

EDITORIAL

Who's afraid of the big state?

Lise Butler and Florence Sutcliffe-Braithwaite

The Tories are collapsing, u-turning and revolting. Labour must offer a compelling response to the great crises of our time, resituating the state at the heart of a progressive vision to rebuild Britain's economy, civil society and democracy, and reforming our constitution to redistribute power.

In her victory speech on 5 September, Liz Truss told the 81,326 Conservative Party members who had just made her Britain's new prime minister, 'I campaigned as a Conservative and I will govern as a Conservative'.¹ On 23 September, she and her Chancellor, Kwasi Kwarteng, brought forward their mini-budget. At the time of writing (20 October), almost every element has been u-turned on and Kwarteng and Truss are both gone. Backbenchers have been in open revolt and the Tory Party is fatally divided. It is unclear who will be prime minister in a week's time. Jeremy Hunt is the most powerful politician in Britain, but even he rules at the pleasure of the markets.

Under Theresa May and Boris Johnson, as Jonny Ball argues in this issue, we saw a 'radical break with recent Conservative orthodoxy' on the economic function of the state, with corporation tax increased, public spending as a proportion of GDP rising, the minimum wage increased, plans afoot to re-introduce more state involvement in rail and bus networks, and, perhaps most significantly, £300 billion in spending on coronavirus support for workers and businesses. With Truss, as Ball writes, the Conservative Party underwent 'its Thermidorean reaction, jolting back to its laissez-faire comfort zone'. In the 2012 publication

Britannia Unchained, Truss, Kwarteng and their co-authors deployed classic Thatcherite declinist rhetoric: ‘we are convinced that Britain’s best days are not behind us. We cannot afford to listen to the siren voices of the statisticians who are happy for Britain to become a second rate power in Europe, and a third rate power in the world. Decline is not inevitable.’ *Britannia Unchained* proposed typically Thatcherite remedies: cutting the state, taxation and regulation. This is precisely what Truss and Kwarteng tried, and failed, to achieve in their few turbulent weeks together in office.² With theatrical irony, it was the markets that disciplined a prime minister whose main pitch to her party membership consisted of cosplaying Margaret Thatcher. Financial institutions spectacularly failed to buy the Truss line that tax cuts (especially for the richest and for corporations) would promote economic growth. Thatcherism was long ago exhausted as a governing project. The Tories have trashed their (long over-inflated) reputation for economic competence, and have no big solutions to offer to the major crises – environmental, economic and health – of our time.

So what should Labour do? This issue of *Renewal* suggests that we should be thinking about that bogey-man of the Tory free-marketeers who Truss and Kwarteng briefly sought to represent: the state. What does it do, and how; who gets to control it, and how is power distributed in our constitution and among our institutions?

The neo-statist moment

In this issue, Paolo Gerbaudo and Steven Klein call for the Labour Party to capitalise on the current ‘neo-statist moment’ by proactively shaping a new policy response to the systemic crises of recent decades: the 2008 financial crisis, the pandemic and climate change. This requires, they argue, a shift away from the rightward drift that helped social-democratic parties achieve power in the 1990s and 2000s, and towards a policy direction which embraces rather than eschews strategic state management of economic, climate and health policy.

Responding to the mini-budget in September, Shadow Chancellor Rachel Reeves echoed Joe Biden’s response to Kwarteng on Twitter – ‘I am sick and tired of trickle-down economics. It has never worked. We’re building an economy from the bottom up and middle out.’ Reeves argued that Kwarteng set out ‘not a plan for growth’ but ‘a plan to reward the already wealthy’: ‘A return to the trickle-down of the past, back to the future, not a brave new era.’³ Reeves and Starmer have been very successful in forensically demolishing Tory ideology and policy (though to be fair, they have been helped in recent months by the unutterable incompetence of the Tories themselves). But as well as a critique of trickle-down fantasies, Labour needs to offer a persuasive alternative narrative that is honest about the scale of

the crises that our country – and our world – faces, and what we need to do to tackle them.

More substantive policy was announced at party conference in September, and the indications are promising. Starmer's conference speech explicitly positioned the Labour Party as 'not afraid to use the power of government to help working people succeed', by 'tackling the climate emergency head on and [creating] the jobs, the industries, the opportunities of the future'.⁴ The Green Prosperity Plan pledges to decarbonise the economy, creating a clean energy system by 2030 by investing in offshore wind and solar power, and insulating 19 million homes. Labour promises to work with business to achieve a greener economy, but also to direct, as Ed Miliband and Angela Rayner put it, 'the entire government machinery ... to this mission'.⁵ Louise Haigh promised that Labour would bring the railways back into public ownership, and Reeves announced a 'national wealth fund' of £8 billion to promote green infrastructure such as 'clean' steel plants.

It's worth noting, though, a potential elephant trap for Labour. Reeves's economic programme centres 'growth, growth, growth' – but this is a policy buzzword which the Conservatives have made a real effort to corner, and which backfired on Truss spectacularly. In the 1960s and early 1970s, average annual growth rates in the UK were about 3.5 per cent. They have been consistently lower since the mid-1970s, even taking into account the Lawson boom of the 1980s. After the 2008 financial crisis growth fell even further: it has been less than 2 per cent a year ever since.⁶ If it was so easy to reverse this trend, someone would probably have done so already. Labour will need seriously big ideas to have any chance of achieving it. And given that over the past decade, economic growth has disproportionately benefitted the already-wealthy, Labour may well need more expansive and imaginative ways to talk about the party's big vision for the future of Britain.

As Gerbaudo and Klein note, there may well also be a tension between Labour's positioning under Starmer as the party of 'fiscal prudence', and new moves to embrace state action and state spending. 'It remains to be seen', Gerbaudo and Klein comment, 'whether Starmer will be able to resolve the tension between these two aspects of Labour's public position'. The markets have been shown over the past few months to be exceptionally powerful, and, from one perspective, it makes sense to pitch the Labour Party as a more responsible manager of the ship of British state in the stormy waters of a globalised economy. But Labour will need to do more than just manage our increasingly unstable political-economic settlement: the scale of the challenges we face requires it. As Ball says in this issue, 'Labour needs to offer something other than a promise to manage austerity more humanely or responsibly'. Focusing too much on the old mantras of economic growth and fiscal prudence may box Labour into a corner.

Labour also needs big ideas about how to fix the NHS, the largest arm of the state, and one which faces serious, interlocking crises – even without the coronavirus pandemic – and problems running deeper than a simple lack of funding. Labour cannot simply promise to lavish more money on health: we need an ambitious plan for progressive change to fit the service for the mid-twenty-first century.

Over the past five years, Steve Iliffe, Richard Bourne and colleagues in the ‘Era 3 Group’ have been setting out such a plan in a series of articles for *Renewal*. If the NHS’s first era, established in 1948, was one of ‘noble, beneficent, self-regulating professionalism’, and its second, inaugurated in the late 1980s, was characterised by the use of market mechanisms, targets and managerial punishments and rewards to drive change, it is now time, Iliffe et al argue, for Era 3.⁷ In this issue, Iliffe, Bourne, Jane Bernal and Jill Manthorpe set out what this would look like in mental health provision, arguing that Labour must prioritise ‘parity of esteem’ and joined-up solutions based on the social model of mental illness. This is the sort of ambitious, systemic thinking that Labour needs in order to offer a genuine alternative to the exhausted platitudes of the Tories.

Wes Streeting recognised this in his speech to Labour Party conference, arguing that ‘voters won’t accept pouring money into 20th century healthcare that isn’t fit for the future’, and promising a workforce plan for the service, as well as more focus on prevention, early intervention and care in the community, moves towards a National Care Service, and investment in technology. Labour is beginning to set out ambitious, constructive plans for government: the party must not lose momentum and retreat into caution and defensiveness.

The need for constitutional reform

The cost of living crisis is focusing politicians’ minds on the pound in voters’ pockets, but it shouldn’t blind Labour to the importance of power. The party cannot afford to be purely economic in its approach. Power matters – who has it, how it is shared, how it is limited, and how it is wielded.

The Labour Party has a long history of campaigning for constitutional reform: from the 1960s onward Labour manifestos and policy-makers have promoted visions of democratisation and institutional change oriented around devolution, reforms to the institutions of government, and greater government transparency. In the 1970s and 1980s, left campaigners like Tony Benn pushed for democratic reform to be at the heart of Labour Party election pledges; and in the 1980s and 1990s, the constitutional reform movement Charter 88 attracted support from figures from the Social Democratic Party like Roy Jenkins as well as more radical thinkers like Ralph Miliband and Perry Anderson. Influenced by this tradition, the New Labour govern-

ments of 1997-2010 reformed the institutions of the British state, legislating for devolved government in Scotland and Wales, reforming the House of Lords, and introducing a Freedom of Information Act and metropolitan Mayors (though New Labour was equally culpable of centralisation, managerialism and hugely unpopular executive-led foreign policy decisions). Keir Starmer's Labour, in contrast, is curiously silent on constitutional reform – for example, refusing to include pledges on electoral reform in the next manifesto, even as Labour grandee Gordon Brown has urged the party to take up the cause of democratic renewal anew.⁸

In order to tackle the ever-deepening fractures in British society, and a historic cost-of-living crisis that is hitting the most vulnerable hardest, Labour should revisit its long tradition of campaigning for a democratised state and economy. Echoing a longstanding left conviction that the health of Britain's political democracy is indelibly linked to the fairness and flourishing of its economy and society, John Denham and John Wilson call in this issue for Labour to develop a set of policies to 'redistribute power and enact a new constitutional settlement'. For Labour to prosper, it must, they assert, recognise the multinational nature of the UK state, define and defend the powers of local democracy and local government within the British constitution, challenge entrenched systems of state centralisation, and reduce the need for judicial interpretation of law in legislation. Labour 'must challenge the deeply entrenched power and culture of the union state in Whitehall from its first day in office', Denham and Wilson insist: 'delay will ensure that reform is indefinitely postponed.'

Championing constitutional reform will set Labour clearly apart from the Tories – but not in the way most people might imagine. The Conservative Party likes to present itself as the party of continuity, the guardian of parliamentary democracy against change and upheaval. In fact, the Tories have for some time now been undertaking a rolling programme of constitutional reform. Brexit is of course a huge part of this, but there are other interventions underway too. The Dissolution and Calling of Parliament Bill, introduced earlier this year, plans to roll back the Fixed Term Parliament Act, giving the prime minister power to dissolve parliament, emphasising that the monarch's role is purely ceremonial, and excluding the courts from playing any part in the process of calling an election. It would in effect hand the power to dissolve parliament entirely to the prime minister. Centralisation is the name of the Tory game; Labour must name this dangerous programme of Tory constitutional reform for what it is, and offer a progressive alternative.

The road forward for Labour

For some time, Starmer, Reeves, and other Labour frontbenchers have rightly focused on holding the Tories to account for their incompetence, incoherence and

u-turns. But Labour also needs a constructive, coherent and effective plan for government to avoid being overwhelmed by circumstances. Announcements at party conference demonstrate such plans are coalescing, but there is more to do. Economic stagnation, climate catastrophe, global health threats: all these issues demand a neo-statist turn. Not simply a bureaucratic behemoth, but a flexible, collaborative, democratised state. Not back to the future, but a brave new era.

Challenging the Conservative project to centralise power in the hands of the executive must be an integral part of this, not an afterthought. At a moment when the Conservatives are quietly making the state less responsive to democratic scrutiny and mobilising economic policy to serve the unaccountable private interests of finance capital, the left has a historic opportunity and an urgent responsibility to champion democratic renewal and economic and social policies in the public interest.

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Notes

- 1 Noah Keate, 'The Truss manifesto', Politico, 1 September 2022.
- 2 Liz Truss, Priti Patel, Chris Skidmore, Dominic Raab and Kwasi Kwarteng, *Britannia Unchained: Global Lessons for Growth and Prosperity*, Basingstoke, Palgrave 2012.
- 3 'Kwasi Kwarteng's mini-budget of tax cuts reward the wealthy, Labour says', BBC, 24 September 2022.
- 4 Keir Starmer speech to Labour Party Conference, 27 September 2022.
- 5 Angela Rayner and Ed Miliband, 'Labour will bring green jobs built on strong trade unions, because we cannot go back to the 1980s', *Guardian*, 25 September 2022.
- 6 'Kwarteng will Struggle to hit 2.5% Growth Target, Warn Experts', *Financial Times*, 13 September 2022.
- 7 Steve Iliffe and Richard Bourne, 'The NHS: Not back to Era 1 but forward to Era 3 – policy challenges for Labour', *Renewal*, Vol 25 No 1, 2017.
- 8 'Labour may abolish House of Lords if it wins next election, leaked report reveals', *Guardian*, 22 September 2022.