusted – which the Conservative campaign had sought to promote indiscriminately – rather than differentiating Labour as 'on your side', which was how it had been intended.

The upshot of all this was that the opportunity to make the Green Industrial Revolution the unifying, positive centrepiece of Labour's campaign – one that could trump Brexit in 'red wall' constituencies – was never tested, in spite of its centrality to the 2019 manifesto.

## The paradoxes of Corbynism

The rights and wrongs of the election campaign will doubtless continue to be litigated and re-litigated. But Corbynism was always about the movement not the man. What the movement now needs to confront and correct are the paradoxes of Corbynism that left us vulnerable to defeat.

One paradox derives from the fact that the Labour leadership – and the opportunity it afforded to develop a radical policy platform – largely fell into our laps, rather than being the culmination of years of hard political organising. The task was therefore to reverse-engineer the movement and develop the political education required to underpin the programme. This was a stark inversion of the usual order of things. In the aftermath of the remarkable near-success of the May 2017 general election, *this* was the imperative. And it was the failure to advance in these areas in the intervening period – essentially, two wasted years – that sowed the seeds of the December 2019 defeat.

Another paradox is that the Corbyn left was a victim of its own success regarding policy development. Policy was in some ways an area of overachievement. Those in and around the leadership went from a situation in which there was almost no blueprint for what a radical Labour government would actually do in office – the prevailing situation in 2015 when Corbyn won – to having the most detailed and

comprehensive version of such a programme existing anywhere in the advanced industrial world. This had the perverse effect of helping mask some of the underlying political weaknesses of the Corbyn project. Certainly for many of those involved there was a sense of being at the very cutting edge of policy thinking and development, of generating serious ideas and responses to the crisis, of being the ‘only game in town’ – still the case! – when it comes to serious, implementable alternatives to a decaying neoliberalism. While all of this may have been true, the sense of intellectual confidence, of being on the front foot, of setting the agenda and rapidly moving the Overton window, belied the underlying structural weaknesses and difficulties of Corbynism, which unfortunately came to a head during the election campaign.

As the debate rages about the future direction of the Labour Party, it is essential to recognise that the programme that has been developed over the past several years is a real response to the profound challenges we face, and it is also potentially deeply popular: it is not the cause of the defeat. The programme that was shaped up under Corbyn is still one of the most exciting anywhere in the world. However, those of us involved in policy development had developed a programme that was way in advance of the social forces and political groundwork that would have been required to carry it to victory. To be perfectly frank, we just weren’t ready.

The opportunity within this defeat is now to do things properly. In being excluded from state power, we are now forced to take the time to do the hard work that wasn’t done in the wake of 2017. We must use the coming years in ways that we didn’t use the past two: for community organising, base- and movement-building, political education, and the development of leadership and resilience.

This will be the work of many hands. We need to continue to be on the front foot intellectually, but there’s no way around putting in the hard work on the ground. There is simply no shortcut, or royal road, to the democratic economy. Instead, we need to double down on support for local demonstration projects and on-the-ground models.

Here, community wealth building efforts are emerging at different levels of support and engagement – from anchor institutions to councils, from cooperative developers to unions and activists. In North Ayrshire, for example, the local authority is using a £251 million Growth Deal from the Scottish government to redefine how business is done, connecting that investment to local economic development and the improvement of public services. The NHS – perhaps the ‘mother of all anchor institutions’ – is exploring how it can use its procurement capacity to support local enterprise and address the ‘social determinants of health’ (those upstream socio-economic and environmental factors that shape the conditions of people’s physical wellbeing). Not just in Preston, but also in Bristol, in North of Tyne, in Newham, in Islington and elsewhere, Labour local authorities are taking community wealth

building to the next stage of development and impact. It is time to connect and spread these models, and to ensure that they have community engagement and reparative justice built into them from design to implementation.

## The next battle

There can be no denying that the general election defeat was devastating. The weakness of a narrowly-constituted party apparatus and a failed communications strategy simply couldn't be offset by what should nevertheless be seen as one of the most exciting and extensive political mobilisations – especially by young people – in the UK in living memory. The stakes are so high because of the overlapping crises of climate and inequality and the dangers that lurk politically in the toxicity of the backlash that is occurring – and will continue to occur, unless there is a significant and effective left response. The era of Trump and Johnson could either end up being a grim interregnum between the death of neoliberalism and the birth of a new democratic economy, or a prelude to something much darker.

In such times, it is more important than ever to work to keep collective morale high and stay ready. Politics is volatile and history is cunning, and the defeats of today may well pave the way for the victories of tomorrow. New political energies have been unleashed in Britain that aren't going back into the bottle. It is more important than ever not to lose hope. Above all we must practice solidarity in all forms, especially with the most vulnerable, those on the frontlines, who will be ravaged by the Tories' ongoing destruction of the social safety net and dismantling of the state. As the state retreats even further in the most deprived parts of the country, there is an opportunity to develop cooperative networks of self-care and self-provision that would strengthen the foundations of the new democratic economy we are already trying to build.

So: grieve and analyse. But then we must get back to work for the long haul – we owe it to future generations, and to each other.

*We have leaned heavily on input from two senior advisors who spoke to us extensively about Labour's campaign as it was unfolding. We want to thank them and acknowledge their contribution even as we preserve their anonymity.*

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## Notes

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