

# THE FUTURE OF POLITICAL ECONOMY: NEW BOOKS

## A new world in the making: community wealth building and the co-operative sector

Jonathan Reynolds

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Joe Guinan and Martin O'Neill, *The Case for Community Wealth Building*, Polity 2019

As a Labour & Co-operative MP, community wealth building has been on my radar for many years. In early 2017, I hosted a roundtable in Parliament with Ted Howard, Co-founder and President of The Democracy Collaborative and pioneer of the Cleveland Model, for co-operative MPs and local government representatives. The idea has snowballed since.

Many of the most exciting and innovative ideas in the Labour movement over the last few years have come from our local government base. The degree of interest in community wealth building within the Labour Party is testament to this. The efforts and successes of Preston, in particular, have given this issue a pedigree which means it should be taken seriously. It is at the core of why I am in politics: to make a tangible improvement to people's lives, to create a more equal society, and to shape an economy where wealth and power are shared. There is no doubt that what has happened in Preston has made a measurable difference to people's lives.

Guinan and O'Neill's book chronicles Cllr Matthew Brown's efforts in Preston. They show how the mindset of councillors and officers changed after the Tithebarn

project, a major private sector investment in Preston's town centre, fell through in 2011. Rather than engaging in the race to the bottom against other towns and cities seeking external investment, Cllr Brown sought instead a model through which the people of the city could generate wealth themselves, using the resources available to the council through its procurement, its networks, and its 'anchors' in the city. These resources included the university, patient capital – coming, for example, from pension funds – and the council's relationships with the community. More was spent locally, wages increased, and there have been improvements in health, transport, youth and adult skills.

The authors say 'there is the glimpse of a new world in the making' – and this is true of Preston, but it has also been true in this current crisis. On the one hand, the crisis laid bare the destruction caused by austerity: it is our ghost of Christmas past, warning us of the perils of rebuilding the same, structurally unsound economy. On the other, it has taught us that we respond to crisis with co-operation. A new neighbourliness, mutual aid groups, community mindedness and co-operative spirit have all blossomed as communities have risen to the challenge.

I am particularly proud of the role that co-operatives have played in supporting communities through this crisis, from co-operative supermarkets coordinating volunteering efforts and donating food to foodbanks, to community shops and co-op pubs repurposing to support their elderly and vulnerable customers. The actions of communities and co-operatives through this crisis show us that this new world is not a distant pipe dream but realisable here and now.

This book is a positive contribution to realising this on a larger scale. The UK's co-operative sector is worth £37 billion – impressive but lagging behind our peers in Europe and further afield. Co-operation here is hamstrung by a legislative and regulatory environment that makes it harder for co-ops to start up and grow than it is for typical private or shareholder-owned businesses. In other countries, co-operation is welcomed and there are laws in place to enable and support it to flourish.

Conservative governments have rarely given co-operation the tools it needs to grow. Too often, they represent the property owners and investors at the top of the businesses that benefit most from the status quo. Despite its narrative of 'levelling up', the current government has shown little sign of being any different. So while in Westminster we challenge and hold the government to account from opposition, we must look beyond Whitehall for changes we can make here and now. I am a firm believer in bottom-up politics, and this book is an important aid to that – it certainly can help local civic leaders in understanding how they can use the tools they have at their disposal for economic regeneration and prosperity.

Guinan and O'Neill speak not only to practical policies, but also to bigger issues: deindustrialisation, regional inequality, and a strong sense of a lack of control over local economic power. A phrase from the Co-operative Party's 2017 pamphlet, 'Six

Steps to Build Community Wealth', encapsulates this: 'Deindustrialisation left many parts of the UK in decline. And while these areas have, by and large, moved past its worst excesses, they remain economies indifferent to people and place.'

This is something I can relate to the places I have spent my life in. Place matters, as does control. Sunderland in the 1980s, when I was growing up, felt miles away from Westminster. Unemployment was very high and there was the sense that the government didn't care enough, and that the people making the decisions about our local economy had never experienced what was really going on.

The community wealth building model, and indeed this book, emphasise the importance of taking seriously the 'embedded costs of place – both human and physical' – in terms of the value of local decision-making, and the importance of local institutions as anchors that can repurpose their supply chains and procurement spend to invest in the community in which they operate.

Local government is already in a position to lead much of this agenda, through choosing to interact with their local anchors, communities and economies differently. Preston has ably demonstrated this, and many other local authorities are developing their own models. CLES has supported much of this work (full disclosure: they're based in Manchester and I once tried to work for them); and I've been lucky to have worked with or campaigned alongside many co-operative councillors and candidates who have been thinking about how their neighbourhoods can learn from Preston and Cleveland.

But I still have several questions over whether community wealth building can yet be considered a comprehensive doctrine. For instance, can every area attempt or achieve the same thing? Not all potential anchor institutions are highly performing. This has been the case in my own constituency, for example: one of my major pieces of work as a new local MP was sorting out the problems at my local hospital when it wasn't performing. The Cleveland model is able to flourish partly because it is based in a city where poverty and deprivation exist cheek by jowl with the wealth of the Cleveland Clinic and other institutions. The combined spend of its anchors is vast, and, when repurposed, this was transformative for the city.

Preston, on the other hand, operates on a smaller scale, but it was able to leverage its resources to have a real impact on people's lives and livelihoods. How does this translate to somewhere much larger like London or Greater Manchester, or to a higher tier local authority?

And, given the uneven distribution of anchor institutions (and the great variation in wealth of anchor institutions), how do we ensure that wealth is redistributed in a way which addresses regional inequalities, and targets spend in a way which has the greatest impact on the lives of the poorest? While not denying the significant pockets of poverty and clear inequalities in a place like Oxford, for example, the

university is one of the wealthiest institutions in the country. By contrast, towns in Labour's red wall like Leigh and Copeland, where there are no higher education institutions, may have a harder time in finding anchor institutions to work with. These are the seats that Labour needs to win back, and which are in the greatest need of a Labour government. The Tory government's 'levelling up' agenda is doing nothing to overcome the massive inequalities these places face. Self-help and community initiatives, however laudable, cannot replace action at a national level – on tax, spending, infrastructure investment, education.

My other concern is one which the authors, to their credit, address directly. Taken ad infinitum, community wealth building could be accused of municipal protectionism. If places blessed with significant resources and wealthy anchor institutions only source locally, how is this not at the expense of poorer areas? The authors explain how the economic benefits of community wealth building in an area go beyond a simple transactional analysis; while I agree, I am not yet convinced that this is a sufficient rebuttal.

Rather, I think a stronger answer emphasises the role that local and regional action can have in democratising the economy. The real strength of community wealth building is not just that spending locally boosts the local economy, but that employee ownership and workplace democracy are transformative. Spending locally is a means to achieve that end.

Capturing public spending for public benefit by changing procurement practices achieves a lot, and can, as Preston shows, generate jobs locally. But the next step – far harder but even more worth the effort – is a shift from private and plc businesses, where profits are returned to a small number of distant investors, to wider forms of ownership. Yes, this creates an economy rooted in place, but – more than that – we know that economies with more co-operatives are fairer, have lower socio-economic inequality and are more productive.

This is why Labour's pledge to double the size of the co-operative sector is critical. It will change the way our economy functions – who makes the decisions and how it distributes its rewards. Taken together, co-operative expansion and community wealth building provide us with an approach which transforms our economy from both the top down and bottom up. A co-operative development agency operating at a national and regional level should offer resources and support to communities and town halls, which can then ensure that decision-making is decentralised, inclusive and reflective of the needs, culture and aspirations of their own place.

This book and the body of work on community wealth building from councillors, the Labour and Co-operative Parties, from places like Cleveland and Preston, deserves recognition. Co-operation is not just a radical tradition, but a deeply practical one. It is one that doesn't wait for the state to take action, but that believes change is made from the bottom up, through the endeavour and values of commu-

nities who come together to shape a better future. The early co-operators in Rochdale didn't wait for permission but applied their principles on the shop floor, providing good quality, affordable food to people who were excluded from a system which didn't care for their interests.

Community wealth building is a municipal manifestation of this co-operative spirit. Our towns, cities and regions have been left behind, and building wealth from the bottom up, using the tools available to us now rather than simply waiting for a change of heart or party in Westminster, is improving lives in the here and now. We should be giving local leaders all the support and tools possible to assist them in this quest.

This is not a replacement for action nationally – for me this agenda must be seen as complementary to action at the national level. But we can learn from what works locally, building on the advances of Labour & Co-operative councillors in power in town halls today, to develop policies to transform our economy. As we develop our policy offer, it must support not replace local innovation. Our town halls must always be a testbed for new ideas, with local communities empowered to shape the services that affect them. By delivering tangible results on the ground, community wealth building, and the body of thought surrounding it, proves to those communities seeking answers what Labour can achieve when in power. I would recommend this book to anyone who is interested in this discussion and wants to help shape it in future.

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