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EVERYDAY SOCIALISM

HOW TO REBUILD BRITAIN



Edited by Rachel Reeves MP

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Everyday socialism

How to rebuild Britain

Edited by Rachel Reeves MP

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1. A RADICAL FUTURE: REBUILDING BRITAIN WITH THE EVERYDAY ECONOMY

Rachel Reeves MP

Our country is divided. Too many people do not share in our national prosperity and have lost faith in politics as a result. If we are to safeguard our democracy, Labour must develop a shared sense of belonging and a new economic settlement. This settlement should be built around the things that matter most to people: the everyday economy of their work and wages, their families and the places where they live.

In 2010 Labour lost the general election because growing numbers of lower middle class and working-class voters in the English towns and provinces felt that the globalisation of the past four decades was neither in their interest nor any longer in the national interest. Labour has not won a general election since.

Despite the political transformation of the party, we have made only limited headway in creating a new kind of Labour politics to meet this challenge. Now we are faced with a new threat, in the shape of Boris Johnson as prime minister.

In his first major speech at Manchester's Science and Industry Museum, Johnson set out his ideas for the economic revival of the north of England. Almost exactly five years earlier in the same venue, George Osborne, then Conservative chancellor, explained his own plans for a 'Northern Powerhouse'. He promised to build a new econ-

omy in the north. It has failed to happen, and in his speech Johnson conceded the fact. He would make good. There would be a new transport system for the north, more funding for infrastructure, and more democracy and community participation in devolution.

For weeks during the Conservative leadership contest, Johnson had been relentlessly attacked and abused for his personal failings and character. It might be tempting to write off the promises he made in Manchester as those of a charlatan. However, like some of the personal attacks, this would be a serious error of political judgment.

Johnson and the team around him are in earnest. They are set on taking the country out of the EU and they are planning on winning an election. They are not unaware of the risks, nor the prospect of failure, and they understand the key battleground of any forthcoming election. Their target is the lower middle and working-class voters of the English towns and provinces, the same C1s and C2s who once formed Labour's core vote and whose loyalty is now wavering. The Conservative campaign has begun.

Labour cannot rely on Johnson self-destructing, nor the naïve hope that the visceral dislike of him expressed by the liberal left is shared more widely. And nor can it depend upon its remain voters to win a general election in some form of progressive alliance. We must have a strategy to beat the Conservatives nationwide, and that means being clear on Europe – people want to know what we believe in and what we would do. It means not hedging our bets but building bridges between remain and leave voters by developing our future political economy.

We need to break with decades of government policy-making that has concentrated on the market and the state to the neglect of society. Communities are at the core of reversing economic decline. We need a political economy of everyday

life that prioritises work and wages, families and households and the local places where people live and belong.

The contributors to Everyday Socialism set out their ideas on how Labour can go about this radical development in policy. In my earlier pamphlet *The Everyday Economy*, I drew on the pioneering work of Karel Williams and colleagues organised around the Foundational Economy Collective. I concluded that developing policy around the everyday economy will strengthen Labour's role as the party of the labour interest, repair our divided electoral coalition and undertake the task of rebuilding the country. I have not changed my mind, but we need a wider collective debate to develop the ideas. Everyday Socialism is part of this debate.

The condition of England

England is the largest, most diverse and most politically powerful country in the Union and so its condition and future is vital for our collective success as a United Kingdom. The vote to leave the EU in 2016 exposed two deep political rifts in English society.

The first has formed around the geographic distribution of economic activity. Globalisation has divided the economy between the globally integrated metropolitan cities characterised by extremes of wealth and poverty and the urban hinterlands, small cities, towns, coastal and rural areas which are experiencing forms of economic underdevelopment. The political power of the working class has been greatly diminished by the loss of work through new technology, a lack of capital, and the off-shoring of labour-intensive industries. Whole communities have been impoverished and neglected. As Aditya Chakraborty writes in his chapter: "Spread across Britain today are people and places united by a common condition: they are largely powerless. Their economies

have been emptied out, their services cut to the bone, their incomes under threat. The market discards them; the media ignores them; the state disregards them.”

This geography of inequality is not unique to England. It is shared across capitalist democracies. ‘Flyover country’ in the States – the interior of the country passed over by transcontinental flights and the parts of France central to the ‘gilets jaunes’ campaign are territories that have been excluded from global markets with populations who have lost skilled work, or had their livelihoods and way of life undermined or destroyed.

The second political rift is between a ‘cognitive class’ of the higher educated who have benefited from globalisation and those with less education who have been on a downward escalator. The financial, professional, corporate and political elites have appropriated most of the wealth. They monopolise the top of a socially immobile society. At the same time, they have become more integrated into a global society and more detached from their compatriots in the rest of the country.

The trend is most evident in London in which a multi-ethnic and poorly paid working class provides essential services to the elites. The national capital has become a global city set apart from England and the rest of the UK.

England is a divided country. The citizens of each part have different opportunities and different ways of life and values. We are becoming two nations estranged from one another. The inequality of opportunity between each is stark. The social obligations and reciprocity that once bound together the elites and the people, the better off and the poor, have broken down. Trust in the political, cultural and business elites has collapsed. Their fellow citizens have reacted to their concentration of power by voting to leave the EU, or by turning their backs on the democratic process.

In the last three years these political rifts have only deepened. To these we should add a third disruptive force which is the stalling of globalisation.

Globalisation

The causes of our political crisis lie in the failures of the liberal market settlement. Over four decades a political consensus emerged which led to the opening up of national economies and their integration into increasingly global markets. The model of globalisation was constructed by the United States and the Western capitalist nations. As dominant economic powers, free trade was in their national interests. The supra-national organisations established in the post war period to manage the world economy reflected the rules-based values of liberal democracy. By the final decades of the 20th century they also stood for free market capitalism.

Between 1990 and 2007, this politically and economically liberal model of globalisation developed rapidly. Capitalism escaped from the restraining power of national democracies. National economies were liberalised and domestic regulations treated as obstacles to be negotiated away in trade deals. As Wolfgang Streeck describes it, 'markets had been embedded in states, states now became embedded in markets'.¹ After 1997 the New Labour government invested in public services, lifted children and older people out of poverty, introduced the minimum wage and made the country a much better place to live, but the fundamentals remained unreformed.

Globalisation increased trade, brought down prices, and raised millions out of poverty around the world. But it also eroded national sovereignty and democracy and bought unparalleled riches and power to a few. Underregulated markets led to monopolies and corporate power rode rough-

shod over society. The financial sector became a law unto itself. The balance of power between capital and labour shifted decisively away from working people. The United Kingdom went further than others in the liberalisation of its economy. Unlike other OECD countries, UK governments relinquished any democratic leverage over our strategic economic assets. Power-generating companies, water utilities, rail franchises, airports and ports, food and drink businesses, chemical, engineering and electronic companies, merchant banks and football clubs were sold off to foreign owners.

In 2008 the financial crash and the subsequent recession were devastating shocks to the world economy. The rate of globalisation slowed down. From 2015 it flattened out. Four years later and cross-border flows of capital have fallen. Trade has become more contested. The offshoring of labour is becoming less beneficial to corporations. Nationalist populism is encouraging the localising of supply chains. Ruchir Sharma, a writer and economic analyst at JP Morgan, describes these trends as deglobalisation.² He argues that they are not simply temporary setbacks. They are cyclical and a redress of the increasingly disruptive forces of hyper-globalisation. Potentially decades long, they herald the restructuring of the world economy.

The United Kingdom is one of the top five most globalised countries in the world. As Grace Blakeley explains in her chapter in this pamphlet, the UK economy has been in a period of extended crisis since 2007. Wages have been stagnant. Wealth inequality is twice as high as income inequality which is rising. Underlying these problems is financialisation, “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies”. The consequence has been the increasing power of shareholders in corpo-

rate governance, rising household debt, and the growth of a wealth-extracting economy. The country needs a radical rethinking of our national economic policy.

In an essay in *Foreign Affairs*, the economist Dani Rodrik calls for new international norms that 'expand the space for governments to pursue domestic objectives' and 'reconstitute their domestic social contracts'.³ Despite the promised largesse of Johnson's Manchester speech, there is no indication the Conservative government will heed this call for national economic development and democracy – and every reason to think they won't. The top posts in government are occupied by ardent, global free-marketeers. Nigel Farage's Brexit party is similarly committed to free market economics.

Only Labour with its campaign 'Rebuilding Britain' is moving in the right direction toward a political economy of national economic development. And yet despite this there has been little debate within the party about the idea of a national economy and developmental state.

The national economy is not about protectionism nor is it about mercantilism. It does not ignore the regionalisation of trade and the complexity of multinational supply chains. It is instead a belief that markets do not dictate and that institutions matter. The focus is on the strategic interventions of national, regional and local government to optimise domestic economic assets for economic development and shared prosperity. In recent years there have been tentative steps in this direction.

Industrial strategy

British governments gave up on industrial policy in the early 1970s. But in December 2008 Peter Mandelson, then secretary of state for business, innovation and skills, took the first step toward an industrial strategy in almost 40 years.

In his Hugo Young memorial lecture, he set out his ideas for a 'market-driven industrial activism'. Government in partnership with the private sector would support growth areas such as low-carbon technology and high-tech manufacturing. It was the cautious reintroduction of a long-neglected idea and a recognition that market forces alone would not lift the economy out of recession.

The Conservatives similarly came to accept the idea of strategic intervention. Theresa May's government produced its industrial strategy promising to 'boost productivity and earning power throughout the UK'. It identified five foundations of productivity – ideas, people, infrastructure, business environments and places. These would underpin its attempt to tackle four 'grand challenges' of artificial intelligence and the data economy, the future of mobility, clean growth and an ageing society. Central to its strategy were sector deals to drive up innovation.

For the party of free market economics, it was a big step forward, but it also continued the discredited policy choices of the past. It relied on wealth trickling down to the majority by high-value jobs creating demand for services. It claimed to address regional inequalities, but it focused on the globally mobile, high-end and financially extractive parts of the economy, which had already fuelled the house price bubble in our growing cities. Its sectoral approach was too narrow, targeting only 10 per cent of our manufacturing base. And its focus on research and development in new cutting-edge technologies too often benefited facilities in the affluent south.

Behind this kind of industrial strategy lies the argument that innovation is the solution to improving the UK's lagging productivity. Innovative sectors create high-paid jobs which push up demand for such things as childcare, cleaning, bars and restaurants which create more but often

poorly paid jobs. Wages and workers' rights, while important, fall outside its remit, and inequalities become further entrenched. Osborne's Northern Powerhouse followed this model. It was tightly controlled by the Treasury. Devolution was centrally imposed and based on city regions with only a vague connection to people's sense of place and belonging. It was centralisation in city halls rather than Whitehall. It has not been the democratising force it could be, and government has lacked a joined-up national approach.

Innovation is vital, but the task is to improve the lives of all our citizens through social and economic innovation. This is the part of the story that probably matters the most. Centrally imposed city region devolution with limited powers will have a limited impact. A command and control approach by government to devolution is inefficient and wasteful. We need to develop devolution to create power beyond the town hall. Prioritising participatory and deliberative models of decision-taking such as citizens assemblies will give people more control over the places they live, the work they do, and the institutions that govern their lives.⁴

By focusing exclusively on Britain's global competitiveness the recent approach to industrial strategy perpetuates the dynamic of social and economic division which has brought our democracy to the brink of collapse. The concentration on the cities as engines of growth, on commercial property development, technological innovation and the high-productivity trading sectors ends up neglecting the middle- and low-paid. It neglects the civic infrastructure required to develop research and innovation across the whole economy, and it tends to exclude rural areas and towns from the wealth creating activity it is promoting. The process of gentrification in the cities makes housing unaffordable, pushing out the children of the local population and further eroding a sense of community and belonging.

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We need a new and more democratic model of industrial strategy to underpin a national economy.

The everyday economy

Industrial strategy must prioritise the things that really matter to people: decent work and wages, secure families and households, and prosperous and pleasant local places to live. Dignified work defines what the Labour party stands for. Good wages are the principal means of distributing the rewards of economic prosperity. Families in all their shapes and sizes are society's most precious assets. They create social stability, a sense of belonging and purpose, and pass on our moral and cultural inheritance from one generation to the next. Place is important because it is where people make their home and form a sense of belonging. These are the basic building blocks of society around which the everyday economy is organised.

The everyday economy is foundational. It is made up of the services, production, consumption and social goods that sustain all our daily lives. Its core activities include transport, childcare and adult care, health, education, utilities, broadband, social benefits and the low-wage sectors of hospitality, retail, food processing and distribution. This core employs around 40 per cent of the workforce in England and Wales. Everyone in both our cities and regions regardless of income participates in the everyday economy. Without the underappreciated people earning an often meagre income who work in it, our schools, nurseries, care homes, warehouses, food processing centres, supermarkets, hotels, cafes and restaurants, and indeed hospitals would close. The utilities, broadband and our public service infrastructure would fall apart.

John Tomaney and Andy Pike identify the everyday economy's central importance in revitalising the so-called

'left-behind' places. In their chapter they outline new policy prescriptions and consider the politics of local industrial strategies, concluding that sustainable solutions are likely to be bottom-up, involve a range of social and political actors, and foster a sense of belonging that 'provides communities with cultural identity, respect and resilience'. Julie Froud and Karel Williams take this insight further by concentrating on the idea of social licensing in the everyday economy.

Social licensing would change the rules governing corporate social responsibility from being private and voluntary to being public and obligatory. It would give companies or sectors the rights to trade whilst "placing them under reciprocal obligations to offer social returns on issues such as sourcing, training, or payment of the living wage". With Grace Blakeley's analysis in mind social licensing could also include limits on the use of debt financing.

Work, writes Tim Roache is a source of identity, pride and respect. 'We make friends at work, meet loved ones, face challenges and share in experiences'. Work can give a sense of achievement. It is part of our contribution to society. But in the last decade, the collective gains of working people have been undermined. Insecure work is now seen as 'the edge' for businesses to undercut rivals. For far too many people bad employment practices are making work a source of anguish. Stronger trade unions and a government department for Labour focused exclusively on work would help transform the lives of millions.

Angela Rayner continues on this theme with her chapter on vocational education. She writes: "I believe in the value of work that gives a fair wage and genuine dignity. We hear a lot about how value is created by innovation, technology, and investment, but rarely the value created by the labour of workers." Vocation, she argues, is a calling that requires thousands of hours of application to a technical skill or

craft, and dedication to the knowledge of skilled labour. Vocational education is the way of bringing together individual opportunity, economic success and social justice. It needs to be at the heart of the everyday economy. A more educated workforce and an economy distributing its rewards more fairly will help Labour to reunite the country.

Steve Francis concentrates on one of the most important sectors of the everyday economy, the production of food. Food, he writes, is fundamental to our existence but we live in a society where we have either too much food or not enough. Our self-sufficiency levels in basic foodstuffs have been declining for decades and we are heavily dependent upon overseas trading partners. What we need is strong local supply chains and consumer markets, more local production and the distribution of profits locally. Social licensing, he suggests, could be used to tie business success to local communities by redistributing excess economic returns in the sector.

The idea of place is central to the everyday economy and Bryony Worthington looks at how we can make the places people live greener, liveable, beautiful and sustainable. We now have the technology to replace the noise and the pollution of the internal combustion engine with motors running silently and cleanly on electricity. She calls this the silent revolution. "It will make our homes, places of work and communities cleaner and healthier. It also opens up the opportunity for a new much more democratic distribution of the money and power that flows from generating energy. When communities can power themselves using local sources of energy for every aspect of life, profits will stay closer to home. We will no longer be price takers from a small number of risk taking global companies who charge us for the big profits they have come to expect for scouring the world for fossil fuel reserves and bringing them to market."

Lisa Nandy raises the question of political power. “By moving power closer to home,” she writes, “you start to get better decisions made by people that can see the potential, not just the problems”. The assets in our towns – open space, cheap rents, a loyal, willing workforce, good geographical location – are known by those who live there. As John Tomaney and Andy Pike also understand, one of these economic assets is the strength of the social fabric.

Lisa complements Aditya’s argument for local community enterprise by pointing out that while the clean energy co-operative owned and run by hundreds of local people in Wigan survives, the Sure Start centre conceived in and funded by Whitehall does not. This local activity has revived a long, but marginalised tradition of mutual self-help and reciprocity that runs like a thread through Labour history. There is, she argues: “a new commitment to municipal socialism, already beginning to revive through the increased willingness of town and city councils to build their own sources of clean energy, raises revenue but also shifts power back to where it belongs”.

Lisa concludes her chapter with the call to restore power to those who rightfully own it. It is a radical departure from the recent history of Labour’s political economy which was overly dependent upon the centralised, administrative state and macroeconomic policy. Get monetary and fiscal policy balanced and the rest would take care of itself. The lesson of the New Labour years is that one must put more value in communities, tackle inequalities of power and look closer at the imbalances in the economy.

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Labour built its own political power around the everyday economy of work, clean water, utilities, housing, education,

and social services. It grew its roots in local places protecting working people, their neighbourhoods and their family life. We are losing these roots and we are at risk of forgetting that this commitment to local democratic control was once a core part of the Labour tradition.

The liberal market settlement of the last four decades has left England deeply divided by class and geography. Hyper-globalisation and the indifference of the business and political elites have devastated communities and put intolerable strains on social ties and relationships. Work that once formed the economic foundations of ways of life has disappeared. Our democratic nation is in a political crisis. Millions of our citizens do not believe they have democratic representation, nor that they share in the prosperity of their country. They are right and we should listen to them.

To safeguard our democracy and restore common prosperity, we must develop a shared sense of belonging. Labour's task in the decade ahead is to unite our national political community and enact fundamental and radical reform to our economy. We need a new economic settlement and we can begin by organising reform around the everyday economy that focuses on work and wages, families and households and the local places where people live and belong.

2. THE ECONOMICS OF BELONGING: A NEW APPROACH TO 'LEFT-BEHIND' PLACES

John Tomaney and Andy Pike

If we want to find sustainable solutions to the real problems of communities which have been left behind over past decades, the current top-down approach to devolution will not work. Instead, we will need to let communities themselves take a lead. Only then can we foster a sense of belonging that will give people the respect and resilience they deserve.

The problems of 'left-behind' places require a new approach to political economy. The English regions outside of London and the south have productivity levels akin to poorer regions in central and eastern Europe or the southern US states.⁵ The uneven shift from a manufacturing to a service-based economy, globalisation and technological change have underpinned the long-term growth of regional inequalities in the UK. Recently, such disparities have become highly politicised. The revenge of the 'places that don't matter', as LSE geographer Andres Rodríguez-Pose calls them, has fostered the rapid rise of populism. These left-behind places – largely former industrial regions – figured prominently among those that voted leave in the Brexit referendum in England and Wales.

The political economy of left-behind regions

About 16 million people live in the former industrial regions of the UK – almost one quarter of the national population. While these places have to some extent shared in the rise in employment in recent years, growth rates in London and other cities have been three times faster. Despite de-industrialisation, they still have a higher than national average share of industrial occupations and lack white-collar and graduate-level jobs. They also have lower than average pay and employment rates, are more dependent on in-work and especially incapacity benefits and have ageing populations. Headline unemployment figures provide a poor measure of real economic conditions. Considering their high dependence upon incapacity benefits, the ‘real’ unemployment rate in such places is 7.5 per cent of the working age population as measured in spring 2017.⁶

The former industrial regions are characterised by lower rates of net in-migration of economically active age groups, lower rates of employment growth in the decade to 2008, and a higher rate of contraction between 2009 and 2012. They have substantially higher rates of poverty as measured by the unadjusted means-tested benefits rate. The factors most strongly associated with relative decline in the UK are skill levels, industrial history and location at city, regional and national scales. City size and the reduced presence of consumer services in places that are overshadowed by larger neighbours are key differentiating factors between places in relative decline.

Currently, a powerful orthodoxy suggests that cities offer productivity and growth premiums because they generate agglomeration economies through their scale, density and diversity. In this way, so the argument goes, London acts as the dynamo that powers the UK economy, through its finan-

cial, digital and knowledge-intensive business services and provides an economic development model to which other places should aspire. The recent growth of Manchester, based on the expansion of services and property development, has been presented as the standard for other city-regions.

Public policy has focused on promoting the growth of large cities – normally by easing planning restrictions to allow more development. City centre regeneration has acted as a proxy for industrial strategy. The Northern Powerhouse, for instance, operates primarily as a brand for the marketing of northern England for investment in residential and commercial real estate, infrastructure, and, to a lesser extent, advanced manufacturing, research and development, and culture. The push to create ‘metro-mayors’ as the government’s preferred form of devolution is based upon matching decision-making with ‘functional urban areas’. The implications of this strategy for former mill towns, mining villages, coastal and rural settlements are ambiguous at best. Widening inequalities between and within places are the accepted consequence of this development model and seen as sign of economic dynamism. Some commentators see efforts to revive lagging industrial regions as having failed and as being counterproductive; better, they say, to encourage migration to London (or other cities) where more productive jobs are plentiful.

The limits of ‘regeneration’

The focus on cities as engines of growth and on property development and hi-tech sectors, neglects middle- and low-paid workers in the low-productivity, non-traded sectors, as well as the civic infrastructure required to develop research and innovation across the whole economy. It also tends to exclude rural areas and towns from the very wealth-

creating activity it is promoting.⁷ The pursuit of major inward investments and the development of knowledge-intensive business services or advanced manufacturing are unlikely to create inclusive growth in left-behind places.

There is little evidence, for example, that other regions benefit from London's growth. Instead, fortuitously capturing the benefits of globalisation through its specialisation in financial services, the attraction of multinational companies, foreign investment and international migrants, London has effectively 'de-coupled' itself from the rest of the UK economy. Very little of London's growth has been driven by migration from elsewhere in the UK; people have a low propensity to move out of lagging regions for a range of understandable reasons.⁸

Similarly, there is little evidence that faster growing cities in the north are contributing to the growth of neighbouring places. The economic performance of cities is crucially determined by the region in which they are located. Cities in southern England and Scotland have tended to grow above the national average, while cities in the English north grew more slowly. Although the gap between major cities and their regional hinterlands has widened, much of the growth, even in success stories such as Manchester, has been in low productivity, low wage sectors rather than knowledge-intensive business services. With their greater social needs and costs of service provision, local authorities in left-behind places have borne the brunt of austerity since 2010.

Developing left-behind places

Geographical inequalities continue to increase, generating social, political and economic costs. Recent studies from the OECD and International Monetary Fund, among others, suggests that inequality is the cause of slow growth rather

than its outcome. The Brookings Institution argues that places disconnected from economic opportunity 'may hold back collective growth and threaten the social fabric on which a healthy democracy depends'. Policy-makers' continued faith in agglomeration and densely developed cities as the route to economic development is being challenged by research suggesting that large cities are not always the most dynamic engines of growth.

In the UK, the productivity growth of southern service-based cities has been modest, slowing any increases in national average productivity, despite higher levels of skills and the presence of knowledge-intensive business services. Some smaller and medium-sized cities have outperformed larger cities. Larger cities create benefits, but 'agglomeration costs' – such as pollution, congestions, and housing shortages – are becoming more apparent, reducing the pull of larger cities. Well-connected regions with rural areas and a network of smaller, but well-connected cities, can provide agglomeration benefits – such as extended labour markets – while limiting the costs from congestion and densification.

Given this geographical differentiation of economic conditions, place-based approaches offer a novel approach to the development of local industrial strategy. Such approaches aim to release untapped potential in lagging regions by empowering local stakeholders to maximise their skills, talent and capabilities in ways that enhance economic performance and potential, tailoring their mix of policies to local conditions and so improving opportunities for citizens and workers wherever they live.

Regions must act as the architects and implementers of their own programmes to address their locally unique capabilities and challenges. It is important to acknowledge that this will require, as a World Bank report put it, 'more intensive, on-the-ground support, including techni-

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cal assistance and capacity building at the regional and the local level'. Approaches that focus on raising GDP/GVA (gross domestic product or gross value added) have had limited impact in left-behind places where growth has not translated into rising living standards. Households in these places experience declining real incomes, suggesting the need for more rounded forms of development that focus on human wellbeing.

Low-paid and precarious forms of work in mundane sectors of the economy are present in all local and regional economies but are disproportionately important in left-behind places. Such sectors typically comprise the 'foundational economy' of economic activities that are immobile and relatively protected from competition but provide the social and material infrastructure of civilised life, including water, gas and electricity, housing, health, care and education.⁹ Rather than competing for the next big thing against already strong and larger urban economies, left-behind places would be better served by policies aimed at securing the foundational economy. Strategies might invest in local civic infrastructure and asset-based forms of community development that aim to increase local asset ownership that anchor jobs locally by broadening ownership over capital through cooperatives and other forms of mutualism.

The economics of belonging

Place-based forms of economic development of the type sketched out above require strengthened institutional frameworks. Tackling the entrenched problems of 'left-behind' places will require more imaginative and flexible geographies than the current top-down approach to devolution which has fetishised city-regions and metro-mayors. It would also reflect emergent international patterns and dynamics of

geographical change. The new theories of urban and regional development suggest the importance of the regional scale in addressing links between dynamic and large cities and the left behind within urban hinterlands, smaller cities, towns and coastal and rural areas. Questions of democratic and political legitimacy loom large. Sustainable solutions for left-behind places are likely to come from the bottom up, involve a range of political and civic actors and foster a sense of belonging that provides communities with cultural identity, respect and resilience.

3. ADDING VALUE: SOCIAL LICENSING FOR THE COMMON GOOD

Julie Froud and Karel Williams

For too long, businesses in the UK have been awarded rights without having to give anything in return. The introduction of social licensing for firms delivering our everyday services would bring huge benefits for the communities where they operate.

We need a new approach to corporate responsibility. A fair and just balance between the rights of companies to trade and their obligations to the common good. To date policy ideas have focused on corporate reform or voluntary agreement. In this chapter we argue that to guarantee reciprocity corporate responsibility needs to be obligatory in the form of social licensing.

The idea of social licensing began in the mining industry in the developing world. It involves a formal or informal agreement between a corporation seeking to extract natural resources and the community affected by these activities. The agreements vary according to what matters to citizens and cover social benefits which can include labour standards, environmental protections, provision of roads or schools or safeguards for sacred sites.

Something like a mining social license should be applied to private and public corporations operating in the foundational economy of high-income countries. In this zone of the economy, public and private providers deliver essential

Everyday socialism

goods and services from water and retail banking to schools and care homes. In the foundational economy, as in territories with mineral deposits, businesses should offer something social and meaningful in return for the right to extract cash from a territory through their pipe and cable networks and branch systems.

The activities of private companies like supermarkets or not-for-profits like universities would then be brought into public jurisdiction, on the understanding that the rules which govern their corporate social responsibility are not private and voluntary but public and obligatory. The proposal is for more government which can represent the social interest of citizens with multiple identities; and for less reliance on company-level governance as a way of balancing the stakeholder interests of owners, managers and workers.

Over the past 30 years, the UK has got into a business-friendly mess by offering corporations rights without duties. And the policy response should be fundamental constitutional reform which adds duties to the grounded corporates operating in the foundational economy. Social licensing is the kind of disruptive innovation we need at this point of crisis in the UK.

Corporate rights without duties

In the post-1979 period under Thatcher and Blair, there was a well-intentioned and highly rhetoricised attempt to release 'enterprise' and to encourage 'wealth creation' by empowering corporate management. This has predictably landed us in a right mess over power without responsibility because successive UK governments have offered corporations rights without duties. They have also expected too much from voluntary corporate social responsibility backed

up by corporate governance and economics-based regulation which have both offered feeble social protections.

The corporations which concern us here are of three kinds. First, publicly held (for profit) companies which have shares tradeable on the stock exchange, like Tesco or Lloyds Bank. Second, privately held companies through which fund investors like private equity or wealthy individuals, like Jim Ratcliffe of Ineos, control tiers of limited liability companies. And third autonomous, not for profit corporations like housing associations and universities, created or transformed as a result of the Treasury's aversion to public sector debt and desire to shrink the state.

Privatisation, outsourcing and public private partnership have in the past 30 years diminished the state-run sector and expanded the sphere of the corporatised. Here the state grants profitable activity or territorial concessions to corporates and gets little in return other than minimum service obligations specified in an incomplete contract. Broader issues like the payment of living wages have been neglected – in outsourced prisons or private equity care the business model offered direct cost reductions levered on lower wages while indirectly increasing state welfare costs on housing benefit and pensions.

Cost-cutting was the standard strategy of for-profit corporates under financial market pressure to increase returns. Nineteenth century utilities like UK railways typically earned 5 per cent or less. But 10 per cent plus return on capital employed is now the standard PLC requirement and a private equity target in levered transactions where private equity needs surplus over the 7 per cent paid to bondholders. The result is that firms like Ineos have retreated from the social responsibilities often accepted by old-style corporates like ICI which trained the young and subsidised canteen and clubs for lifetime employees who got defined benefit pensions.

The problems were compounded when successive UK governments deliberately created a 'business-friendly' environment in the hope of competing against other countries. Business-friendly for Thatcher and Blair meant public policies that released companies from duties. At large expense, governments took over investment in training and infrastructure with the aim of attracting mobile investment and then offered corporates low tax rates with the aim of creating jobs and stimulating growth.

Most striking was the experiment in releasing companies from their social duty to pay taxes in the jurisdiction in which they operate. The standard UK corporation tax rate has been reduced from 52 per cent in 1979 to 17 per cent by 2020; and government accepts the avoidance of profits tax via debt-based financing when the surplus is taken as interest. The tax authorities tolerate all kinds of schemes and structures whose rationale is tax minimising. And, when these issues are raised, the corporate PR will insist: 'We meet all our legal obligations.'

Our misgivings about rights without duties are increased if we remember that this same state is also giving away the privilege of limited liability without getting anything in return. Nineteenth century limited liability was a stop-loss privilege originally granted for the social purpose of encouraging investment by individuals in major infrastructural projects like railways and harbours. Now it is increasingly used as a profit-insulating device for the private advantage of corporates disconnecting a chain of individual investments and projects, as in property development using special purpose vehicles.

The hope of government was that some kind of economic and social responsibility could be enforced by two new corporate control techniques which were invented in the UK in the 1980s and 1990s – corporate governance by non-exec-

utive directors and economics-based regulation of privatised utilities. But both have in different ways disappointed.

Corporate governance after the 1992 Cadbury report brought us governance by non-executive directors and promised stewardship, accountability and challenge to management. The end result is more of the same because post-Cadbury governance reinforces the primacy of the shareholder interest enshrined in successive Companies Acts. Practically, governance has failed to restrain top management pay which has increased much faster than profits or turnover. And it has manifestly failed to control risk-taking in banks like RBS or outsourcing companies like Serco or Carillion.

Government regulation has been defined very narrowly as a matter for economists and paid lobbyists. The economists installed to regulate utilities after the 1980s did not have an accounting understanding of how financialised corporates work and consequently in water did not stop the companies from paying out profits as dividends while funding investment by taking out debt. UK and EU corporate lobbyists gave us deregulation of finance before 2008 and Dieselgate in cars which was about regulation as certification without enforcement.

Adding duties in the foundational economy

If all this is regrettable, many assume that the imbalance between corporate rights and duties cannot be easily changed in the 2010s and the 2020s. Surely, the forms of capitalist competition have changed since the 1980s and we live in an era of globalisation when transnational companies are footloose? The logic of our world is international and inter-regional competition to attract and retain mobile capital through 'business-friendly' regimes which release companies from their old duties not impose new ones.

This is true – but only up to a point. The tradeable and internationally competitive sectors are part of the economy, not all of the economy. In these sectors, companies like Ford and Pfizer in cars or pharma are footloose and mobile. But many other sectors of the economy are effectively sheltered from international trade and contain firms grounded by the networks or branches which allow them to access local demand. Tesco or your local water company are solidly anchored.

The majority of sheltered, grounded corporates are to be found in the foundational economy which supplies wellbeing-critical daily essentials to the population. This includes health, education, care, food distribution, housing, public transport, pipe and cable utilities.

And if we add all these activities together their share of UK employment and output is more than 40 per cent of the total; if we added other sheltered corporates outside the foundational sectors, more than half of the UK economy consists of corporates not exposed to international competition.

The longstanding obsession of UK policy-makers with tradeable and competitive activities has prevented them from focusing on the general characteristics of foundational activities which make them interestingly different and create opportunities for social licensing.

- These activities are all economically anchored because networks and branches are necessary to deliver their goods and services to a local population. Digital technologies are weakening the requirement for local retail branches on the high street but the digital players like Amazon and Ocado still require regional warehouses and local van delivery. Education, health and care, the largest foundational employers, will for the foreseeable future require local branches.

- These activities generally have stable, non-cyclical demand. Because foundational goods and services are daily essentials, the demand is there as long as the population remains. The private firm's decision in foundational sectors is not can we produce more cheaply elsewhere but do we want to serve this market. Private firms which pull out from provision in a territory lose turnover and the possibility of profit. In many publicly funded activities like health and education, branches and networks are (or should be) provided according to national standards.
- Providers in these activities are in direct and mutually-dependent relations with communities or user-groups whose wellbeing depends on the supply of essential goods and services. And the provision of foundational goods and services is not only a matter of public, political concern but also increasingly one which requires citizen input. The 19th century foundational economy of gas, water and sewerage was designed and delivered by engineers; 21st century older care requires citizen deliberation on what should be the proper balance between meeting the biomedical and social needs of the old.

Foundational providers typically benefit from limited competition and sheltered streams of revenue as they draw their customers and profits from communities in specific catchment areas. Which means these corporates are already state dependent insofar as the state sets the rules of the competitive game.

The rules of the game may be contractual and specific, as with rail franchising or social care where providers already contract with the state to serve territories; or the rules may be regulatory and general as in out of town supermarkets where new competitors can only get planning permission if they

meet a test of 'need'. Elsewhere the state can be permissive as when it allows retail banks to close branches at will, so that a town like Hebden Bridge has no bank branch; or offer inducements as for investment in rural broadband rollout.

If we consider these characteristics, the foundational economy is the natural sphere in which we might think of tilting the balance between corporate rights and duties through new policy interventions. The argument is that in return for their sheltered existence, foundational producers owe something to local communities or groups, and therefore should be brought within new kinds of regional and national regime which are citizen-friendly.

Social licensing as disruptive social innovation

The standard objection to social licensing is that it is not frontbench-ready policy of the kind produced by the think tanks clustered around College Green. And, in some ways, that is also the great virtue of social licensing because it would be not a technical fix but a disruptive social innovation of the kind which an intellectually tired Labour party and a politically challenged and disunited kingdom needs.

Labour certainly needs a new take on its corporate policy which is at present dominated by the proposal to renationalise rail, water and energy. Complex technical infrastructure should be in public ownership but nationalisation costs money and public ownership only works if it is backed by a subsequent stream of Treasury-sanctioned public investment. In any case, the reach of public ownership is inevitably limited and for other corporates Labour's only policy is better governance through putting workers on boards and reforming audit.

Labour's corporate policy should be sufficiently comprehensive to include all key for-profit corporates like retail

banks and supermarkets. And we should not assume that the absence of corporate profit means the presence of social responsibility when autonomous corporates like housing associations can behave very badly as financialised property developers. Adding more non-executive directors (with non-standard backgrounds) will not lever enough change.

Hence, our radical idea is to make corporate social responsibility obligatory through an explicit political arrangement that gives corporate enterprises or sectors privileges and rights to trade whilst placing them under reciprocal obligations to offer social returns on issues such as sourcing, training or payment of living wages. The issues covered would be financial as well as productive, including, for example, limits on the use of debt finance.

The scale and scope of licensing agreements would vary. They might be national with whole sectors, including all the firms above a certain size threshold, for example large supermarket chains on the treatment of suppliers or on preventive health. In other cases, they would be specific to regions and localities, for example, regional rail or bus companies would have different social obligations in Birmingham or rural mid-Wales.

The key point is that this kind of arrangement would only work if the UK's government machinery was radically overhauled and new forms of citizen participation were taken seriously. And arguably after the Brexit vote, this is the kind of jolt which our political system needs because it would be both unsettling and constructive.

In government, we need decentralisation and relaxation of central Treasury control with devolution of political decision-making which goes beyond elected mayors and city deals. Licensing is strategic here because it would be partly the responsibility of local and regional government. And this would be politically constructive because (one way

or another) the centralised British state is breaking up with Celtic nations in the lead. Social licensing would give regional governments (including the English ones) something relevant and worthwhile to do because the provision of mundane goods and services in the foundational economy is intertwined with the multiple identities of people as consumers, workers, and local residents.

And participation then becomes crucial. Social licensing would powerfully reinforce the case for institutional innovation through new forms of deliberation like citizens' juries and assemblies which would engage ordinary citizens in policy choices and priority-setting in new ways. And in such cases there would be a need for a for corporate managers to engage in public negotiation which would be a shock for the present corporate system built on PR spin and lobbying behind closed doors. Both developments would take social licensing out of the sphere of technocratic regulation.

All of this sounds radical, but the good news is that we can start out on this radical road with modest steps not big fights. Government already has everyday contact points with grounded firms in foundational sectors. When government provides grants or revenue, or when firms want something like permissions or training, we need to end something for nothing government. Right now, at every contact point, government could and should be asking what social value citizens get in return.

4. TAKING ON THE SYSTEM: CHALLENGING THE FINANCIALISATION OF EVERYDAY LIFE

Grace Blakeley

The crisis in British capitalism has its roots in the financialisation of the economy over decades. It is only by confronting vested interests that a Labour government will be able to make a real difference and build an economy for all.

Financialisation is a concept that describes how financial motives, markets and institutions have come to play an increasing role in our economy and wield ever greater power over other institutions, from households, to businesses, to the state. This trend has been particularly visible in the everyday economy, which has been outsourced and privatised. The vast returns generated by finance have blinded successive governments to the need for a serious industrial strategy and attention to work, wages and productivity in the everyday economy.

Since 2007, British capitalism has been in a period of extended crisis. Wages today are no higher than they were in 2007 – a trend that, if it continues until the end of the decade, will make the period since the crash the longest period of wage stagnation since the Napoleonic wars. Income inequality, meanwhile, is rising – contradicting the received wisdom that inequality has remained broadly stable since the 1990s. Wealth inequality is twice as high as income inequality, as a small number of extremely rich individuals own and

control our corporations, our banks and our land. The labour share of national income – the amount of GDP that accrues to workers in the form of wages rather than bosses in the form of profits – has been falling for 30 years and has reached a nadir after the financial crisis.

Businesses are not investing in production, opting instead to distribute cash to shareholders or invest in financial assets. The state has also cut its investment spending, and gross fixed capital formation in the UK is now five percentage points below the OECD average. Low levels of investment by both businesses and the state are contributing to a productivity crisis, and productivity has now stagnated for the longest time since the invention of the lightbulb. Productivity is supposed to be the engine of economic growth – without productivity increases, it is hard to see where future growth will come from.

Mainstream economists have many different explanations for our current economic malaise. Some have argued that we are entering a period of ‘secular stagnation’ (where secular means long-term) associated with falling rates of productivity growth. For whatever reason – be it a slowdown in the rate of technological change or demographic ageing – we must simply get used to lower levels of productivity growth than in the past, we are told.

Others blame government debt. The financial crisis, they argue, led to a massive increase in government debt, which has curtailed investment and constrained growth. For these economists, there is only one solution to the post-crisis economic malaise: slash government spending in order to reduce the fiscal deficit.

Still others claim that the problem is economic protectionism. The US’ trade war with China, the UK’s attempt to leave the European Union, and the ongoing deadlock in international institutions like the World Trade Organisation are all

clear signs that the world is moving away from the model of liberal globalisation pursued since the 1980s. A drying up of international trade, foreign direct investment and migration is responsible for the economic stagnation seen since the crash.

The one thing all of these economists can agree on is that post-crisis capitalism is not working properly. It is not delivering the kind of increases in economic growth, wages and productivity that marked the previous several hundred years of capitalist development. Even the meagre economic progress we have seen since 2008 has only been possible as a result of an unprecedented experiment in monetary policy called quantitative easing, which has seen £435bn worth of new money channelled into the purchase of government bonds in the hope of boosting growth. In fact, had the state not stepped in to bail out the banks and stimulate the economy in 2008, the British economy might have collapsed entirely.

But the problem with mainstream explanations for the economic stagnation witnessed over the last 10 years is that they only identify the symptoms of the disease, rather than the underlying cause. Mainstream economists have been unable to determine why there has been a sudden slowdown in productivity growth, a sudden increase in government debt and a slowdown in globalisation. They are equally at a loss to explain why all of these trends have manifested themselves at roughly the same time.

Economists have failed to diagnose the root cause of the current post-crash stagnation in British capitalism for the same reason they failed to see the financial crisis coming in the first place. Their models are not built to account for broad structural shifts in political and economic institutions of the kind seen over the last 40 years. The root cause of the crisis of British capitalism does not result from a purely economic shift but a deep-seated and long-standing transformation in political economy, the roots of which were sown in

1979, when the financialisation of the British economy began in earnest. This trend – financialisation – is what underlay both the financial crisis and the stagnation witnessed since the crash.

The most obvious indicator of financialisation in the UK is the dramatic increase in the size of the finance sector itself. The UK's finance sector grew 1.5 times faster than the economy as a whole between 1970 and 2007 – the profits of the sector grew even faster and accounted for 15 per cent of total economy profits by 2007. The output of the finance sector itself was, however, dwarfed by the growth in the assets it held. By 2007, the value of assets held by UK banks was five times the size of the British economy.

But financialisation means far more than just bigger banks. As described above, the best-known definition of financialisation is the 'increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies'. In other words, it is more and bigger financial institutions wielding much greater power over other economic actors – from households, to businesses to the state.

First, corporations have become financialised as the interests of creditors and shareholders have taken precedence over those of workers, consumers, and society at large. Since the 1980s, international investors like hedge funds and pension funds have come to control huge pools of capital, created out of ordinary people's savings, corporate profits, and the wealth of the very rich. These investors have used their power as shareholders to push businesses towards 'maximising shareholder value'. Rather than paying workers, these financialised corporations distribute money to shareholders through dividends or buy up their own stock to increase share prices. Rather than investing in long-term production, they invest in property or financial markets –

or lend to other corporations. Under financial capitalism, financial institutions are more likely to own businesses, and businesses are more likely to invest in financial markets.

Second, the financialisation of the household has been associated with rising household debt and rising wealth inequality between those who own assets and those who do not. Total household debt has increased from 80 per cent households' disposable incomes in 1970 to 145 per cent in 2007. Some of this was unsecured debt, like credit card debt – but far more was lending secured against property. As mortgage lending has increased faster than the housing stock, property prices have risen substantially – house prices increased by a factor of 10 between 1989 and 2007. New homeowners benefited from huge capital gains as the housing market boomed, whilst those who failed to jump on the bandwagon were left with huge debts and no assets. Financial institutions transformed this debt into financial securities that they traded with one another, making trillions in the process. It has become increasingly difficult to say where a household ends and a bank begins.

Third, the state has developed a symbiotic relationship with the finance sector, which has resulted in a complete failure to regulate it properly. When Margaret Thatcher came to power, her programme of deregulation, privatisation and tax cuts led to an economic boom that continued almost uninterrupted until 2007. As banks, house prices and stock markets boomed, the state came to rely on the revenues derived from financialisation. The state developed a symbiotic relationship with the finance sector, even encouraging private investors to undertake public spending on its behalf through the private financing initiatives that became so popular during the 1990s.

Finally, Britain's relationship with the rest of the world has been transformed by financialisation. Capital has flowed into

our booming financial and property markets, allowing banks to lend much more than they otherwise might have, and pushing up the value of the currency. An overvalued exchange rate meant that British exporters found it much harder to compete internationally, and the UK developed a huge trade deficit. Manufactures in the regions suffered particularly severely from the deindustrialisation this ‘Dutch disease’ created, and manufacturing as a share of output has shrunk from 27 per cent of GDP in 1970 to just 10 per cent today.

Financial capitalism relies on the extraction of economic rents – simple transfers of output from owners to non-owners – rather than productive economic activity that creates new value. In this sense, it is a uniquely unproductive mode of capitalist accumulation. John Maynard Keynes famously called for the ‘euthanasia’ of the ‘functionless rentiers’ who made their money by charging productive capitalists for the use of scarce assets like land.

Observing these trends, it is easy to believe that the problems with the British economy can be traced back to bankers who have created a warped version of capitalism that benefits a tiny elite at the expense of workers and responsible businesses. According to this narrative, the financial crisis was the result of the ‘takers’ triumphing over the ‘makers’ – and fixing the problem means returning to a time when our economy focused on industry, not finance and real estate.

But what if capitalism isn’t broken? What if it is working exactly how it is supposed to work?

Financialised capitalism may be a uniquely extractive way of organising the economy, but this is not to say that it represents the perversion of an otherwise sound model. Rather, it is a process that has been driven by the logic of capitalism itself. As the economy develops, profits naturally increase faster than wages, inequality rises and huge pools of capital

accumulate in the hands of a small number of people – whether big corporations or wealthy individuals. Financial institutions emerge in order to manage these pools of capital – whether by investing them in corporations, lending them to households, or using them to undertake spending on behalf of the state. As these pools of capital grow larger, financiers become more powerful – their interests merging with those of other economic actors.

If financialisation is an inherent part of the development of capitalism, then we cannot simply fix the problems it creates by regulating the banks, taxing the wealthy or boosting our manufacturers. The problems with the modern economy are much more deeply rooted than that – and they require much more radical solutions. Financial capitalism – like any form of capitalism – is premised upon unequal ownership of society’s most important resources. The only way to deal with the problems this model creates is to build a system in which resources are owned in common, rather than concentrated amongst a tiny elite.

The Labour party has already announced a number of measures that will move this agenda forward. Nationalising some of our key utilities will limit shareholders’ ability to extract cash from the taxpayer, whilst ensuring that consumers get cheaper and higher-quality services. Ending private financing will achieve similar ends. The inclusive ownership funds will provide workers with a stake in the companies they work for, ensuring that working people – rather than shareholders and creditors – benefit from the value they create.

These interventions are welcome steps in the right direction, but the problems the British economy faces today – from climate change, to inequality, to the housing crisis – require much more radical solutions. Dealing with any of these challenges will require confronting the power of financial elites in British political economy.

In my book *Stolen: How to save the world from financialisation*, I outline how a socialist government might begin to de-financialise the economy. Properly regulating the finance sector – and, in particular, credit creation – will limit the power of financial elites whilst also helping to reduce private debt levels and constrain asset prices. A public banking system should be built that lends and invests on the basis of democratically determined goals, rather than simply for profit. I also argue for the creation of a ‘people’s asset manager’, that can invest in assets like equities, infrastructure and housing, both to ensure capital is directed towards socially beneficial ends and to steadily socialise ownership across the economy, especially in those foundational parts upon which we all rely.

The next Labour government will face some tough challenges and confront some staunch opposition upon entering office. The only way to deal with these challenges will be to take on the vested interests which benefit from our economic model remaining exactly as it is – starting with finance capital.

5. POWER TO THE PEOPLE: DEMOCRATISING AND DECENTRALISING THE ECONOMY

Aditya Chakraborty

The Brexit vote and the chaos and division that have followed it were an act of revenge by people who felt robbed of a say over their own lives. But across the country there are innovative projects trying to give citizens back their influence and power.

In the spring of 2016, I went to South Wales. David Cameron was in No 10, George Osborne still only did one job, and leading remainers thought the EU referendum was in the bag. What convinced me they were wrong was an argument I had with a man called Gareth Meek.

Like most I'd met in this Labour stronghold, he didn't care what Jeremy Corbyn and the unions said – he was voting out. Why? “Immigrants.” That was the rote response – except we were in the tiny village of Llanhilleth, where the only foreigners were on the pages of the Daily Mail. Barrel-chested Meek had had a factory job until he got injured; now he looked after the local miners' institute.

It was a kind of cathedral towering over all the small houses: a social club built by local miners from their own subs in 1906. No government cash went into building this place; it relied on the prosperity and pride of its community. But the money had long since gone and about 10 years ago the place had nearly died. The clues as to who had provided

the funds to bring it back to life were the windows plastered with stickers of Brussels blue.

In Liverpool, I met residents of abandoned streets who brought them back to life by developing social housing.

In a building that had been saved by Europe raged a man who wanted to torch the EU. But his anger wasn't directed at Eurocrats or ultimately at immigrants. What filled him with fury was the British government. Why? "They sold the country out," he said. "There's nothing we own any more."

I remembered the drive into Wales, past hills once black with coal waste, now a lush and de-industrialised green. In place of mass employment, you saw abandoned buildings amid warehouse units for one- and two-man bands: the broken promises of an entire political class. But how would leaving Europe help? "I don't think it would make a lot of difference. But the damage is already done. You ain't going to pull that back now." Then a big shrug of nihilism.

You can see the past three years as Meek's revenge. The powerlessness that drove him and many others to pick Brexit has brought chaos on the all-powerful. By trying to take back control, he has robbed those at the top of the control they thought they had. The savants who didn't see any of this coming now declare they don't understand their country.

This is a crisis of governability such as Britain has not seen for half a century. And it is the bitter fruit of the extractive, inaccessible economy described to me by Meek.

Spread across Britain today are people and places united by a common condition: they are largely powerless. Their economies have been emptied out, their services cut to the bone, their incomes under threat. The market discards them; the media ignores them; the state disregards them.

If the UK is to hold together as a country – which must now be an open question – the only way it will do so is by enabling people and places to exercise power by and for

themselves. So what would a democratic, decentralised economy look like? How are people already doing economics differently? I went around the country to find answers to these questions.

Preston is often called a model for how its council brings public spending back home. Yet simply to cut and paste what the councillors and officials and advisers have done there may not work in another part of the country with a crew that doesn't have the same doggedness and heart. Being an experiment should be a badge of pride, especially now that Britain's economic model is broken, and mistakes are part of the process of discovery.

In Liverpool, I met residents of abandoned streets who brought them back to life by developing social housing. In Oldham, school caterers in the poorest town in England showed me how they feed their kids award-winning organic meals. The city of Plymouth is building an economy of social enterprises and co-operatives. People are fighting austerity, such as the community in Witney keeping rural bus services running after cuts. Others are creating new civic institutions, such as Brighton's Bevy, which is a pub, a community centre and, for some neighbours, a lifeline.

These are different projects with sometimes wildly opposing politics, but they have some strong common threads.

First, roots: most of the protagonists live in worlds that, as VS Pritchett wrote of Rudyard Kipling's characters, are 'thickly neighboured'. Witney's Andrew Lyons jacked in a steady job with Stagecoach to help run community buses because he hated the idea of pensioners trapped in their houses. Matthew Brown, now council leader of Preston, took me on a pilgrimage to see where Joy Division played. These aren't Margaret Thatcher's atomised individuals, nor are they Cameron's broken Britain: they care enough about their homes and their neighbours to try and make things better.

Second, they are refugees from the financial crash. Many activists involved in these alternatives grew up in the decade-long shadow cast by Lehman Brothers. Mike Riddell of Newcastle-under-Lyme used to build shopping centres – then went bust in the credit crunch. Others, who were at university during the eurozone meltdown, organised citizens' economics classes – it was what they saw on the news that made them question their economics textbooks. This isn't a story of hardened campaigners battling for decades; it's a society thrown into an emergency of which it is still trying to make sense.

Third, basics. Among the urgent needs served are decent food for children during holidays and housing. In 21st century Britain we are still dealing with 19th century problems. Politicians talk about automation taking our jobs, yet of 20 countries ranked by the International Federation of Robotics, factories in the UK are the least automated, behind Slovakia and the Czech Republic. It is high time Westminster recognised that Britain isn't some Jetsons economy – its issues are far more fundamental.

Fourth, values. Be it organising community runs in parks, letting out an empty shopping centre to charities and social enterprises, awarding contracts to local businesses rather than multinationals: most of the alternatives challenge how the market measures value.

Fifth, participation. Alternative approaches depend on others getting involved. These are noisy and energetic organisations. A conference hall giving dutiful ovations to some dreary frontbencher they are not.

And they are flourishing because those attributes chime with so many people. East Kilbride's Novograt has gone from a private company a couple of years ago to being 100 per cent owned by its staff – an extension of the stakeholder principle outlined by shadow chancellor John McDonnell – and sales

and profits are both rising. Plymouth's Nudge Community Builders have raised £200,000 in a community share offering.

In response Labour has launched a community wealth-building unit to apply its lessons elsewhere.

These achievements are all the more remarkable because they are happening against the default settings of British capitalism. It's assumed that school-dinner services will go for low-quality volume suppliers, rather than do what Oldham did with organic meals. And getting these ideas off the ground is tough: London's Makerspaces keep losing their premises to developers of expensive flats.

Two big shackles hold in check the growth of more alternatives. Easily the biggest is capital: ventures such as co-ops struggle to raise the necessary cash. The holders of capital often seek short-term rewards, are unwilling to take large risks, and have no place on their spreadsheets for social purpose. When the community pub the Bevy began, it barely had enough money to keep trading – it was running to stand still. And Robbie Davison of CanCook has pointed out that he has to beg for the kind of sums the City treats as loose change. When these enterprises do find sources of cash, they often find it comes at a cost to their values.

Second, the overwhelming centralisation of the British state can stifle development of bottom-up initiatives. Whether in Southend or Sunderland, it makes little difference: financial and political power is concentrated in central London. The UK has among the lowest levels of revenue-raising by local taxes in the OECD group of rich countries. We lag behind Ireland and Hungary. So if a city like Plymouth wants to develop a social economy, it has to do so on a shoestring.

As a direct result of these two factors, there is not yet a critical mass of purpose-driven ventures. There are more social enterprises than you might think – 100,000 of them with a total of 2 million employees – but most are pretty small

and constrained. In places like Mondragon in Spain's Basque country or in northern Italy, the co-operative economy is vast and can act as a nurturing network for newcomers. In Britain, the equivalent scene is someone hunched over a laptop at 2am filling in endless grant applications to prove to a doubtless kindly bunch of people in London that they are doing something of social value.

Such serious constraints prevent these alternatives from becoming mainstream. They block too many people from authoring a different future for themselves and their home towns.

A few miles from where Meek and I met, and just over a century before, Nye Bevan began work mining coal. He was only 13 years old. Decades later, after becoming minister of health to Clement Attlee and founding the NHS, he wrote about how his years at the colliery shaped his beliefs. "As a young miner ... my concern was with the one practical question: where does power lie in this particular state of Great Britain and how can it be attained by the workers?" He wasn't the only one asking, but the theorists and the philosophers were not working long hours for small money or watching their workmates get maimed or killed in the course of duty.

"It was no abstract question for us," wrote Bevan. "The circumstances of our lives made it a burning luminous mark of interrogation. Where was power and which the road to it?" More than 100 years later, that question remains as urgent as ever.

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6. BUILDING BLOCKS: VOCATIONAL EDUCATION FOR LIFE'S JOURNEY

Angela Rayner MP

If we want to build an economy that works for all, we need good vocational education to underpin it. Our current system is a mess: Labour will transform it to improve the life chances of working people.

Labour's task in power is to rebuild the country and a priority must be to improve wages and the quality of work. Labour is the party of work: not just hours and rates of pay that provide a proper livelihood, but work that gives dignity, opportunity and a sense of achievement. That is why I believe that one of the biggest and most critical challenges facing our country is to build a first-class system of vocational education. A more skilled and educated workforce will improve our everyday economy and the life chances of working people. It has to be the cornerstone of our industrial policy. The country needs vocational education.

But there has been no consensus about the purpose of vocational education. As a result, it has suffered from a combination of business neglect and government failure.

Over the decades, governments have abolished, duplicated and reinvented organisations, agencies and qualifications and called it progress. When we were last in government, we built new colleges and rebuilt old ones. But the fundamental problems of the system remained.

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Now things have been getting worse. The adult education budget has been cut by 45 per cent since 2010.

Employer investment in skills is down. Employer-led training is on a downward trend, with dramatic falls in hours per person being trained. Spending per employee is two-thirds lower than the EU average – and where there is spending it is not being analysed for value and progression. However you measure it, our system of vocational education and skills falls well below standard.

Of course, there are centres of excellence and outstanding colleges. Our best companies run brilliant apprenticeship schemes. But vocational education is still treated as second best. In and around Westminster it is too often seen as something for other people's children. And the business model that dominates our economy means that firms have little to gain in training up their workforce. The task of a Labour government is to make the exceptional the norm and end this cycle of upheaval, failure and neglect.

Whatever happened to FE?

Since 1979 when social democracy was defeated by Margaret Thatcher, national policy has been driven by markets, competition and individual choice. This model has dominated the further education (FE) sector ever since. Reforms in skills and training accelerated as government responded to the disruptive forces of globalisation, the offshoring of industrial jobs, and the increasingly laissez-faire labour market.

Between 1977 and 1989, £89bn was spent on introducing 25 training schemes. Twenty-two were cancelled, some after only a year or two. Since the 1980s further education has had 28 major pieces of legislation, 48 secretaries of state, and 65 minis-

ters for skills. The average tenure of a minister of education has been two years. No organisation survived more than a decade.

During this period, vocational qualifications multiplied in number. Performance indicators were invented in order to judge colleges and then reward or punish them. Each new scheme used the same market-based approach. All promised that central control plus market choice would deliver a stable, coherent and efficient system. It did not then and it still has not now.

If you combine teaching grants, tuition fee subsidies, research grants, public spending on higher education has increased to around £17bn a year. In contrast, spending on adult skills fell by 40 per cent between 2010 and 2015, down to £1.5bn. Funding per young person in FE will soon be only 10 per cent higher than it was 30 years ago. And yet three in five graduates are working in non-graduate roles and the supply of intermediate skills does not match employer demand.

For more than 30 years government policy has relied on the market mechanism to sort out demand and supply. The result has been repeated failures and financial waste. Local government has been hollowed out and local institutions decimated. Local knowledge and regional specialisation have been lost. Reliance on market-based reform has weakened institutions and led to poor institutional memory.

Mistakes get repeated. The complexity of the system reduces staff, students and employers to utter confusion. The Sainsbury Report in 2016 found 20,000 courses delivered by 160 providers.

David Cameron's coalition aimed to rationalise the system, but instead it gave us more of the same. We now have the apprenticeship levy, but it too follows the same failed top-down, market logic. The Treasury distributes the levy to individual businesses which must allocate it to colleges for

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apprenticeship programmes. Individual firms and prospective students rely on the market to match up supply and demand.

And markets do what they do best. They find the highest return at the lowest cost. That lies with existing employees and older workers, not with youngsters starting out in life. By March 2019, overall take-up of apprenticeships was down by 27 per cent.

Labour supports the principles of the Sainsbury Report. The new T Levels should be a long-term attempt to create a high-quality technical route for young people. But under the Conservatives, they risk being nothing more than a short-term competitor to A levels. The market system threatens their success. It is up to schools and colleges to respond to demand from students. If there is no demand for T levels, they have no obligation to provide them. And creating demand is not helped by their ambiguity and the second-class status of vocational education. Are T Levels a pathway to work or to higher education, or to both? No one is quite sure.

Vocational education must be part of wider change

We can not have a successful vocational education system unless it is part of a wider national economic development plan for rebuilding Britain. Our model of capitalism encourages a view of workers as a cost to be minimised, rather than recognising their human potential and acknowledging them as a resource to improve goods and services. Skilled, stable work is devalued, as casualisation and job insecurity increase. Business investment in labour and the provision of high-quality skills and training go into decline. Trade unions are restrained or attacked.

We have ignored the long-term building blocks of the economy. The fundamental challenge of our times is to build

a new economic settlement that values labour. Government industrial policy neglects the middle- and low-paid. It excludes rural areas, towns and coastal towns from wealth creating activity. It favours commercial property development in city centres, and high productivity trading sectors. Wealth will trickle down in the form of low-paid jobs, or so the story goes. It reproduces an economy that relies upon financial engineering for profit and treats workers and production as secondary to profit-making.

If the status of labour is weak, then productivity in our economy will be low. We can't develop a first-class vocational education system without also building a vocational economy that values labour and creates business demand for skills.

John McDonnell has pointed the way with his report, *Alternative Models of Ownership*. It shares many of the ideas in this pamphlet and in Rachel Reeves's earlier *Everyday Economy*. A vocational economy is about creating new models of ownership and building up the local power of decentralised institutions. It involves innovating new models of labour solidarity and strengthening institutions that create social integration. And it links with other policies that Labour is committed to like regional banking, workers on company boards, and a vocational role for trade unions in training and strategy within firms and sectors.

Vocational education has to be a cornerstone of an industrial policy focused on improving the quality of work, career and job progression and a living wage. It will need to be a system of education and skills fit not only for the automation and artificial intelligence of the new digital machine age, but for developing the everyday economy of retail, utilities, care and public services which sustain our daily lives.

The economic resources of the new economy will not be dug out of the ground. They will be found in the life of the

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mind, in understanding human feelings, in the capacity to develop relationships, in enhancing skill and the practices of craft and making culture. These skills will not just be in quantum computing, digital engineering, the internet of things, and nanotechnology, but in sport, the care of children and older people, health and wellbeing, transport and housing and creating and maintaining renewable sources of energy. A vocational economy also involves green jobs in recycling and repairing.

These are the markets of the future: the work we need to build our economy and society. As technology gets more sophisticated, so human understanding and ingenuity will become more valuable.

But a successful vocational education system will only work if local knowledge and expertise works hand in hand with the national strategy of government. We need to be bold and break with the failed model of top-down, market-based reform and encourage local initiative and knowledge.

Labour's alternative.

We hear a lot about how value is created by innovation, technology, and investment, but rarely about the value created by the labour of workers. A vocation requires thousands of hours of application to a technical skill or craft, and a dedication to the traditions and knowledge of skilled labour. It is not in principle second best to academic education but equal to it. It is not just for other people's children, but good enough for my own.

In 2004, Mike Tomlinson's commission recommended unifying academic and vocational courses for 14 to 19-year-olds. He wanted knowledge and skills combined in a single qualifications framework. The two-tier system would be dismantled. Young people would combine 'core learning' of basic skills

and knowledge with 'main learning' of their chosen academic and vocational subjects. It would help workers secure 'by hand or by brain the full fruits of their industry...' He won a consensus of support. But the reforms proved too much of a political risk and we backed away from change.

Former education secretary Michael Gove's revolution has now taken us in the opposite direction. For Gove, academic rigour and traditional knowledge are the pathway to vocational education.

But I don't believe that knowledge and skill are the enemies of one another. Human intelligence is not just intellectual. It is also practical in its application. Knowledge is not just cognitive, it is also moral, craft-based and dependent upon the exercising of skill.

Labour's strategic objective must be to bring vocational and academic education into a unitary system of education. But we need a transformation of our system, not more upheaval for the sake of it. Simply imposing top-down change will not improve the system and nor will starting again from scratch. We need to build on what already works, develop feedback mechanism between employers and colleges and learn from our mistakes. Call it incremental reform for radical transformation. And to be effective, reform must involve local government, trade unions, employers and colleges.

Ewart Keep, a member of our Lifelong Learning Commission, has drawn up proposals with the Association of Colleges that would make the development of vocational education policy a genuine collaboration between providers, unions, employers and government. The best vocational education will involve collaboration between providers and employers with a clear pathway into work. Firms need to make an active contribution in meeting their need for skills. Collaboration will better integrate vocational education into business development and industrial strategy.

We need institutions to lead a vocational reformation, bringing together academic and technical education, theory and practice. When John Major turned polytechnics into universities, they lost a unique role and gained status in name only. Our post-1992 universities and degree-awarding colleges could lead a vocational reformation, bringing together academic and technical education, theory and practice.

We could bring status and prestige to vocational education by incorporating law colleges and teaching hospitals, along with FE and university technical colleges. What are law conversion courses or a medical degree if not vocational qualifications? Law and medicine are ancient and prestigious vocations. They combine philosophy, shared knowledge and practical skills. So too do midwifery and paramedic pre-hospital care, engineering and programming.

We have doctors of philosophy, so why not the honoured status of master craftsman and craftswoman? We should provide the guilds and national colleges of skilled work and professions with greater degrees of professional autonomy and status. I would like to see more National and Royal Colleges in the next 20 years that honour the labour, self-organisation and commitment of workers be they in retail, care or digital technology.

Vocational education will be a priority within Labour's National Education Service and within the everyday economy. It will extend knowledge and learning into all parts of society. Instead of the knowledge economy being confined to the elites and small groups of workers, vocational education will open up its benefits and productive potential to the whole of society.

7. FOOD FOR THOUGHT: RECONNECTING THE ECONOMIC AND SOCIAL IN THE FOOD SECTOR

Steve Francis

There is little more crucial in the everyday economy than food. Yet the market has too often been allowed to regulate itself. A new approach to regulation, with suppliers required to invest in local communities, would offer us a more sustainable future.

Food matters: it is not just part of our everyday experience but, of course, fundamental to our health, wellbeing and our very existence. The paradox is that we live in a society where many of us have too little or too much food. The food bank network currently distributes more than 1.5 million food parcels a year;¹⁰ while nearly two-thirds of adults in England and Wales are overweight or obese.¹¹ Food costs have been declining and yet it remains a major expense for the average household. The family spending survey by the ONS shows that the median household spends £60 per week on food and non-alcoholic drinks.¹²

This household spend sustains a large production and distribution chain. The contribution of the agri-food sector to the national economy reached £122bn in 2017 and there are over 4 million people now employed in the UK agri-food sector. Food distribution is dominated by the big supermarket chains which are amongst our largest private sector employers; with Tesco alone employing more than 300,000 in the UK. Food imports are increasingly important, yet

a substantial part of British food consumption is still met by domestic production; based on the farm gate value of unprocessed food the UK currently produces just under half the value of all the food consumed in the UK.¹³

As National Farmers' Union president Minette Batters has put it: "Farming is the bedrock of the UK's largest manufacturing sector, food and drink, which provides the nation and wider world with safe, traceable and affordable food produced to world-leading animal welfare, environmental and food safety standards."

Notwithstanding this, our self-sufficiency levels in many basic foodstuffs have been declining for decades. It has left us as a country heavily dependent on our nearest trading partners – yes EU countries – for the staples in our diet.

But, by and large for the past 30 years, the idea has been that the market can be relied on to regulate businesses (and their owners) in this industry. My argument is that we now need innovative regulation in food production and distribution, as in other essential goods with a strong local supply chain and consumer market. The aim of regulation should be to break the cycle which leads to sourcing from farther afield and distribution of profits (and in particular 'excess returns') outside the local area.

Readers may be surprised that this argument for regulation is being made by a business leader. So, perhaps I should explain my background. I have run or advised businesses in many industries (food, chemicals, office services, retailing/restaurants, banking, mining) and in many countries (UK, Germany, US, Australia, South Africa, Denmark, Indonesia). These have been owned by public shareholders, private equity and agricultural cooperatives.

In recent years my job has been leading turnarounds in distressed businesses in activities like copier leasing or meat supply. In such turnaround situations, there is often

little time to reflect, limited visibility, more that is bad or corrupted and less that is good and wholesome. This is a world in which decisive actions to save the majority often result in the loss of jobs for a large minority. In these situations, owners and financiers have lost (or are likely to lose) a great deal of money and, as a result, have little interest in anything other than protection and recovery of their capital.

It is from that vantage point that I have developed a healthy scepticism about the impact of underregulated and underscrutinised business, at least in the foundational economy producing and distributing essential goods and services. Two stints in pork meat production were very instructive and have framed my views. The 150 million EU pigs are effectively outside the common agricultural policy farm subsidy system so that market forces and supermarket power have been let rip regardless of the consequences for British farmers and pig meat processors.

Today, the UK pig herd is no more than half the size it was in the early 2000s. Our self-sufficiency in pig meat has fallen from 75 per cent in the mid-1990s to 60 per cent today. In pig meat products such as pork, bacon and sausage the UK is even more dependent on other countries – only 45 per cent of our needs are produced here. In a post-Brexit world this kind of import dependence is a truly scary prospect not least because the growing import dependence was avoidable and reflects the ‘least-cost and damn-the-consequences’ mentality of many supermarket buyers.

The original causes of the erosion of our farming base were the accelerated adoption of higher welfare standards in the early 1990s. But this was followed by supermarket chain competition for market share through lower meat prices because cheap meat was used as a footfall driver. The big chains had the market power so that they effectively took margin off the processors who passed the punishment on to

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producers who were in any case struggling with fluctuating feed prices.

In this context, there is little good that has or could come from Brexit. We have clear signs of labour shortages in farms and factories where EU migrants account for much of the processing workforce and are already, in remittances, paying the price of a weaker pound. We have had a significant 10 to 15 per cent inflationary jolt on input costs but not enough retail price inflation to see the supply chain get its money back. Total profits in the UK food supply chain are at 10-year lows with consumer confidence weak and increasing failures on the high street.

The one piece of good news is that the weak pound is making locally produced meat relatively less expensive – at least in the short term. The concern is that domestic food production could easily be carelessly given away in post-Brexit trade negotiations because cheap food is a politically attractive offer for some British politicians and cheaper imports are available from countries like the US and Brazil.

Tying business success to community

Julie Froud and Karel Williams write elsewhere in this pamphlet in favour of social licensing to ensure all larger employers accept community responsibility. But it is worth developing a separate argument about the rationale for this kind of intervention in the specific case of the food chain and arguing that intervention should go beyond social obligations to redistribute excess economic returns in the sector.

The lowest price for consumers (from global competition with minimal barriers) is not always desirable for citizens *if* such targets prejudice national trade balance and uproot

local businesses which create employment and can meet sensible efficiency and sustainability targets.

In the case of British food production and processing, there are three key arguments for not going for the cheapest option from abroad:

- The British economy runs a trade deficit of 5 per cent or more of GDP and, when the manufacturing sector finds it difficult to increase exports, decreasing food imports is a sensible policy.
- The UK has a temperate climate suited to many kinds of food production and a large local population creating demand locally. Thus, there is no structural reason why our farming and food processing in many lines should be inferior to the rest of Northern Europe.
- Domestic production provides the basis for setting higher animal welfare and sustainability standards which are increasingly crucial when we need globally to shift the balance against meat and dairy production.

Against this background, it would be sensible to set targets and design farm support policy for increased farm gate self-sufficiency. As for processing and distribution, here firms should not be permitted to retain premium long-term returns for non-local investors. And owners should be assessed for fitness to own via a licensing process organised around the question: Are they fit and proper owners of businesses producing essential goods?

Who should own local food businesses?

Let's look at the rationale for capping returns and licensing owners more closely. All forms of ownership (including not-for-profits) have their disadvantages. In the UK, successive

Companies Acts have enshrined the obligation of boards of directors to have regard for *all* stakeholders. However, unfortunately the interpretation and reality has been to privilege shareholders above others with scant or non-existent focus on codification of the needs of other stakeholders. We have seen a private equity tendency to effectively hollow out businesses via accelerated cost reduction and reduced investment levels in order to extract rapid returns to international (non-local) investors, leaving them poorly prepared for industry shocks and cycles. Meanwhile, foreign cooperative owners have tended to bias resources towards their local farming communities using the UK as an outlet for their local produce (Holland, Denmark for example). And in the UK supermarkets there has been intense competition between the three big PLC chains which (with Aldi and Lidl's entrance) has reduced supermarket margins to 2 per cent of sales at best. This has also intensified their pressures on supplier margins.

In the past, much of the food industry has been owned by family or cooperatively owned businesses. Their approach has and continues to be to build good companies and hold their shares 'forever', with owners adopting a sustainable balanced approach.

From a purely financial perspective, the very best businesses in which to invest are protected pseudo-monopolies in which there is a distressed sale and the opportunity to buy cheaply and to own the business with high, protected returns. The food industry has provided many opportunities for such attractive investments by private equity given the plethora of niche operations able to gain some shelter from intense levels of competition and market volatility.

After all the essential objective of private equity is to make superior risk-adjusted returns faster than others and to return this surplus back to investors when the fund matures (typically 10 years). The 'lowest route' to achieving this is

to oversee a flurry of quick, financially impactful management actions like acquisitions to consolidate many smaller competitors into larger firms with a level of oligopoly (often resulting in reduction of local capacity, job losses and lower investment). It also involves reducing holding periods to the shortest period possible and to recycling into new investments within the fund period before the business begins to suffer financially and before unsuspecting buyers can see any damage caused as a result.

Certainly, that was the stereotypical behaviour in the 1990s and 2000s. Although, today, the private equity industry has matured along with a dwindling pool of such investment opportunities.

Increasingly larger funds adopt more balanced, long-term postures akin to their publicly quoted peers. But, the pressures to generate high returns quickly remain. Hence the concern with capping returns.

Must we be globally competitive?

The traditional pro-shareholder argument says that it is anti-competitive to burden businesses with local regulations or constraints: businesses must compete globally whilst producing locally. Any drag-anchor of regulation or disclosure will reduce the business' competitiveness hence sustainability and therefore ability to provide stable local employment. The argument continues that in order to attract capital to operate and invest, businesses should be as unregulated as possible because all capital must seek the best risk-adjusted returns available globally and will therefore flow to those places.

Therefore, every business must operate in effect as if in global competition no matter how local it is. It follows that a Suffolk ham producer employing 150 people on a shift must maintain the same payroll (or less) than the same

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operation in Katowice or the suburbs of Valencia (and in the post-Brexit world we should include São Paulo). Since the Thatcher era this has been seeded so deeply in our economic beliefs and teachings that it is now unchallenged dogma.

However, my experience in the food industry has been that a motivated workforce, drawn from the local community in which many of the products are consumed, cannot be treated in an isolated manner as a 'cost of production'. Particularly in rural communities in which the food producer can often be a major or even the largest employer, they are often the glue in a stable, healthy community. This is of course why redundancies are a hugely destabilising force not just for those directly affected but in the community.

And stable employment can be good for the business bottom line. In labour-intensive food businesses a great deal of productivity derives from a happy, well-trained and motivated workforce. Or to put it into micro-economic terms: yield is often a more important determination of profit than unit cost of production. A different set of metrics and mindset is needed that balances business health, success and sustainability with profitability.

Provenance

This argument against regulation is further weakened when goods or services have a local identity which can be branded or whose provenance can be celebrated. Provenance can be a cynical marketing ploy to justify premium prices. But it can be meaningful if it links people who buy the products to those who produce them in a virtuous cycle.

The new nationalism has many evident ills and risks, but the recent swing of the pendulum from the global to the local does bring some benefits. Certainly, this is true in food

today where the consumer is willing to pay around 10 to 15 per cent more for meat which is verifiably sourced locally.

Yet the investors in our food supply chain are too often international or purely financial investors with no interest in being local or community-focused. At least public companies are bound to operate in a more open and accountable manner to the communities in which they operate or sell. Private equity adds opacity because it is normal for private equity funds to minimise the visibility of the fund and their investments and to adopt a low-key PR profile.

It is our own fault. Most of us will rely on our pensions and other long-term savings for our living at some point. We entrust these funds – which are ours (whether funded by the public, private sector or simply our accumulated savings) – to largely faceless institutions which then invest them in funds of funds. Our savings are given over to managers all over the world who invest according to rules which have no relation to local, community, or sustainability.

What to do?

How could the governance models of different investors be amended or regulated in order to preserve the sustainable economy in selected essential foodstuffs?

One method might be to require investors to reinvest superior returns into the local economy. Can reinvestment into the business be stimulated (or even required)? Perhaps this could be done via incentives to increase training and investment in local assets. Such reinvestment obligations would have to be able to survive transfer of ownership (ie they would be passed on to new owners). At the same time any asset sale would be subject to a clawback if such obligations were not met.

The critical concept here is 'superior returns': those returns in excess of that merited by the risk being taken by the investors. Thus, setting a 'target' or 'acceptable' return is the critical regulatory action. This might be done by reference to upper quartile expected returns over similar time periods in publicly quoted businesses. Other critical determinations would include defining the boundaries of sectoral concern in food and setting the threshold of business size which merits community interest.

Others can argue about who would be the regulator of the food sector and what the regulator's brief and powers should be. But if there were a move to social licensing in the food chain, it is likely that the ownership of such businesses would trend away from 'fast international capital' towards longer term and probably more local investors. Such businesses would likely become attractive to UK pension funds as they would be seeking stable, sustainable longer term returns rather than a quick buck. They would behave more like higher coupon bonds than normal equity – rather like the old municipal bonds of a century ago.

In conclusion there is a confluence of factors favouring a new approach to regulation in the food sector where specific activity characteristics justify social licensing. This would be a way of reconnecting the economic and the social by addressing some of the underlying ills – such as weakening of regional economies – that gave rise to the Brexit protest vote and subsequent political mess. What we must do is create the conditions for new solutions.

8. A JOB WORTH DOING: RESTORING THE VALUE OF WORK

Tim Roache

Good work is about more than just fair financial rewards: a sense of achievement, stability and respect are important too. At a time when job insecurity and in-work poverty are on the rise, it is crucial to make the case once more for a fair deal for workers.

Our job is a big part of our identity. When you meet someone for the first time it is common to ask “so, where are you from?” closely followed by “and what do you do?” We make friends at work, meet loved ones, face challenges and share in experiences. For those of us in a trade union, we share solidarity and look out for each other. Work can give pride, a sense of achievement, self-improvement and dignity. It is one part of our contribution to society alongside care and voluntary community activism.

At a time when job security and conditions are under sustained attack, we need to make the case once more for dignified, safe and fairly rewarded work as the cornerstone of a fair society.

Exploitation isn't new

The world of work continues to change at pace. New technology is altering the way we buy, produce and communicate. This brings some challenges as well as opportunities. For

unions, it means we can share our messages in the blink of an eye. We can find out about issues of concern quicker and we can bring people together in fragmented workplaces. But another dimension of this new technological reality is that primarily online employers are able to present an image which is distant from reality or can be a new form of control.

This new environment changes the model of many businesses itself. Online retailers have a digital shopfront with an appealing brand – but it is a shopfront where customers will never meet a member of the workforce. The websites certainly do not include photos of the latest warehouse worker being stretchered into the back of an ambulance. There is no reference to the big brother business tactics of workers always being under the gaze of CCTV cameras, surrounded by airport-style security or inspected as they go for their lunch break.

Other businesses will use the veneer of an app or an online platform to try to erode their obligations to the workers who in fact create their wealth. They will try to argue to politicians that they are new and ground-breaking and therefore normal rules should not apply. In reality, they try to pull off the same tricks as some of the worst exploitative 19th century employers. In those days, workers would queue at the docks hoping to be picked for a job and often they would need to provide their own tools. Those tools were nowhere near as expensive as the requirement to buy an Uber car, yet the principles are eerily similar. The sad reality is that a failure of political will has meant the ‘platform economy’ has reintroduced insecure forms of employment with fewer obligations to the individual workers or to society as a whole.

One of the biggest distortions to the labour market is how few of these companies directly employ ‘their workforce’. Once temporary and agency workers would provide businesses with additional cover or extra seasonal capacity

at particularly busy times. Now entire business models are designed precisely around the weaknesses and loopholes of UK current employment laws.

It is sadly increasingly typical to find companies employing three-quarters of their warehouse workforce on temporary or agency contracts at any one time. This allows them to get rid of people quickly and without having to follow any fair process. This casualised workforce often exists in a climate of intimidation. If people don't hit their targets or if they ask too many questions or expect to be treated with basic respect then they can face disciplinary action or simply told they are no longer 'required' the following week. The prospect of a permanent contract is often dangled in front of temporary workers as a reward. It vastly increases the power of employers and inequality widens as a consequence.

Insecurity is no accident

For too much of the UK economy, insecure work is now seen as giving businesses an edge in undercutting their rivals. Employers may try to justify increasing insecurity as being a necessary step to compete, but this is what a race to the bottom looks like. Insecure work transfers the risks onto the backs of individual workers, where they, their loved ones and society are expected to pick up the pieces. It is a new attempt to reverse the collective gains working people and many Labour governments have fought for and won.

Look back over the last decade and the complete failure to address the insecure nature of insecure work. HMRC has all too often shown indifference to a form of employment practice which reduces the tax contribution and often illegally so. Why did it fall to GMB rather than government to stand up to Uber and challenge its false self-employment status for its drivers? How come the state comes down heavy on an

individual's tax affairs or the repayment of tax credits due to a calculation error, yet turns a blind eye to corporations scamming the nation on an industrial scale? Is anyone in government at all bothered about the inability of low-paid workers on short hours and insecure contract to contribute to a pension for their retirement? As chair of the business, energy and industrial strategy select committee, Rachel Reeves has asked more questions of powerful corporations than anyone in government. Why? It speaks volumes about the real priorities of ministers.

How could Conservative and Liberal Democrat coalition MPs introduce tribunal fees set a sum greater than many insecure workers earn in a month and not expect justice to be denied to them? It is no accident that inequality has increased at the same pace as attacks on trade unions, restricting our ability to bargain for fair pay and better employment terms. Yet too often we hear that the only yardstick of employment is the number of people in work, regardless of their hours, their rate or pay and whether they have a permanent contract they can plan their life around. There is no regard from government over whether someone is happy in their job, is gaining new skills or is safe at work and without stress. Over the last decade so many of these aspects of work have got significantly worse. There has been a consistent absence of political leadership among Conservative and Liberal Democrat MPs to correct this, which acts as a green light to the worst employers.

The Conservative MPs who wrote *Britannia Unchained* in 2012 are no longer backbenchers on the fringe of their party, but cabinet ministers in a Johnson-led government. They are brazen about their ideological agenda. Their starting point is the belief that 'once they enter the workplace, the British are amongst the worst idlers in the world'. They state that 'too many people in Britain, we argue, prefer a lie-in to hard

work'. This is so far detached from the everyday reality of the 32 million working people whose efforts the UK's economy and our public services rely upon.

Unless we challenge and roundly defeat this hard-right agenda, we face life in a bargain-basement economy with low wages for workers, weak regulation and even lower levels of corporation taxes and poorer public services. For many right-wing politicians and their backers, this is what their Brexit agenda was all about. Our country and our people deserve so much better than this.

Restoring the value of work

For far too many people, bad employment practices can make work miserable or a source of anguish. The Joseph Rowntree Foundation has shown that four million people are working in poverty and the number is rising particularly for those with children. GMB surveyed insecure workers in 2017 and found that six in ten experienced stress at work as a result of the nature of their employment. A similar number attended work while ill for fear of losing work. A third of workers on insecure contracts could not afford to pay an unexpected bill of £500. Millions of working people are financially, physically or mentally clinging on by their fingertips.

How can you secure a decent tenancy, never mind a mortgage, if you can't demonstrate what you will earn the following month? Without trade unions and decent rights, it is so much harder to challenge bullying behaviour or discrimination at work. Fairer employment laws and a meaningful collective voice are vital if we are to dramatically improve the security and quality of jobs in the UK.

A SPERI report for GMB showed that all over the world governments of all persuasions are taking action. New Zealand and now Ireland have banned zero-hours contracts.

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Norway, Italy and France limit the number of temporary contracts in the labour market. In Germany temporary contracts in the construction sector are prohibited unless there are collective agreements in place. In New York there are fines for slow payment of freelance workers. The UK needs to be part of a new race to the top in order to provide security, dignity and fairness at work.

Turning the tide against insecure work

Unions need to be at the heart of the battle against insecure work. At GMB, we have not been daunted by standing up to the corporate goliaths such as Amazon or Uber. We have exposed the working conditions at companies like ASOS whose slogan 'fashion with integrity' collides with the reality of GMB members working there.

Our union is serious about making a long-term difference for our members. That is why our ground-breaking agreement with Hermes is so significant for couriers who can now have guaranteed levels of pay, holiday pay and a voice at work through GMB. We have won recognition at luxury online fashion retailer Net-a-Porter. Their warehouse workers are young and include many migrant workers and because they have joined GMB they will now have a much greater say at work on the issues which matter to them. Up and down the country, GMB reps in workplaces are sticking up for people facing unfair disciplinary action, challenging discrimination, improving physical and mental health at work and ensuring a fair day's pay for a fair day's work. With a Labour government with a bold new approach, we will be able to do so much more.

Labour's proposals for a new government department focused just on employment and work has the potential to transform the lives of millions of working people. It could

make a real difference to improving the quality of jobs, security at work, the rewards for reemployment and our health and happiness during our time at work., It will reverse the attacks on trade unions and collective action begun by Margaret Thatcher and help narrow inequality and redistribute power. The work of Laura Pidcock and colleagues is the antidote to the hardline Conservative agenda and should be enthusiastically embraced by the entire labour movement and everyone who knows that status quo cannot continue.

We know history can all too often repeat itself. It is no coincidence that many trade unions were created during the throes of the industrial revolution in the late 19th century when insecure work and exploitation was rife. There comes a point when all reasonable people decide 'enough is enough' and discover their power. We are at the point again. Despite all the challenges working people currently face, whether from bad bosses or from right-wing politicians, we can and must take them on so we can build something better. In building an economy that works for all of our communities, we must start with good work.

9. GREEN AND BEAUTIFUL: TACKLING CLIMATE CHANGE IN OUR EVERYDAY LIVES

Bryony Worthington

Climate change is the defining issue of our age. If we take action now to ensure clean technologies are introduced at scale, we will not only be doing the right thing for the planet but we will be making life better for all of our citizens.

A new era is dawning – one that finds its roots in England in the 19th century when Michael Faraday was first discovering the principles of electricity and magnetism. His discoveries unleashed a new form of energy that transformed our lives. Electricity has freed us from back-breaking and mind-numbing chores, helping to emancipate women and it is the lifeblood of the digital computer age we now live in.

It has become so commonplace we scarcely give it a thought, unless engaged in the search for a plug socket when our phones are low on charge. But even then, little attention is paid to how our power is generated. In recent years, almost without us noticing, the way in which electricity is generated in the UK has changed dramatically.

Massive coal-fired power stations dominating the horizon were once the backbone of the national grid, working tirelessly alongside hydropower dams to keep our buildings lit and our machines whirring. In the 1960s nuclear power was added to the mix and in the 70s and 80s, with the discovery

of North Sea gas, old coal stations were switched off as new cleaner gas stations came on line. In the last 20 years, thanks to policy intervention, renewable sources of electricity have been added – on and offshore wind, biomass and most recently large-scale solar farms. Each wave of new technology has delivered a big reduction in air pollution and significantly reduced our contribution to climate change.

At the point of use, electricity is silent, clean and hugely versatile. The era now dawning is one in which electricity is starting to replace the other sources of energy that we still rely on – sources which foul our air and destabilise our global climate – the oil used in our vehicles and the gas used to provide heat in our homes and businesses. It is now within our grasp to envision cities, villages, farms, ports, even airports where the noise and pollution of the internal combustion engine is replaced with motors running silently and cleanly on electricity.

This silent revolution will make our homes, places of work and communities cleaner and healthier. It also opens up the opportunity for a new, much more democratic distribution of the money and power that flows from generating energy. When communities can power themselves using local sources of energy for every aspect of life, profits will stay closer to home and we will no longer be price takers from a small number of risk-taking global companies which charge us for the big profits they have come to expect for scouring the world for fossil fuel reserves and bringing them to market.

This revolution will be slightly different from the one that has taken place in the electricity-generating sector, however, because we will notice it more. The air pollution and contribution to climate change that arise from how we transport people and goods around happens not in a distant power plant but on every high street, roundabout and dual

carriageway in the country. Thirty million passenger vehicles in the UK now contribute about the same to climate change as the remaining 50 fossil power stations in the country and changing that many vehicles to cleaner fuel will not happen overnight. The good news is that as technologies improve the similarities between an all-electric car and a 'normal' car get ever closer – the distance that can be travelled on a single charge is increasing and the upfront cost of purchase is reducing. Taking into account the reduced fuel and maintenance bills (electric vehicles have far fewer moving parts which makes them far cheaper to maintain) an EV can already, depending on your usage, save you money compared to a polluting one.

But we cannot be complacent that this switch will happen without government help. Much more could be done to incentivise car manufacturers to make electric vehicles available. Until recently, progress towards electrifying transport was so slow it was invisible. Then fears about competition from China started to change investment patterns – until then most car manufacturers had no incentive to shift from their existing, highly capitalised business model. Their desire to stick to the tried and tested ways they have been using since Henry T Ford's day was evident when they collectively opted to fit cheating devices to diesel cars rather than innovate to meet new more protective air quality standards.

The simplest way to increase the scale of the clean vehicle market (currently sales are at less than 1 per cent and there are long waiting lists) would be for government to introduce an obligation to sell an increasing number of electric vehicles per year. This is one of the policies used in the electricity sector that drove the transformation of the market by requiring companies to buy and sell a rising volume of green electricity. It is time to apply it to transport too. Another crucial policy, already in place in Scotland, would be to offer

a zero-interest loan facility targeting lower income families so they can also enjoy the reduced running costs a clean vehicle provides. This cannot be a revolution for Tesla and BMW drivers only.

Passenger vehicles, although they make up the majority of vehicles on our roads, are not the only ones which need to be revolutionised. HGVs too need to electrify and here the most likely solution would be to add overhead electricity charging to our motorway infrastructure allowing trucks to use electricity for the bulk of the journey, using batteries for the last few miles of delivery. In rail, electrification programmes need to be restarted and expanded and the date for phasing out diesel engines brought forward from government's stated goal of 2040. In aviation, all flights need to be charged for the pollution they cause and this money should be recycled in the research, development and deployment of zero emissions technologies. The same goes for shipping.

Even with these policies in place the negative impacts of oil use in transport will continue for many years to come – particularly in our cities where a toxic soup of chemistry can build up – harming our health and particularly damaging the vulnerable, old and very young. New powers are needed to allow cities to exclude vehicles that do not meet strict emissions standards, particularly on days when emissions will build up. Charging entry to cities can raise finance to invest in clean modern public transport and cycling infrastructure. Taxis, ride hailing and car-sharing services must only use zero emissions vehicles. All of these measures need to be implemented urgently in a new Clean Air Act – replacing the regulations that have failed to protect us for the last two decades with a comprehensive new approach to get at the causes of air pollution that we can control and replace with existing technologies.

Turning to heat, this sector is dominated by gas use, although oil is still used in parts of the country and in industry. Switching away from oil would give the biggest improvement in climate change terms but gas use has another associated issue which can vastly increase its contribution to global warming. Escaping natural gas contains very high volumes of methane, one of the most powerful short-lived greenhouse gases. If leakage rates are high – and leaks can occur at every step in the supply chain, from the wells that are sunk to produce it to the boilers that convert it in our buildings – gas can be no better for the environment than coal. Methane is also a precursor to health-damaging ground level ozone so contributes to local air pollution.

So we have to replace gas with something cleaner – electricity again provides solutions here. Modern electric heaters, underfloor heating, heat pumps and redesigned storage heaters can all be programmed to soak up clean electricity when the grid is producing it, keeping our homes warm and comfortable by using power when it is cheapest and cleanest. One big challenge however is cost. Gas is significantly cheaper than electricity partly because at the moment none of the costs associated with its use are factored into the price we pay – no carbon price, no pollution tax and no subsidies that help drive innovation. This has to change but it will have to be handled very deftly. More money will need to be made available to support households and small businesses if they struggle to pay their bills and the charges applied should reflect the ability to pay. The need to address the social side of the equation should not be used as a reason to do nothing. Once price signals are better aligned then the next challenge is going to be engaging people in the shift – when the weather cools we are understandably very fond of our gas boilers. There is a chance some of the gas infrastructure can be reused to supply hydrogen but

this will require us to embrace this new fuel in our homes and businesses.

If new clean technologies can be introduced and scaled – and there is no shortage of bright young minds seeking to make a name for themselves in bringing new engineering solutions to market – then we stand a chance of not just maintaining a decent standard of living, but making life better, even as we do the right thing by the environment. This is the vision we need to deliver in government.

So far I've focused here on energy and how this relates to our everyday lives but climate change will also touch on lots of other aspects. Our diet can be a big contributor to climate change – some options like imported beef are really big contributors to the problem. Locally sourced and non-beef and pork options are generally speaking much better options and the good news is that trends seem to be shifting in this direction. Again the co-benefits are likely to be very positive in terms of avoided health costs.

Ultimately the question of whether we will make the shift to a world where the risk of climate change is declining, not rising at an ever faster rate, will depend on collective action by humanity. No individual can make enough of a difference, not even if you are Mark Zuckerberg or Bill Gates. No political leader and no country can solve it alone. No single ExxonMobil or Apple has the resources necessary. Collective action can come in many forms but one of the most empowering can be groups of like-minded people joining forces to share ideas and experiences. The good news is this is now enabled (thanks to electricity and the computing it powers) in ways that our ancestors would not have dreamed possible.

School children no longer consume their news through the selective and often distorting lens of the media – they can hear directly from, and engage with, world-leading scientists – and they seem to be more capable than most of listen-

ing to and acting on the increasingly urgent messages about climate change they are issuing. We need to do the same. Heed the warnings, connect and then share ideas about solutions and actions that can be taken to turn things around. I'm a member of the House of Lords and that is precisely what we are doing in parliament to get more active on this issue. We cannot just leave it to the kids: we made this mess and we need to fix it and in doing so leave them more peaceful, clean and beautiful places to live and a planet to enjoy.

If we wish to create a prosperous and healthy future there is no more important issue than tackling climate change in ways that also drive economic renewal. It is the defining issue of our time and will touch every aspect of current and future citizens' everyday lives. There is not a second to lose.

10. FAIR SHARES: MOVING POWER CLOSER TO HOME

Lisa Nandy MP

Across the country, many of our towns are in desperate need of fresh hope and a sense of purpose. A commitment to municipal socialism would start to shift power back to where it rightfully belongs.

Ten years after a global financial crash that signalled the end of the political settlement that had held sway for decades, little has emerged to replace it. But in towns across the country it is clear that all is not well and hope is needed. After a decade of falling voter turnout, dramatic rises in support for nationalist parties and the creeping growth of the far right, the huge vote to leave the EU should have been a wake-up call. We need a new economic settlement that can comprehend, measure, protect and build the things that matter to people.

Over the last 40 years, towns have lost good jobs and investment. Research by Ian Warren for the Centre for Towns¹⁴ shows how dramatically our demographics have changed in recent decades. Towns that were once home to the mills, mines and factories have lost those jobs while cities have seen a growth in investment. Many young people in towns have grabbed the life-changing opportunities opened up to them and gone to university, but when they look back, increasingly they find there is little to return to.

As a result, our towns have aged while our cities have grown younger. People in those towns are now much less satisfied with a political settlement that has allowed the working-age population to collapse and with it the spending power that sustained high streets, pubs, banks and bus networks. The arteries of the local economy have been lost and with them the beating heart of the community.

Replacing long-term, secure work with low-skilled insecure jobs has robbed those places not just of economic self-sufficiency but a sense of purpose. Within living memory, towns like Wigan and Barnsley powered the world, building Britain's wealth and influence through dangerous, difficult work in the mines. Pride still exists but the frustration is palpable. It is one reason why decisions by successive governments to invest in cities in the belief that the trickle-out effects would spread to surrounding towns have been greeted with such anger by those who live there. It has cut towns like Rhyl – once an important seaside destination far from any major city – adrift from growth, while towns like Bury, once at the centre of the textile industry, are refashioned as dormitory suburbs of nearby Manchester.

The decision by the state to effectively abandon many towns has left us without the infrastructure the private sector needs to invest. As skills investment, transport networks and digital infrastructure have gone elsewhere, the proportion of foreign direct investment going into towns has fallen or flatlined, in contrast to growth of 167 per cent in core cities in the same period. In some neighbourhoods the public and private sector have retreated altogether.

Decisions about infrastructure are made on the basis of productivity, a settlement that means areas that are already doing well continue to pull further ahead while other areas fall further and further behind. More than half (55.9 per cent) of digital sector jobs are found in the south east of England

when their creation elsewhere would be a game-changing opportunity to rebuild local economies. There is no other reason for this than the way we measure impact.

Now these old orthodoxies are starting to crumble. For some time the working assumption was that the economy was more productive in some parts of the country: in London and the south east compared to other regions and in the major cities compared to the towns. But new research by Steve Fothergill of Sheffield Hallam University¹⁵ has shown that once this data is broken down, there is virtually no difference in economic efficiency between workers in different regions or between workers in cities and towns.

The dominance of London and the south east, far from subsidising the national economy, may actually be hindering it. The UK's Finance Curse?¹⁶ published by the University of Sheffield suggests that the City has sucked growth out of the regional economy to the tune of £4,500bn over the last 20 years. It suggests that the UK economy might have seen more overall growth if its financial sector was smaller and "if finance was more focused on supporting other areas of the economy, rather than trying to act as a source of wealth generation (extraction) in its own right".

Those geographical divisions pose a profound challenge to Labour. We are now 'two Englands' as Will Jennings and Gerry Stoker describe it,¹⁷ with very different outlooks and priorities. Seldom do these two Englands meet. For the Labour party, trying to hold together our historic coalition in the face of these ruptures has become nigh on impossible.

The major social challenges in towns are ones, like loneliness and pessimism, that are created by a settlement that forces people to grow old alone hundreds of miles from children and grandchildren while young people are asked to choose between home, family, love and work.

Populists, on the left and right, have found fertile ground in these places where hope is in short supply and their simplistic messages have briefly, at times, brought it flickering back to life. Research by Hope Not Hate¹⁸ has found that unsurprisingly the most negative attitudes to immigration, multiculturalism and diversity are found in such communities – but importantly so too are some of the most robust responses to it. The anger comes from the knowledge that the future can and should be better. For the most part, progressive politics has not yet grasped the need to close this gap between ambition and reality.

As Rachel Reeves' earlier pamphlet *The Everyday Economy* highlighted "economic policy has become detached from social reality, treating individuals as economic units governed by rational choices" and underplaying the importance of relationships and communities which provide an anchor in a world that increasingly feels it is spinning out of control. A national conversation which talks of inclusive growth and inequality in areas that have seen decades of decline is simply irrelevant. Growth in GDP is seen as the sole metric of success but doesn't consider where that growth is or the things that most matter. As Will Davies points out in *Nervous States*,¹⁹ when our economic metrics no longer accurately describe the reality of people's lives it is no wonder we no longer trust experts. Moreover, without any consensus around facts and truth there is no objective basis on which to build common ground.

This is threatening the political system itself. Trust in politics is now lower than during the expenses scandal. and many people simply feel unrepresented. In a representative system that is an existential threat. As Harry Pitts and Matt Bolton put it in *Corbynism: A Critical Approach*, there are populists on both the left and right who "luxuriate in the flames licking at the sides of liberal democracy". A new approach is urgently needed.

The clamour for more control can only be met by a political settlement in which power is much closer to home. While people who travel by train, tram or tube make decisions about transport, the buses that most people rely on will be ignored. For decades, decisions made at the top of the political system have failed because they do not deliver on the priorities in people's lives.

In the 1960s we built tower blocks that were torn down because the families who didn't want to live in them went unheard. Now we are replacing high streets with flats and offices while across the country people lament the loss of the retail hubs, post offices and cafes that are the heart of a community. Worse still, whole communities become invisible. The Arts Council spends £8 in London for every £1 it spends in all the former coalfield communities. With this settlement whole communities – their history, lives and contribution – have been airbrushed from the national story.

But by moving power closer to home you start to get better decisions made by people that can see the potential, not just the problems. The assets in our towns – open space, cheap rents, a loyal willing workforce, good geographical location – are known by those who live there. One of those economic assets is the strength of the social fabric. In Wigan, the council responded to some of the harshest cuts in the country by using social assets where economic assets are scarce.

It asked the public to co-author a plan, known as The Deal, to survive austerity. It unleashed the power of the community to step into the gap left by the departing state and repurposed the role of the state as a supporter of civic society rather than its master. In doing so it revived a long, but marginalised tradition of mutual self-help and reciprocity that runs like a thread through Labour history. Since our 13 years in government up to 2010, the clean energy co-operative owned and run by hundreds of local people survives

while the Sure Start conceived in and funded by Whitehall does not.

In Silicon Valley, where the federal government has greater powers, a combination of tax cuts for clean energy investors and some of the toughest environmental regulations in the world have created a hub of clean energy investment. Young people there design the battery technology of the future while the descendants of energy workers in Barnsley pack boxes in warehouses for the minimum wage. This US success provides a clue to the future. The automation that alarms the left could be a catalyst for higher wages and better treatment at work if we brought the economy and capital under greater democratic control.

That means providing productive capital through an active, devolved state. Before regional banks became fashionable there was Northern Rock. It lasted 180 years, weathered four major recessions and underpinned stable homes, a thriving civil society and the survival of striking miners and their families for the people of the north east until its eventual collapse in 1998. Its collapse was a direct consequence of demutualisation and a series of decisions to put short-term gain for a few before the long-term, collective benefits of the many.

Future GDP must be able to recognise the power that intangible assets, human and social capital exert in the economy because, as the economist Diane Coyle who is pioneering new forms of measuring GDP says:²⁰ “what the state does not see, because of the absence of statistics, is invisible in policy making”. The concentration of data ownership and the dominance of a small number of wealthy entrepreneurs in developing new forms of technology has a major impact on our ability to use that information for the common good, in fields as diverse as work, the arts, policing and medicine. Moreover the ownership of new technology, like Twitter,

Facebook and YouTube, has had a profound impact on politics and society, but we lack any effective means to control it.

One of the areas of the economy least visible to policy makers is caring. This has the biggest impact in towns where the loss of a working-age population means the old age dependency ratio (the number of older people as a share of those of working age) is highest. It is a major economic issue for families in towns. It is also where the strong relationships that are our greatest asset are found. These relationships sustain us at the hardest time in our lives. Recognising their importance guides a new settlement on care: rights to time off work to care for all family members, and a reorganisation of the care sector around the principle of people, not profit.

This commitment to democratic control of capital also has the benefit of ensuring that those in the low-skilled, low paid jobs that have grown in towns do not shoulder the additional burden of paying for the state we need. Reforming ownership models and taxing unearned wealth are important components. But a new commitment to municipal socialism, already beginning to revive through the increased willingness of town and city councils to build their own sources of clean energy, raises revenue but also shifts power back to where it belongs. This commitment to restoring power to those who rightfully own it was once a core part of the Labour tradition. It must be again.

11. AFTERWORD: OUR DEMOCRATIC NATION

Rachel Reeves MP

We need a compelling vision to bring our country together. The ideas in this pamphlet provide the starting point to develop policies that improve people's daily lives.

It is impossible to predict what will happen next in politics. But in this extraordinary period of our democracy we have been spending too much of our time consumed by what is happening today and what might happen tomorrow, by who is up and who is down in the party hierarchies of prestige and patronage and by what Boris Johnson said or did. Our political culture has been reduced to slogans and name-calling. Considered opinion is shouted down. The loudest and more extreme voices dominate. It is hard for public conversation to flourish.

And yet there is a widespread public interest in discussion and debate. Intellectual and political thinking has flourished on the internet and in book and ideas festivals. What is a good life? What kind of country do we want? What role do we want to play in the world? We need to ask ourselves these bigger questions.

We are living in a time of extraordinary energy and so of hope and possibility. The old neoliberal economic settlement is exhausted and there is now a struggle to create a new economic settlement for the decades ahead. I hope the ideas

in this pamphlet are a contribution to this end. It is a struggle the left must win.

We have a crisis in our democracy and one major cause is our model of capitalism. The dominance of liberal market ideology and policy has privileged and rewarded the rich over the poor, the older over the younger, the educated over the non-educated, the south over the north, and cities over towns. The impact of neoliberal ideology has destroyed institutions, local cultures, communities and forms of solidarity which once protected people from the commodification of their work, the destruction of the places they lived in and the nihilism of the market. We are living with its consequences in the form of deep inequalities, the injustices of class and poverty, social anxieties and the rise in loneliness.

These social divisions and economic pressures have coalesced around class and geography. Where you are born and who you are born to increasingly define not just your life chances, but your life expectancy. In this age of identity politics, it is class – the unspoken – that defines British politics. But it is no longer the old class system of industrial society. That had begun to change in the 1950s. Today's class cultures and interests no longer map onto traditional parliamentary representation and the result has been the rise of populism.

Labour is proof of these dramatic social changes. We are becoming the party of the educated and better-off. Our new heartlands are in the great metropolis of London, a global city that has loosened its moorings to England. We are in danger of losing the ex-industrial areas that were once born and bred into Labour. The first task of Labour must be to halt this trend and to re-establish ourselves as a truly cross-class national party. We must resolve the class cultural divisions in our coalition and build bridges across the political faultlines dividing the country.

I believe the way to build these bridges is with a programme of national development that starts with the everyday economy. It is a great unifier because everybody in all parts of the country participates in it and depends upon it. Let's shift the balance of power between capital and labour to improve productivity and the wage share of working people. We can develop policies across health, care, education and community to encourage social connection, the prevention of chronic illnesses, and the flourishing of family life and kinship. And we must be the pioneers of a new model of Labour state craft that invests capital in the regions and which shares power, knowledge and innovation to generate local prosperity.

These priorities are aimed squarely at improving people's daily lives. Tangible improvements that signal a renewed covenant between government and the people: protecting the security and wellbeing of family life; improving travel to work and working conditions; reviving high streets; better quality food; better children's education and safer and more beautiful neighbourhoods. And attuning public services to the needs of communities and individuals.

We need to remoralise our economy and reform its institutions to deliver better market outcomes and a much fairer distribution of economic goods. This is a politics that believes in the power of relationships to transform people's lives. A belief in a democratic nation in which we each share our obligations to the common good in order to guarantee the rights of all. It is Labour's historic role to be the party of all working people, of the labour interest and of the national interest. The two are indivisible. We win when we have a compelling story to tell about the future of the country.

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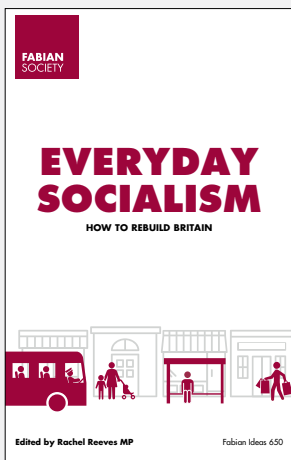
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Everyday socialism

How to
rebuild Britain

How to use this discussion guide

The guide can be used in various ways by Fabian local societies, local political party meetings and trade union branches, student societies, NGOs and other groups.

- You might hold a discussion among local members or invite a guest speaker – for example, an MP, academic or local practitioner to lead a group discussion.
- Some different key themes are suggested. You might choose to spend 15–20 minutes on each area, or decide to focus the whole discussion on one of the issues for a more detailed discussion.

A discussion could address some or all of the following questions:

1. Rachel Reeves talks of a geography of inequality. How have the rifts which have emerged in our country marked our politics in the last few years – and how should the left best respond?
2. Tim Roache likens the prevalence of insecure work and casualisation to the exploitation which was rife in 19th century Britain. Do you agree?
3. How would the idea of social licensing to ensure companies contribute to the common good play out in practice? What would be the key challenges to be overcome?
4. Climate change is the defining issue of our age. How can we ensure we tackle it – while also driving the economic renewal our country so desperately needs?
5. This pamphlet focuses on some of the key sectors which make up the everyday economy, including food, energy and education. Are there others which need radical reform too?

Please let us know what you think

Whatever view you take of the issues, we would very much like to hear about your discussion. Please send us a summary of your debate (perhaps 300 words) to info@fabians.org.uk

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Everyday socialism

How to rebuild Britain

Good jobs, responsible employers and prosperous communities are the foundation of a thriving economy. How can we ensure that they are available to everyone, no matter where they live? What needs to change to strengthen the jobs and sectors that provide the economic foundations in every community?

This collection explores how to decentralise and redistribute power and wealth within our changing economy. In it, a diverse range of thinkers make the case for reforms to build a stronger everyday economy, in everything from the food we eat to the energy we use. We need a new political settlement to create national prosperity and win the consent of the whole country. Everyday Socialism sets out the first steps in a programme of economic renewal which can speak to people's real concerns and improve their daily lives.

Edited by Rachel Reeves MP, with contributions from Grace Blakeley, Aditya Chakraborty, Steve Francis, Julie Froud, Lisa Nandy MP, Andy Pike, Angela Rayner MP, Tim Roache, John Tomaney, Karel Williams and Bryony Worthington.

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