

# 1

## Technological Development For The Many

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*To understand the potential benefits and challenges of technological change, we have to critically consider the wider economic and political context in which technological development takes place. Unleashing the emancipatory potential of technology requires challenging the dominant narrative around how technology should be owned and deployed.*

*This talk was originally delivered at the technology breakout session of John McDonnell's State of the Economy conference at Imperial College on May 19, 2018. The session was moderated by Peter Dodd MP and also featured talks by Natasha Thomas, Director of Government Relations at Sage, and Francesca Bria, founder of the Decode Project.*

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What I want to do with my talk today is really push back against some common narratives around technology, as a bit of a counterpoint to the previous

speech. I'll be focusing on Silicon Valley, not just as the geographic region but as a metonym for this pantheon of high-tech companies, mostly in the US, that have gone from tiny startups running out of dorm rooms to occupying key roles in the global economy in recent years. I'm referring to public companies like Facebook, Amazon, and Alphabet formerly known as Google, as well as companies that are still private but have had major impacts on the real world, like Uber, Deliveroo, and Airbnb.

I want to talk about how these companies were able to acquire such massive amounts of wealth and influence in such a short period of time, and what that tells us about the present economic and political landscape. Specifically, I want to talk about two competing explanations. Because when we're dealing with an industry that feels so shiny and new, most of us can really only understand it in terms of a narrative. Some sort of story that we tell ourselves about the increasing economic dominance of these corporations as well as the space that technology entrepreneurs occupy in our collective imaginations. A story to explain what's happening and make it seem legitimate.

And this story goes something like this. We're in the dawn of a new age of innovation, the "second machine age", where the ability to create wealth is available to more people than ever before. Anyone who learns how to code can start a tech company or at least get a six-figure salary as a software engineer. Technology has levelled the playing field while simultaneously unleashing profound and unprecedented innovation. In the last decade alone, we've seen the rise of so many technology startups, able to generate enormous amounts of wealth in record time. And as a result of their hard work and bold visions, they're able to disrupt entire industries, squeezing out the less efficient competition.

We've seen the rise of the gig and sharing economies. Uber and Deliveroo provide today's working class with the ability to diversify their sources of income, giving them the flexibility needed to pursue their dreams. Airbnb uses technology to enable a more efficient allocation of resources, fostering a new

community spirit in the process. We've also seen the growth of platforms for digital content like Spotify and Netflix, giving us access to culture in exchange for a low monthly fee.

And we should be celebrating all this. We should embrace the fact that the tech industry has massively boosted productivity. It's fine that people like Jeff Bezos, Mark Zuckerberg, Elon Musk have accumulated so much wealth—after all, they've created a lot of jobs, and they deserve to be rewarded for that. The fact so many of these entrepreneurs are based in the US and white and male is a problem, but we can fix that by encouraging women and minorities to go into STEM and start their own companies. Here in the UK, we need to invest in our own startup ecosystem to rival what's happening across the pond. We need to improve digital education across the board; we need to fund more startups; and we need to celebrate the figure of the technology entrepreneur. In short, we need to grow the high-tech sector. That's how you increase social mobility, that's how you give the nation a pay rise.

Of course, it's not all positive: we should be concerned with the tech giants, especially over privacy violations, their monopolistic tendencies, and their failure to pay a fair amount of tax. We should be worried about automation destroying jobs. And we should be concerned about the lack of diversity within the tech industry. But still, on the whole, the story of technological development is one of laudable progress, and anyone who questions that is a Luddite who just doesn't understand.

This is the primary narrative that we've been hearing from most of the media and political class for a while now. Of course, as soon as we start to critically assess that narrative, it falls apart. But it's instructive, I think, to consider where that narrative comes from and whose interest it serves.

And I think the best way to understand the problems with this narrative is to look at who the Luddites actually were. It's a shame that for many, Luddite has become synonymous with "hatred of technology" because that obscures

some important dimensions of what they were actually trying to do. It wasn't just about destroying machines because they were afraid of them or didn't understand them. The Luddites understood all too well that the aim behind introducing machines was to disempower the working class, to weaken workers' ability to reap the rewards of their labour. It was not about technology per se; it was about power.

And I think that insight is key to understanding the story of technology today. We need to look at technological development from a much broader and structural perspective, considering its historical role in a capitalist framework as well as its effects on the relationship between capital and labour. Any perspective that doesn't take that into account is ultimately misguided, serving to entrench the status quo.

Because here's the real story about what this new wave of technological innovation is all about. Underlying all the talk about efficiency and making the world a better place, it really comes down to power. Concentrating economic, social, political power among a select few and entrenching that power, in a way that's consistent with rising inequality and precarity for everyone else. Structurally, technology's primary role in a capitalist system is to increase returns to capital while at the same time disempowering labour, and we can't forget it. All this rhetoric around innovation is effectively just a way to mask exploitation, a way to conceal what's actually happening.

And what's really going on in tech is similar to what's been going on elsewhere in the economy. Even though state investment is responsible for quite a lot of technological development in recent years, the prevailing neoliberal consensus means that it is overwhelmingly the private sector that controls, and profits from them. What's special about tech is the way it has become this sort of collective fantasy, one that benefits a select few at the top. There's this idea that the tech sector can absorb an infinite amount of surplus capital, that there will be enough successes to make up for all the failures.

And so the money keeps flowing, creating an ecosystem of startups with inflated valuations based on little more than a nice slide deck and some wishful thinking. Founders who look like Mark Zuckerberg can raise millions to fund their derivative ideas for a more efficient way to sell customers' data. And even if they fail to find a sustainable business model, and end up burning all that cash, they'll just start a new company. At the same time, multinational tech firms with billions in profits are doing everything they can to avoid paying taxes, and are browbeating cities into giving them further concessions in exchanging for creating jobs. Meanwhile, across most of the advanced economies we're seeing rising inequality and worsening living standards for most.

These things are all linked—not directly, but as manifestations of deeper problems with how the economy is organised. And if we want to address them, we can't just double down on technology and hope that some enterprising founder will fix things. The structural incentives of the startup ecosystem mean that the ideas that get funded are, by and large, the ones that have a shot at making a lot of money, most likely at the expense of our collective well-being. We need to take a step back, and critically evaluate the narrative that has gotten us to this point. And we need to change it. Because once you change the narrative, you change what seems feasible. You open up new avenues of possibility.

And what we have to remember is that the very existence of these companies comes down to enclosure of the commons. Only this time it's not land, it's a digital commons. Corporations are selling us the right to be connected to the internet, they're selling us access to cultural goods, they're selling other corporations the ability to command our attention through advertising. Technology is mediating the slow creep of the private sector into more and more of our lives. At some point we have to ask ourselves if this is really the world if we want, or if we can imagine a better one.

I don't have all the answers. I think we're still at the beginnings of a discus-

sion of what a socialist approach to technology should look like. What I do know is that we can't consider technology in a vacuum, as some sort of natural force disconnected from the larger social context.

The challenges that technological development will present over the coming years are massive, but at the same time, we have an opportunity to fundamentally rethink how the economy should be organised. We have the chance to imagine an entirely different world, one where technology is under democratic control and deployed for public good instead of private profit.

Now this won't be easy, coming up as it does against deeply ingrained assumptions of our economic system that have been magnified by several decades of neoliberalism. But I believe it's the only way to ensure that technology serves the many, not the few.

## Further reading

- Evgeny Morozov for New Left Review: Socialize the Data Centres!
- Felix Holtwell for New Socialist: Is automation really such a threat?
- Justin Reynolds for New Socialist: Building Platform Socialism: Beyond the Taylor Review
- Grace Blakeley for Novara Media: Robots Aren't Coming for Our Jobs – Capitalists Are
- Hettie O'Brien for New Socialist: Monopoly's Fallacy
- Mariana Mazzucato's book *The Entrepreneurial State*
- Moira Weigel and Ben Tarnoff for The Guardian: Why Silicon Valley can't fix itself
- Wendy Liu for New Socialist:
  - Labour's New Economics Conference: Part Two, Digital Session
  - Labour's Digital Strategy Is a Missed Opportunity
  - The Inevitability of the Gig Economy

- Peter Frase for Jacobin: Ours to Master
- The Technology and the Worker issue of Notes From Below
- Tony Smith for Jacobin: Red Innovation

## 2

# Capitalist and Socialist Universal Basic Incomes

John Marlow

There have been significant debates around the Labour Party's increasing sympathy for universal basic income (UBI). Though UBI's alternatives have also been discussed by both Jeremy Corbyn and John McDonnell, UBI itself has been the starting point for policy responses to increased precariousness of employment and the possible effects of greater automation, with McDonnell setting up a working group to look into the idea in February last year.

The concept of UBI has been a mainstay for left and green parties in recent decades, and has rapidly become mainstream as it gains increasing support from both centrist parties and individual capitalists, becoming at least an inspiration for further policy development across the political spectrum. However, as this concept has become more popular even among mainstream commentators who seem increasingly ready to entertain at least one form of radical change, it has remained controversial among Marxists.

Authors in the “post work” tradition such as Nick Srnicek and Alex Williams



see a UBI as a central feature of a highly automated post-capitalist society. Within capitalism, it is put forward as a transformational reform, smoothing the path towards post-capitalist society by challenging the ideology of work that makes one's job a signifier of social purpose and worth.

In contrast, the “workerist” tradition has argued that it would undermine the key aim of post-capitalism. A recent critique in Jacobin magazine is exemplary. UBI proponents are charged with abandoning the idea of worker's emancipation in the workplace through control of the production process. UBI, it is said, offers workers only a subordinated and alienating position within a market economy.

So should a UBI be part of a socialist vision for the future? Does a UBI even make sense as a transformative reform within capitalism? Debates on UBI as a practical policy are well-rehearsed, but this article seeks to answer these questions through a critical review of the Marxist perspectives on the concept.

## **Freedom in work**

“Workerism” is the often derogatory term for Marxist analysis that dogmatically privileges manual production workers as creators of economic value and agents of history, calling for workplace organisation to the exclusion of all else. Though this is a fair criticism of specific Marxist movements, much of the Marxist tradition is “workerist”—with a small “w”—in emphasizing wage labour as the origin of economic value. As workers, we are said to create value and continually remake the world, yet at someone else's direction. Seeing ourselves as passive “employees” rather than active creators is crucial to the concept of alienation, which underpins capitalists' ability to expropriate value from production, yet herein is said to lie our latent revolutionary potential.

Accordingly, emancipation cannot be seen as freedom from work, which would appear to be an abdication of agency. Instead, class struggle centres on the workplace, on the fate of the value we create, and on the control of the work process itself. The goal is freedom-in-work through the socialisation and democratisation of the workplace. The free association of producers replaces wage labour.

This position can be caricatured—and historically often has been—as ignoring those who are outside the realm of capitalist production. However, it maintains that unpaid work (such as domestic labour) can, like all labour, create use value, which is something to celebrate. Greater recognition of this fact gave rise to ideas such as “wages for housework”. Although proposed in opposition to narrow workerism, these ideas still embody a certain workerist logic: the response to unpaid labour is to demand that it should be recognised as labour proper by linking it to a wage, and that it ultimately should be socialised, in order to emancipate it. In this vision, the realm of work expands outwards, but work is to become self-directed, and no longer alienating.

In this context, it is not hard to understand the workerist opposition to UBI. To the extent that UBI means we can drop out of work, we gain “free time”, but we lose the historical agency we have as workers. As UBI-funded consumers, we are seen as passive, alienated, taking as given a world shaped by others. We may do work, such as housework, that creates use value outside of the market, but there is no reason to believe that this work must be “free”: it may fall victim to other structures of domination such as patriarchy. Might not UBI create an enormous pressure to “volunteer” in some approved manner, to symbolically earn one’s UBI cheque?

From the beginning, Marxism has pointed out that wage labour offers an escape from “pre-capitalist” structures, even as it imposes a new form of subjugation. Workerism embodies the classical Marxist teleology that sees capitalism as a step on a liberatory path that is only completed through the socialisation of labour. From this perspective, UBI seems to miss a crucial step

in the process towards post-capitalism.

This critique recognises the fact that UBI is usually proposed as a specifically social democratic reform within capitalism. Despite all the talk of “free time”, such a formulation of UBI can only be intended to leave the system of wage labour intact, and this is how left critiques of UBI tend to understand it. As such, the liberation involved appears limited: if we still have to perform wage labour to supplement our UBI cheques, then we still cannot escape the alienation of working as someone else’s tool.

UBI is also unlikely to be seen as a transformative reform from a workerist perspective. Organising for a (higher) UBI, to lessen the impact of low pay and precarious conditions, appears as an alternative to workplace organisation. And, from this perspective, organising to plead for state protection from capital looks like a dead end. Indeed, to the extent that UBI is really a subsidy of low pay and precarious conditions, it is not clear who the state would be protecting from whom.

## **Freedom from work**

The post-work tradition has its roots in the post-operaismo of Italian Marxists such as Carlo Vercellone, Antonio Negri, and other “post-work” thinkers such as André Gorz. Its key contention is that work and value-production increasingly fail to conform to the model we see in Marx, one that is better suited to early industrial times. As production becomes more and more immaterial, less bounded by the conventional workplace, and less defined by physical time or output, labour’s role in production becomes harder to measure and define. In other words, the sphere of value creation becomes diffuse. It comes to include not just domestic and reproductive labour, but all activity that is generative of a functioning society and the knowledge that it possesses.

As a result, much less emphasis is placed on the idea of emancipation *within* work. Instead, the receipt of a basic income often takes centre stage as the emancipatory moment, releasing us from the compulsion of performing alienated activity for the market, or indeed for the state. Work is not transformed so much as progressively abandoned in favour of UBI-funded, self-directed, productive activity.

Technological advance plays a critical role in this approach. The growth of labour productivity through automation is seen, in the tradition of Gorz, as outpacing our demand for the products of labour. This would appear to make productive full-time work for everyone an impossibility, both as a source of income and as a route to emancipation. A related critique is David Graeber's view that "bullshit jobs" have become the norm in capitalism—jobs which may have some tactical rational for employers yet cannot be seen as meaningfully creating value for society. For Graeber, such jobs should not be socialised; they should be abolished.

So workerist and post-work traditions actually share a vision of production through free association in a society that has moved beyond wage labour, but they foresee very different paths to get there: the one through the transformation of work, the other through escaping it.

The moral agenda is also different. Paying workers "the full fruits of their labour" is a caricature of the workerist position, but not entirely without basis. By contrast, proponents of UBI see it as a way for society to reward all useful activity performed beyond the market. It is often promoted as a "dividend" of past efforts to develop knowledge, technology and "social capital".

Lastly, there is the question of the transformative potential of a UBI on capitalism itself. Inasmuch as it creates an alternative to wage labour, a UBI is often seen by left proponents as a tool to undermine the bargaining power of capital over labour, forcing improvements in pay and working conditions, or even challenging capitalism itself. Even the implementation of a modest

“partial” UBI is seen as a transformative reform, undermining the ideology of work that makes one’s job a signifier of social purpose and worth, and that stands politically in the way of the transition to a post-work society.

## **Some sources of confusion**

One conclusion we can draw from this controversy is that it is not always helpful to read the labour theory of value (LTV) as a normative theory, despite the undoubted rhetorical power of doing so. With LTV treated as a moral theory of theft, the UBI debate becomes one of competing moral claims to the social product, based upon competing claims about value-creation.

But in what sense should value-creation in capitalism be a moral yardstick when we are talking about transformation to post-capitalist society? Marx famously proposed “to each according to his (sic.) needs” as a better principle; a post-capitalist society has to transcend the logic of reward-for-contribution to realise that vision. LTV, on the other hand, can be seen as a descriptive theory of the determination of prices of production under specific circumstances. This is why Marx only considers wage labour in that theory—unpaid work is not considered to have any effect on prices.

There is also a lot of confusion about sequencing in this debate. Are we talking about before or after the revolution? To attack UBI, it is tempting to counterpose the promise of after-the-revolution socialism to the dystopia of a capitalism shored-up by a lumpenproletariat-pacifying UBI. At the same time, it is tempting for the post-work side to counterpose the self-directed, unpaid activity and free association of hypothetical UBI-receivers to the horrors of actually-existing wage labour.

But neither of these are entirely fair comparisons to make. Both compare capitalist realities with states of affairs that are really only possible post-capitalism. We need to consider what role UBI might play in a post-

capitalist/socialist/communist economy. In parallel, we need to consider exactly what kind of UBI is possible in a capitalist economy, and the limits thereof.

## **UBI would be contingently necessary in a post-capitalist economy**

UBI has emerged as a policy response to the problem of persistent labour oversupply and the precarity and poverty that goes with it. This oversupply, however, is a necessary feature of capitalism. In the workerist vision of a socialist economy, the problem is solved by guaranteed access to employment. In the post-work vision, UBI solves the problem that employment can no longer be guaranteed. My aim in this section is to suggest how this chasm might be bridged.

First of all, I believe that full employment—understood in a certain way—should be seen as a basic requirement in a post-capitalist economy. The opportunity to work as much as we would like is not just a nice-to-have; it is needed to underpin the strength of labour and ensure the democratic character of the production process. I am tempted to say that worker power through effective labour scarcity is even more fundamental than the *de jure* control of the productive apparatus. There is no state enterprise or worker coop that could not potentially become the site of alienation if you had to beg to be allowed to join, i.e. if surplus labour put some people in a position of *de facto* power over others.

But there is no reason why we should all want to work forty hours a week. In fact, “how much we want to work”, on aggregate, is not a matter of immutable individual preferences but something to be consciously and collectively decided. It should be an object of collective economic management, and this is where UBI may play a role post capitalism.

How much we should want to work, moreover, depends on how much we want to produce. In capitalism, growth is just the accidental product of uncoordinated profit maximization. Associated production, by contrast, implies a collective decision about how big the economy should be at any one time. Even putting aside the issue of ecological limits, the balance between well-being now and in the future, and thus between current consumption and investment, is fundamentally an ethical and political one. To let the current and future scale of output be determined accidentally, through uncoordinated activity, is to abdicate responsibility. A socialist society has to target a certain scale of output at any date, thus aiming for a certain trajectory of growth or de-growth.

A target level of output then implies a target for the input of labour time, given the state of production technology at any one moment. Looking forward, this is unlikely to mean everyone working all week; not in the context of automation, ecological constraints and the satiation of basic needs. So there can be no question of simply trying to stimulate whatever output it takes, Keynesian style, to absorb however much labour we might happen to want to supply. Instead, full employment would require that we adjust the amount of labour we *want* to supply to the desired level of output.

Now this is not a problem where there is no market. For example, if I agree, in a self-sufficient commune, to a plan which foresees everyone working 20 hours a week, then by definition I decide and want to work the required 20 hours a week. The supply and demand sides are brought together in a conscious decision. The same applies to voluntary activity and any work done for its own sake, rather than for payment.

However, there are few visions of a post-capitalist economy that do not foresee at least a consumer market and payment for labour (in money, “labour tokens”, etc.), at least transitionally. And where work is performed for payment, the problem arises of setting this reward at the right level to incentivize the required supply of labour. Rationing out scarce paid work is possible but

suboptimal, leaving nearly everyone dissatisfied.

This is where UBI comes in. Clearly, by raising or lowering a UBI, we could collectively influence aggregate labour supply, whilst leaving each of us free to decide how much we each want to work for payment. In fact, we should speak here not just of UBI but of the general balance between labour and non-labour income. The latter includes goods and services provided in kind, like public healthcare, and money transfers such as pensions, as well as UBI. Here then, UBI becomes an intelligent tool for planning aggregate labour supply in the context of prior defined goals for aggregate production and consumption.

Consequently, instead of seeing “workerist” and “post-work” visions of post-capitalist society as opposing each other, we can see them as contingently necessary solutions to different historical circumstances. We can see UBI as a contingently necessary tool, rather than as something mandated by a particular view of the LTV. In a low-productivity, early industrial context, with a strong desire to increase output to meet basic needs, we face the problem of how to motivate and compensate the performance of a large quantity of arduous work. In this context, there is limited scope, macroeconomically, for extensive non-labour income.

By contrast, with high labour productivity, high living standards and ecological constraints, we face the problem of how to allocate output without giving rise to unquenchable demands for paid employment. As a result, a shift towards non-labour income becomes macroeconomically necessary. Meeting particular needs comes first, in my view, but something like a UBI becomes increasingly desirable, and even hard to avoid. So the post-work vision of UBI in a highly automated communist economy, in which little work needs to be paid for, also makes sense. Vitally, both visions are ones of full employment, in the sense that we each get as much paid work as we want.

But are we really still talking about UBI at this point? The same mechanisms can be discussed with reference to basic service provision or systems of ra-



tioning to meet basic needs; making UBI the theme just situates the discussion within debates on automation and the potential outcomes of capitalism's changing technological base. It is also clear that a post-capitalist "UBI" is functionally completely different from a capitalist one. So does a UBI make sense in a capitalist economy, highly automated or otherwise?

## **The limits of UBI within capitalism**

The question for proponents of UBI as a progressive measure within capitalism is whether it can really be high enough to provide a widespread alternative to wage labour. It seems the answer is "no".

There are circumstances in which a modest UBI could increase labour market participation, but these are limited. More generally, a rising UBI in a capitalist economy will decrease labour participation and unemployment, with predictable effects. Sooner or later the labour market will grow "tight" and the bargaining power of labour stronger. Inflation is likely to rise as firms try to pass on higher labour costs. Ultimately, without state intervention, the result must be a capital strike: investment will collapse as profit rates fall, regenerating unemployment and returning labour to its former weakness.

This is the point where the state usually intervenes, in the guise of fighting inflation. If the state had just raised the level of UBI, then the obvious inflation-fighting response would be to lower the UBI again, forcing people back onto the jobs market and undercutting wage demands. The possibility of a UBI in a capitalist economy is conditional on it being low enough *not* to provide a viable alternative to wage labour for most people.

For the same reason, UBI *within* capitalism is quite likely to mean the redistribution of income from higher- to lower-paid workers, rather than taking capital income and redistributing it to labour. There may be interesting possibilities to tap rental income flows like land rents and speculative capital

gains, but the overall scope for sustainably reducing profit rates to pay for a UBI must be limited.

Moreover, a modest UBI that failed to provide a viable alternative to paid employment might actually increase profit rates. This might be the case if a UBI was effectively funded at the expense of higher-paid labour, whilst also facilitating lower pay and more precarious conditions for many workers. In this case, capital would be better off, whereas workers as a whole would be worse off. A UBI could become part of a package to create a “business friendly environment”: business might still be forced to pay some workers well, but some of that excessive pay could be recovered through taxation to subsidize low pay and “flexibility” for others.

## **What difference does automation make?**

In a sense, automation could change all this, but in another sense—and this is where the LTV is crucial—it would make no difference at all. The idea behind the appeal to automation is that labour productivity will become so high that output can simultaneously fund a generous UBI, high wages and plentiful profit. Hence, no one would be compelled to work, enough people would still be willing to sell their time to capitalist firms, and entrepreneurs will still want to invest, all at the same time. The capitalist system of exploitation remains intact, but we all get to live a good life anyway.

There is an extensive debate about how likely this actually is, given recent trends of slowing productivity growth. We must also consider the capacity of capital to find non-utility enhancing ways to absorb surplus and create work through zero-sum competitive games, such as in marketing, or just through the expansion of corporate bureaucracies. However, even assuming the promise of automation is fulfilled, this vision raises certain questions.

Firstly, it is not correct, that UBI will be necessary to create demand for the

output of automated production. Competitive consumption by the capitalist class and by states could perform this function perfectly well. We also need to be wary of what are essentially moral appeals to capital, in the form of arguments that say automation will make a UBI necessary in order to preserve some idea of the good (but capitalist) society. This is utopian, unless it can be specified why capital should acquiesce.

More fundamentally, we may ask why this future is not with us already, given that labour productivity has quadrupled in the post war period. The answer is that labour, at least for the first three decades, was powerful enough to maintain its share of output, resulting in rising living standards for workers. After that, increases in productivity were rerouted into supporting the endless accumulation of capital.

The high-tech vision of UBI, the darling of Silicon Valley billionaires, would represent the historic defeat of labour. Working to achieve this vision would mean ensuring that workers' standards of living do not rise with productivity, in order to make UBI affordable. Indeed, we could also make such a "full" UBI affordable now, hypothetically, just by drastically reducing our standard of living. It would be kind of the same thing.

## **Can a modest UBI be a transformative reform?**

I hope that the preceding sections have shown that UBI under capitalism and UBI in a post-capitalist society can't be understood as the same thing. Many appealing visions of life with a UBI belong strictly in a post-capitalist world, because they are not compatible with capitalism's functional requirement for surplus labour and accumulation.

Post-work critiques of the narrowness of workerist understandings of value creation do not have merit, but escape from alienating work is not a plausible option for most under capitalism—the broadly workerist vision of emancipa-

tion in and through work therefore remains vital. Moreover, the idea that a UBI could dramatically alter the bargaining position of workers within capitalism, or could even cause the tables to be turned, is logical but not realistic. If we had the power to kill off capitalism with a UBI, then we would not need a UBI to do so. And until that point, any UBI will be strictly limited by the imperative of profitability.

This leaves us with the question of whether a modest UBI, under capitalist conditions, is a transformative reform that moves us forward, or rather one that causes us to regress. One argument from the post-work side is that even a modest UBI would undermine the “work ethic” that provides ideological support for capitalism, whilst preparing us psychologically for the “new technological revolution”. This work ethic is certainly functional for capitalism, but it is less clear why we should see it as a barrier to change, and it is not clear why a UBI as such would undermine it. A campaign for a UBI might contest this ideology of work (and highlight how labour has ceased to benefit from productivity increases), but so too can campaigns for shorter working times and better life-work balance.

Another tactic is to present a UBI not as a welfare transfer but as a “dividend” from a stock of capital that is collectively created and/or held by society (“knowledge capital”, “social capital”, etc.). But this draws upon and reinforces the idea that income is a matter of right derived from property. As equal shareholders in public capital, it is implied that we are entitled to equal dividends. If this is true, however, then surely the owners of private capital stock have a right to their dividends as well?

The mainstream UBI debate, of course, is really mostly about welfare reform. Here, its usefulness integrates claims about efficiency, the dignity afforded to beneficiaries, and public acceptability. For example, John McDonnell has linked the idea of UBI to his experience with child benefit. As a non-means-tested measure, child benefit was once considered a dubious proposal, but has since proved popular among the public.

But child benefit is not like a UBI. Neither are means-tested, but child benefit is need-determined, not universal. The arbiter of need is the (bureaucratically-determined) presence of children, which is recognized as implying a greater household need for income. There seems to be widespread acceptance for means-tested progressive taxation (from each according to their ability!) and for need-determined benefits like child benefit, pensions or disability benefits (to each according to their need!). Acceptance is most fragile where beneficiaries' inability to look after themselves is popularly called into question (the unemployed, "benefit scroungers", etc.).

This is a problem for any UBI scheme. As described above, the scope for funding it from the capital share is limited. This means it is likely to be largely a transfer from the better-paid to the less well-paid, and from those who work to those who do not. Unlike child benefit, its acceptability will depend on persuading people that it is good to work and pay taxes so that other people do not have to. This is likely to be a hard sell.

The acceptability of child benefit rests on the perception that people do not have equal needs, making need-determined distribution more efficient more efficient than universal provision. For the same reason, need-determined distribution provides greater security because people who need a bigger cushion can get one, or because help is targeted at occasions of need, such as the loss of work or the advent of illness. Benefits that are means-tested or conditional on behavior can be bureaucratically wasteful and intrusive, but cases like child benefit show that means need be tested only once (at taxation) and that much needs-testing can be reduced to simple objective criteria. We also need to push the idea that sometimes it is better to give claimants the benefit of the doubt, to create a more humane and efficient welfare system.

Finally, we need to be wary of the assertion that the assessment of need by the state is always suspect, and that equality of benefits is in principle good. From this, it is but a small step to just handing out equal vouchers to spend on private healthcare and education. It is but another small step to the idea

that all means-testing is bad and tax should always be flat. The libertarian support for UBI is not for nothing, after all.

Marxist debates can help us understand UBI's alluring vision. Only by transcending capitalism, however, can we ever reach that vision. Until then, it seems destined to be a disappointment: as a welfare system, it is sub-optimal; ideologically, it may be, on balance, unhelpful; and as a potential subsidy of low-paid and precarious employment, it may even become regressive.

More promising transformative reforms lie elsewhere. We can strengthen and deepen democracy. We can raise the labour share of income at the expense of speculative and rentier incomes through instruments such as land value taxation, reducing the political power of capital as a whole. Lastly, we can begin to foster the growth of public, worker-owned and similar alternative forms of ownership at the gradual expense of the purely capitalist sector. While a UBI scheme is likely to become subordinate to the requirements of the capitalist mode of production, such policy options can help build the foundations for socialism.

# 3

## Ownership and Markets in Energy

Chris MacMackin

One of the most popular elements of Labour's 2017 manifesto was the pledge to return energy to public ownership. At last year's party conference, John McDonnell said "Rail, water, energy, Royal Mail—we're taking them back". This makes it sound like he's pledging to renationalise energy, but the policy in Labour's manifesto represents an unworkable locally-oriented policy which would be insufficient for achieving socially useful outcomes.

Here, I will argue that we should embrace national planning of electricity through centralised ownership. This is a response to Labour's manifesto which suggests that the electricity market<sup>1</sup> should be reorganised as a decentralised system with partial public ownership. Unfortunately this fails to respond to the democratic and technical shortcomings which Margaret Thatcher's specific method of privatising electricity created.

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<sup>1</sup>While electricity only makes up 20% of the UK's energy use, electrifying the remaining 80% will form a key part of addressing climate change, so I will use the terms interchangeably throughout this article and have chosen not to look at gas and petrol markets.

## Nationalisation and Privatisation

Nationalised electricity was once the norm across much of the world and how Britain structured the industry was fairly typical. The Central Electricity Generating Board (CEGB) owned all power plants and the national grid. The distribution infrastructure (wires leading into people's homes) was owned by 14 area electricity boards. The CEGB was responsible for ensuring that there was always sufficient electricity supply for the country, which was bought by the area electricity boards and then sold on to customers. Scotland had a separate electricity company which handled all of generation, transmission, distribution, and sales in that jurisdiction.

It was once thought that electricity was a natural monopoly, but Margaret Thatcher showed much of the sector could be “liberalised” to operate in a competitive environment. She split the CEGB into the national grid and three generating companies. These were sold off over a few years, along with the area electricity boards. A system was introduced by which the electricity boards purchased electricity from the generators on a national wholesale market. This was achieved through a combination of bilateral contracts, real-time bidding, and a futures market. After a transition period, retail companies were allowed into the market to compete against the area electricity boards, the latter being required to separate operation of the distribution grid from the supply of electricity.

Matching electricity production to demand has gone from a technical exercise to something more like the trading floor of the stock exchange. Yet even that is not sufficient to make the grid function properly, because generators and suppliers only trade with each other to cover half-hour intervals. Demand varies on considerably shorter time scales so there must also be a “capacity market” through which National Grid plc pays generators to stay on standby and turn production up and down as needed. Similar markets exist for other “ancillary services” such as maintaining the correct voltage.



If ever you need an example of the role of the state in constructing and maintaining markets, electricity is where you should look. None of this could exist if not for government regulations. Nothing that happens can be considered some sort of “natural” market outcome, as it is a direct consequence of the decisions the government made when it constructed the market. If the design is faulty, then a serious crisis can develop. We saw this when the Canadian province of Ontario liberalised electricity; after a few months, the wholesale price climbed so high that the market had to be suspended, to be replaced by an even stranger quasi-liberalised system. A much more serious case was the Enron scandal in California, where companies manipulated the market to boost profits, causing blackouts.

## **The Inevitability of Planning**

Beyond the need for regulation, electricity markets as a potentially stable generator of profits are really terrible at securing sufficient investment. The old vertically-integrated companies used to simply forecast demand and build accordingly, setting rates to cover cost. In a liberalised electricity market, generators have to hope that they can supply at the wholesale price, without being certain what that price will be in 10, 20, or 50 years’ time. In practice, building new power plants has often required the government to guarantee a price for the generator. Risk has been shifted off of the utility and back onto rate-payers, which is precisely what liberalisation was supposed to avoid!

This is true for conventional energy sources, but the problem becomes even worse with intermittent renewables. A wind farm on its own isn’t of much use to the grid, because its output can’t be set to meet demand. Somehow you need to ensure that there are sufficient other mechanisms to adjust supply and/or demand to be equal, regardless of how quickly the wind is blowing. This has been a serious problem for the government’s attempts to incentivise

green energy and can result in some very inefficient decisions. Fortunately, researchers at Imperial College have developed a model which can determine the cheapest combination of energy sources to achieve this “system integration”. In a report commissioned by the Committee on Climate Change, we are told that

A range of market and regulatory mechanisms and commercial arrangements exist to allocate and recover system integration costs. Ideally, such arrangements should ensure that the operational and investment decisions made by private entities achieve outcomes as close as possible to the theoretical ideal prescribed by Imperial’s modelling.

What is being said is that the government is trying to construct the market so that it will choose what we already know to be the optimal outcome. The absurdity of this should be apparent.

The only solution is to start to move away from markets. To an extent this is acknowledged in an independent report to the government proposing a set of reforms. In simple terms, these would see the national transmission grid operator putting contracts out to tender for new generating capacity, with the requirement that the winner be able to meet certain levels of demand when needed. The generating company would then be responsible for getting the correct mix of generation, storage infrastructure, and demand management to achieve this, likely via subcontracting.

What we would see, then, is the nation’s electricity supply being planned in little pieces. The problem is not the presence of planning, *per se*, but the fact that it is being done by unaccountable private firms. The piecemeal nature also prevents economies of scale, leading to more expensive electricity. Similarly, it is likely that by planning the grid as a whole we could arrive at a more optimal solution than planning it as many small units (as critics of the report have noted).

## Labour's Unfocused Vision

“What does all of this have to do with Labour?” I hear you cry. “Didn’t they promise to nationalise the Big 6?” While last year’s manifesto was often reported that way (including in a breathless Momentum email after it was leaked), no such promises were made. We are told that Labour will “regain control of energy supply networks through the alteration of operator license conditions, and transition to a publicly owned, decentralised energy system.” The following steps are laid out to achieve this:

- Regaining control of energy supply networks through the alteration of the National and Regional Network Operator license conditions.
- Supporting the creation of publicly owned, locally accountable energy companies and co-operatives to rival existing private energy suppliers, with at least one in every region.
- Legislating to permit publicly owned local companies to purchase the regional grid infrastructure, and to ensure that national and regional grid infrastructure is brought into public ownership over time.

The only nationalisation mentioned here is of the grid, and this is only “over time”. Any energy retailers will have to compete against the Big 6. Given that “Labour understands that many people don’t have time to shop around, they just want reliable and affordable energy”, it is exceptionally odd that their solution is to create a seventh choice in the market.

Strikingly, absolutely nothing is said about electricity *generation*. No commitments are made to buy out existing infrastructure and only vague statements are given on ownership of new infrastructure. We are told that Labour supports new projects such as carbon capture and storage, renewables, and

nuclear, but not who will own them. The accompanying report on industrial strategy commits to “support local renewable energy generation” but doesn’t define what this means.

Could “local” include ownership by small businesses? Would that be any more democratic than ownership by the Big 6? The report also pledges to continue to support *private* development of schemes such as the Swansea tidal lagoon, Hinckley C, and a potential nuclear power plant at Moorside. Offshore wind development is endorsed, but no clue is given over ownership, especially considering no one is particularly “local” to an offshore wind farm.

The household itself has been put forward as an owner, as part of Labour proposals to encourage the installation of domestic solar panels. However, this idea is technically, socially, and ideologically unsound. As George Monbiot explains, it is technically unsound because solar panels produce the most electricity in the summer and the middle of the day, and little or none at periods of peak demand. It is socially unsound because it means that those people sufficiently well-off to own a house are given generous subsidies for solar panels, paid for by higher energy bills for everyone else. And it is ideologically unsound because it represents a petty-bourgeois, individualised vision of addressing climate change, in which power production becomes a literal cottage industry for which households must take personal responsibility.

There is a tension over these policies. At the [alternative models of ownership conference](#), the local model was discussed alongside explicit critiques of Thatcher’s “[prosumer model](#)”, which recognised the dangers of localisation. Furthermore, significant discussions on production were present, [albeit with a focus on how this can avoid “top-down” pronouncements](#). However, it is crucial here that we begin to take clear sides in these debates when it comes to specific markets and policies, and for energy in particular we need to avoid fetishising socialist-sounding solutions which may not allow socialist outcomes to be achieved.

For example, [cooperatives may be a way to achieve ecological aims in some sectors](#), and have thus been put forward as useful organising forms in the electricity market by the We Own It campaign and by David Hall of the University of Greenwich. Both point to the success of existing supply companies like Robin Hood Energy (owned by Nottingham City Council) and to Germany where “council owned energy companies supply around half of the market”. Though they are enthusiastic about the “democratic” system of numerous small, locally-controlled energy companies which will bring the “clean, green, decentralised energy future we need”, this is insufficient for the specific market in question.

In most sectors, a co-operative is owned by its employees or its customers. In rural parts of North America, there do exist electricity supply consumer co-operatives, but this is not what people are talking about here. Instead, locals would become members of the co-operative by paying to finance new energy projects. Given how energy is regulated, it is impossible for them to then buy their power from the co-op, so instead it sells its power into the market and returns the profits to its investors as dividends. These are fairly generous dividends at that: the Brighton Energy Co-operative aims to make a 5% return on investment each year, which is substantially higher than the cost of servicing public-sector borrowing. Whatever their talk of “community ownership”, energy co-ops would appear to have far more in common with Margaret Thatcher’s “share-owning democracy” than with socialism. We should be seeking to sell energy at cost, rather than use energy bills as a way to pay a low-risk, comfortable rate of return to middle class people looking for a feel-good investment. We certainly should not make participation in decision-making around energy contingent on being able to pay £300 to buy shares (the minimum purchase for the Brighton Energy Co-operative).

## The Localist Fantasy

Even leaving co-ops of this sort aside and assuming that local authorities will own the generators, there are evident problems with a locally led solution to problems in the electricity market. The focus on locally-owned firms in the manifesto means the market is never mentioned here and no proposals are made for reforms. We are not told how these new democratic energy companies will interact with each other and with the existing private components of the market. It is implied that energy will increasingly be generated locally, allowing for easy democratic control and bypassing the market. To the extent that energy needs to be imported from elsewhere, we are forced to conclude it will be sourced from the energy market more-or-less as it exists now.

This is a problem. Few places in the UK will ever be self-sufficient in energy. To generate, on average, 50GW of electricity from wind (this being roughly equal to current peak demand, which will only grow as we phase out gas and petrol) would require covering about 10% of the country in wind farms. That might not sound like a huge amount, but considering that only 6% of the UK is “built upon”, the scale of the task quickly becomes apparent. Most people live in cities, where there is simply not enough room for much energy generation to be “local” to them.

It gets worse. Those who are against tackling climate change often ask “what happens when the wind isn’t blowing?” Though arguing in bad faith, they make a valid point. There is an issue of “intermittency” in wind, solar, wave, and (to a lesser extent) tidal power. When these sources are part of a broader mix, other power plants can easily adjust their output to take the load. However, what happens if half of your power comes from intermittent sources? What if it’s 100%? What’s left to take the load? In countries without massive hydroelectric resources, it’s not clear that 100% renewable energy is even possible.

One of the answers put forward to address this is the “European super-grid”, connecting renewable resources in different countries so, e.g., Danish wind could provide power to the UK when it is calm over Britain, and vice versa. This could certainly help with the worst lulls, although considerable variability remains. Regardless, the requirement for not only a national grid but a continental one clearly cuts against the argument that we can have local energy.

We also hear about the potential of different storage technologies. If we’re being honest, the only one of these which *might* be able to work on a sufficient scale is pumped-hydro, which can only operate in certain area and therefore is inherently non-local for most people. There are suggestions about a “smart-grid” which can adjust demand to meet supply, but this could only be a part of the solution and would therefore have to work on the (supra-)national scale. Maybe we could make everything work if different renewable energy and storage infrastructure is carefully selected and sited to complement each other, but who is going to coordinate this in a decentralised system? We’d be back to the current problem of trying to plan the market.

Even leaving the issue of coordination aside, in practice the local model leaves much to be desired. In principle, all of the wind-farms, dams, solar panels, etc. could be publicly owned by different local authorities. They could then trade electricity on the national market, much as happens between the Big 6 now. However, we’re quickly losing any semblance of local control and accountability, with electricity coming from the National Grid, purchased on a contract with who-knows-which generating company, who may well have subcontracted to another company. Gaps would be filled by hedging and buying on the spot market. The local supply companies would only be able to choose from what is available on the market and generating companies would only be able to build what they think they could sell. This market mediation would seriously encumber democratic decision making.

## **“Local” is not a Synonym for “Democracy”**

I do not see any way to have significant local ownership of energy production without a national electricity market and all of the contradictions that entails. The answer to these problems and the creation of clear wider solutions to questions of energy costs and ecological soundness would be much more transparent and easier to understand if we were to develop a national plan for energy (with local consultation, of course).

Generation and transmission would be owned by a single national Power Generation Board. Distribution and retail could, if desired, operate on a regional or local level, leaving some room for local input into exact tariff structures. The downside to this is that people in low density areas (with greater infrastructure requirements) will likely end up paying more than those in big cities. In any case, the big decisions about what sort of energy we want and where to build the infrastructure are inherently national in scale. The Left needs to face the fact that only a centralised model for generation is likely to achieve the economies of scale and capacity for planning which we will need to get ourselves off of fossil fuels. Despite the obvious risk that such a centralised institution would be aloof from local concerns, the improved transparency of decision-making would still make this the more democratic approach.

Indeed, conflation of “democratic” with “local” is something we should be suspicious of. Certainly local control has its place, but that does not mean it is the best choice in all cases. Indeed, we need to examine what we mean when we say something is “democratic”, as was argued in an article surveying Germany’s famous *Energiewende* (the name for their attempted move towards renewable energy):

It is interesting the way in which the language of German environmentalism has become incorporated into an Australian environmentalist narrative... [It] was the German [solar energy feed-



in-tariff] model that became the template for small-scale support mechanisms from the 1990s. This became aligned with the concept of democratised energy, which was imported into Australia via green groups and solar advocates.

What makes the democracy idea interesting in an Australian context is that there is little precedent for the concept in relation to utilities and public services—indeed, Australians generally express a preference for socialised public services (such as Medicare)... It is easier for a household to go “off-grid” for their water supply, for example, yet nobody discusses “the suburban democratisation of water”....

In contrast, the democratisation of personal transport—motor cars—is strongly critiqued by green groups in favour of the socialised model of urban transport—trains and public transport. So we can see that the “democratised” model is really an opportunistic use of language—democracy is adopted as a universal virtue and associated with a value-laden cause, rather than representing a coherent argument.

One can see parallels and similar inconsistencies in this country. For example, the Left favours national management of the NHS, feeling this to be more accountable and thus “democratic”. Yet, for some reason, a fragmented and competitive system is viewed as “democratic” in energy despite it bearing more resemblance to the present Health and Social Care Act than the vision of the NHS Reinstatement Bill. So, what do we actually mean by democracy? To me, it means that everyone who is affected by a decision should be involved in the decision. Some issues will inherently involve vast numbers of people and therefore must be dealt with on that scale. Energy is one example of this.

Desire to cut oneself off from other people and be totally self-sufficient is a hallmark of the wilder fringe of the Right. Human beings are social creatures

who depend upon each other for survival. As socialists, we acknowledge and embrace this, fighting for the system managing these inter-dependencies to be fair, transparent, and democratic. If we want a democratic energy system, then we must abolish the electricity market and embrace the accountable, centralised control that entails, rather than retreat into conservative fantasies of local self-reliance. As a wider point, maintaining a keen sense of how specific markets and forms of production are structured is crucial to developing an intelligent nationalisation policy which can achieve socialist outcomes, even if the paraphernalia of localised 'democratic' forms of ownership are not always used.

## 4

# Public Ownership of the Public Sphere

Tom Mills and Dan Hind

On February 15th the *Sun* ran a front page story, 'Corbyn and the Commie Spy'. The source of the story, a former Czech spy Jan Sarkocy, told Murdoch's finest that the Labour leader was listed by the Czechoslovakian secret police as an agent or informant during the 1980s and had passed secrets to the Eastern Bloc state. The *Mail*, the *Express* and the *Telegraph* then ran similar stories in the days that followed, during which the story dominated the news agenda.

Corbyn responded with a video posted to social media that has now been viewed more than a million times. In it he said that 'a free press is essential for democracy and we don't want to close it down, we want to open it up. At the moment, much of our press isn't very free at all. In fact it's controlled by billionaire tax exiles, who are determined to dodge paying their fair share for our vital public services.' He concluded his statement with the words, 'Change is coming.'

Corbyn didn't give much in the way of detail about what change might look

like. But Labour sources told Paul Waugh at the *Huffington Post* that ‘the party in government would take action on tax dodging, higher taxes on the rich-est, implement “Leveson Two” on media regulation and review the plurality of newspaper ownership.’ In other words, Corbyn was threatening the free press with exactly what had been promised the electorate in the 2017 mani-festo.

Corbyn’s statement was denounced as a threat to liberty, of course. Isabel Hardman in the *Spectator* bravely passed over the fact that she is employed by billionaire tax exiles and built a rickety bridge of words from Corbyn’s video to Russia, Venezuela and Donald Trump.

Such reactions are to be expected. Whilst the liberal-left are always wary of government regulation, favouring voluntary professionalism and civility, the reactionary press will paint even the mildest regulatory proposals as at best a patronising attempt by elites to determine what people should think, or more likely as yet more evidence of sinister left authoritarianism.

This shouldn’t be taken too seriously. But to the extent that Labour appears to be endorsing top-down political solutions to the questions of media bias and plurality, it will be vulnerable to such narratives. More importantly though, it seems to us unlikely that the moderate reforms being proposed by the Labour leadership around regulation and ownership will in any case open up the me-dia system as much as is hoped.

## **Is there an alternative?**

The outlines of a more radical approach – more promising both in terms of short term political strategy and longer-term efficacy in opening up the me-dia system – can be seen if we consider Labour’s recent thinking around new models of ownership in the provision of services. Here the aim is to develop 21st century alternatives to the old model of nationalisation in which the state

reproduced a corporate hierarchy and the public were kept far from the centres of decision-making. The particular interest is in the development of decentralised systems of cooperatives that will deliver more effective and responsive public services, whilst building a more equal and just political economy.

So far the focus has been on key public services and privatised utilities. Relatively little attention has been paid to these ideas in the context of media policy. This is surprising, since of all our social infrastructure, the media surely has the greatest need for a more effective, responsive and participatory structure. Democratisation and decentralisation may not necessarily be the right model in every instance. In the case of energy or water, alternative models of ownership may well yield social benefits. But these might be cases where a national command and control structure could deliver an efficient and cost-effective service. When it comes to contemporary systems of media and communications, however, democratisation and participation is not merely a means to ensure a more effective service delivery, it touches on its very public purpose. Moreover, we have in the BBC a public media institution that could be easily reformed so as to better serve popular constituencies.

Our current media system combines a partisan plutocracy in the print media, a mixed economy of well-regulated commercial and public organisations in broadcasting, and a digital sector dominated by a few tech giants, along with some more established media organisations. Whilst this is not the homogenous corporate media system some critics imagine, the problems are well known. The BBC, which is at the heart of our current media system, upholds much more professional standards than the reactionary press, but it overwhelmingly reflects elite and small 'c' conservative opinion.

Media workers will only reflect the interests of audiences when they are incentivised to engage with them in the way they currently engage with eccentric offshore billionaires and Oxbridge-educated commissioners and editors. And such public engagement need not be mediated by the market. The same

technologies now being captured by corporations that rely on the monetisation of mass surveillance, can be effectively repurposed for democratic and egalitarian ends.

Social media is now a taken-for-granted feature of our lives, and a certain level of public participation when it comes to publicity is very much the norm. Although we operate on platforms we don't understand or control, we are nevertheless used to promoting, and challenging, descriptions and ideas in a way that others can respond to in their turn.

Furthermore, we all have some experience of deciding what kind of content we want to buy. It is a short step from that to deciding what kind of content we want to fund, for our own benefit and in the general interest. We don't know what an egalitarian and democratic communications system looks like in detail. But the broad point is clear: general participation is possible and could be effectively integrated into a modern public media system.

## **A new public media system**

A system where funding and editorial decisions are brought more under the control of citizens themselves would address the familiar problems of plutocratic control and elitist editorial culture, whilst having the advantage of neutralising the anti-elitism that gives the right so much of its mass appeal. If Labour promised, for example, to give each viewer of the BBC a defined say in what it investigates and makes widely known, even the most talented propagandist for the oligarchy would struggle to explain why this will lead to the Gulag.

There is another reason why the wider renovation and restoration of the public sector needs to include the media. Public service provision is a process fraught with potential for petty and grand corruption. Only fiercely independent oversight by bodies infused with a public service ethos can keep public

institutions honest and explain their workings to the people who fund them, and on whose support they will rely. In this sense, a more pluralistic and responsive media system can be seen as a necessary precondition for a more pluralistic and responsive political economy.

Under a current Government-BBC scheme, licence fee payers subsidise 'local democracy reporters' employed in the private sector. In the interest of plural and responsive coverage, the government could make such funds available for a network of co-operatively owned and run media organisations with a mandate to spend a set proportion of their time and resources reporting on the conduct of public institutions more broadly, including public service providers, local government, private contractors and regulated financial institutions.

Such organisations would form part of a wider network of regional media co-operatives responsible for publishing public interest journalism online and in print form, and for producing regular programming for broadcast via the BBC and other platforms. These new media coops would also have scope to investigate other topics, as appropriate. Their mandate would ensure that they kept at least an eye on planning and the land economy, on public health and corruption and criminality in public office. The executive officers of these regional co-operatives would serve limited, non-consecutive terms, with juries appointed by lot overseeing their activities. Such a system – which could run in parallel with other initiatives like a crowd funding platform in which each citizen would have a sum of money to spend on journalism – would not only facilitate more effective reporting on key issues, it would also open up the media system to a wider pool of experts and knowledge workers who are currently ill-served by our media system: trade unionists, public and 'third sector' workers and academics.

All this can be achieved without expropriating the oligarchs, whilst the cost could be met by general taxation, by a general levy on advertising platforms like Google and Facebook, or by a reordering of the external commissioning

system at the BBC, which is currently subsidising media multinationals. This is best seen as the first instalment of a programme of media reform that will come to encompass print, broadcast and digital media. In concert with publicly owned and democratically governed social networks, these new sources of accountable content would contribute to a media system in which each citizen enjoys substantive powers to engage in politically consequential speech, as both commissioners and contributors.

At the moment editors are free to pronounce on what the public are *really* interested in, and what is unforgivably dull. And if their prejudices don't align with those of their owners or superiors they will find themselves consigned to the darkness. They enjoy arbitrary power even as they are subject to it. Inevitably their eyes turn upwards, to the wealthy owners and the mountaineers of hierarchy.

We can put an end to all this through the creation of an accountable system of knowledge production, in which we are not passive consumers, but active partners. By creating institutions along the lines described, an incoming Labour government can help ensure the success of its wider reform agenda. It can also create pockets of popular engagement and mutual education that can challenge the rest of the media when it slips from reasoned criticism into hysterical scaremongering.

Media reform can sometimes seem like a marginal concern. But bodies that generate and disseminate reliable knowledge of contemporary circumstances, and act as venues where we discuss its significance, should be seen as core elements of a revived public sector, and as necessary precursors to a post-capitalist social settlement.



## 5

# Universal Basic Services Won't Fix Our Economy

Grace Blakeley

There have been significant debates around the Labour Party's increasing sympathy for universal basic income (UBI). Though UBI's alternatives have also been discussed by both Jeremy Corbyn and John McDonnell, UBI itself has been the starting point for policy responses to increased precariousness of employment and the possible effects of greater automation, with McDonnell setting up a working group to look into the idea in February last year.

The concept of UBI has been a mainstay for left and green parties in recent decades, and has rapidly become mainstream as it gains increasing support from both centrist parties and individual capitalists, becoming at least an inspiration for further policy development across the political spectrum. However, as this concept has become more popular even among mainstream commentators who seem increasingly ready to entertain at least one form of radical change, it has remained controversial among Marxists.

Authors in the "post work" tradition such as Nick Srnicek and Alex Williams

see a UBI as a central feature of a highly automated post-capitalist society. Within capitalism, it is put forward as a transformational reform, smoothing the path towards post-capitalist society by challenging the ideology of work that makes one's job a signifier of social purpose and worth.

In contrast, the “workerist” tradition has argued that it would undermine the key aim of post-capitalism. A recent critique in *Jacobin* magazine is exemplary. UBI proponents are charged with abandoning the idea of worker's emancipation in the workplace through control of the production process. UBI, it is said, offers workers only a subordinated and alienating position within a market economy.

So should a UBI be part of a socialist vision for the future? Does a UBI even make sense as a transformative reform within capitalism? Debates on UBI as a practical policy are well-rehearsed, but this article seeks to answer these questions through a critical review of the Marxist perspectives on the concept.

## **Freedom in work**

“Workerism” is the often derogatory term for Marxist analysis that dogmatically privileges manual production workers as creators of economic value and agents of history, calling for workplace organisation to the exclusion of all else. Though this is a fair criticism of specific Marxist movements, much of the Marxist tradition is “workerist”—with a small “w”—in emphasizing wage labour as the origin of economic value. As workers, we are said to create value and continually remake the world, yet at someone else's direction. Seeing ourselves as passive “employees” rather than active creators is crucial to the concept of alienation, which underpins capitalists' ability to expropriate value from production, yet herein is said to lie our latent revolutionary potential.

Accordingly, emancipation cannot be seen as freedom from work, which would appear to be an abdication of agency. Instead, class struggle centres on the workplace, on the fate of the value we create, and on the control of the work process itself. The goal is freedom-in-work through the socialisation and democratisation of the workplace. The free association of producers replaces wage labour.

This position can be caricatured—and historically often has been—as ignoring those who are outside the realm of capitalist production. However, it maintains that unpaid work (such as domestic labour) can, like all labour, create use value, which is something to celebrate. Greater recognition of this fact gave rise to ideas such as “wages for housework”. Although proposed in opposition to narrow workerism, these ideas still embody a certain workerist logic: the response to unpaid labour is to demand that it should be recognised as labour proper by linking it to a wage, and that it ultimately should be socialised, in order to emancipate it. In this vision, the realm of work expands outwards, but work is to become self-directed, and no longer alienating.

In this context, it is not hard to understand the workerist opposition to UBI. To the extent that UBI means we can drop out of work, we gain “free time”, but we lose the historical agency we have as workers. As UBI-funded consumers, we are seen as passive, alienated, taking as given a world shaped by others. We may do work, such as housework, that creates use value outside of the market, but there is no reason to believe that this work must be “free”: it may fall victim to other structures of domination such as patriarchy. Might not UBI create an enormous pressure to “volunteer” in some approved manner, to symbolically earn one’s UBI cheque?

From the beginning, Marxism has pointed out that wage labour offers an escape from “pre-capitalist” structures, even as it imposes a new form of subjugation. Workerism embodies the classical Marxist teleology that sees capitalism as a step on a liberatory path that is only completed through the socialisation of labour. From this perspective, UBI seems to miss a crucial step

in the process towards post-capitalism.

This critique recognises the fact that UBI is usually proposed as a specifically social democratic reform within capitalism. Despite all the talk of “free time”, such a formulation of UBI can only be intended to leave the system of wage labour intact, and this is how left critiques of UBI tend to understand it. As such, the liberation involved appears limited: if we still have to perform wage labour to supplement our UBI cheques, then we still cannot escape the alienation of working as someone else’s tool.

UBI is also unlikely to be seen as a transformative reform from a workerist perspective. Organising for a (higher) UBI, to lessen the impact of low pay and precarious conditions, appears as an alternative to workplace organisation. And, from this perspective, organising to plead for state protection from capital looks like a dead end. Indeed, to the extent that UBI is really a subsidy of low pay and precarious conditions, it is not clear who the state would be protecting from whom.

## **Freedom from work**

The post-work tradition has its roots in the post-operaismo of Italian Marxists such as Carlo Vercellone, Antonio Negri, and other “post-work” thinkers such as André Gorz. Its key contention is that work and value-production increasingly fail to conform to the model we see in Marx, one that is better suited to early industrial times. As production becomes more and more immaterial, less bounded by the conventional workplace, and less defined by physical time or output, labour’s role in production becomes harder to measure and define. In other words, the sphere of value creation becomes diffuse. It comes to include not just domestic and reproductive labour, but all activity that is generative of a functioning society and the knowledge that it possesses.

As a result, much less emphasis is placed on the idea of emancipation *within* work. Instead, the receipt of a basic income often takes centre stage as the emancipatory moment, releasing us from the compulsion of performing alienated activity for the market, or indeed for the state. Work is not transformed so much as progressively abandoned in favour of UBI-funded, self-directed, productive activity.

Technological advance plays a critical role in this approach. The growth of labour productivity through automation is seen, in the tradition of Gorz, as outpacing our demand for the products of labour. This would appear to make productive full-time work for everyone an impossibility, both as a source of income and as a route to emancipation. A related critique is David Graeber's view that "bullshit jobs" have become the norm in capitalism—jobs which may have some tactical rational for employers yet cannot be seen as meaningfully creating value for society. For Graeber, such jobs should not be socialised; they should be abolished.

So workerist and post-work traditions actually share a vision of production through free association in a society that has moved beyond wage labour, but they foresee very different paths to get there: the one through the transformation of work, the other through escaping it.

The moral agenda is also different. Paying workers "the full fruits of their labour" is a caricature of the workerist position, but not entirely without basis. By contrast, proponents of UBI see it as a way for society to reward all useful activity performed beyond the market. It is often promoted as a "dividend" of past efforts to develop knowledge, technology and "social capital".

Lastly, there is the question of the transformative potential of a UBI on capitalism itself. Inasmuch as it creates an alternative to wage labour, a UBI is often seen by left proponents as a tool to undermine the bargaining power of capital over labour, forcing improvements in pay and working conditions, or even challenging capitalism itself. Even the implementation of a modest

“partial” UBI is seen as a transformative reform, undermining the ideology of work that makes one’s job a signifier of social purpose and worth, and that stands politically in the way of the transition to a post-work society.

## **Some sources of confusion**

One conclusion we can draw from this controversy is that it is not always helpful to read the labour theory of value (LTV) as a normative theory, despite the undoubted rhetorical power of doing so. With LTV treated as a moral theory of theft, the UBI debate becomes one of competing moral claims to the social product, based upon competing claims about value-creation.

But in what sense should value-creation in capitalism be a moral yardstick when we are talking about transformation to post-capitalist society? Marx famously proposed “to each according to his (sic.) needs” as a better principle; a post-capitalist society has to transcend the logic of reward-for-contribution to realise that vision. LTV, on the other hand, can be seen as a descriptive theory of the determination of prices of production under specific circumstances. This is why Marx only considers wage labour in that theory—unpaid work is not considered to have any effect on prices.

There is also a lot of confusion about sequencing in this debate. Are we talking about before or after the revolution? To attack UBI, it is tempting to counterpose the promise of after-the-revolution socialism to the dystopia of a capitalism shored-up by a lumpenproletariat-pacifying UBI. At the same time, it is tempting for the post-work side to counterpose the self-directed, unpaid activity and free association of hypothetical UBI-receivers to the horrors of actually-existing wage labour.

But neither of these are entirely fair comparisons to make. Both compare capitalist realities with states of affairs that are really only possible post-capitalism. We need to consider what role UBI might play in a post-

capitalist/socialist/communist economy. In parallel, we need to consider exactly what kind of UBI is possible in a capitalist economy, and the limits thereof.

## **UBI would be contingently necessary in a post-capitalist economy**

UBI has emerged as a policy response to the problem of persistent labour oversupply and the precarity and poverty that goes with it. This oversupply, however, is a necessary feature of capitalism. In the workerist vision of a socialist economy, the problem is solved by guaranteed access to employment. In the post-work vision, UBI solves the problem that employment can no longer be guaranteed. My aim in this section is to suggest how this chasm might be bridged.

First of all, I believe that full employment—understood in a certain way—should be seen as a basic requirement in a post-capitalist economy. The opportunity to work as much as we would like is not just a nice-to-have; it is needed to underpin the strength of labour and ensure the democratic character of the production process. I am tempted to say that worker power through effective labour scarcity is even more fundamental than the *de jure* control of the productive apparatus. There is no state enterprise or worker coop that could not potentially become the site of alienation if you had to beg to be allowed to join, i.e. if surplus labour put some people in a position of *de facto* power over others.

But there is no reason why we should all want to work forty hours a week. In fact, “how much we want to work”, on aggregate, is not a matter of immutable individual preferences but something to be consciously and collectively decided. It should be an object of collective economic management, and this is where UBI may play a role post capitalism.

How much we should want to work, moreover, depends on how much we want to produce. In capitalism, growth is just the accidental product of uncoordinated profit maximization. Associated production, by contrast, implies a collective decision about how big the economy should be at any one time. Even putting aside the issue of ecological limits, the balance between well-being now and in the future, and thus between current consumption and investment, is fundamentally an ethical and political one. To let the current and future scale of output be determined accidentally, through uncoordinated activity, is to abdicate responsibility. A socialist society has to target a certain scale of output at any date, thus aiming for a certain trajectory of growth or de-growth.

A target level of output then implies a target for the input of labour time, given the state of production technology at any one moment. Looking forward, this is unlikely to mean everyone working all week; not in the context of automation, ecological constraints and the satiation of basic needs. So there can be no question of simply trying to stimulate whatever output it takes, Keynesian style, to absorb however much labour we might happen to want to supply. Instead, full employment would require that we adjust the amount of labour we *want* to supply to the desired level of output.

Now this is not a problem where there is no market. For example, if I agree, in a self-sufficient commune, to a plan which foresees everyone working 20 hours a week, then by definition I decide and want to work the required 20 hours a week. The supply and demand sides are brought together in a conscious decision. The same applies to voluntary activity and any work done for its own sake, rather than for payment.

However, there are few visions of a post-capitalist economy that do not foresee at least a consumer market and payment for labour (in money, “labour tokens”, etc.), at least transitionally. And where work is performed for payment, the problem arises of setting this reward at the right level to incentivize the required supply of labour. Rationing out scarce paid work is possible but



suboptimal, leaving nearly everyone dissatisfied.

This is where UBI comes in. Clearly, by raising or lowering a UBI, we could collectively influence aggregate labour supply, whilst leaving each of us free to decide how much we each want to work for payment. In fact, we should speak here not just of UBI but of the general balance between labour and non-labour income. The latter includes goods and services provided in kind, like public healthcare, and money transfers such as pensions, as well as UBI. Here then, UBI becomes an intelligent tool for planning aggregate labour supply in the context of prior defined goals for aggregate production and consumption.

Consequently, instead of seeing “workerist” and “post-work” visions of post-capitalist society as opposing each other, we can see them as contingently necessary solutions to different historical circumstances. We can see UBI as a contingently necessary tool, rather than as something mandated by a particular view of the LTV. In a low-productivity, early industrial context, with a strong desire to increase output to meet basic needs, we face the problem of how to motivate and compensate the performance of a large quantity of arduous work. In this context, there is limited scope, macroeconomically, for extensive non-labour income.

By contrast, with high labour productivity, high living standards and ecological constraints, we face the problem of how to allocate output without giving rise to unquenchable demands for paid employment. As a result, a shift towards non-labour income becomes macroeconomically necessary. Meeting particular needs comes first, in my view, but something like a UBI becomes increasingly desirable, and even hard to avoid. So the post-work vision of UBI in a highly automated communist economy, in which little work needs to be paid for, also makes sense. Vitally, both visions are ones of full employment, in the sense that we each get as much paid work as we want.

But are we really still talking about UBI at this point? The same mechanisms can be discussed with reference to basic service provision or systems of ra-

tioning to meet basic needs; making UBI the theme just situates the discussion within debates on automation and the potential outcomes of capitalism's changing technological base. It is also clear that a post-capitalist "UBI" is functionally completely different from a capitalist one. So does a UBI make sense in a capitalist economy, highly automated or otherwise?

## **The limits of UBI within capitalism**

The question for proponents of UBI as a progressive measure within capitalism is whether it can really be high enough to provide a widespread alternative to wage labour. It seems the answer is "no".

There are circumstances in which a modest UBI could increase labour market participation, but these are limited. More generally, a rising UBI in a capitalist economy will decrease labour participation and unemployment, with predictable effects. Sooner or later the labour market will grow "tight" and the bargaining power of labour stronger. Inflation is likely to rise as firms try to pass on higher labour costs. Ultimately, without state intervention, the result must be a capital strike: investment will collapse as profit rates fall, regenerating unemployment and returning labour to its former weakness.

This is the point where the state usually intervenes, in the guise of fighting inflation. If the state had just raised the level of UBI, then the obvious inflation-fighting response would be to lower the UBI again, forcing people back onto the jobs market and undercutting wage demands. The possibility of a UBI in a capitalist economy is conditional on it being low enough *not* to provide a viable alternative to wage labour for most people.

For the same reason, UBI *within* capitalism is quite likely to mean the redistribution of income from higher- to lower-paid workers, rather than taking capital income and redistributing it to labour. There may be interesting possibilities to tap rental income flows like land rents and speculative capital

gains, but the overall scope for sustainably reducing profit rates to pay for a UBI must be limited.

Moreover, a modest UBI that failed to provide a viable alternative to paid employment might actually increase profit rates. This might be the case if a UBI was effectively funded at the expense of higher-paid labour, whilst also facilitating lower pay and more precarious conditions for many workers. In this case, capital would be better off, whereas workers as a whole would be worse off. A UBI could become part of a package to create a “business friendly environment”: business might still be forced to pay some workers well, but some of that excessive pay could be recovered through taxation to subsidize low pay and “flexibility” for others.

## **What difference does automation make?**

In a sense, automation could change all this, but in another sense—and this is where the LTV is crucial—it would make no difference at all. The idea behind the appeal to automation is that labour productivity will become so high that output can simultaneously fund a generous UBI, high wages and plentiful profit. Hence, no one would be compelled to work, enough people would still be willing to sell their time to capitalist firms, and entrepreneurs will still want to invest, all at the same time. The capitalist system of exploitation remains intact, but we all get to live a good life anyway.

There is an extensive debate about how likely this actually is, given recent trends of slowing productivity growth. We must also consider the capacity of capital to find non-utility enhancing ways to absorb surplus and create work through zero-sum competitive games, such as in marketing, or just through the expansion of corporate bureaucracies. However, even assuming the promise of automation is fulfilled, this vision raises certain questions.

Firstly, it is not correct, that UBI will be necessary to create demand for the

output of automated production. Competitive consumption by the capitalist class and by states could perform this function perfectly well. We also need to be wary of what are essentially moral appeals to capital, in the form of arguments that say automation will make a UBI necessary in order to preserve some idea of the good (but capitalist) society. This is utopian, unless it can be specified why capital should acquiesce.

More fundamentally, we may ask why this future is not with us already, given that labour productivity has quadrupled in the post war period. The answer is that labour, at least for the first three decades, was powerful enough to maintain its share of output, resulting in rising living standards for workers. After that, increases in productivity were rerouted into supporting the endless accumulation of capital.

The high-tech vision of UBI, the darling of Silicon Valley billionaires, would represent the historic defeat of labour. Working to achieve this vision would mean ensuring that workers' standards of living do not rise with productivity, in order to make UBI affordable. Indeed, we could also make such a "full" UBI affordable now, hypothetically, just by drastically reducing our standard of living. It would be kind of the same thing.

## **Can a modest UBI be a transformative reform?**

I hope that the preceding sections have shown that UBI under capitalism and UBI in a post-capitalist society can't be understood as the same thing. Many appealing visions of life with a UBI belong strictly in a post-capitalist world, because they are not compatible with capitalism's functional requirement for surplus labour and accumulation.

Post-work critiques of the narrowness of workerist understandings of value creation do not have merit, but escape from alienating work is not a plausible option for most under capitalism—the broadly workerist vision of emancipa-

tion in and through work therefore remains vital. Moreover, the idea that a UBI could dramatically alter the bargaining position of workers within capitalism, or could even cause the tables to be turned, is logical but not realistic. If we had the power to kill off capitalism with a UBI, then we would not need a UBI to do so. And until that point, any UBI will be strictly limited by the imperative of profitability.

This leaves us with the question of whether a modest UBI, under capitalist conditions, is a transformative reform that moves us forward, or rather one that causes us to regress. One argument from the post-work side is that even a modest UBI would undermine the “work ethic” that provides ideological support for capitalism, whilst preparing us psychologically for the “new technological revolution”. This work ethic is certainly functional for capitalism, but it is less clear why we should see it as a barrier to change, and it is not clear why a UBI as such would undermine it. A campaign for a UBI might contest this ideology of work (and highlight how labour has ceased to benefit from productivity increases), but so too can campaigns for shorter working times and better life-work balance.

Another tactic is to present a UBI not as a welfare transfer but as a “dividend” from a stock of capital that is collectively created and/or held by society (“knowledge capital”, “social capital”, etc.). But this draws upon and reinforces the idea that income is a matter of right derived from property. As equal shareholders in public capital, it is implied that we are entitled to equal dividends. If this is true, however, then surely the owners of private capital stock have a right to their dividends as well?

The mainstream UBI debate, of course, is really mostly about welfare reform. Here, its usefulness integrates claims about efficiency, the dignity afforded to beneficiaries, and public acceptability. For example, John McDonnell has linked the idea of UBI to his experience with child benefit. As a non-means-tested measure, child benefit was once considered a dubious proposal, but has since proved popular among the public.

But child benefit is not like a UBI. Neither are means-tested, but child benefit is need-determined, not universal. The arbiter of need is the (bureaucratically-determined) presence of children, which is recognized as implying a greater household need for income. There seems to be widespread acceptance for means-tested progressive taxation (from each according to their ability!) and for need-determined benefits like child benefit, pensions or disability benefits (to each according to their need!). Acceptance is most fragile where beneficiaries' inability to look after themselves is popularly called into question (the unemployed, "benefit scroungers", etc.).

This is a problem for any UBI scheme. As described above, the scope for funding it from the capital share is limited. This means it is likely to be largely a transfer from the better-paid to the less well-paid, and from those who work to those who do not. Unlike child benefit, its acceptability will depend on persuading people that it is good to work and pay taxes so that other people do not have to. This is likely to be a hard sell.

The acceptability of child benefit rests on the perception that people do not have equal needs, making need-determined distribution more efficient more efficient than universal provision. For the same reason, need-determined distribution provides greater security because people who need a bigger cushion can get one, or because help is targeted at occasions of need, such as the loss of work or the advent of illness. Benefits that are means-tested or conditional on behavior can be bureaucratically wasteful and intrusive, but cases like child benefit show that means need be tested only once (at taxation) and that much needs-testing can be reduced to simple objective criteria. We also need to push the idea that sometimes it is better to give claimants the benefit of the doubt, to create a more humane and efficient welfare system.

Finally, we need to be wary of the assertion that the assessment of need by the state is always suspect, and that equality of benefits is in principle good. From this, it is but a small step to just handing out equal vouchers to spend on private healthcare and education. It is but another small step to the idea

that all means-testing is bad and tax should always be flat. The libertarian support for UBI is not for nothing, after all.

Marxist debates can help us understand UBI's alluring vision. Only by transcending capitalism, however, can we ever reach that vision. Until then, it seems destined to be a disappointment: as a welfare system, it is sub-optimal; ideologically, it may be, on balance, unhelpful; and as a potential subsidy of low-paid and precarious employment, it may even become regressive.

More promising transformative reforms lie elsewhere. We can strengthen and deepen democracy. We can raise the labour share of income at the expense of speculative and rentier incomes through instruments such as land value taxation, reducing the political power of capital as a whole. Lastly, we can begin to foster the growth of public, worker-owned and similar alternative forms of ownership at the gradual expense of the purely capitalist sector. While a UBI scheme is likely to become subordinate to the requirements of the capitalist mode of production, such policy options can help build the foundations for socialism.

# 6

## Seventy-Seven Nation Industrial Reserve Army

David Quentin

The story told by the “Paradise Papers” is ultimately about the core structural fault-line in capitalism between capital and labour. That fault-line has sheared a great distance because the relations in practice are extremely complex, with hyper-exploited labour and tax-privileged capital operating in different jurisdictions and connected only through global value chains. This article considers (1) the nature of “offshore”, (2) the global context of labour exploitation, (3) the structural relation between the two, and (4) the policy challenges that these issues might present to a future social democrat in No 10.



## **(1) From the Queen of England to the Hounds of Hell**

2016's "Panama Papers" offshore data leak seemed to implicate none other than then-Prime Minister David Cameron (or at least his family's wealth) in some dodgy-looking offshore business, which set the bar pretty high for any leak which might follow. 2017's "Paradise Papers" leak delivered, however, managing to implicate the actual Queen. And so The Establishment stands accused of endemic corruption, having seemingly been caught red-handed twice in a row.

The liberal defence of the status quo in these contexts is invariably that while the offshore system *can* be used for tax evasion and money laundering, the purposes to which it is put are predominantly lawful; there are (so the mantra goes) perfectly "legitimate" reasons to be offshore. And there is a some truth to this proposition, particularly as regards the Paradise Papers, which were a leak from a significantly classier outfit than the firm from which the Panama Papers originated. It is not, however, the defence that those who advance it think it is.

Indeed, it is in the very nature of "offshore" that, rather than being a place outside the jurisdiction of "onshore" as one might imagine, it is a legal space deliberately and carefully constructed out of interpenetrating legal regimes. So, for example, the reason that a hedge fund can be in the Cayman Islands for the purposes of the UK's tax regime, and therefore escape UK tax, even though its activities are controlled by managers in London, is because of a specific exemption from UK tax for precisely this kind of situation – the Investment Manager Exemption.

Why does the UK carve out this "offshore" space for funds which are managed here? It is because the UK wants to support the City's role as a global financial services centre. If people from the rest of the world risk having to pay UK tax by virtue of investing in a fund managed from London, they will

not invest. So the UK taxes the income and gains of UK-resident investors (like, say, the Queen), but it makes sure that the fund itself is safe from the UK's own taxes on accumulation by means of an express exemption. In other words, the UK uses the Cayman Islands (and similar jurisdictions) to create a tax-free space for rich people from everywhere else in the world to place their assets under UK-based management.

This may seem perfectly reasonable to UK elites, mindful as they are of the competitive global market for the financial services which are so disproportionately crucial to our economy, but it has the effect of creating a global space where capital can accumulate untaxed. There really is very little reassurance for anyone concerned about equality in the fact that this space is a "legal" one, or the fact that the Queen is compliant with her UK tax obligations in respect of it. The reality is that capital will always want to accumulate untaxed if it can, and it can find any number of ways of getting into such spaces while leaving no trace of itself behind in the legal spaces where tax is charged on accumulation.

The UK does not care one jot whether a non-UK-resident investor is paying their non-UK taxes in respect of their participation in a UK-managed offshore fund. So far as the UK is concerned, it may as well be the world's most corrupt oligarchs and kleptocrats participating in that hedge fund alongside the Queen. Indeed, it is better for the UK if that is what they are – all the more accumulation in the fund, and therefore all the more remuneration for those UK-resident managers on whom the UK *does* charge tax.

To be clear, the Investment Manager Exemption is just one of a number of features of the UK tax code which reveal "offshore" to be constituted in part by a deliberate imposition of tax-free (or tax-reduced) accumulation on the rest of the world by the UK. A more obviously abusive and consequently somewhat notorious example is the Finance Company Partial Exemption. This is a special low rate of tax which applies where a tax haven subsidiary of a UK company is deployed as a finance hub, extracting tax-deductible payments

of interest from group companies in other jurisdictions. The UK could perfectly well police the use of tax haven finance hubs to fleece other countries by imposing a full rate of tax in these circumstances. Instead it effectively takes a cut of the tax which has been avoided elsewhere.

To zoom out a further step, the UK is very far from alone in maintaining these “legal” offshore spaces. Most major economies are at it in one way or another. The USA is particularly at fault in this regard, having created the tax environment in which it was possible for the US-based tech giants to accumulate their vast offshore fortunes. Less often mentioned is the Netherlands, which is among the very worst offenders, carving out a tax-advantaged conduit space for unbelievable volumes of corporate intellectual property money.

The picture that emerges from these “legitimate” reasons to be offshore, when one unpacks them, is therefore one of wealth flowing from all over the world – out of real places where people live, work and consume – and into offshore legal spaces that have been constructed by wealthy jurisdictions for the purposes of tax-free or tax-reduced accumulation of capital.

So much for capital, for the time being. The question I want to address in the next two sections of this article is where that leaves labour.

## **(2) Everyone knows about it**

It is a truism of tax justice that, where accumulation of capital goes untaxed (or undertaxed), it is those without wealth who have to pick up the fiscal slack by way of an increased burden of taxation on labour and consumption. What I want to do in this article, however, is think about that dynamic as it takes effect *globally*, in a world of hyper-exploitation of labour at the remote ends of global value chains; remote, that is, from those swollen sacs of under-taxed capital accumulating in deliberately constructed offshore spaces. This requires us to consider (in this section) the mechanisms of rent-extraction

along global value chains, and (in the following section) a global tax norm called the “arm’s length” principle.

Starting, then, with rent-extraction along global value chains, this is not a malignant phenomenon on the periphery of an otherwise benign system; rent-extraction is what global value chains are *for*. If your business is big enough or possesses the appropriate kind of (generally intangible) asset, you can park that business on a choke-point somewhere on the winding route from raw materials to consumption, and maximise the value you extract from the chain in the form of profit, at the expense of the other firms operating along it.

The way this works in practice is unbounded in its variety. There are a few well known instances – the sportswear manufacturers and the tech manufacturers which do not actually do any manufacturing, the giant multinational which monopolises online retail, the search and social media behemoths which are fast becoming the only places where it is worthwhile advertising – but really the dynamic is endemic. And it affects everything that people in rich countries buy.

Yes, the things we buy are cheap because of cheap hyper-exploited labour abroad, we all know that, but the cheapness of that labour does not necessarily mean greater profits for the company actually employing the cheap labour. It is much more likely to mean greater profits for whichever “lead firm” (to use the global value chains jargon) is “governing” the value chain. Being a lead firm in a global value chain generally means outsourcing the business of exploiting labour to other firms in the chain, and making excess profits by using its governing position in the chain to force those other firms’ prices down. That then further compels those other firms to increase their levels of exploitation of labour.

Perhaps the best known example of this is the garment value chain. Garment brand owners and garment retailers do not manufacture garments; gar-

ments are manufactured by independent and relatively small firms who use extremely cheap labour in low-income countries. The brand owners and retailers, sitting on a choke-point between those firms and their worldwide markets, can switch suppliers very easily, and they are therefore in a dominant position as regards setting prices. This is the dynamic that keeps workers in garment-producing countries in such notoriously bad and high-risk conditions, even while the profits of garment firms that don't even actually make garments remain high.

And underpinning the existence of those hyper-exploited workers at the further reaches of global value chains in any number of sectors are (1) gendered and racialised systems of violence and oppression, and (2) the global “industrial reserve army” whose lives are truly desperate: the further hundreds of millions without access even to basic sanitation or essential health services.

Pausing at this stage to consider some tax consequences of this dynamic of rent-extraction from global value chains, what it means is that where a company in a low-income country “articulates” with a global value chain, both the tax take from labour and the tax take from corporate profits are suppressed. The resources available to protect the workers from risk, regulate the employer, collect taxes, expand the economy through public investment &c are therefore constrained by rent-extraction going on *in another jurisdiction*. And that fiscal constraint has a feedback effect; the workers in a jurisdiction which is impacted by it are more readily available for hyper-exploitation.

### **(3) Far from this postoperaismo for evermore**

But the dynamic of rent-extraction along global value chains has another less visible tax impact, which will take some further explaining. It relates to the value of business inputs. One impact of the global value chain dynamic is

that the tools of rent-extraction (for example intellectual property) are extremely valuable business assets, and this must necessarily have the consequence that genuinely value-bearing inputs are commensurately under-priced.

I am referring here to freely negotiated business-to-business prices between independent market actors where the seller is not a “lead firm” – all such prices reflect the fact that, for commodities to make it from raw materials to consumption, rent-extracting capital is going to swallow up an unearned share of the value produced along the way. To illustrate by reference to the garment value chain, wholesale garments change hands on the open market at a price which reflects the dynamic whereby (i) manufacturers are compelled to use hyper-exploited labour because (ii) only “lead firms” who have made substantial investments in their brand or retail positioning can profit significantly from selling them. Too cheaply, in other words.

This is where the matter of the arm’s length principle comes in. The arm’s length principle is the principle whereby sibling companies in a multinational group are treated for tax purposes as having entered into transactions with each other at “arm’s length” prices. In other words (broadly speaking) the prices that the intra-group goods or services are treated as fetching are those they would fetch in the open market.

The idea is to achieve a fair distribution of taxable receipts and deductible expenses between the jurisdictions where the group is operating, but, as we have seen, the open market suppresses the price of genuinely value-bearing inputs. This means that in jurisdictions where such inputs are produced, even if the rules are being complied with, a suppressed receipt will be booked for tax purposes, and in other jurisdictions a commensurately-enhanced share of the group’s profits will be booked.

The adverse global tax impact of rent-extraction along global value chains (*i.e.* in particular the suppression of fiscal resources in low income countries

where hyper-exploited labour is performed) is consequently reproduced *within* multinational firms, even in circumstances where the now notoriously unfit-for-purpose global corporate tax system is working exactly as it should.

Of course, the suppression of fiscal resources in low-income countries by reference to rent-extraction along global value chains and within lead firms, with its consequent feedback loop with regard to the hyper-exploitation of labour, does *not* lead to huge commensurate fiscal windfalls in the rich countries where capital is owned. As we saw in section one of this article, capital is positively encouraged by rich countries to accumulate tax free.

When we think of offshore wealth from the standpoint of the left in a rich country like the UK, particularly if the wealth in question is owned by a UK resident such as the Queen, or by a company which does business in the UK, we tend to suppose that it belongs onshore here in the UK. A key point I want to make in this article is that (as explained above) the huge bundles of assets sitting offshore with their “legitimate reasons” for being there did not appear by magic – they are there because of the systematic immiseration of workers worldwide and the global industrial reserve army.

A consoling value-theoretical fantasy currently popular in some left circles is that we create value for capital by dint of, for example, our unpaid immaterial labour building the vast databases of our own commodity preferences that are held by social media giants. While this may be politically expedient from the point of view of persuading people in rich countries that surplus value is being extracted from them even though they don’t produce anything, it is a dangerous category error which serves to entrench a highly inequitable system.

By way of illustration, suppose some corporate profits are currently being booked in a tax haven because that is where some “big data” regarding consumer preferences in a rich country resides, and the arm’s-length principle

attaches value to that data by virtue of its role in profitability. Suppose now that that offshore space is to be abolished – to which jurisdiction should the profits be allocated for tax purposes? The jurisdiction where the unpaid immaterial labour of expressing a preference for the commodities is performed, or the jurisdictions where people work in conditions of hyper-exploitation on the farms and in the factories and down the mines where the commodities are actually produced?

#### **(4) Oh Jeremy Corbyn**

It is fundamental to Marx's critique of capitalism that even if a distributional settlement emanates from relations formed under the conditions of formal equality delivered by the rule of law, such a settlement may still be arbitrary. "Between equal rights", he famously wrote in *Capital*, "force decides". It is easy for us on the left to dismiss on that basis the claim that some tax-privileged return or another is "legal", or that there are "legitimate reasons" to be offshore, but the argument is equally undermining to the proposition that the underlying corporate profits were legitimately obtained, or that the UK's potential claim to tax the returns on the assets is legitimate.

In the context, Marx was referring to the fact that a greater or lesser degree of appropriation of surplus value takes place through the wage relation, notwithstanding formal equality in the formation of contracts between labour and capital. As I have argued here, ultimately that continues to be the core fault-line in capitalism, even if the fault-line seems to have sheared a great distance because the relations in practice are extremely complex, with the labour and the capital operating in different jurisdictions and connected only by the writhing indeterminacy of global value chains.

This presents a huge challenge of principle to purportedly social democratic policy-making in rich countries. We hear a lot from the forthcoming Labour



government about how they are going to fund investment here in the UK by stamping out tax avoidance, but nothing about the global redistribution that will be necessary in order to stamp out the underlying inequalities between the people who do the work producing the stuff we consume and we who consume it.

Will Corbyn and McDonnell raise the rate of corporation tax and repeal obvious giveaways to capital in our tax code? It is reasonable to hope that they will. Will they repeal obscure neocolonial features of our tax code that make it easier for UK companies to suck value from poor countries? Perhaps they will get round to this if we in tax justice make enough noise about it. But will they promulgate some kind of fundamental readjustment to global tax norms such that taxing rights over corporate profits are allocated to where the value is *really* created?

This would mean a concerted multilateral effort among rich countries to break up the juridical spaces where capital accumulates untaxed and, rather than necessarily bringing the fiscal proceeds home to places like the UK to repair the savage vandalism perpetrated here by neoliberal elites, instead allocating the fiscal proceeds between countries by reference to some sort of metric based on the need for social, economic and environmental justice globally. Realistically, I doubt that this is in prospect; the Corbyn/McDonnell project will, at least to a certain extent, rely on domestic economic growth and revenues from taxation in the ordinary way.

It is also not in prospect because it would seem to be a geopolitical impossibility, and this is reflective of what I fear may be the undoing of the present coalition between the radical left and the social democratic left in the UK: the inability of a Corbyn government to address the neocolonial position of the UK in the capitalist world order – a position of which the Queen's holdings of offshore assets is at the very least emblematic, however "legitimate" her reasons may be for their existence.

# 7

## Labour's Digital Strategy Is a Missed Opportunity

Wendy Liu

*The pace of technological advancement is double-edged. Left to its own devices, technology can entrench the exploitation implicit in our economic system. On the other hand, it also has tremendous emancipatory potential. Sadly, Labour's current digital strategy ignores the latter in favour of an embrace of the status quo.*

Monday night marked the first keynote speech by Liam Byrne MP as Labour's new Shadow Digital Minister. In a short talk entitled "Britain's Digital Future", Byrne set out what he would do as Minister of State for Digital, a role which is currently held by Conservative MP Matt Hancock and whose responsibilities include broadband, internet governance and the digital economy.

Those familiar with Byrne's political history are unlikely to have high expectations for his new role. An MP since 2004, Byrne has held a number of roles under New Labour, most notably Chief Secretary to the Treasury under Gordon Brown, and in 2015 referred to Tony Blair as his "political hero". His primary claim to fame comes from a note he left for his Treasury successor say-

ing “I’m afraid that there is no more money,” which the Conservatives immediately brandished as evidence of Labour’s profligacy. Neither is his private sector experience particularly inspiring: he worked for consulting firm Accenture and investment banking firm N M Rothschild & Sons before founding a technology startup called “e-Government Solutions Group” during the height of the dotcom era. What’s more, it appears that the role of Shadow Digital Minister wasn’t his first choice; he was appointed to the role soon after losing his bid for chair of the Business, Energy and Industrial Strategy department.

I was not familiar with Byrne’s political history or views prior to the event. Accordingly, I had high hopes for the keynote, which I thought would clarify Labour’s plan to fairly distribute the benefits of technological change. Instead, Byrne focused primarily on the higher productivity of the technology sector, and concluded that we simply need more tech workers and entrepreneurs—topped off by multiple attempts to plug his book *Dragons: How Ten Entrepreneurs Built Britain*.

The most frustrating aspect of the event was the disconnect between the political sentiments expressed and the actual policy proposals set forth. On the surface, Byrne’s comments were heartening: he self-identified as a socialist, decried the harm caused by neoliberalism, and asserted the role of politics in democratising the wealth generated by technology companies. His *policies*, on the other hand, with their emphasis on investing in digital skills and fostering entrepreneurship, seemed scarcely any more progressive than what the current government [has already proposed](#).

## Chasing higher wages

Byrne’s first proposal of the evening came down to getting more people into the technology sector, where wages are 36% higher than average.

This marked the first of several dubious conclusions based on a shallow interpretation of statistics. The fact that a self-proclaimed socialist would see this wage premium as somehow indicative of the greater merit of such jobs—rather than the result of a *distributional* struggle between labour and capital—is bizarre, to say the least. Expanding the supply of labour will only benefit capital, and given the low rates of unionisation within the technology profession, there's a real risk of wages and conditions being driven downward as a result. As a result, promoting digital skills solely because they're currently being rewarded by the market is a doubtful approach to setting long-term societal priorities.

## Technology startups as a panacea

Underlying Byrne's optimism for the technology sector is a naive faith in its greater productivity. As he writes in the Guardian, the goal is to transform the UK into an "innovation nation", a sentiment which is eerily similar to [Philip Hammond's comments during the announcement of the 2017 budget](#). During the keynote, Byrne showed the following graph from venture capital research outfit CB Insights, featuring technology corporations that attained valuations of \$1 billion or more within the last 6 years:

Byrne's takeaway was that these technology companies are able to generate enormous amounts of wealth, and can do so quicker than ever before. Once again, he appeared to take the numbers at face value: the idea that we might be in another dotcom bubble, with startups fetching unjustified valuations due to a glut of venture capital chasing increasingly elusive returns, was not once acknowledged.

Neither did he mention that of the companies shown on the chart, some have since failed spectacularly: e-commerce site Gilt Groupe, which raised \$280 million, recently sold for \$250 million, and wearable startup Jawbone raised

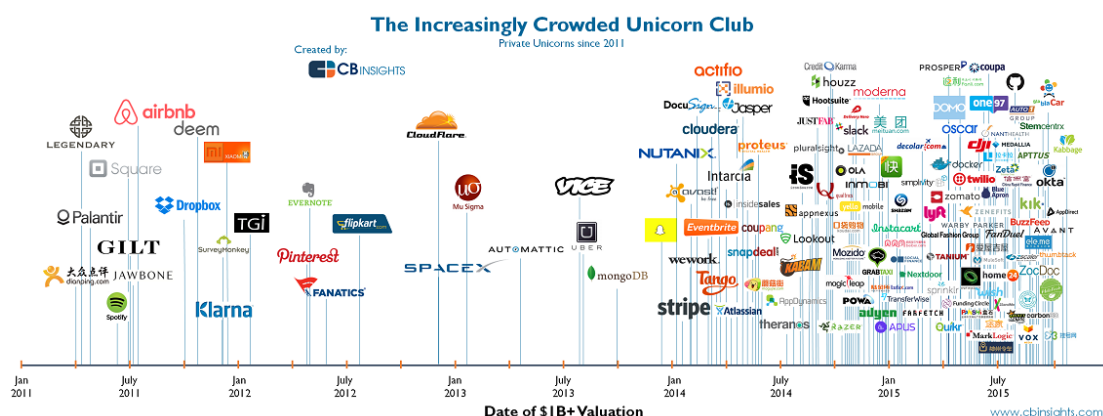


Figure 7.1: A graph showing the date when various private technology corporations attained valuations of \$1+ billion, since 2011

more than \$900 million before completely shutting down earlier this year. Some were embroiled in massive scandals, like Theranos, which was once valued at \$9 billion and now appears to be falling apart after the efficacy of its technology was questioned; Zenefits, which is valued at \$4.5 billion and was recently fined by the SEC for flouting insurance laws (it has since laid off many of its staff and changed its business model); and Hampton Creek, valued at \$1.1 billion and plagued by accounting fraud and misleading product claims. Still others have reached these valuations on the basis of [naked exploitation of precarious workers](#), like Uber (valued at \$68 billion) and Deliveroo (\$2 billion).

All of this raises the question: do we truly need more billion-dollar startups? Do the majority, or even *any*, of these startups really produce social value commensurate with their lofty valuations? Magic Leap, an augmented reality startup that has raised almost \$2 billion to date, has not yet produced a product, and it's unlikely that anything it does produce in the near future will be much more than an expensive toy for the rich. Coinbase, a cryptocurrency exchange valued at \$1.6 billion, owes its valuation to the rise of Bitcoin, which presently consumes enormous amounts of energy despite rarely being used for actual transactions. What's more, these companies tend to create very

few of the well-paid jobs Byrne venerates—at the most extreme end, WhatsApp, which sold for \$19 billion in 2014, had 55 employees, and Instagram, which sold for \$1 billion in 2012, had a mere 13.

Consequently, Byrne's unreserved promotion of technology entrepreneurship feels stunningly myopic, as if he's wholly ignorant of how much public sentiment has lately turned against the tech sector. As Erin Griffith writes for *Wired* earlier this week:

As headlines have exposed the troubling inner workings of company after company, startup culture no longer feels like fodder for gentle parodies about ping pong and hoodies. It feels ugly and rotten.

A lot of this comes down to systemic factors: due to the incentives of venture capitalists, the startups that get funded are more likely to pursue easy profits than attempt to address an actual societal need. There are some investors trying to counter that, but unless there's an ecosystem shift towards social entrepreneurship, it's hard not to see Byrne's wholehearted embrace of technology ventures as an irresponsible strategy that will only result in more people addicted to their phone. The combination of a narrow fixation on productivity metrics with extra money funneled into tech will just result in more pointless startups, most of which will eventually fail, leaving behind nothing but lost time and some branded t-shirts. Those that survive will only turn into corporate monoliths whose sole purpose is to turn the living world into commodified zeros and ones.

## Digital democracy

The most bizarre part of the evening came at the end of the keynote, which was dedicated to announcing the launch of a website called The People's Plan for Digital. According to *ComputerWeekly*:

The online plan is a collaborative effort in which the public and industry can add and debate their ideas on how to improve digital across the UK.

A more cynical view would be that it's a way of soliciting ideas for Labour's digital strategy because Byrne doesn't have any of his own. The website itself is privately hosted, with the footer stating that it is "developed and promoted by Liam Byrne MP", and a spokesperson from Byrne's office confirmed that the intention is for the website to remain private, with the suggestions to be compiled into a paper presented by Byrne at next year's party conference.

So far, promotion of the website appears to have had limited success: as of time of publication, only 30 "ideas" have been posted, with 9 of them coming from Byrne himself (presumably to spark discussion). Byrne's own posts include this bafflingly vague one entitled Use corporation tax to increase digital skills, which borders on supplication:

What: Ask large corporations to pay a little more while still keeping UK corporation tax among the lowest of the major developed economies. We can then use the extra revenue to contribute to the skills budget.

and this one, A dedicated commission to fix the gig economy, which only contains the following lines:

What: We need a dedicated commission to modernise the law around employment status.

Why: Rapid changes in the world of work (many thanks to digital advances) are rendering existing employment categories outdated.

Overall, The People's Plan might be a well-intentioned attempt at inviting more democratic input, but the present implementation leaves much to be desired. If Byrne is serious about digital democracy, his work can't end with

this project; he'll have to push for the creation of a government-provided service, accompanied by some form of governmental accountability to ensure that the ideas are actually considered. While the digitisation of democracy is a laudable goal, it'll take more than half-hearted attempts like this one to make any significant progress.

## **Regulating the tech giants**

The only reassuring part of the evening came during the discussion of how to regulate the contemporary technology giants. Byrne acknowledged their monopolistic drives and tax avoidance habits and affirmed the role of the government in fixing those problems. More encouragingly, he addressed the data advantage possessed by advertising platforms like Google and Facebook, and suggested giving consumers more control over what happens to their data, in line with the EU's GDPR. Still, though, he didn't tread a line that was much more radical than what Hancock is already saying, and there was certainly no call for anything resembling public ownership.

## **Labour needs a bold vision**

The keynote, and Labour's current digital strategy more generally, was a disappointment. The challenges posed by the speed of technological change, and the increased dominance of technology companies over our lives, will require a government prepared to take a more active role in directing the development of technology towards creating societal value. Given that Labour's manifesto was a bit light on the tech front—certainly there were no radical promises akin to scrapping tuition fees or renationalising railways—it falls on the Shadow Digital Minister to fill in the gaps. Unfortunately, Byrne's unsubstantiated techno-optimism feels like a return to the days of New Labour,



with little that seemed distinct from what the Tories have on offer.

The thing we have to remember is that we're in uncharted territory here. Some of the technologies that pervade our lives today are so new that governments can't just rely on old tricks. But there's a flip side to that: Labour can be the vanguard here, setting the standard for other governments to follow. Labour could design a strategy that harnesses the full power of today's technologies, ensuring that they serve society as a whole and aren't just locked up within a corporation for the purpose of increasing shareholder value. After all, part of the reason behind Labour's recent resurgence stems from the fact that they're not just bringing back the Third Way—instead of compromising with the status quo, they're offering a compelling alternative vision. The enthusiastic reception to Labour's manifesto shows that there is room for a more radical political landscape, and there's no reason the same principles shouldn't apply to the digital sphere as well.

## **A socialist digital strategy**

Moving beyond Byrne's direct purview, what Labour needs is a truly *socialist* digital strategy. The aim is simple: to free innovation. What we think of as innovation is almost always within a private corporation, and it's predicated on the commodification of information—be it data, or code, or design patterns—through the framework of intellectual property rights. Something that should be a commons is increasingly becoming enclosed, resulting in one of the greatest tragedies of our age: the commodification of our personal data by private corporations, primarily for the purpose of convincing us to buy more things we don't need.

More than anything else, we have to ensure that important technological innovations—many of which were initially funded by governments—become public goods, and don't remain trapped within the private sector.

This means we have to be comfortable with *reducing* the size of the private sector when it could improve baseline living standards for everyone. That could take the form of funding more open source software, or it could mean increasing the scope of the government to provide important services, by competing with or even replacing private alternatives. Labour's intention to improve Internet connectivity by investing in broadband is well-intentioned, but why not take it one step further by providing it as a social right, or maybe even as part of a larger suite of universal basic services?

We shouldn't limit our imagination there, though. There are so many services that are currently private but don't need to be. Digital teams within the government, such as Government Digital Services, could be empowered to increase the scope of services they produce. Why is Citymapper—a for-profit company—allowed to own and monetise our location data? Why is there no alternative to Uber as part of the public transit system? And what about a government-provided e-commerce platform to rival Amazon's marketplace, neatly integrated with the soon-to-be-renationalised Royal Mail? Or a government-provided basic website service for individuals and small business owners who lack the know-how to set one up themselves, and must instead turn to paid solutions like Squarespace or Wix?

If these ideas seem unusual, that's only because these technologies are new enough that governments haven't yet had the time or the political will to catch up with them. We're in the midst of a chaotic moment of dizzying technological change, and although that means it's hard to keep up, there also lies an opportunity. Instead of sitting back helplessly as new technologies transform the socioeconomic landscape, we could be bold enough to confront them head-on to ensure that they're beneficial for the many, not the few. Not only should we push back against the increasing scope of privatisation by tech companies creeping into our everyday lives, we could challenge these companies outright, not just via regulation but by providing competing public services to weaken their hold. This is especially relevant for dig-

ital products that have an inherent tendency towards monopoly due to network effects and data ownership, where it's hard to see how anything but a government-funded alternative could compete.

Above all, we have to look at technology as an opportunity: not just a way of solving the problems we have now, but as a way of redesigning the problem space entirely. If the power of politics lies in its ability to imagine a better world, the power of technology lies in its potential to bring us there. That doesn't mean that governmental use of technology is an unabashed good, though; left to its own devices, technology will just take on the values of the neoliberal landscape in which it is embedded. One can imagine a [jobcentre.gov.uk](http://jobcentre.gov.uk) where you can apply for your chance to be exploited by whichever corporation has placed the highest bid, or an app for means-testing welfare benefits, or an Uber for the NHS, complete with surge-pricing.

Ultimately, while the challenges presented by technology are great, the opportunities are even greater. Automation might pose a threat to jobs, but it could also allow us to redesign society to reduce the primacy of work while securing better living standards for all. However, as long as technological development is primarily fostered by private corporations, for whom generating revenue and creating societal value are not necessarily aligned, we can't just assume things will turn out okay.

Given the magnitude of the task at hand, whoever takes on the role of Digital Minister when Labour comes into office has a huge responsibility. The power of technology to transform society is obvious; whether the transformation is *good* is not a given, and techno-optimism is only wise to the extent that it doesn't become an excuse to abdicate responsibility for technology's failings. We shouldn't expect technology entrepreneurs to fix all of our problems, and we should question the power of companies like Facebook and Google. If we want to ensure that the benefits of technology are spread equally, we'll have to widen our imaginations of what a government should provide and take responsibility for. Only then can Britain's digital future be one of liberation.

## 8

# Building Platform Socialism: Beyond the Taylor Review

Justin Reynolds

The future of work has moved to the centre of mainstream political debate. New forms of employment in the ‘gig economy’ engineered by digital technology are opening questions about work’s purpose and meaning that extend well beyond the parameters of a debate typically confined to technocratic questions about the relative merits of programmes designed to cut unemployment figures. And the prospect of a wave of technologies capable of automating a vast range of jobs is generating a sense of insecurity intensified by the swirling uncertainties associated with Brexit.

The labour market is trending rapidly towards less stable forms of employment. Self-employment is growing more quickly in the UK than any other EU country, increasing by more than 1.5 million since the turn of the millennium to 4.5 million, and now accounting for more than 15% of the workforce. Some 1.7 million people are in temporary jobs and around 1.1 million work are on zero-hours contracts (about the same number as work in the NHS) a form

of work that has grown by more than 70 per cent since 2010.

Radical solutions such as the introduction of a basic income or job guarantee scheme have moved from the confines of the seminar room and speculative texts to everyday political discourse. Though proposals of this scope remain beyond the horizons of possibility Theresa May's government is prepared to contemplate, the Prime Minister's concern to position the Conservatives as the 'party of workers' following her Tory leadership pledge last summer to create a society 'that truly works for everyone', prompted the commissioning of a major report, the *Taylor Review of Modern Working Practices*, which was published on 11 July after a 10 month review.

For socialists expectations for the Review were never high. Just a few weeks after announcing the report last October the Prime Minister had already stepped back from her intention to put employee representatives on company boards, telling business leaders 'categorically' that they would face no such obligation. The four member Review was led by RSA Chief Executive Matthew Taylor, the former head of Tony Blair's Policy Unit. Other members included an employment solicitor from a corporate law firm advising employers on industrial relations, and a former Deliveroo investor. There was no trade union or worker representation.

For Taylor, unsurprisingly given the Review's provenance, Britain's flexible labour market – "the British way" – is something to celebrate:

The starting point for our review has been the strength of our labour market and of the key features of our system of employment regulation, what we refer to as the British way. Record levels of employment, low levels of unemployment, high levels of voluntary flexibility, wages now growing fastest amongst the lowest paid; these facts provide a very positive backdrop – one that would be envied in many other advanced economies – for our consideration of how to improve the quality of work.

The Review cites surveys suggesting that self-employed people are happier with their work than employees, that about two-thirds of temporary workers choose those arrangements, and a similar proportion on zero-hours contracts do not want fixed hours.

Nevertheless it does acknowledge that this new “voluntary flexibility” is has not been welcomed by all, noting that only 65% of people think their job is secure, that around six million people are not covered by the standard suite of workplace rights, and that about half of the self-employed are low paid – indeed some 460,000 are falsely classified as self-employed by employers keen to avoid national insurance contributions. The Review recognises that flexibility is a double-edged sword:

One sided flexibility is when employers seek to transfer all risk on to the shoulders of workers in ways which make people more insecure and make their lives harder to manage. It is the people told to be ready for work or travelling to work only to be told none is available. It is the people who have spent years working for a company on a zero hours contract but who, without a guarantee of hours from week to week, can’t get a mortgage or a loan. It is the people who feel that if they ever raise legitimate concerns about their treatment they will simply be denied the hours they desperately need.

The Review is concerned that people have access to “good work”, for the sake of the dignity and opportunities for self-development it affords, and the importance of addressing the British economy’s chronic productivity problem.

Most of Taylor’s recommendations are abstract, little more than a set of aspirations for future consideration. The Review suggests, for example, that a national strategy should be pursued to open good work for all “for which government needs to be held accountable”. The government should “explore ways of supporting and incentivising local authorities, particularly city regions and combined authorities, to develop integrated approaches to improv-

ing health and wellbeing at work”. And strategies should be put in place, particularly for low paid sectors, to make sure workers do not get stuck on low rates of pay.

There are some concrete proposals. Tribunal fees for hearings intended to clarify employment status should be scrapped but – crucially – the £1,200 fee would remain for broader issues such as discrimination or failure to pay the minimum wage. As Jason Moyer-Lee, General Secretary of the Independent Workers Union of Great Britain (IWGB) has observed, the Review proposes to “eliminate tribunal fees for employment status hearings, but keep fees for workers who want to assert any of the rights associated with their newly declared status.”

On the key question of how to classify people “employed” in the platform economy the Review recommends that a new employment category be created, that of “dependent contractor”, to cover workers under “control” or “supervision” from their contracting company. Dependent contractors would have the right to request a set number of hours when they have been engaged with the same hirer for 12 months, an allocation corresponding to the average number of hours they have been working. These workers will also be entitled to a statement of employment status and to receive statutory holiday and sick pay.

But the Review stops short of granting them a blanket right to the minimum wage. Instead, the ‘platform companies’ that have designed the ‘gig economy’ within which they work need only be able to prove that their contractors can expect an average wage that works out at least 1.2 times the minimum wage. If a worker logs on to the platform during a quiet period when, for example, there are few taxi rides to offer or deliveries to make, it is permissible for the platforms to continue to pay an hourly rate below the minimum wage. During these hours they are obliged only to give workers an estimate of how much they are likely to earn during the session.

This recommendation undercuts the landmark verdict delivered against Uber last October by a London employment tribunal ruling that its drivers are not 'self-employed' and should therefore be guaranteed the minimum wage and other basic employment rights applicable to any other employee. It was a ruling that was always likely to signal the start rather than the end of the battle to establish the rights due to platform workers.

Viewed from one perspective these workers look much like any other employee: Uber, for example, interviews its drivers, sets their default routes, fixes their fare structure, provides (limited) training and runs disciplinary procedures. Viewed from another, drivers can log on for work when they choose and – in principle – are not obliged to take the work available when they do log on. And, again in theory, workers can do jobs for different platforms at the same time. It is possible to log on to both the Uber and Deliveroo apps and to carry out work for both, moving from one bit of piece work to the other. In these cases it isn't obvious which company is responsible for paying the minimum wage.

Taylor's recommendation seeks to safeguard the ostensible freedom platform workers have to take work as and when it suits their schedule. If a platform was obliged to pay minimum wage rates during quiet periods then in order to retain its profit margins it would be likely to oblige workers to concentrate their work during busier periods, forcing them into a standard shift-work pattern. The Review tries to address the novel and complex issue of how to guarantee the minimum wage on platforms designed to pay on a piece-work basis, weighing up the interests of workers who value flexibility against those workers who value security.



## Labour's response

Responses to this element of the Review have been divided according to the relative weight commentators accord each of these principles. Jonan Boto, a former director of projects for Deliveroo, suggests that the vaunted flexibility platforms offer could be given more substance if workers were offered a genuine choice regarding the nature of the work they sign-up for. "Rather than force them to choose between a take-it-or-leave-it flexible contract and no job," Boto asks "why can companies not give people the option to choose between full-time, part-time and fully flexible contracts?" The response from unions has been less ambiguous. The IWGB and the TUC insist that unless companies can show that their workers are genuinely self-employed they must be treated as employees, regardless of whether they are offered work through an agency, an online platform or an app.

Labour's response shares the unions' concern that the new legal category recommended by Taylor will drive down conditions for an ever greater proportion of workers as the gig economy model expands. Discussing the Review on the BBC's Today programme Shadow Business Secretary Rebecca Long-Bailey said she personally boycotts Uber, a service she cannot regard as "morally acceptable":

We don't really need a new status ... the court victories that we've had so far have proved that many of these so-called self-employed people that work for the likes of Uber, for example, are workers and should be given adequate protections.

Labour's current position, as outlined in the party's 2017 manifesto, is to offer a classic social democratic formula for defending and creating new opportunities for workers, centred on better employment rights, stronger unions, economic stimulus and investment in education and skills.

The manifesto's employment programme asserts the principle of equal

rights for all workers ‘whether part-time or full-time, temporary or permanent’. Zero hours contracts would be banned outright, preserving the ideal that every worker should get a guaranteed number of hours each week. Those who work regular hours for more than 12 weeks would have a right to a regular contract, reflecting those hours. Indeed employment rights would not only be defended, but strengthened: tribunal fees would be abolished, the National Minimum Wage would catch up with the Living Wage and paid paternity leave would be extended to four weeks. Unions would be empowered through the rolling out of sectoral collective bargaining and trade unions guaranteed access to workplaces.

The manifesto’s economic strategy is built around a £250 billion National Transformation Fund channelled through a new network of national and regional investment banks charged investing in transport, communications and energy systems. With its focus on big renewable energy projects and mass home insulation, and the supply of ‘patient long-term finance’ the strategy draws on the Green New Deal and Mariana Mazzucato’s concept of The Entrepreneurial State.

And the proposed National Education Service seeks “to move towards cradle-to-grave learning that is free at the point of use”, in the universalist spirit of the NHS. The abolition of tuition fees is just one part of a strategy that includes the introduction of free, lifelong education in Further Education colleges, the restoration of the Education Maintenance Allowance for 16 to 18-year-olds, the doubling of completed apprenticeships, investment in child-care and Sure Start centres.

These manifesto pledges represent an unapologetic return to the cardinal social democratic principle that an active state must act to shape economic frameworks capable of offering people decent work and a fair share of the wealth generated by economic and technological progress. But it makes little mention of the specific issues surrounding the changing nature of employment explored by the Taylor Review. The manifesto does note “real concerns

that rapid changes to the world of work are rendering existing employment categories outdated' and promises 'a dedicated commission to modernise the law around employment status'.

## **Basic income: a platform for platform workers?**

Those brief references scarcely hint at the intensity of the debate raging across the left about the future of work. Contrary to much prior speculation, the manifesto made no mention of the big idea currently at the heart of that debate: the credibility and desirability of the introduction of a universal basic income (UBI).

It's an idea with huge intuitive appeal, promising a guaranteed income floor providing a secure base for participation in a turbulent labour market increasingly shaped by the new forms of work created by the platforms. Workers would have much greater freedom to choose what work they do and for whom, and more space to go back to college, retrain or set up their own enterprises. By removing conditionality a UBI also promises to streamline a complex and often cruel welfare system, and would start to compensate for unpaid social labour.

In the past few years the concept has moved from the realm of speculation to that of serious advocacy. Proposals working out the details for the technical implementation of a UBI have been published by several mainstream think-tanks, including Matthew Taylor's RSA. And the idea has helped generate a new strain of left futurist thought including Alex Williams and Nick Srnicek's *Inventing the Future*, Rutger Bregman's *Utopia for Realists* and Paul Mason's *Postcapitalism*. With Guy Standing's *Basic Income: And How We Can Make It Happen* the UBI has even made it into the Pelican Introductions range.

It is certainly possible that a commitment to some form of basic income might appear in a future Labour manifesto. Corbyn and McDonnell have

made positive comments about the concept and in February Shadow Treasury Secretary Jonathan Reynolds was appointed to head a working group (whose members include Guy Standing) charged with assessing how a UBI might fit into the party's long term economic strategy.

The party's ambivalence reflects the difficulties as well as the opportunities inherent in the concept of a basic income. Most obviously there would be the immense political challenge of convincing a sceptical public that a UBI could be funded. Though Labour's strong election performance and public reaction to the Grenfell disaster indicate increasing unrest with the Government's austerity programme, the conservative image of money as a limited commodity that must be managed in the manner of a household budget continues to resonate, being much easier to visualise than the complex reality that money is an abstract entity that credit-issuing banks produce through a few keystrokes on a computer. Estimates suggest that a UBI set at a level of around £72 a week may cost up to £288 billion, a funding commitment that, though it could be achieved through similar mechanisms to the Government's ongoing Quantitative Easing scheme, would have to be forced through against ferocious political headwinds. If finance for a programme on this scale could be secured there would be significant opportunity cost in using it to secure a UBI rather than the many other aspirations Labour harbours, such as comprehensive public sector reform, economic stimulus, green energy or universal child-care.

And even after introducing a basic income a Labour government would still want to protect public services and welfare provision for those with special requirements, such as households with children, people with disabilities or those struggling to with housing costs. A Conservative administration inheriting a UBI might well retain it - such a fundamental reform would be just as difficult to overturn as to introduce - but may well take its existence as licence to press ahead with the unrestrained marketisation of public services. It is surely significant that the principle of a UBI has been embraced by eco-

conomic libertarians such as the Adam Smith Institute and of course much of the Californian tech establishment.

Perhaps the strongest objection to a UBI from a left perspective is philosophical rather than practical: resort to a UBI as a form of social protection can look very much like capitulation to capital, driven by fatalism about the labour movement's capacity to take on the powerful forces seeking to monopolise the gains from new technology. For Alyssa Battistoni Silicon Valley's favourable disposition towards UBI indicates it is seen as a price worth paying to clear the space for elites to direct new technologies as they wish, without reference to the wider population:

[Y]ou don't need to be Robespierre to be suspicious of a proposal that explicitly announces its intent to protect the rich from working-class rage – particularly when one of the major questions of UBI is where the free money will come from.

It can certainly be argued that a UBI meets André Gorz's definition of a 'non-reformist reform', a measure designed to repair a system that in time reveals itself as a Trojan Horse able to break it apart. If a UBI leads to the automation of undesirable work that people are now empowered to refuse, and the wage for desirable work falls to zero because more people now have the luxury to do it without pay, the prospect of a post-capitalist society looms into view. As Battistoni puts it, understood in this sense a UBI may be "the fully automated monorail to luxury communism, where we all own the robots and everyone gets what they need." This scenario is premised on a maximal version of the UBI, a universal, unconditional payment able to furnish a decent standard of life beyond work.

Whatever the merits of that speculation, it is clear that proposals for a UBI offer no silver bullet for dealing with the forces reshaping today's labour market. A basic income may facilitate a transition to a post-capitalist society in which the laws of the marketplace have broken down. Or it may lead to

a dystopia in which an elite appropriates the gains from new technology to itself, keeping the masses at bay by releasing some of their largesse in the form of a subsistence payment.

One frequently discussed alternative to the UBI suggests reviving the classic New Deal idea of a job guarantee. By acting as an “employer of last resort” the state gives commercially unemployed workers opportunities to continue to make use of their existing skills while retraining or up-skilling (a scheme that might be of particular benefit to older workers with less opportunity to retrain). These workers could boost health and care sectors coming under increasing pressure as the population ages, and participate in a mass programme to modernise infrastructure to meet the challenge of climate change. Another possibility would be to mandate companies enjoying windfall gains from new technology to pay into sovereign wealth funds that would work like Norway’s oil investment fund, facilitating a national savings fund that could be dedicated to the collective good.

## **Rewiring economic ownership**

But as *New Socialist* has noted Labour has been moving in a still more radical direction, focusing on the fundamental issue of the structures of economic ownership that establish the frameworks ordering our economic lives. Soon after Corbyn won the leadership the first time round John McDonnell signalled interest in exploring those structures with his New Economics series, which invited leading economists to pitch radical ideas for economic transformation.

Corbyn and McDonnell both came of political age during the 1970s when Tony Benn tried and failed to implement a radical agenda for extending economic democracy, and McDonnell played a major role in the explorations of democratic planning undertaken by the Greater London Council in the 1980s. Dur-

ing a speech early last year marking Preston City Council's work to develop a co-operative ecosystem capable of keeping wealth circulating in local communities, McDonnell argued that Labour's historic focus on redistribution could only be effective during periods of strong economic growth:

[I]f growth is low, incomes will rise more slowly. It is much harder for the government to redistribute incomes when they are not rising so rapidly. That means the priority for progressives must be not so much the distribution of income, as the distribution of ownership ... Labour must be a party that is concerned about ownership of wealth and assets, not only the distribution of income.

McDonnell's interest in that 'old tradition in the labour movement of decentralised ownership and democratised wealth' surfaced in manifesto commitments to double the size of Britain's relatively small co-operative sector by introducing a version of Italy's Marcora Law, a 'right to own' making employees the buyer of first refusal when the company they work for is up for sale, and requiring regional investment banks to prioritise funding for co-operatives.

This direction of travel was confirmed by the *Alternative Models of Ownership* paper written by a group of radical economists and councillors commissioned by McDonnell and Rebecca Lane-Bailey at the turn of the year and published in June. As – again – noted by *New Socialist*, the report assesses the shortcomings of Britain's shareholder-driven capitalist model with remarkable frankness for a document delivered to a major political party, arguing that firms driven by a focus on quarterly profits tend to neglect investment in favour of short-term gain, pushing down productivity and wages. Decision making oriented to the long-term requires co-operative structures in which a much wider range of stakeholders can participate. One of the reports most bracing passages asserts:

There is a commonplace implicit assumption in UK society that there is a natural separation between the political and economic realms, with democratic structures and processes only applying to the former. The economic realm, unlike the political realm, is deemed too complex and sensitive to be treated in the same way, and in consequence of the lack of democratic process, economic decisions are often made by, and on behalf of, a narrow elite, with scant consideration of the well-being of the general population.

The paper explores possibilities for opening up decision making processes at all levels of economic activity, from individual companies, through to local economies and state owned enterprises. Co-operative enterprises offer more stable and fairer environments for workers, offering them say over decisions and a stake in ownership. Municipal economies built around strong ‘anchor’ institutions such as local authorities, hospitals and universities, are more effective in keeping wealth and power within local communities. And public enterprises, subject to democratic oversight, can play a vital role in pursuing national strategic objectives such as the development of post-carbon energy infrastructures, the modernisation of transport networks and universal access to advanced communications. The paper’s focus on ownership rather than redistribution seeks to move Labour’s economic strategy in an explicitly socialist direction:

Labour’s objective should be nothing other than the creation of an economy which is fairer, more democratic, and more sustainable; that would overturn the hierarchies of power in our economy, placing those who create the real wealth in charge; that would end decades of under-investment and wasted potential by tearing down the vested interests that hold this country back ... The historic name for that society is socialism, and this is Labour’s goal.



## Platform co-operativism

The Alternative Models report provides a robust philosophical foundation for moving Labour's current programme in more radical directions. John Marlow, for example, writing in *New Socialist*, suggests how the manifesto pledge for a National Investment Bank could 'support a real process of transformation and democratisation in our economy' by funding a significant shift towards co-operative forms of ownership. The report also indicates how co-operative models might play a crucial role in directing the new technologies driving the automation of the economy to work for the collective good:

The goal should be to embrace the technological potential of modernity, accelerating into a more automated, productive future with all its liberating possibilities, while building new institutions around ownership, work, leisure and investment, where technological change is shaped by the common good.

Today, the direction of that technological change is far from democratic, shaped by a tiny group of extraordinarily powerful firms which, following the sci-fi writer Bruce Sterling, Adam Greenfield in *Radical Technologies* refers to as "the Stacks", in reference to "the strategy of vertical integration by which each of them seeks to control the network, as well as the platforms, applications, physical devices and content that run on and are connected by it", seeking to "mediate and monetise everyday life to the maximum possible extent"<sup>1</sup>.

The Stacks have effectively pioneered a new form of capitalism, developing platforms that provide a space in which entire markets operate. The platforms act as intermediaries, taking a cut from the transactions that operate within the spaces they police. Frank Pasquale puts it neatly in his review of Nick Srnicek's *Platform Capitalism*, a useful study of the phenomenon from a

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<sup>1</sup>Adam Greenfield, *Radical Technologies*, Verso, p. 275.

left perspective:

The platform acts as the government of a certain market, and its fees might be viewed as de facto taxes on the participants to whom it provides order, marketing, and other services. Like states aiming for a monopoly on the legitimate use of force, platforms aspire to a commercial monopoly in the 'space' they deem their own. Thanks to economies of scope and scale, a supplier of goods and services is much less likely to be undercut by other suppliers once it reaches a certain critical mass.

Srnicek's book suggests a taxonomy illuminating the progress the platform corporations are making towards colonising broad swathes of the world's economy: Google and Facebook have built platforms claiming an ever greater proportion of the world's advertising revenues; platforms constructed by General Electric and Siemens offer cutting-edge technologies to manufacturing firms; Spotify runs a product platform that turns traditional goods into subscription-based services; the lean platforms offered by Uber and Airbnb use apps to link buyers and sellers; and Amazon, which is becoming perhaps the most powerful of all them, is colonising both the retail and cloud services markets. For Greenfield:

This is the apotheosis of what it means to be integrated as a Stack: Amazon owns the data centres, it owns the distribution and order fulfilment infrastructure, it owns the point of presence in your living room, it owns the data generated in the course of every user interaction and every physical delivery, and of course it takes a cut of any revenue generated by the consumption of content.<sup>2</sup>

The common objective for all platform capitalists is the rapid enclosure of a particular market, a crash-and-burn philosophy unashamedly expressed in PayPal co-founder Peter Thiel's 2014 Wall Street Journal op-ed "Competi-

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<sup>2</sup>Adam Greenfield, *Radical Technologies*, Verso, p. 279.

tion is for Losers”.

Recognising that there is no turning the clock back on platform technology, a nascent platform co-operativism movement has formed to seek to extend the alternative value system represented by the co-operative model to the platform economy. Platform co-operatives promise to circulate returns to the workers and users who run and own the platforms rather than to billionaire venture capitalists. They also offer the prospect of democratic control over the data generated by the platform’s activity, which under the Silicon Valley model is appropriated and mined for further business advantage.

Douglas Rushkoff, in *Ours to Hack and to Own*, a platform co-operativism manifesto published earlier this year by the movement’s founders Trebor Scholz and Nathan Schneider, writes:

Platform cooperatives – as a direct affront to the platform monopolies characterising digital industrialism – offer a means of both reclaiming the value we create and forging the solidarity we need to work toward our collective good. Instead of extracting value and delivering it up to distant shareholders, we harvest, circulate, and recycle the value again and again. And those are precisely the habits we must retrieve as we move ahead from an extractive and growth-based economy to one as regenerative and sustainable as we’re going to need to survive the great challenges of our time.<sup>3</sup>

One of the best known platform co-ops profiled in the book, Stocksy United, is an image-bank service owned and governed by its employees and contributing photographers, set up by a former iStock executive who found the company’s business imperatives in conflict with the interests of the independent artists it claimed to represent. Others include the Green Taxi Cooperative, a Denver-based taxi platform owned by some 800 taxi and

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<sup>3</sup>Trebor Scholz and Nathan Schneider (Ed.), *Ours to Hack and to Own*, Or Books.

app-based drivers who have each put up a \$2,000 investment to become co-owners of what has become the largest taxi company in the state of Colorado. Fairmondo is an Amazon-style marketplace selling fair trade products. Resonate is a music-streaming platform owned by musicians, labels, and fans. And the indycube community manages co-working spaces, shared offices and collaborative workspaces for a collective of freelancers.

As Srnicek notes, the movement faces the fundamental issue that the platform economy is premised on the establishment of monopoly power: once a platform reaches a critical mass it establishes a forbidding competitive advantage. A co-operative like Fairmondo, for example, offering some two million products, faces the formidable challenge of competing with Amazon, which sells more than 480 million to a massive customer base (in the United States alone there are some 80 million Amazon Prime accounts). Srnicek suggests that confronting the platforms will require all of the antitrust powers available to governments and international bodies, and perhaps the straightforward creation of publicly owned platforms:

Antitrust cases can break up monopolies, local regulations can impede or even ban exploitative lean platforms, government agencies can impose new privacy controls, and coordinated action on tax avoidance can draw capital back into public hands ... Rather than just regulating corporate platforms, efforts could be made to create public platforms –platforms owned and controlled by the people. (And, importantly, independent of the surveillance state apparatus.) ... Perhaps today we must collectivise the platforms.<sup>4</sup>

For Scholz and Schneider co-operative platforms must be nurtured within frameworks as effective as the Silicon Valley “assembly line” that generated the likes of Google, Facebook and Uber. The Valley has developed a sleek system that puts start-ups in touch with sources of virtual capital, engineering

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<sup>4</sup>Nick Srnicek, *Platform Capitalism, Polity*, p. 127.

talent and marketing and lobbying expertise. The elements for a similarly effective ecosystem for co-operative and public platforms already exist, or could be created: state investment banks, credit unions, social venture funds, strong links with universities, and the participation of the open source software movement. In an interview with openDemocracy Schneider said:

Policymakers who recognise the power of co-operative enterprise for bringing sustainable wealth to their communities have done several things to support it. They ensure that there are good, flexible co-operative incorporation laws. They provide development funds and financing. They provide incentives for companies to operate co-operatively and contract with co-ops that are commensurate with co-ops' commitment to the common good.

## **Alternative digital models**

Labour has already taken some tentative steps towards embracing the platform co-op concept. Corbyn released a Digital Democracy manifesto during his second leadership campaign last summer which promised to “foster the cooperative ownership of digital platforms for distributing labour and selling services”, with investment banks financing “social enterprises whose websites and apps are designed to minimise the costs of connecting producers with consumers in the transport, accommodation, cultural, catering and other important sectors of the British economy.” And McDonnell spoke at a platform co-operativism conference earlier this year, where he expressed an aspiration to foster “a new generation of co-operatively owned Ubers and Airbnbs”. The Alternative Models of Ownership report offers an ideal foundation on which to construct a more robust strategy for democratising platform technology.

Limited as it is, the most valuable sections of the Taylor Review probe the complex issues of flexibility and security to which new technologies give rise. It is right to recognise the tantalising glimpse of freedom that platform work opens to those who want it. It is for the left to develop strategies for ensuring these technologies work for the collective good, providing both flexibility and security. New technologies and the new forms of work they open offers opportunities for liberation, not enslavement. It is essential that socialists understand them, and participate in the processes already underway to work out how they can be employed for the benefit of 'the many, not the few'.

# A Socialist Bank? Labour's National Investment Bank Proposal

John Marlow

The Labour Manifesto proposes to establish a National Investment Bank and a network of regional development banks. The goals are to support lending to small businesses, particularly coops, and to contribute to “transforming our financial system”.

Like many things in the Manifesto, this has a pleasantly radical feel, yet can also be sold as just what “normal” non-radical governments already do elsewhere. Public ownership of a major bank sounds radical, as does the support for alternative forms of ownership. Yet, as the Manifesto hints, it could be seen as just replicating Germany's Kreditanstalt für Wiederaufbau (KfW) or the Nordic Development Bank. These are not terribly radical institutions.

Indeed, we already have the state-owned British Business Bank, supporting

finance for small businesses, and the Green Investment Bank, currently being privatised, although both are tiny. We also already own part of a public investment bank that has been investing around 7 billion euros a year in infrastructure, schools and housing in the UK: the European Investment Bank (EIB). Post-Brexit, there is certainly an argument for a new or expanded public investment bank, if only to replace the EIB lending we will probably lose.

So is the manifesto commitment to set up a new National Investment Bank really a radical proposal? In the following I want to discuss what a public investment bank is, what has been proposed so far, some problems with the model proposed, and what might make it into something really transformational.

There is some confusion about the focus of the proposed bank. In the Manifesto and an earlier report to the Shadow Chancellor, it appears to be focused solely on lending to small businesses, with lending for infrastructure and housing the preserve of the “National Transformation Fund”. I think the case for a public bank investing in infrastructure and housing is much simpler, while plans to support lending to small businesses require some more thought. In this piece, I work on the assumption that the National Investment Bank will just be for lending to small businesses.

## **What is a public investment bank, and what makes it better than a private one?**

In any country, the entity with the cheapest borrowing costs is usually the government. Domestic private sector banks usually have to pay higher interest rates to bond holders and depositors. This creates an arbitrage opportunity. The state can set up a public bank, putting up public money as capital and guaranteeing its liabilities, explicitly or implicitly. This bank then lends to the real economy, alongside the private sector, but enjoys the same low



borrowing costs as the state. In this way, a public investment bank can offer cheaper loans than private sector banks yet may also be rather profitable, returning a dividend to the state or building up its capital over time.

By offering cheaper loans than the private sector, a public investment bank may enable a greater volume of investment on aggregate, raising GDP levels and the rate of growth. It can also constitute a powerful and selective policy lever, allowing a cheaper financing costs to be targeted at sectors such as renewable energy or small businesses.

The case for having some kind of public investment bank is therefore strong. The reason we don't have a big one already is perhaps ideological. Many public investment banks were founded in the post-war heyday of Keynesianism before state intervention and industrial policy become dirty words. The UK missed that opportunity. In the neoliberal decades, public investment banks in other countries have survived, largely, by keeping a low profile. The mantra has been that they don't ever "crowd out" the private sector and that they just address occasional market failures, financing investment that "wouldn't otherwise have taken place".

These claims are only partly true. Public investment banks can make extra investment happen, but they may also take over existing business from the private sector. Indeed, that may be mostly what they do in many cases. The question is: is this really a bad thing?

The "crowding out" argument pretends that public investment banks are the beneficiaries of a subsidy of public money, giving them an unfair cost advantage versus an otherwise more efficient private sector, and leading to a loss of efficiency overall. But this picture is false.

The risks of financial intermediation are ultimately carried by the public, one way or another, as the financial crisis has shown. For the private sector, market competition is supposed to provide discipline, ensuring that banks are well-managed. But competition implies that sometimes banks have to be al-

lowed to fail, and this means that financial intermediation by such banks is relatively expensive: savers and investors – who are supposed to bear all the risk – have to be compensated for the risk of bank failure.

What happens in practice, is that the state comes to the rescue of failing banks anyway, and investors know this. This is a real public subsidy. It is a transfer of risk on to the public, only imperfectly offset by regulatory oversight. It may actually make things worse by creating “moral hazard”; the possibility of real failure is no longer there to keep banks honest.

The third option is publicly-owned banking. It is superior to both of the above. The risk is carried by the public, as in the second option, but the public gets direct democratic accountability in return, removing the moral hazard problem. At the same time, this is a more efficient, lower cost model than the first because it does not necessitate the costly practice of occasionally letting banks go bust as a lesson to others.

So if public banking crowds out the private sector, it is just because it is a more efficient solution to the problem of financial intermediation, and we should welcome it.

## **What exactly has been proposed so far?**

But before we get too carried away with the possibly radical potential of setting up a big new public investment bank, let's look at what is on the table at the moment. Without knowing what has been discussed in Labour's inner circle, the best guide is perhaps the rather underwhelming external experts' report to John McDonnell, *A National Investment Bank for Britain: Putting dynamism into our industrial strategy*.

According to this report the new bank would:

- Lend £250 billion over ten years to financial intermediaries to support lending to small and medium sized enterprises.
- Be overseen by a supervisory Board made up of a government minister, seven representatives of devolved national/regional governments, two representatives from trade unions and two from business, with regional branches overseen by regional boards that would also include both government and other stakeholders.

While this report goes into rather premature detail on some issues, it completely fails to discuss some of the major questions raised by such a business model, questions raised by the experience of similar existing institutions. So let's do that here.

No public investment banks that I know of actually lend directly to small businesses. Such lending is labour intensive. It's typically done by retail banks with local branches that are able to get to know their business clients over time, building up a relationship. This is where the real value-added lies.

So when existing public investment banks do "lending for SMEs", what they really do is lend to banks. The idea is that by giving slightly advantageous loans to commercial banks, the latter will increase their lending to their SME clients. This is the model used by banks like KfW and by the British Business Bank, and it's not so different from the existing Funding for Lending scheme or the Bank of England's Term Funding Scheme which, as the rightly report states, have not changed much for SMEs.

This is the model proposed for the National Investment Bank and there are a couple of big problems with it.

## The fungibility of money problem

Lending to another bank “for on-lending to SMEs” is like pouring money into a big pot. Out of that pot, the intermediary bank does lend to SMEs. But money from the same pot also gets invested in large corporates or government bonds, or used to pay dividends and bonuses. So how do public investment banks know that their money has gone to SMEs? Clearly they don’t know this; money is fungible.

One approach is to demand that intermediary banks draw up list of all the loans to SMEs that have been issued with the public money. This is then the basis for saying that so-and-so many SMEs have benefited, and so-and-so many jobs have been supported. But, of course, the real question is whether these loans would have happened anyway. And this we simply don’t know. Even if the lending behaviour of the bank changed over time – even if it increased lending to SMEs – it is rather hard to tell what would have happened without the cheap loan from the public bank. In fact, as a rule, no attempt is even made to try to find this out.

What we are left with is a public subsidy of commercial banks. In fact it doesn’t much matter whether you offer banks cheap loans, public guarantees of their business loan portfolio (another approach used) or just make clear that the public will rescue them if they risk going bust. The effect is basically the same. In theory – in a world of efficiently equilibrating markets – such a subsidy will lead to an expansion of banking activity, which will include expanded lending to SMEs. Theoretically, it will raise bank profits, but only temporarily, in the process of attracting more capital to the banking sector. This involves rather a lot of wishful thinking. There may be better ways to get commercial banks to lend more to SMEs, but we should be aware of exactly what “business as usual” entails.

## The funding gap mantra

The report repeats the assertion that there is a “long-term funding gap” for SMEs. This is the mantra repeated by all public investment banks to justify their lending to banks “for SMEs”, a very important line of business. While otherwise perfectly neoliberal in their now dominant ideology, public investment banks, to justify their existence, must identify suitably large market failures, whereby huge disequilibria open up, where there is a huge demand for funding but no supply. It is only on this basis that they can claim that they neither distort the market nor crowd out the private sector, but merely fill in the gaps, enabling lending that wouldn’t otherwise have taken place.

But the evidence for these claims is basically not there. Outside of real liquidity crises in the banking sector, there is no yawning gap.

Of course, this is not to say that small businesses do not face all kinds of challenges. It is not to say that funding is not something that small businesses struggle with; that they would not like loans that were larger, cheaper, with lower collateral requirements or with longer repayment periods. But this is not evidence of the kind of gap implied. The ECB’s SAFE survey of small businesses in the eurozone in fact currently shows that access to finance is the least important of six concerns everywhere but Greece. Outside Greece, little more than 10% of SMEs reported difficulties with obtaining finance. This might still sound significant, but even in the best circumstances it is not to be expected that all SMEs are credit-worthy and able to get all the finance they would like. There will always be some firms that are struggling and that shouldn’t be entrusted with more money until they can show their prospects are better, so this is not evidence of a gap waiting to be filled. Another survey by the EIB that also covers the UK shows similar results.

The truth is that financial markets are awash with liquidity, in the midst of a global savings glut compounded by quantitative easing. Interest rates have

been compressed towards zero, even for long-term bonds, and everyone is looking for some way to invest that brings non-negligible returns. The complaint aired by commercial banks is that they would love to do more, but that there are not enough good SMEs asking for the money. In this context, the subsidy provided by loans from a public investment bank may enable private sector banks to lend marginally more to SMEs, but it's not much. Given banks' current profitability problems, the more tangible effect may simply be on banks' profits.

We also need to think about the ambition of getting an extra £250 billion lent to SMEs. £25 billion a year is about 1.3% of UK GDP (which doesn't sound that much) but is 8% of UK investment and 14% of UK business investment. Furthermore, if we note that SMEs make up about 40% of businesses by value-added, and that they actually fund around 80% of their investment from retained earnings, then £25 billion a year could end up being more than the entire existing external financing for SMEs.

To get UK SMEs to invest an extra £25 billion a year – perhaps a 20%-25% increase on their current investment – would be a good thing. It's also not, in itself, completely unrealistic. The UK investment rate is very low as a % of GDP (17%). Raising that to 18-19%, mostly through extra investment spending by SMEs, would be something worthwhile to aim for. But it is not really reasonable to expect that a very marginal reduction in bank's funding costs, possibly passed on to SMEs, will *on its own* cause SME borrowing to double. £250 billion might eventually be absorbed by banks, but it would probably just fund existing lending, with little change to the total. Indeed, the report on a National Investment Bank is perceptive enough to put in a footnote: "Steps will need to be taken to prevent banks from calling in current loans and using NIB funding to raise profits on what are really existing loans but reported to the NIB as new loans." But it doesn't say what steps these might be. And indeed, the question is not whether or not loans are really "new", but whether or not they are extra loans that would not otherwise have taken place.

We need to stop thinking of finance as the single magic bullet that makes investment happen. It is rarely the limiting factor. It may surprise people, but public investment banks, such as those operating in Europe, do not face great piles of loan applications to sift through, to select the very best investment projects. What they face are lending targets, and they typically have to work hard to find enough acceptable ways to get rid of the money. This is true for infrastructure projects, and here the big problem is really the lack of will and inability of public authorities to *plan* strategically for the future, to define the need for long-term investments, and to carry through the slow process of project preparation.

With small businesses, the problem is really demand. They won't step up their investment plans unless they see future demand outstripping their capacity to supply. It's also a question of innovation: new ideas and technologies (often coming out of public research) drive investment by creating opportunities to get ahead. And it's also again a question of planning: planned expenditure on, say, public housing, creates predictable demand and can drive private sector investment.

## **The problem of capital flight**

If public investment banks often have trouble shifting enough money, it's partly because the world has become a tougher place for them. With even long-term bond yields pushed down towards zero, the arbitrage opportunity that these public banks exploit is just not as large as it once was. The implicit state guarantee that now exists for "too-big-to-fail" banks doesn't help either. A new public investment bank may actually have little competitive advantage, offering very little in the way of a policy lever.

And if the public investment bank model may be squeezed, from one side, by the low borrowing costs of commercial banks, it may be squeezed from the

other by any rise in the borrowing costs of the state. This is where the whole model becomes vulnerable in the face of open, deregulated, cross-border capital markets.

I was tempted to give this section the title “Is there a magic money tree”. The response of many post-Keynesian activists since the election has been to point at the Bank of England and say “Yes there is.” This is relevant because Corbyn’s original leadership election pitch, back in 2015, included the idea of “People’s quantitative easing” to fund a National Investment Bank, though linked at this time to infrastructure.

This idea should no longer be seen as particularly radical. The ECB has been buying up all kinds of bonds, including those of KfW and the EIB, for a while now, depressing their funding costs. But I remain skeptical of the argument that the state can always maintain demand at full-employment levels, sustainably and without inflation, through the expedient of borrowing in its own currency or through monetary financing. I suspect John McDonnell has been wise to have been cautious in this regard.

The problem is capital flight. The problem is having borrowing costs more or less dictated to us by the capital markets. The whole point of a National Investment Bank would be to stimulate investment by lowering borrowing costs, but if it made us a target of the rating agencies and the bond markets, the effect might rather be the opposite.

This is a real problem. I do not imagine for a moment that the markets are going to be sanguine about a Labour victory. I expect that government borrowing costs will rise sooner or later, not because a default is fundamentally more likely, but because bond and currency traders know that the herd behaviour of the markets can bankrupt countries, and they don’t want to be the last one to join the stampede. Bond yields don’t measure a country’s ability to pay, they measure the risk that the markets themselves will precipitate a default by denying a country the liquidity needed for the routine rolling over



of its debt. And monetary financing is no automatic cure for this problem either. The leading central banks could do quantitative easing because there has been vast appetite for safe-haven dollar, euro, yen and pound denominated assets, but this only works so long as market consensus remains that these are safe. Ultimately, as long as we have a significant trade deficit, we are exceedingly exposed to market sentiment.

None of this means that we shouldn't have a National Investment Bank. It just means we must be strategic. Smaller lending volumes that are targeted at making a real difference may be better than creating a £250 billion contingent liability for the government, in order to fund lending that would mostly have happened anyway.

It is also a reminder that if we really want to reject austerity and put in place an active industrial and demand management policy to address the appalling weaknesses and injustices of our economy, then we may have little alternative but to wrest back control from global capital markets. This is a matter of sovereignty, and one to rival any compromises we have made with our fellow Europeans. If we have not so much noticed the rule of the markets, it is because our governments have been so craven before them, presenting every act of acquiescence as our own choice, as a natural economic necessity, and as just good housekeeping, even as they have presented every European intergovernmental agreement as a massive affront to our national dignity.

Of course, the two are not unrelated. Part of the European project has been a neoliberal effort to lock in obeisance to the market through constitutional rules. While the left in Europe works to overturn that agenda, Brexit potentially offers the UK an opportunity – as argued elsewhere in *New Socialist* – to pioneer a return to a system of rationally managed capital flows and managed trade.

So what would make a National Investment Bank really transformative? It is clear that “business as usual” isn't really an option, even the “business as

usual” of a publicly-owned investment bank. But a new National Investment Bank would offer certain opportunities to support a real process of transformation and democratisation in our economy. We should make sure we exploit those opportunities to the full. I would emphasise three things: supporting the coop sector, not being afraid to crowd out the private sector and “being the change you wish to see in the world”.

## **Get serious about supporting coops**

Supporting the cooperative sector is one of the tasks set for the National Investment Bank in the Labour Manifesto. Likewise, Labour’s Digital Democracy Manifesto proposes that the bank will be used to support platform co-operatives. In the report to the Shadow Chancellor, however, there is just a footnote to the effect that “enterprises” should be taken to include “appropriate non-profit or third sector organisations”; coops are not explicitly mentioned at all.

The manifesto commitment clearly takes precedence. But nonetheless, there is a danger here: the bank might end up doing little more than paying lip-service to the goal of supporting coops. If some loans by some intermediary banks just happen to go to coops, is that enough to tick the “supported coops” box? This is the kind of “business as usual” approach that won’t be good enough.

This is also about being able to know that the bank actually makes a difference. Public investment banks (that don’t usually want to make life difficult for themselves) have a tendency to push for very broad objectives. Hence the term “Small and medium sized enterprises”, which often becomes “SMEs and midcaps”, so actually including firms with several hundred employees. The broader the target, the easier it is to shift money. And the broader the target, the more likely it is that the public investment bank is just funding

loans that would have happened anyway, and the more difficult it is to tell whether that is the case.

But imagine you just target very narrowly, like just microenterprises or just coops, then your lending may be very large in relation to the targeted sector and it is difficult to meet your lending targets without a lot of real extra investment taking place. Shifting the money then takes a lot more effort, but you can be a lot more confident that the effort actually has an effect.

So there is a need to focus on achieving real transformation, not just on lending a certain amount of money. Lending £250 billion over ten years shouldn't itself be the goal. There is a need for a market-shaping mission-oriented approach to policy that sets a goal of achieving real change and mobilises all the interventions needed to achieve that. Doubling the size of the coop sector, as set out in the Manifesto, is the kind of goal we need to set. Then we can look at what is needed – legal changes, support institutions, finance, etc. – to make that happen. As part of such a mission, the National Investment bank would be charged with making sure the necessary financing is available. It would be challenged to find ways to address the particular financing needs of coops and mutuals, such as new capital instruments, funding worker buy-outs or nurturing new banking support networks or “shelter institutions” as discussed in the *Alternative Models of Ownership* report.

There can be different goals, and I am not against making life easier for small businesses. Raising investment spending by small businesses by £25 billion a year above it's current rate (requiring that we look at all the drivers of such investment, not just finance) would be an ambitious goal. Within small business financing, we could also prioritise green investment (energy efficiency improvements, etc.) and innovation (although this term is dangerously broad). But for me, perhaps the greatest opportunity for catalysing change lies in targeted support for the coop sector, driving forward the progressive democratisation of workplaces in the UK.

## Dare to crowd out the private sector

One striking recommendation of the report to the Shadow Chancellor is the assertion that the National Investment Bank should specifically and exclusively adopt the approach of lending to banks for “on-lending” to SMEs, to “avoid any direct competition with conventional banks”. Even if this is partly about getting around European State Aid rules, it is ideological nonsense. It is about posing no commercial challenge to the existing private banking sector, whilst providing them with an effective state subsidy, as I described above.

We need to challenge the neoliberal story about crowding out. Public banking is just a more efficient way of doing financial intermediation and risk mitigation than a privately-owned banking sector. It is also the only way in which the public can get effective democratic accountability in return for bearing banking risk. So we need to be cautious about using private sector banks as intermediaries, demanding new levels of accountability as a minimum. But going further, we should be developing the capacity of the public sector to do the full job of financial intermediation itself. Instead of subsidising private sector banking, we should be replacing it.

This is not a simple matter. Much lending to SMEs draws on the relationships that are built up between local bank branches and their business clients. A local branch network with a large and experienced staff is needed to successfully appraise the loan applications of businesses, as well as to advise them. This cannot be built up overnight. Nonetheless, it is another example of the kinds of high impact outcomes that we should be working towards.

One interesting option relates to the Royal Bank of Scotland, currently in public ownership. The Labour Manifesto has already pledged to consult on how this might be broken up “to create new local public banks that are better matched to their customers’ needs”. Perhaps, the RBS could become the basis of the new National Investment Bank, with a national network of local

branches, federated at the regional level.

The Manifesto has also pledged to “change the law so that banks can’t close a branch where there is a clear local need”. Perhaps the solution here is to nationalise branches that banks want to close, bringing them into the public network. This would not even be crowding-out; it would be a simple case of a public institution providing a public good that the private sector refuses to provide, because it cannot internalise, and thereby profit from, all the value created for the community. On this basis, a certain amount of public subsidy, to keep some branches open in the public interest, would clearly also be justified.

Creating a local branch network also creates important synergies. Because these branches would be publicly run, they could work closely with other public services such as advisory services for small businesses and coops, coop support institutions, public research institutions driving innovation, public planning authorities, and so on. This would cut the costs of getting to know small businesses and lead to better loan appraisal. Together, these institutions could work with businesses to identify their real needs and provide the support they need, including bank finance where that is appropriate.

Such a banking network could really make a difference in addressing small business needs. It could demonstrate the viability and advantages of public banking, beyond the arm’s-length approach of the on-lending model. And if there is a true level playing field – which is to say that private banks are not given the subsidy of a blanket state guarantee without the matching accountability or obligation to provide a public service – then we might find that such a bank is actually rather competitive in relation to the private sector, and might expand, and we might ask ourselves whether we really need private sector banking at all.

## **“Be the change you wish to see”**

We are talking here about setting up a brand new public institution. So there is no need to design it like a throwback to the 1950s. We need to learn from experience and explore new public service models that move away from top-down command management and foster accountability to workers and the communities served.

The governance model set out in the report to the Shadow Chancellor could be worse. It would allow for some high-level accountability to elected politicians across the country, avoiding the dominance of Westminster. But it is also really the minimum, lacking in ambition. The idea of operationally autonomous “regional” branches in Scotland, Wales, Northern Ireland and the English regions is also a step in the right direction, but a small step.

In fact, it is the idea of going beyond regional branches, to have local branches, that really opens up possibilities for new models of governance and democratic accountability. We should not envision a monolithic, top-down institution, but a network – or federation – of local banks embedded in the municipalities they serve. At this level, we can look at different ownership and governance forms, as set out in the *Alternative Models of Ownership* report. Local municipal banks cannot have the complete autonomy of worker coops as their liabilities must be guaranteed by the public and the public therefore needs to have a say in how they are run. However, municipal ownership is an option, as would be certain models of locally-led ownership such as community businesses or development trusts. The key point is to embed these banking institutions in local communities to foster direct accountability. It may also make them harder to privatise by a hostile national government.

Internally, we should examine whether these institutions could not be run more like coops. Whilst the community would have to oversee what these in-

stitutions do (i.e. their lending priorities, the types of service offered and the quality thereof), it should be their workers that oversee how they are run. It is going to be the workers that best understand the internal challenges of running such institutions and achieving their goals. Communities should decide “What?”; workers should decide “How?”.

At the regional and national level, one option would be to have an institution (or institutions) that is more conventionally state-owned, providing services to local banks, particularly fundraising on the capital markets (although local branches could also fund through deposits – a vital part of providing a local banking service). In this case, accountability to regional and national governments, ideally boosted by worker representation, would be required.

Another option could be to make these regional and national institutions into something like second and third tier cooperatives accountable to the local municipal banks. So the National Investment Bank would be a fund-raising, service-providing cooperative owned by its members, the regional banks, which in turn would be owned by the local banks. In such a system, each local or regional bank would clearly have a narrow self-interest in gaining resources and autonomy, but each would also clearly have an interest in the responsible behaviour of all members, so the idea is that mutual oversight would serve to ensure the responsible functioning of the federated network as a whole. Nonetheless, in return for a state guarantee, it would be wise to also set up an independent public institution, accountable to the national government, with responsibility for monitoring and auditing, to build and maintain confidence in the financial soundness of the network on behalf of the general public.

Such a decentralised, democratically run banking network would be a radical step in the direction of a democratic, socialist financial sector.

## Seeking room for manoeuvre for radical change

Perhaps this article risks getting carried away with what might, one day, be possible. A Labour government will not be in a position to take abstract blueprints off the shelf, to implement them as it wishes. The question is rather one of what such a government might be able to achieve within the bounds set by “capital”, particularly the internationally mobile variety, the power of which does not rest on the results of elections.

Part of the intent behind the Manifesto proposal for a National Investment Bank lies in a desire to implement a significant Keynesian stimulus programme through investment spending. This is not, in itself, anything anticapitalist and there may well be room for manoeuvre in this direction. It would be very welcome, helping to reverse some of the damage done by austerity. But nonetheless, I am not sure that lending to banks in the hope that they lend more to SMEs should be a priority for this stimulus programme.

At the same time, the National Investment Bank is also being seen as an opportunity to effect a more radical, yet gradual, transformation of our financial system. Here what matters is not quantity but quality. What matter is that we use the opportunity we may have – even if the numbers are much smaller – to target first steps in a process of fundamental change in the nature of our economy. Support to the cooperative sector seems key here. But so is the idea of making the bank a real public alternative to the private financial sector, from the local branch level upwards, even if this has to start from small beginnings. Lastly, if we are to set up a National Investment Bank, we can use this as an opportunity to pioneer new approaches to public ownership and democratic accountability.



# Full Corbynism: Constructing a new left Political Economy beyond Neoliberalism

Joe Guinan and Thomas M. Hanna

There have been significant debates around the Labour Party's increasing sympathy for universal basic income (UBI). Though UBI's alternatives have also been discussed by both Jeremy Corbyn and John McDonnell, UBI itself has been the starting point for policy responses to increased precariousness of employment and the possible effects of greater automation, with McDonnell setting up a working group to look into the idea in February last year.

The concept of UBI has been a mainstay for left and green parties in recent decades, and has rapidly become mainstream as it gains increasing support from both centrist parties and individual capitalists, becoming at least an inspiration for further policy development across the political spectrum. However, as this concept has become more popular even among mainstream commentators who seem increasingly ready to entertain at least one form of rad-

ical change, it has remained controversial among Marxists.

Authors in the “post work” tradition such as Nick Srnicek and Alex Williams see a UBI as a central feature of a highly automated post-capitalist society. Within capitalism, it is put forward as a transformational reform, smoothing the path towards post-capitalist society by challenging the ideology of work that makes one’s job a signifier of social purpose and worth.

In contrast, the “workerist” tradition has argued that it would undermine the key aim of post-capitalism. A recent critique in *Jacobin* magazine is exemplary. UBI proponents are charged with abandoning the idea of worker’s emancipation in the workplace through control of the production process. UBI, it is said, offers workers only a subordinated and alienating position within a market economy.

So should a UBI be part of a socialist vision for the future? Does a UBI even make sense as a transformative reform within capitalism? Debates on UBI as a practical policy are well-rehearsed, but this article seeks to answer these questions through a critical review of the Marxist perspectives on the concept.

## **Freedom in work**

“Workerism” is the often derogatory term for Marxist analysis that dogmatically privileges manual production workers as creators of economic value and agents of history, calling for workplace organisation to the exclusion of all else. Though this is a fair criticism of specific Marxist movements, much of the Marxist tradition is “workerist”—with a small “w”—in emphasizing wage labour as the origin of economic value. As workers, we are said to create value and continually remake the world, yet at someone else’s direction. Seeing ourselves as passive “employees” rather than active creators is crucial to the concept of alienation, which underpins capitalists’ ability to expropri-

ate value from production, yet herein is said to lie our latent revolutionary potential.

Accordingly, emancipation cannot be seen as freedom from work, which would appear to be an abdication of agency. Instead, class struggle centres on the workplace, on the fate of the value we create, and on the control of the work process itself. The goal is freedom-in-work through the socialisation and democratisation of the workplace. The free association of producers replaces wage labour.

This position can be caricatured—and historically often has been—as ignoring those who are outside the realm of capitalist production. However, it maintains that unpaid work (such as domestic labour) can, like all labour, create use value, which is something to celebrate. Greater recognition of this fact gave rise to ideas such as “wages for housework”. Although proposed in opposition to narrow workerism, these ideas still embody a certain workerist logic: the response to unpaid labour is to demand that it should be recognised as labour proper by linking it to a wage, and that it ultimately should be socialised, in order to emancipate it. In this vision, the realm of work expands outwards, but work is to become self-directed, and no longer alienating.

In this context, it is not hard to understand the workerist opposition to UBI. To the extent that UBI means we can drop out of work, we gain “free time”, but we lose the historical agency we have as workers. As UBI-funded consumers, we are seen as passive, alienated, taking as given a world shaped by others. We may do work, such as housework, that creates use value outside of the market, but there is no reason to believe that this work must be “free”: it may fall victim to other structures of domination such as patriarchy. Might not UBI create an enormous pressure to “volunteer” in some approved manner, to symbolically earn one’s UBI cheque?

From the beginning, Marxism has pointed out that wage labour offers an escape from “pre-capitalist” structures, even as it imposes a new form of sub-

jugation. Workerism embodies the classical Marxist teleology that sees capitalism as a step on a liberatory path that is only completed through the socialisation of labour. From this perspective, UBI seems to miss a crucial step in the process towards post-capitalism.

This critique recognises the fact that UBI is usually proposed as a specifically social democratic reform within capitalism. Despite all the talk of “free time”, such a formulation of UBI can only be intended to leave the system of wage labour intact, and this is how left critiques of UBI tend to understand it. As such, the liberation involved appears limited: if we still have to perform wage labour to supplement our UBI cheques, then we still cannot escape the alienation of working as someone else’s tool.

UBI is also unlikely to be seen as a transformative reform from a workerist perspective. Organising for a (higher) UBI, to lessen the impact of low pay and precarious conditions, appears as an alternative to workplace organisation. And, from this perspective, organising to plead for state protection from capital looks like a dead end. Indeed, to the extent that UBI is really a subsidy of low pay and precarious conditions, it is not clear who the state would be protecting from whom.

## **Freedom from work**

The post-work tradition has its roots in the post-operaismo of Italian Marxists such as Carlo Vercellone, Antonio Negri, and other “post-work” thinkers such as André Gorz. Its key contention is that work and value-production increasingly fail to conform to the model we see in Marx, one that is better suited to early industrial times. As production becomes more and more immaterial, less bounded by the conventional workplace, and less defined by physical time or output, labour’s role in production becomes harder to measure and define. In other words, the sphere of value creation becomes dif-

fuse. It comes to include not just domestic and reproductive labour, but all activity that is generative of a functioning society and the knowledge that it possesses.

As a result, much less emphasis is placed on the idea of emancipation *within* work. Instead, the receipt of a basic income often takes centre stage as the emancipatory moment, releasing us from the compulsion of performing alienated activity for the market, or indeed for the state. Work is not transformed so much as progressively abandoned in favour of UBI-funded, self-directed, productive activity.

Technological advance plays a critical role in this approach. The growth of labour productivity through automation is seen, in the tradition of Gorz, as outpacing our demand for the products of labour. This would appear to make productive full-time work for everyone an impossibility, both as a source of income and as a route to emancipation. A related critique is David Graeber's view that "bullshit jobs" have become the norm in capitalism—jobs which may have some tactical rational for employers yet cannot be seen as meaningfully creating value for society. For Graeber, such jobs should not be socialised; they should be abolished.

So workerist and post-work traditions actually share a vision of production through free association in a society that has moved beyond wage labour, but they foresee very different paths to get there: the one through the transformation of work, the other through escaping it.

The moral agenda is also different. Paying workers "the full fruits of their labour" is a caricature of the workerist position, but not entirely without basis. By contrast, proponents of UBI see it as a way for society to reward all useful activity performed beyond the market. It is often promoted as a "dividend" of past efforts to develop knowledge, technology and "social capital".

Lastly, there is the question of the transformative potential of a UBI on capitalism itself. Inasmuch as it creates an alternative to wage labour, a UBI is

often seen by left proponents as a tool to undermine the bargaining power of capital over labour, forcing improvements in pay and working conditions, or even challenging capitalism itself. Even the implementation of a modest “partial” UBI is seen as a transformative reform, undermining the ideology of work that makes one’s job a signifier of social purpose and worth, and that stands politically in the way of the transition to a post-work society.

## **Some sources of confusion**

One conclusion we can draw from this controversy is that it is not always helpful to read the labour theory of value (LTV) as a normative theory, despite the undoubted rhetorical power of doing so. With LTV treated as a moral theory of theft, the UBI debate becomes one of competing moral claims to the social product, based upon competing claims about value-creation.

But in what sense should value-creation in capitalism be a moral yardstick when we are talking about transformation to post-capitalist society? Marx famously proposed “to each according to his (sic.) needs” as a better principle; a post-capitalist society has to transcend the logic of reward-for-contribution to realise that vision. LTV, on the other hand, can be seen as a descriptive theory of the determination of prices of production under specific circumstances. This is why Marx only considers wage labour in that theory—unpaid work is not considered to have any effect on prices.

There is also a lot of confusion about sequencing in this debate. Are we talking about before or after the revolution? To attack UBI, it is tempting to counterpose the promise of after-the-revolution socialism to the dystopia of a capitalism shored-up by a lumpenproletariat-pacifying UBI. At the same time, it is tempting for the post-work side to counterpose the self-directed, unpaid activity and free association of hypothetical UBI-receivers to the horrors of actually-existing wage labour.

But neither of these are entirely fair comparisons to make. Both compare capitalist realities with states of affairs that are really only possible post-capitalism. We need to consider what role UBI might play in a post-capitalist/socialist/communist economy. In parallel, we need to consider exactly what kind of UBI is possible in a capitalist economy, and the limits thereof.

## **UBI would be contingently necessary in a post-capitalist economy**

UBI has emerged as a policy response to the problem of persistent labour oversupply and the precarity and poverty that goes with it. This oversupply, however, is a necessary feature of capitalism. In the workerist vision of a socialist economy, the problem is solved by guaranteed access to employment. In the post-work vision, UBI solves the problem that employment can no longer be guaranteed. My aim in this section is to suggest how this chasm might be bridged.

First of all, I believe that full employment—understood in a certain way—should be seen as a basic requirement in a post-capitalist economy. The opportunity to work as much as we would like is not just a nice-to-have; it is needed to underpin the strength of labour and ensure the democratic character of the production process. I am tempted to say that worker power through effective labour scarcity is even more fundamental than the *de jure* control of the productive apparatus. There is no state enterprise or worker coop that could not potentially become the site of alienation if you had to beg to be allowed to join, i.e. if surplus labour put some people in a position of *de facto* power over others.

But there is no reason why we should all want to work forty hours a week. In fact, “how much we want to work”, on aggregate, is not a matter of im-

mutable individual preferences but something to be consciously and collectively decided. It should be an object of collective economic management, and this is where UBI may play a role post capitalism.

How much we should want to work, moreover, depends on how much we want to produce. In capitalism, growth is just the accidental product of uncoordinated profit maximization. Associated production, by contrast, implies a collective decision about how big the economy should be at any one time. Even putting aside the issue of ecological limits, the balance between well-being now and in the future, and thus between current consumption and investment, is fundamentally an ethical and political one. To let the current and future scale of output be determined accidentally, through uncoordinated activity, is to abdicate responsibility. A socialist society has to target a certain scale of output at any date, thus aiming for a certain trajectory of growth or de-growth.

A target level of output then implies a target for the input of labour time, given the state of production technology at any one moment. Looking forward, this is unlikely to mean everyone working all week; not in the context of automation, ecological constraints and the satiation of basic needs. So there can be no question of simply trying to stimulate whatever output it takes, Keynesian style, to absorb however much labour we might happen to want to supply. Instead, full employment would require that we adjust the amount of labour we *want* to supply to the desired level of output.

Now this is not a problem where there is no market. For example, if I agree, in a self-sufficient commune, to a plan which foresees everyone working 20 hours a week, then by definition I decide and want to work the required 20 hours a week. The supply and demand sides are brought together in a conscious decision. The same applies to voluntary activity and any work done for its own sake, rather than for payment.

However, there are few visions of a post-capitalist economy that do not fore-



see at least a consumer market and payment for labour (in money, “labour tokens”, etc.), at least transitionally. And where work is performed for payment, the problem arises of setting this reward at the right level to incentivize the required supply of labour. Rationing out scarce paid work is possible but suboptimal, leaving nearly everyone dissatisfied.

This is where UBI comes in. Clearly, by raising or lowering a UBI, we could collectively influence aggregate labour supply, whilst leaving each of us free to decide how much we each want to work for payment. In fact, we should speak here not just of UBI but of the general balance between labour and non-labour income. The latter includes goods and services provided in kind, like public healthcare, and money transfers such as pensions, as well as UBI. Here then, UBI becomes an intelligent tool for planning aggregate labour supply in the context of prior defined goals for aggregate production and consumption.

Consequently, instead of seeing “workerist” and “post-work” visions of post-capitalist society as opposing each other, we can see them as contingently necessary solutions to different historical circumstances. We can see UBI as a contingently necessary tool, rather than as something mandated by a particular view of the LTV. In a low-productivity, early industrial context, with a strong desire to increase output to meet basic needs, we face the problem of how to motivate and compensate the performance of a large quantity of arduous work. In this context, there is limited scope, macroeconomically, for extensive non-labour income.

By contrast, with high labour productivity, high living standards and ecological constraints, we face the problem of how to allocate output without giving rise to unquenchable demands for paid employment. As a result, a shift towards non-labour income becomes macroeconomically necessary. Meeting particular needs comes first, in my view, but something like a UBI becomes increasingly desirable, and even hard to avoid. So the post-work vision of UBI in a highly automated communist economy, in which little work needs to be paid for, also makes sense. Vitally, both visions are ones of full employment,

in the sense that we each get as much paid work as we want.

But are we really still talking about UBI at this point? The same mechanisms can be discussed with reference to basic service provision or systems of rationing to meet basic needs; making UBI the theme just situates the discussion within debates on automation and the potential outcomes of capitalism's changing technological base. It is also clear that a post-capitalist "UBI" is functionally completely different from a capitalist one. So does a UBI make sense in a capitalist economy, highly automated or otherwise?

## **The limits of UBI within capitalism**

The question for proponents of UBI as a progressive measure within capitalism is whether it can really be high enough to provide a widespread alternative to wage labour. It seems the answer is "no".

There are circumstances in which a modest UBI could increase labour market participation, but these are limited. More generally, a rising UBI in a capitalist economy will decrease labour participation and unemployment, with predictable effects. Sooner or later the labour market will grow "tight" and the bargaining power of labour stronger. Inflation is likely to rise as firms try to pass on higher labour costs. Ultimately, without state intervention, the result must be a capital strike: investment will collapse as profit rates fall, regenerating unemployment and returning labour to its former weakness.

This is the point where the state usually intervenes, in the guise of fighting inflation. If the state had just raised the level of UBI, then the obvious inflation-fighting response would be to lower the UBI again, forcing people back onto the jobs market and undercutting wage demands. The possibility of a UBI in a capitalist economy is conditional on it being low enough *not* to provide a viable alternative to wage labour for most people.

For the same reason, UBI *within* capitalism is quite likely to mean the redistribution of income from higher- to lower-paid workers, rather than taking capital income and redistributing it to labour. There may be interesting possibilities to tap rental income flows like land rents and speculative capital gains, but the overall scope for sustainably reducing profit rates to pay for a UBI must be limited.

Moreover, a modest UBI that failed to provide a viable alternative to paid employment might actually increase profit rates. This might be the case if a UBI was effectively funded at the expense of higher-paid labour, whilst also facilitating lower pay and more precarious conditions for many workers. In this case, capital would be better off, whereas workers as a whole would be worse off. A UBI could become part of a package to create a “business friendly environment”: business might still be forced to pay some workers well, but some of that excessive pay could be recovered through taxation to subsidize low pay and “flexibility” for others.

## **What difference does automation make?**

In a sense, automation could change all this, but in another sense—and this is where the LTV is crucial—it would make no difference at all. The idea behind the appeal to automation is that labour productivity will become so high that output can simultaneously fund a generous UBI, high wages and plentiful profit. Hence, no one would be compelled to work, enough people would still be willing to sell their time to capitalist firms, and entrepreneurs will still want to invest, all at the same time. The capitalist system of exploitation remains intact, but we all get to live a good life anyway.

There is an extensive debate about how likely this actually is, given recent trends of slowing productivity growth. We must also consider the capacity of capital to find non-utility enhancing ways to absorb surplus and create

work through zero-sum competitive games, such as in marketing, or just through the expansion of corporate bureaucracies. However, even assuming the promise of automation is fulfilled, this vision raises certain questions.

Firstly, it is not correct, that UBI will be necessary to create demand for the output of automated production. Competitive consumption by the capitalist class and by states could perform this function perfectly well. We also need to be wary of what are essentially moral appeals to capital, in the form of arguments that say automation will make a UBI necessary in order to preserve some idea of the good (but capitalist) society. This is utopian, unless it can be specified why capital should acquiesce.

More fundamentally, we may ask why this future is not with us already, given that labour productivity has quadrupled in the post war period. The answer is that labour, at least for the first three decades, was powerful enough to maintain its share of output, resulting in rising living standards for workers. After that, increases in productivity were rerouted into supporting the endless accumulation of capital.

The high-tech vision of UBI, the darling of Silicon Valley billionaires, would represent the historic defeat of labour. Working to achieve this vision would mean ensuring that workers' standards of living do not rise with productivity, in order to make UBI affordable. Indeed, we could also make such a "full" UBI affordable now, hypothetically, just by drastically reducing our standard of living. It would be kind of the same thing.

## **Can a modest UBI be a transformative reform?**

I hope that the preceding sections have shown that UBI under capitalism and UBI in a post-capitalist society can't be understood as the same thing. Many appealing visions of life with a UBI belong strictly in a post-capitalist world,

because they are not compatible with capitalism's functional requirement for surplus labour and accumulation.

Post-work critiques of the narrowness of workerist understandings of value creation do not have merit, but escape from alienating work is not a plausible option for most under capitalism—the broadly workerist vision of emancipation in and through work therefore remains vital. Moreover, the idea that a UBI could dramatically alter the bargaining position of workers within capitalism, or could even cause the tables to be turned, is logical but not realistic. If we had the power to kill off capitalism with a UBI, then we would not need a UBI to do so. And until that point, any UBI will be strictly limited by the imperative of profitability.

This leaves us with the question of whether a modest UBI, under capitalist conditions, is a transformative reform that moves us forward, or rather one that causes us to regress. One argument from the post-work side is that even a modest UBI would undermine the “work ethic” that provides ideological support for capitalism, whilst preparing us psychologically for the “new technological revolution”. This work ethic is certainly functional for capitalism, but it is less clear why we should see it as a barrier to change, and it is not clear why a UBI as such would undermine it. A campaign for a UBI might contest this ideology of work (and highlight how labour has ceased to benefit from productivity increases), but so too can campaigns for shorter working times and better life-work balance.

Another tactic is to present a UBI not as a welfare transfer but as a “dividend” from a stock of capital that is collectively created and/or held by society (“knowledge capital”, “social capital”, etc.). But this draws upon and reinforces the idea that income is a matter of right derived from property. As equal shareholders in public capital, it is implied that we are entitled to equal dividends. If this is true, however, then surely the owners of private capital stock have a right to their dividends as well?

The mainstream UBI debate, of course, is really mostly about welfare reform. Here, its usefulness integrates claims about efficiency, the dignity afforded to beneficiaries, and public acceptability. For example, John McDonnell has linked the idea of UBI to his experience with child benefit. As a non-means-tested measure, child benefit was once considered a dubious proposal, but has since proved popular among the public.

But child benefit is not like a UBI. Neither are means-tested, but child benefit is need-determined, not universal. The arbiter of need is the (bureaucratically-determined) presence of children, which is recognized as implying a greater household need for income. There seems to be widespread acceptance for means-tested progressive taxation (from each according to their ability!) and for need-determined benefits like child benefit, pensions or disability benefits (to each according to their need!). Acceptance is most fragile where beneficiaries' inability to look after themselves is popularly called into question (the unemployed, "benefit scroungers", etc.).

This is a problem for any UBI scheme. As described above, the scope for funding it from the capital share is limited. This means it is likely to be largely a transfer from the better-paid to the less well-paid, and from those who work to those who do not. Unlike child benefit, its acceptability will depend on persuading people that it is good to work and pay taxes so that other people do not have to. This is likely to be a hard sell.

The acceptability of child benefit rests on the perception that people do not have equal needs, making need-determined distribution more efficient more efficient than universal provision. For the same reason, need-determined distribution provides greater security because people who need a bigger cushion can get one, or because help is targeted at occasions of need, such as the loss of work or the advent of illness. Benefits that are means-tested or conditional on behavior can be bureaucratically wasteful and intrusive, but cases like child benefit show that means need be tested only once (at taxation) and that much needs-testing can be reduced to simple objective criteria. We also

need to push the idea that sometimes it is better to give claimants the benefit of the doubt, to create a more humane and efficient welfare system.

Finally, we need to be wary of the assertion that the assessment of need by the state is always suspect, and that equality of benefits is in principle good. From this, it is but a small step to just handing out equal vouchers to spend on private healthcare and education. It is but another small step to the idea that all means-testing is bad and tax should always be flat. The libertarian support for UBI is not for nothing, after all.

Marxist debates can help us understand UBI's alluring vision. Only by transcending capitalism, however, can we ever reach that vision. Until then, it seems destined to be a disappointment: as a welfare system, it is sub-optimal; ideologically, it may be, on balance, unhelpful; and as a potential subsidy of low-paid and precarious employment, it may even become regressive.

More promising transformative reforms lie elsewhere. We can strengthen and deepen democracy. We can raise the labour share of income at the expense of speculative and rentier incomes through instruments such as land value taxation, reducing the political power of capital as a whole. Lastly, we can begin to foster the growth of public, worker-owned and similar alternative forms of ownership at the gradual expense of the purely capitalist sector. While a UBI scheme is likely to become subordinate to the requirements of the capitalist mode of production, such policy options can help build the foundations for socialism.

# 11

## Labour's Alternative Models of Ownership Report

### The Editors

Today Labour launch a report, *Alternative Models of Ownership*, commissioned by Shadow Chancellor John McDonnell and Shadow Secretary of State for Business and Industrial Strategy Rebecca Long-Bailey, that could mark a major milestone in the development of the Corbyn project and its ambitious attempt to re-make the British left. The report, authored by a group of theorists and practitioners at the cutting edge of 'new economics' thinking in the UK, potentially provides the basis for the most far-reaching, radical, yet practical, economic strategy to be argued for within the Labour Party in forty years. In a political landscape long characterised by triviality and a sullen lack of imagination, the authors of the report – as well as McDonnell and Long-Bailey – deserve enormous credit and have further demonstrated that it is the left that is producing the only serious, grown-up ideas for tackling our deepening social, economic, and ecological crises. The ideas contained in the report manage to be both justifiably pessimistic about the consequences of continued business-as-usual for the vast majority of people and for the



environment, while also demonstrating powerful optimism regarding our capacity to change things for the better – for the many, not the few.

Our economy is clearly not working, and the report provides an indispensable analysis of why, situating present outcomes in fundamental structural flaws that flow directly (as the authors bravely and correctly argue in the very first paragraph of the executive summary) from

The predominance of private property ownership [which] has led to a lack of long-term investment and declining rates of productivity, undermined democracy, left regions of the country economically forgotten, and contributed to increasing levels of inequality and financial insecurity (p. 5).

In considerable detail, the report sets out the practicality and necessity of a shift to a variety of alternative forms of ownership and control of productive enterprises, including co-operatives, municipal and locally-led ownership forms, and finally – and most ambitiously – new democratic forms of national ownership. Ultimately, *Alternative Models of Ownership* is a remarkable document to be circulating at the highest levels of a major political party, combining a sober and plausible practicality with a profound radicalism in demanding a new socialist political economy that goes beyond nostalgia for a reheated, golden-age social democracy and instead amounts to

Nothing other than the creation of an economy which is fairer, more democratic, and more sustainable; that would overturn the hierarchies of power in our economy, placing those who create the real wealth in charge; that would end decades of under-investment and wasted potential by tearing down the vested interests that hold this country back (p. 32).

It's worth noting too, that for all the undoubted radicalism of the report, there is no reason that these proposals can't be massively popular with the general public. In a YouGov poll asking about issues of workplace power

and authority, 66 per cent of respondents thought that running a business through collective decision-making rather than with a CEO was better compared to just 11 per cent who thought it was worse. Polling also suggests widespread public support for renationalising railways, water companies and other utilities as well as for having workers on company boards<sup>1</sup>.

More generally, the report also contains certain policy themes that have not always been the preserve of the left – or at least of the left exclusively. Such themes include co-operatives, which formed a large part of the Big Society agenda; greater devolution of budgets to regions and councils, which superficially parallels both the “Northern Powerhouse” and the reason given for the support of some right-wing Labour council leaders for Liz Kendall’s 2015 leadership bid; a concern with automation and Unconditional Basic Income, which have interested figures like Tom Watson and Jonathan Reynolds; and a suspicion of how far states subject to the discipline of globalised capitalism can redistribute that underpinned Ed Miliband’s “predistribution” agenda<sup>2</sup>. This, however, points to a further strength of the report, which takes as its starting point the understanding that there are not piecemeal policy solutions to the condition of the UK economy but that radical changes in ownership are required. What this means, politically, is that such an agenda may be able to bring along some of the more imaginative thinkers of the right, showing how their objectives can only be realised within a wider economic framework and set of values – of solidarity and cooperation – that break with private ownership and control. Within a piecemeal, technocratic framework, the values and relations of capitalism go unchallenged; within the framework of the Alternative Models of Ownership report, such fragmentary themes can be unified and made productive.

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<sup>1</sup>See Companies without CEOs; Working better without a boss; Taxing robots, YouGov, February 2017 and Majority support for rail nationalisation – but also policies from the ‘radical’ right, YouGov, August 2015.

<sup>2</sup>See, David Cameron’s Big Society Speech, George Osborne on the Northern Powerhouse, Letter from various mayors of London boroughs and council leaders in support of Liz Kendall, Tom Watson on automation and industrial strategy, Jonathan Reynolds on UBI and Ed Miliband on predistribution.

For *New Socialist*, *Alternative Models of Ownership* poses two questions. Firstly, does the general economic analysis hold, and can it and its policy implications be extended further? We believe that it does, although the attention to the international context is sometimes one-sided – the pressures exerted by international capital and the challenge it poses to any desire to return to technocratic social democracy are strongly developed, whilst the UK's position as an imperial core country and the implications that flow from that are far less articulated. This inattention to UK's imperial position poses problems of both an analytical and a moral-political nature. The second set of questions, which are far less discussed in the report require asking what political, social and cultural forces are required to develop and carry forward such a programme – and to struggle against the powerful interests, including within government institutions and the Labour Party, who would attempt to frustrate its development and realisation.

## **The Political Context**

The *Alternative Models of Ownership* report is compatible with commitments and themes in Labour's election manifesto and campaign, and fleshes out how these could be realised in practice. It also goes beyond the letter of the manifesto and points towards concrete implementation of the spirit of campaign materials like Labour's recent "Labour stands with you" Party Political Broadcast addressing the insecurities of work and the UK's uneven geographical development. It challenges these in the name of an economy that efficiently meets people's needs, like the remarkable #WeDemand video, with its insistence that the satisfaction of needs is not to be "subject to grand profiteering" but "planned, transparent, executed in efficient fashion under democratic control using our intelligence and imagination" and the demand for "the full fruits of our labour."

The most obvious policy significance relates to manifesto promises around

nationalisation of utilities, with an emphasis on local accountability (pp. 19–20) but also on changing procurement rules so that wider public policy objectives are considered (p. 14. 30). The stress – particularly in the section on co-operatives – on the need for adequate funding that the current banking system will not provide, as well as on the investment needed to build an environmentally sound infrastructure, also links to and expands upon manifesto commitments for a national investment bank and “a network of regional development banks that unlike City of London firms will be dedicated to supporting inclusive growth in their communities” (p. 16). This is part of the more general campaign theme, strongly articulated in the report, around the deep geographical inequalities and spatial contradictions within the UK, primarily the concentration and capture of wealth in and by London and the South East, and within them by specific economic sectors. “Over the last 40 years,” the report argues, “inequality in Britain has increased dramatically across households and regions, with wealth becoming increasingly concentrated around landed property and finance, particularly in London and the South East” (p. 7). A key change in the campaign and manifesto, one expressed in slightly different terms by Corbyn and McDonnell, is the centrality of a radical notion of efficiency, understood not as allocative efficiency determined by market mechanisms but as the economy’s ability to satisfy human needs. There is also, crucially, an effort to expand upon what counts as a human need. This notion of efficiency is notable in McDonnell’s conclusion to the “Labour stands with you” broadcast – that “a fairer society is happier, more united, more efficient” – and in Corbyn’s regular criticisms of the inefficiency of a society which wastes so many people’s talents.

The broader political context of the report, however, goes beyond its compatibility with and extension of the 2017 election campaign, into the personal histories and experiences of key figures in the current leadership, most notably McDonnell as Deputy Leader and Chair of Finance of the Greater London Council (GLC), but also Corbyn and Abbott’s positions as key figures in the world of the 1980s London radical left. The question of both efficiency

and human needs, as well as the possibility of translating a radical economic strategy intended for implementation on a national basis into a municipal context, with versions the Bennite Alternative Economic Strategy<sup>3</sup> imaginatively redeployed by various Labour councils, is an important background to the report, which refers to some of the policies of the GLC and Sheffield council in the 1980s.

Hilary Wainwright has offered an important theorising of the GLC experience in her account of “the economics of need” in *Labour: A Tale of Two Parties*. Wainwright’s conception of the economics of need emerged from “parts of local government, among some trade unionists, among socialist feminists and in socialist wings of the peace movement” to focus on “the purpose and social relations which could be achieved through social control of production”. It goes beyond Keynesian and social democratic forms of planning and efficiency to a radically different conception, involving “planning production on the basis of the full use of resources to meet social need. The distinctive new influence of recent social movements is to refine and expand the scope and diversity involved in the notion of need among workers and consumers”. Significantly, these notions of democratic planning went far beyond limited labourist considerations regarding the distribution of wealth or economic and sectional trade union struggles for a greater wage within a particular firm to wider concerns over “principles for organising the economy: the principle of accumulation for private or at any rate unaccountable profit versus the belief in production for democratically decided need<sup>4</sup>.”

For Wainwright, as for broader new left critiques of the postwar nationalisations, the persistence of essentially capitalist values, modes of organisation and objectives in the nationalised industries represented both a failing in socialist terms and a strategic disadvantage in undermining as public support for nationalisation and the welfare state – and for the Labour

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<sup>3</sup>For an excellent treatment of both the Alternative Economic Strategy and the wider world associated with it see John Medhurst, *That Option No Longer Exists*, Alresford, Zero, 2014.

<sup>4</sup>Hilary Wainwright, *A Tale of Two Parties*, London, Hogarth, 1987, p. 255.

Party with which they were associated. As Raymond Williams argued, “in being dragged back to the processes of the old system, yet at the same time offered as witnesses of the new,” Britain’s nationalised industries, “so deeply damaged any alternative principle in the economy as to have emptied British socialism of any effective meaning<sup>5</sup>, invites capitalist counter-moves (which are, as the report acknowledges, increasingly difficult to resist in a globalised economy), relies on technocratic lever-pulling by distant political authorities, and creates a bureaucratised and repressive welfare state.

In essence, the report returns to the fundamental left recognition, going back to Marx<sup>6</sup>, but reanimated in the new left, that we must alter (socialise) the underlying economic relationships – i.e. the ownership and control of productive capital – in order to produce the outcomes we are seeking – equality, investment, community economic stability, ecological sustainability – as a matter of course. Considerations of the difficulties of sustaining the social democratic state’s capacity to redistribute under globalised capitalism have certain parallels with the Milibandite notion of “predistribution” and overlap a little with the fact that the tax changes proposed in this Labour manifesto, while extremely radical in the current situation, are historically very moderate. However, the redistributive measures prescribed by Miliband were extremely mild, reliant almost entirely on labour market interventions such as education and training to attempt to alter distributional outcomes. This report – and the general direction offered by Corbyn and McDonnell – is far more robust, pointing to real changes to the nature of the ownership and control of productive wealth as well as being comfortable with a far greater level of redistribution.

Labourist social democracy essentially accepted the capitalist split between

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<sup>5</sup>Raymond Williams, *The Long Revolution*, Harmondsworth, Pelican, 1965, p. 330.

<sup>6</sup>See, most succinctly, “The Critique of the Gotha Programme” and the argument that, “vulgar socialism (and from it in turn a section of the democrats) has taken over from the bourgeois economists the consideration and treatment of distribution as independent of the mode of production and hence the presentation of socialism as turning principally on distribution.”

the economy and politics. Even among Marxists, as Ellen Meiksins Wood has argued,

There has been a tendency to perpetuate the rigid conceptual separation of the ‘economic’ and the ‘political’ which has served capitalist ideology so well ever since the classical economists discovered the ‘economy’ in the abstract and began emptying capitalism of its social and political content<sup>7</sup>.

This split also grounds the “economism” of large sections of the workers’ movement – the reduction, historically, of the struggle to particular workplaces – and is explicitly challenged in the emphasis on values rooted in class experience (but not only class, also women’s experience and that of members of Black and Minority Ethnic communities) over sectional conflict in the economics of need. The strong emphasis running through *Alternative Models of Ownership* undermines in many ways the same economic split between politics and the economy, pushing back against the reduced scope of the sphere of democracy through privatisation. As the authors argue,

There is a commonplace implicit assumption in UK society that there is a natural separation between the political and economic realms, with democratic structures and processes only applying to the former. The economic realm, unlike the political realm, is deemed too complex and sensitive to be treated in the same way, and in consequence of the lack of democratic process, economic decisions are often made by, and on behalf of, a narrow elite, with scant consideration of the well-being of the general population. The process of privatisation has further increased the areas of society that are not subject to democratic decision-making (pp. 6–7).

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<sup>7</sup>Ellen Meiksins Wood, *Democracy Against Capitalism: Renewing Historical Materialism*, London, Verso, 2016, p. 19.

However, certain problems of economism continue to haunt the report, particularly in the section on co-operatives.

## Values and Politics

The centrality of the struggle to articulate and institutionalise new values and new patterns of social organisation for society and even the world as a whole by the labour movement in the struggle for socialism is most clearly set out by Raymond Williams in *Culture and Society* and in his refinement and qualification of his position in *The Long Revolution*<sup>8</sup>.

For Williams, the “remarkable creative achievement” of the working class in Britain is in the generation and institutionalisation in the Labour Party, in trade unions and in co-operatives of the idea of

Society... as the positive means for all kinds of development, including individual development. Development and advantage are not individually but commonly interpreted. The provision of the means of life will alike in production and distribution be collective and mutual. Improvement is sought, not in the opportunity to escape from one's class or to make a career but in the general and controlled advance of all<sup>9</sup>.

The articulation and institutionalisation of new values is extended by Wainwright in the centrality she gives to social movements, especially the peace and feminist movement (and their intersections). In both Williams and Wainwright, moreover, these institutionalisations of value have a prefigurative character. For Williams, they are “the right basis for the whole organiza-

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<sup>8</sup>Raymond Williams, *Culture and Society*, Harmondsworth, Pelican, pp. 312–4. Williams, *The Long Revolution*, 328–30.

<sup>9</sup>Williams, *Culture and Society*, p. 312.



tion of any good society in the future<sup>10</sup>.” In *The Long Revolution*, however, Williams also suggests there has been a moral degradation in these institutions which is marked by the loss of the capacity to generate alternative values, rooted in the integration of these working class institutions into capitalist purposes and the limitation of their values to mere sections of society, which limited

The steady offering and discovery of ways of living that could be extended to the whole of society, which could quite reasonably be organised on the basis of collective democratic institutions and the substitution of co-operative equality for competition as the principle of social and economic policy<sup>11</sup>.

This led to a situation where it was felt

The co-operatives should be simply trading organisations, the trade unions simply industrial organizations with no other interests, each union committing to its own sphere, and the Labour Party simply an alternative government in the present system—the country needs an effective opposition<sup>12</sup>.

Wainwright in her argument over the development and municipal institutionalisation of an economics of need notes how the growth of nationalised industries in the postwar period and “the growth of relatively independent workplace trade union organisations and a dense network of movements and initiatives in the community among groups with diverse needs enabled us to imagine and take steps in another direction<sup>13</sup>.”

Crucial to understanding the problems of today, as can be seen in the excellent recreation of the mid-1970s world of labour and industrial militancy as

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<sup>10</sup>Williams, *The Long Revolution*, p. 328.

<sup>11</sup>Williams, *The Long Revolution*, p. 328.

<sup>12</sup>Williams, *The Long Revolution*, p. 329.

<sup>13</sup>Wainwright, *A Tale of Two Parties*, p. 257.

the backdrop to the Alternative Economic Strategy in John Medhurst's *That Option No Longer Exists*, is the degree to which the generation of values and capacities is rooted in a radical labour movement and in other social movements. This is a question, firstly, of where the social power lies to demand of the government a transformed economy. A second concern is the development of capacities and values for the self-management of the economy rooted in communities and workplaces. Here we can recall the vital insights from Mike Cooley of the Lucas Aerospace Combine Shop Stewards' Committee that "the workers are the experts" and of Valerie Wise from the GLC Women's Committee that "women are the experts"<sup>14</sup>. A major part of the task of socialists today, therefore, is the recreation, in a form appropriate to the 21st century, of new labour and associated institutions which will allow the generation of alternative values and popular capacities to carry forward the radical programme of co-operation and economic democracy envisioned in *Alternative Models of Ownership*.

## The Diagnosis

It's worth noting again the radicalism, bravery, and correctness of the claim that it is the predominance of private property that leads to the deep structural flaws in the UK economy that are destructive of economic strength and societal well-being. As the authors insist, these deep structural flaws cannot be resolved piecemeal or through technocratic policy fixes. Inequality, disinvestment, concentrated ownership, uneven geographical development—all these are neither accidental outcomes nor the sole result of policy aims (though under neoliberalism they were in line with the latter) but rather the natural consequence of the fundamental institutional design and relationships of the present system. The dominance of private property has a particular impact on regional inequalities (p. 7) and the environment. The like-

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<sup>14</sup>Quoted in Wainwright, *A Tale of Two Parties*, p. 100.

likelihood, at present, that greater automation will not be realised (and that, if it does happen, that its consequences will be not be emancipatory but hellish) is determined by the intensified dominance of capital over labour (p. 7). A related set of problems stems from stagnant or even worsening productivity, with UK productivity previously comparable to that of other G7 economies from 2000–2005 but now 18 per cent lower than the average for the other G7 economies (p. 6). All these problems are interlinked and grounded in the necessarily short-term horizon of an economy organised in the interest of shareholder value, oriented to dividend payments and asset-stripping rather than useful investment (p. 6). By contrast, as the authors argue, both the workforce and other stakeholders, on the one hand, and the government, on the other, have interests in a longer-term productive horizon beyond the simple extraction of value (p. 6).

The limitations of the domination of private property and its necessary short-termism can be clearly seen when it comes to the value (in both the moral and financial sense) of future generations and nature when it comes to climate change. The report argues that private firms, through financial intermediaries, “weigh near-term outcomes too heavily” (p. 6) — a consequence of the prevailing economic system generally, but also something turbocharged by the emphasis on shareholder value of more recent decades. With particular reference to climate change, the disjuncture between what is sayable politically, and what is admitted even by orthodox economists is striking. While decisions regarding the appropriate discount rate—used to value future states of the world—are commonly presented as merely technical, they involve vital assumptions regarding matters of fact and matters of value. Even voices as moderate as Angus Deaton, Nobel Laureate in Economics in 2015, attest, the determination of a socially optimal discount rate requires consideration of who is affected by a decision, and in what way they ought to be treated. While conventional economics would read these discount rates (at least in part) directly from bond markets, Deaton rightly draws attention to the manifold problems inherent in such a

method—especially its failure to incorporate attention to the unborn, and bias towards the preferences of the rich compared to those of the poor (both within the United Kingdom and, perhaps more importantly, internationally). Deaton's verdict is worth considering at length, incorporating many of the left's criticisms of the market economy—even a market that comes as close to fulfilling the standard microeconomic assumptions as does that for government bonds:

Do we really think that saving rates, whether by individuals or governments, are the results of optimal intertemporal planning by individuals, even over their own lives, let alone over those of their unknown descendents who will live as far in the future as King George III and George Washington lived in the past? ... Whatever it is that is generating market behaviour, it is not the outcome of an infinitely lived and infinitely far-sighted representative agent whose market and moral behaviours are perfectly aligned, and who we can use as some sort of infallible guide to our own decisions and policies<sup>15</sup>.

The implications of these questions are far-reaching. The particular failure to correct for the impact of current decisions on unborn generations when setting a discount rate will imply a rate that is higher than is socially optimal, and explains in large part the capitalist short-termism rightly decried by the report. While Deaton focuses on decisions made with regard to public policy, his conclusions are all the more pertinent when applied to decisions made by private, profit-maximising companies, facing borrowing rates greater than those implied by prices in government bond markets. The reintroduction of political and ethical questions into the choice of discount rate, possible only under different forms of ownership than that prevailing under capitalism, is of crucial importance in addressing the concerns raised by the authors of the report.

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<sup>15</sup>Stern, Sir Nicholas, On transatlantic vices, or Stern in America.

Finally, in the dominance of private property has intensified as a result of privatisation, narrowing the area of social activity that is subject to democratic power. Privatisation has also led to worse, and more unequal services. All of these problems create the need for new forms of ownership and this also demands attention (though this is mostly only signalled at in the report) to “social and cultural aspects of ownership models.”

## **Automation**

The chapter on automation amounts to a serious consideration of vital questions, presented in a way that largely avoids technological determination (whether optimistic or pessimistic) and which grasps that the future will involve an intensification and development of present tendencies rather than a total break. Deterministic approaches (Tom Watson’s intervention has some of these features) tend to operate in a speculative and passive way that displaces political consideration from the problems of the present situation and treats automation as a given to be managed in the future, usually by benevolent state intervention, rather than something that can be shaped now by political interventions. Moreover, precisely, because the strength of the entire report, even if the predictions and arguments around automation do not hold, the wider arguments about different forms of ownership remain valid as they address both existing problems and potential future problems.

At some points, indeed, the argument around automation may be overstated, and the line taken here is certainly not the only possible interpretation of the facts. The report presents automation as both a promise—of material abundance and greater leisure—and a threat—of intensified economic inequality and mass unemployment (p. 8). It also argues that automation is not new, with the trend of decision making becoming increasingly independent of human control a process that has been unfolding for centuries. But a combination of various new technologies may mean the coming wave will be dif-

ferent, with both cognitive and physical, routine and non-routine work being subject to possible automation. An immediate concern here may be what happens to what is often described as affective work, and perhaps care work more generally, although care includes physical and cognitive aspects, the report pays only passing attention to this sort of work, with most discussion of care relegated to the appendices, and we would argue there is substantial need for alternative forms of ownership in care provision and, below, set out some arguments for these in the case of childcare. Up to this point the argument is potentially fairly standard and continues with itemising various possible consequences of automation under current relations of production and could fit with some of the more speculative, less immediately political treatments of automation that risk, as the Marxist intellectual and Vice-President of Bolivia Alvaro García Linera has argued, mystification in presenting “technology as the motor or halo that sets history into motion or slows it down<sup>16</sup>.”

The report continues, more usefully, by arguing that the bigger immediate challenge is

Not the rise of the robots but that too many people will remain trapped in robotic drudgery-filled and low productivity jobs. In this context accelerating automation is a key political project. The goal should be to embrace the technological potential of modernity, accelerating into a more automated productive future with all its liberating possibilities while building new institutions around ownership, work, leisure and investment, where technological change is shaped by the common good.  
(p. 9)

There is, therefore, a significant difference between speculating about what benevolent forms of state intervention may be required in future to manage the effects of automation—treated as inevitable through the “natural” development of the productive forces—and centring interventions and new forms

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<sup>16</sup> Alvaro García Linera, *Plebeian Power*, Chicago, Haymarket, 2014, p.33.

of ownership to make those developments possible.

However, even this stronger argument around the necessity of transformed social relations to shape the development of productive forces has potential problems, and these come largely from the tendency of the report to ignore Britain's position as an imperial core country. It could be argued that we are actually living in a time of remarkably little innovation, and manufacturers have compensated for this by relocating key parts of the production process to the global south—those areas with large labour reserves and established infrastructure complexes and institutions, such as China, that enable the expansion of low-wage manufacturing at an extremely competitive cost. The Fourth Industrial revolution, for all the hype, never happened, and failed to make an impression in productivity statistics. As Gopal Balakrishnan notes

Rather than leading to any 'New Economy' in the productive base, the innovations of this period of capitalism have powered transformations in the Lebenswelt of diversion and sociability, an expansion of discount and luxury shopping, but above all a heroic age of what was until recently called 'financial technology'. Internet and mobile phones, Walmart and Prada, Black-Scholes and subprime—such are the technological landmarks of the period...<sup>17</sup>

The point, therefore, is that policies to drive automation would have to be, on some level, global, with wage floors to encourage automation not restricted to the UK, as Srnicek and Williams argue in *Inventing the Future*. This poses a question of what political actors are to carry forward this policy and also whether even this would be sufficient<sup>18</sup>. There may, of course, post-Brexit be a set of policies to enable "on-shoring", a considerably less globalised UK economy with more domestic production, for example, in green high-tech

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<sup>17</sup>Gopal Balakrishnan, "Speculations of the Stationary State", *New Left Review* 59, 2009.

<sup>18</sup>Nick Srnicek and Alex Williams, *Inventing the Future: Postcapitalism and A World without Work*, London: Verso, 2015. For the limits of the demands for global wage floors as a means of accelerating automation see Jason Smith, "Nowhere to Go: Automation, Then and Now": part 1 and part 2.

and self-provisioning, with higher wages, transformed patterns of ownership, and domestic multipliers created from fewer leakages, which may limit these relocations and the consequent limits on the development of the productive forces. However, if these policies were successful on these terms, there would still be a political-moral question about how far consequent UK prosperity was based on the exploitation of the resources and manufacturing labour of the Global South. Mariana Mazzucato (whose work underpins parts of Labour's economic strategy and this report) argues, innovation has often been cultivated most successfully by state initiative, not market actors in the private sector, and any solution to the UK's economic woes requires a greater role for the state in undertaking research and bearing risk burdens that the private sector is mostly unwilling to take. Just as the key role of the state has been essential for the developmental process of countries in the Global South such as South Korea, so the key role of the state in innovation in the advanced capitalist economies must be acknowledged as well.

However, as in Mazzucato's example of the iPhone, a problem exists. The iPhone, as she demonstrates, was heavily dependent on U.S. government research—but is also dependent on global supply chains, particularly in China, for production and assembly. The bulk of value in the iPhone and similar manufactured goods is captured in the United States, and increasingly by an ever narrower minority, through tight control of intellectual property rights, strictly enforced investor protections, and monopolisation of design and marketing, but it is not created there<sup>19</sup>. There is a risk that, even within a high-tech, onshoring strategy, low-wage workers in Guangdong and Dhaka would continue to be exploited as the soft underbelly of Labour's socialist future.

One possible position that could be developed to counter this is the commitment in the manifesto to “ensuring respect for human rights, workers’

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<sup>19</sup>Mariana Mazzucato, *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*, London, Anthem Press, 2013 and for the critique, Lucia Pradella, “The Entrepreneurial State by Mariana Mazzucato: A Critical Engagement”, *Competition and Change*, 2016.



rights and environmental sustainability in the operations of British businesses around the world ... we will work to tighten the rules governing corporate accountability for abuses in global supply chains.” (p. 122–3). By itself, this provision would be a start, but in going beyond the national limit of the ethical it opens up these questions for politics. More generally, these ethical concerns could entail Labour being more radical on regulating patterns of trade and investment as they effect the Global South, which could involve debt relief, technology transfer, market access or development loans at favourable rates—all of which could have enormous beneficial effects. Britain maintains its imperialist position by acting as the world’s financier and clearing house, which plays a key role in producing and reproducing global inequality and uneven development<sup>20</sup>. Any British government that acted to alter this relationship would face enormous resistance from our ruling class. However, even if we face enormous constraints, there are still meaningful measures that can, and ought to be, taken in the here and now.

## **Co-operatives, or Can we go beyond Socialism in one Company?**

There may be certain reservations on the left about co-operatives given their deployment as part of Cameron’s Big Society agenda or the use of a stress on “mutualisation” as a Trojan Horse for privatisation. The argument, however, in *Alternative Models of Ownership* is radically different, and co-operatives are presented not as the answer but as part of an answer within a whole set of radical changes including but not limited to legal changes and other forms of support to nurture the growth and ethical soundness of co-operative enterprises. The report is also deeply critical of certain forms of co-operatives, including Housing Associations, which are held to largely “behave like main-

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<sup>20</sup> See Tony Norfield for an excellent overview.

stream property developers.” (p. 36)

The central distinction to be made can be illuminated by returning to Raymond Williams, who argues that the contrast between the working class idea of socialism or co-operation and bourgeois individualism as well as being muddled by the imperialist position of England is also muddled by the development of the Victorian imperialist-bourgeois idea of “service”<sup>21</sup>. The notions around co-operatives developed in the report aim at developing values of socialism and co-operation, while the Big Society, with its recent denouement in John Lewis boss Andy Street being elected Mayor of the West Midlands, represents co-operatives within a value system of service. Put in more practical terms, there is an abstractly coherent idea of the Big Society in which co-operatives are part of the Burkean “little platoons”, but in reality this idea is incoherent, because—as the Alternative Models of Ownership report demonstrates—the nurturing of co-operatives requires considerable legal change and, almost definitely, requires the support of a world of labour and an expansive, large political party of the left to support it.

The report then breaks considerably from Big Society thinking in its grasp of what co-operatives can and can’t do, both within the current framework and more generally. The biggest limiting factor regarding co-operatives is investment. In terms of static production, co-operatives tend to be equally or marginally more productive than privately owned and controlled firms. However, co-operatives often struggle to attract investment, with financial institutions reluctant to lend to firms over which they would have little control, and this limits investment in technology and therefore improvements in dynamic production, making them vulnerable to acquisition by private firms (p. 12-13). The report advocates the need for shelter organisations, which could be supportive trading organisations or bank-type institutions like the Caja Laboral Popular, which was key to the development of the famous Mondragón complex in the Basque country in the funding and promotion of its co-

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<sup>21</sup>Williams, *Culture and Society*, p. 312.

operatives. There are also legal reforms that could help sustain co-operatives in the UK, for example the Italian Marcora law that a significant portion of profits be paid into a reserve that cannot be accessed by members or investors and is donated to other co-operative activity. This both partially relieves capital funding problems and makes private acquisition less attractive (p. 15). There could also be significant changes to procurement regulations to help support co-operatives, which would be compatible with and extend the manifesto commitments. Moreover, as with various radical left councils in the 1980s, notably Sheffield and the GLC, there are many things that Labour local authorities could do to support the growth of co-operatives (p. 19).

There are considerable opportunities for nurturing co-operatives in the UK today, while Brexit will also allow for changes to procurement law and the introduction of a law similar to the one in Italy that was eventually struck down by the EU. There is also a huge opportunity, though with a limited time-window, in the form of the “silver tsunami” retirement of the baby-boomer generation of business owners, which could see the transfer of ownership of many of these companies to their employees rather than their being wound down or acquired and then asset-stripped by hedge funds. Despite the modern cooperative movement originating in Rochdale, the UK has a comparatively small co-op sector and would benefit from its growth in terms of employment creation and densification of local economies. The document rightly notes the problems with attracting finance, and the need for more supportive legislation and regulation.

The report is exceptionally strong on the problems co-operatives face and the potential legal changes that would improve their viability. However, certain problems remain in terms of the relation between the co-operative and the rest of the economy, with co-operatives still subject to the capitalist law of value even with all the necessary support detailed above. Firstly, significant regulation of wages and conditions in privately owned firms remains absolutely necessary, not only for the sake of their workers but so that they do not

undercut co-operatives. Secondly, a set of questions exists around relations to workers external to the co-operative even if they work for the company and whether successful co-operatives inevitably produce a class of worker-capitalists. A notable UK case of this is the struggle of John Lewis cleaners against their exclusion from being partners and the resultant exploitation<sup>22</sup>. This can also apply on a global scale, as with Mondragón. The report mentions, to prove the efficiency of co-operative enterprises, Mondragón's 73 overseas plants, but it doesn't address the implications of this for the ethics and politics of the model (p. 16).

Erik Olin Wright has described how the pressures of globalised capitalism, in the form of the Fagor Elia subsidiary co-operative's need to maintain its relations with Volkswagen, led to the setting up of a Brazilian manufacturing plant. The workers in the Brazilian plant are not members of the Mondragón co-operative. This exploitation by Spanish members of Brazilian workers may represent an ethical degeneration of the co-operative ideal, but it is not autonomous as it is rooted in globalised capitalism. Olin Wright therefore argues that

The leadership of MCC believes that, given market pressures linked to globalization, this strategy of national and global expansion is necessary for the survival of the Mondragón cooperatives in the 21st century. Whether or not this diagnosis is correct is a matter of considerable controversy, but in any case the result of this expansion is to intensify the capitalist dimension of the Mondragón economic hybrid [and the non-inclusion of many workers in the co-operative produces] a global configuration of economic and class relations within the conglomerate structure of the Mondragón cooperatives [which] is in deep tension with its cooperativist principles<sup>23</sup>.

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<sup>22</sup>John Lewis Protest: bring the Cleaners into the partnership!, UVW Union, September 2016.

<sup>23</sup>Erik Olin Wright, *Envisioning Real Utopias*, London, Verso, 2010, pp. 170–3.

So far three possible resolutions to the problem of the non-inclusion of Brazilian workers have been discussed and rejected—firstly, the inclusion of Brazilian workers into Mondragón itself; secondly, the conversion of the Brazilian plants into autonomous co-operatives, linked federatively to Mondragón; and thirdly, “to actively encourage the formation of strong unions and other forms of worker empowerment within the subsidiary firms, including such things as the works councils and worker co-determination.” In the absence of any of these measures, the Brazilian subsidiaries were still, at the time Olin Wright was writing, “run pretty much like a conventional capitalist firm<sup>24</sup>.” There may also be a question of political consciousness—though again, this is perhaps best seen as an expression of economism or sectional interest, as in the U.S. plywood co-operatives discussed in the report whose worker-owners, as studies found, were often deeply conservative.

The question of the values of worker-owners beyond the firm itself, however, may be partially resolved by considering what would be required to nurture co-operatives. In this way, the means to build co-operatives serve the ends of expanding the ethical realm over the whole of society, the limitation of which Williams regretted so much in *The Long Revolution*. Firstly, the reliance on new policies which could only come from socialist activity either on a local or national level would have its role in reforming consciousness. Secondly, as Williams roots the values of co-operation in the whole of the creative achievement of working class culture, or if we consider to central role of the Italian Communist Party in supporting co-operatives, their development probably requires not only a socialist Labour local or central government but a powerful world of labour to institutionalise values and quite possibly provide funding and direction. This again would support the integration of new co-operatives into a socialist system of values. The role for the institutions of the world of labour also points to a task for local government even if we are not in power nationally, and even for grassroots Labour members it may be possible for us to launch co-operative means of satisfying human needs,

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<sup>24</sup>Erik Olin Wright, *Envisioning Real Utopias*, London, Verso, 2010, pp. 170–3.

which would demonstrate the practicality of our values and create new associational political forms.

Integrated into a world of labour and a set of practical socialist values, co-operatives could plausibly be launched and nurtured and potential problems of the limitation of their values challenged. Despite existing within a sea of competitive market production, subject to the law of value just as much as any other capitalist firm, the left needs to focus on questions of culture and socialisation every bit as much as questions of economic control and planning. Co-operatives are one way of achieving that. Much as some may scoff at it, values of co-operation and solidarity are just as important in sustaining a socialist society as state ownership. The basic premise of scientific socialism is that it arises out of potentialities emerging from within actually existing capitalist society, these are not just technological but include features that are cultural in the broadest sense, embracing values and capabilities; and we should also take seriously the internationalisation of the economy and the world market of recent decades. There are no easy national solutions to the problem of capitalism, but there are better and worse ways of governing the market and greater opportunities are made possible by advances that precede them. And what better way to spend our time than cultivating values of empathy, co-operation and charity?

## **Municipal & Locally-Led Ownership**

While councils can support co-operatives (and, in the 1980s, did substantially), and this could be made easier by changes to procurement regulations, including those outlined in the Labour manifesto, the potential role for councils within a landscape of alternative forms of ownership is not limited to just this. *Alternative Models of Ownership* is also excellent and indispensable, and without question, should Labour fail to win on Thursday, has the most potential for being useful in the struggles to come. If there is a criticism

of the co-operatives section it is that it perhaps overstates what they can do and how far appropriate legal and financial support could liberate them from operating within the totality of capitalist relations and market discipline. If there's a criticism to be made of the municipal and locally-led ownership section, it would be the opposite—that perhaps what councils can do is understated, particularly in challenging exclusions and inequalities based on gender and race.

As in every section of the report, the starting definitions are extremely clear and rigorous, and the precision of the definitions will be extremely valuable in providing a solid foundation for further research and discussion. It is worth quoting the definitions offered of municipal ownership: “Municipal ownership (that is, ownership by a town or district’s governing body) refers to municipal control and operation of property, services, and systems.” And also that of locally-led ownership:

Locally-led ownership refers to the encouragement of local involvement in the decision making of business entities operating within the region, with consequent focus from these entities in the progression of the local community ... Locally-led ownership is not necessarily as simple as ownership in the physical sense. More to the point, the term indicates that the economy in an area is not ‘owned’ by corporate interests, but rather it is ‘owned’ by the local community. As such, it refers to the localisation of economic control. (p. 20)

Municipal (or sewer) socialism has, of course, been a major part of the Labour tradition, and there were Labour councils long before the first Labour government at Westminster. However, what is crucial in the report, which goes back to the experience of the GLC and other radical left councils in the 1980s, is the role of democratic rather than bureaucratic local control. This emphasis on democracy is not just an end, not just a good in itself, but part of the means of bringing in and sustaining support for municipal socialism. This

argument was made quite explicitly by Ken Livingstone and John McDonnell in the 1980s and is expanded on by Wainwright. For Livingstone, in the 1981 GLC manifesto, “there was nothing that a good social democrat couldn’t do on a warm day.” As Wainwright continues, the manifesto, “was essentially a programme of modernisation and Fabian-style intervention.” However, going beyond the limits of a Herbert Morrison or mildly redistributive Municipal Fabianism were the radically democratic means, “what turned out to be revolutionary, at least in spirit, was the way that the GLC opened its buildings, its funds, its research and—very much more selectively—its decision-making process to some of the most radical and needy sections of society<sup>25</sup>.”

Crucially, the necessity of democratic openness was not just morally correct but a vitally political part of the project, a way to bring in and sustain support, particularly in the context of the very rapid recomposition of the London working class, a recomposition which disrupted various traditional mediations between the working class and the Labour Party, meaning the Party could no longer take mass working-class support for granted and instead had to prove its usefulness. These processes of recomposition and their political consequences, are now, of course, much more generalised. Wainwright quotes Livingstone again to the effect that “we haven’t got a God-given right to demand that people accept that we are somehow a good thing. We’ve got to prove it. We’ve got to prove our goodwill and integrity to the groups that have looked to us in the past and decided we didn’t have any.” Wainwright again expands on this, “In London, perhaps more than anywhere else, such proof was near enough a condition for the GLC’s success. The party’s traditional, organised working-class support base had collapsed more rapidly than anywhere else in the country<sup>26</sup>.”

Successful forms of municipal and locally-led ownership have obvious advantages, as detailed in *Alternative Models of Ownership*, as

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<sup>25</sup>Wainwright, *A Tale of Two Parties*, p. 97.

<sup>26</sup>Wainwright, *A Tale of Two Parties*, p. 105.



The localisation of economic activities and control serves to strengthen economic resilience and to enhance the democratic nature of decision making. By being more closely managed, the economy can be geared in such a way as to place a priority for the well-being of its constituents above a devout commitment to the interests of private corporations. Concerning municipal ownership, as has been stated above, it is evident that service provision for communities was worsened in private hands, and that government ownership would improve community experience of service-use. (pp. 20-1)

Moreover—and here again there are parallels with the redeployment and transformation of the AES by radical left councils in the 1980s—there can be a role for local government in innovation. Mazzucato's Entrepreneurial State is municipalised in such a strategy, and it is possible that in its municipalisation, certain problems rooted in the international division of labour and the capture of wealth by imperial core countries are sidestepped. As the report argues,

The history of economic development has taught us that the state has always played an active and essential role in achieving prosperous economic activity and increased well-being ... This same economic logic applies to local development. If a given town or region wants to ensure economic well-being it requires a) that economic activity continues to function well, and b) that the benefits of economic activities are shared amongst all members of society; and to achieve these requires active involvement from local government. Municipal and local-led ownership, by entrusting local government and local communities with more power, gives communities the opportunity to shape and secure their economic future, and to avoid parts of a given country being economically forgotten. (p. 21)

This begins to outline a role for councils in challenging the deep, structurally rooted geographical inequalities and the UK's uneven geographical development, which usefully supplements and extends themes from the manifesto and campaign.

There are two sets of questions here. Firstly, what policies from central government would support these kinds of strategies? And secondly, what can be done by Labour councils now, without national policy change, on a municipal basis? We are beginning to learn that city governments need not be as powerless as they seem when faced with footloose capital. Their own economic footprint and associated spending (by institutions stewarding public funds) is sufficiently large that, used more intentionally, it could stabilise local economies on the basis of sticky capital and anchored jobs. This in turn would reduce corporate leverage and restore the capacity for real democratic local economic decision-making. Here, *Alternative Models of Ownership* offers an extensive discussion of the Preston model, in which, “in response to the difficulties in securing inward investment, Preston and Lancashire have embarked on a pioneering experiment in democratic local economy, looking to replicate the “entrepreneurial state”—as described by Mariana Mazzucato—at the local level.” (p. 24-5) There is little point in our summarising this, we would urge people to look at and study this further<sup>27</sup>.

In response to the Preston Model, an urgent political question arises. What would it take to see more Labour councils adopting these sorts of innovative policies and strategies and shaping them in response to local circumstances, needs and demands? Momentum, having largely failed to engage with Labour in local government, could clearly be taking a lead on this. Firstly—and this is something New Socialist will be undertaking in the near future—there is a need for further research and dissemination of new and existing research throughout our movement, and for discussions locally

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<sup>27</sup>For further analysis of the Preston Model see also Clifford Singer, *The Preston Model, The Next System Project*, September 2016 and Matthew Brown and Martin O'Neill, *The Road to Socialism is the A59: The Preston Model, Renewal*, 2016.

about how these lessons could be applied in order to formulate demands on councillors. Secondly, there may need to be a clearing out of some of our less imaginative Labour councillors who are a barrier to innovation, democracy, and attention to popular needs. This is not, absolutely, a left/right question—in many ways there is no reason an imaginative local councillor whose political opinions are right-wing on a national level would not support and be able to contribute to these proposals. Conservative support for the development of the Hampshire Community Bank, for example, is testament to this.

It is, as we have said, a potential strength in building a political bloc that concerns and themes that are not exclusively the preserve of the left are articulated so strongly in *Alternative Models of Ownership*—but also articulated in such a way that it is clear that they can only be fully developed within a radical reworking of values and social relations.

Something that is perhaps missed in the discussion, and that was a central aspect of the GLC as well as Sheffield and Manchester councils in the 1980s, is that—as Wainwright argues—the councils used municipal budgets and support for enterprises, including but not limited to co-operatives, both to resource the most needy and radical sectors of society (often working class women and Black and Minority Ethnic communities) and to make radical versions of equal opportunities policies a central part of council spending and procurement<sup>28</sup>. There is considerable potential for radical councils to address inequalities of gender and race in their activities whether through provision of responsive, democratically controlled services or through support for women's or Black and Ethnic Minority enterprises or co-operatives.

On the other hand, *Alternative Models of Ownership* poses questions of what policies a future Labour government could enact to support and extend municipal and locally-led ownership. Here it is clear, again, that certain themes that have been treated with suspicion by the left—in part because,

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<sup>28</sup>Wainwright, *A Tale of Two Parties*, pp. 94–124.

within the context of existing relations, their consequences would almost certainly be malign—need to be re-considered, but within a context of radical potentialities. The most notable of these is some devolution of budgets to local government. In the current context, these demands from, for example, the leading London councillors writing in support of Liz Kendall would both strengthen geographical inequalities, with London keeping more of “its” money, and perhaps involve a pass-the-parcel of dodging responsibility for austerity, with central government able to blame the local governments deciding on how to share out the pain, and local government able to blame central government for budget cuts. A Corbyn Labour government, however, should be brave in following through on decentralisation (along with proper resourcing) despite the risks. The UK remains one of the most highly centralised states in Europe, despite Scottish and Welsh devolution. Instead of slick neoliberal executive mayors we should be looking to participatory local and regional budgeting and to local authorities as laboratories for experimentation in building a new economy. There may also be an opportunity around the allocation of funding to replace EU development funds, developing participatory forms to decide on how this money is allocated locally. It has been suggested, for example in areas of Wales that were the recipients of significant EU development funding but voted strongly for Brexit, that an important factor was the poor use made of this money and the complete lack of democratic local control over it<sup>29</sup>.

## **Alternative Ownership of Childcare: A Possible Extension**

Alternative Models of Ownership, touches, briefly, on some questions around care, although until the discussion in the appendix of Italian multi-

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<sup>29</sup>On Wales, Brexit and EU funding see the excellent Desolation Radio podcast.

stakeholder co-operatives in care services the development of these ideas is scant. We would argue, drawing partially on the development of locally-led childcare provision by radical left councils in the 1980s, most notably in Manchester, that a strong case can be made for exploring alternative forms of ownership and systems of localised democratic control in childcare.

“Before the late 1990s the English Early Years system had three distinct elements: public education, public childcare for the disadvantaged and private and voluntary provision of various types.”<sup>30</sup> These elements chime with three policy strands, education, early intervention and childcare, that, even after the late 1990s, have interacted in various ways in the provision of early years services.

These three strands of early years policy came together, briefly, under the last Labour government, when Sure Start Centres were transformed into Children’s Centres from 2004. Originally, targeted services in the most deprived areas offering outreach and home visiting, parenting support, play and learning opportunities, healthcare and advice, and support for parents and children with special needs; they were expanded to “each community”<sup>31</sup> in England, providing integrated early education and childcare. The best Centres (and as the roll out continued, Centres were allocated less and less money, providing a thinner service in general<sup>32</sup>) combined the services of the early Sure Starts – integrated, multi-agency teams; personalised outreach workers; a welcoming and non-threatening environment; and co-location of services<sup>33</sup>, with universal access, which, has been shown to be key to improving outcomes for poorer children.<sup>34</sup> This coincided with the development of an

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<sup>30</sup>Jo Blanden, Kirstine Hansen and Sandra McNally, *Quality in Early Years Settings and Children’s School Achievement*, Centre for Economic Performance Discussion Paper No 1468, February 2017, p. 6.

<sup>31</sup>3500, one for roughly every 800 children under 4, see Kitty Stewart, *Labour’s Record on the Under Fives: Policy, Spending and Outcomes 1997 – 2010*, Working Paper 4, Social Policy in a Cold Climate, July 2013, LSE and CASE, p. 24.

<sup>32</sup>Stewart, *Labour’s Record on the Under Fives*, pp. 25–6.

<sup>33</sup>House of Commons, 2010. *Sure Start Children’s Centres: Fifth Report of Session 2009–10*.

<sup>34</sup>LSE, *Do poorer children receive lower quality childcare?*, September 2013.

integrated curriculum – the 2007 Early Years Foundation Stage Framework imposed a single regulatory and quality framework on all providers specifying learning and development objectives with regular inspections by OFSTED, as well as a universal entitlement to part-time early education for three and four year olds.<sup>35</sup>

However, despite being of higher quality<sup>36</sup>, the Labour government continued to offer this type of integrated publicly maintained provision as part of a wider mixed childcare market, in which favourable terms were in fact given to the private and voluntary sector. The 2006 Childcare Act stipulated that, while local authorities in England had a duty to ensure sufficient childcare places for all those children whose parents wanted them, they should not directly provide the places unless no private or voluntary sector organisation was willing to do so<sup>37</sup>. This preferential treatment created an environment which allowed the Coalition government to take public provision out of the childcare market altogether by, in 2011, removing the requirement for Children's Centres in the most disadvantaged 30% of areas to provide access to childcare and early education and refocusing provision on "those who are suffering the greatest disadvantage".<sup>38</sup> This attack on the universal provision of Sure Start services for young children and their families led to a pulling apart of the strands of early years provision. While publicly supportive of Sure Start and the social welfare strand that it had been returned to delivering, by reformulating state funding to end the more generous subsidy for maintained settings<sup>39</sup> and shifting spending away in general from targeted subsidy towards employer vouchers<sup>40</sup> (yet requiring a higher level of service to a needier population), the Coalition were essentially pulling the fi-

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<sup>35</sup>Stewart, *Labour's Record on the Under Fives*, pp. 33-4.

<sup>36</sup>LSE, *Do poorer children receive lower quality childcare?*, September 2013.

<sup>37</sup>Stewart, *Labour's Record on the Under Fives*, pp. 32-3.

<sup>38</sup>David Cameron, 11 August 2010.

<sup>39</sup>Kitty Stewart and Polina Obolenskaya, *The Coalition's Record on the Under Fives: Policy, Spending and Outcomes 2010-2015*, Working Paper 12, Social Policy in a Cold Climate, January 2015, LSE and CASE, p. 17.

<sup>40</sup>Stewart and Obolenskaya, *The Coalition's Record on the Under Fives*, p. 22.

nancial rug from under them. With the final phase of the roll out of Children's Centres having only ended in 2010, their dismantling began soon after, with a third having been lost since then.<sup>41</sup>

This left the private sector to take over the delivery of the other two strands of early years, education and care, with the 2006 Childcare Act having removed any legal distinction between them.<sup>42</sup> However, the market mechanism through which this dual responsibility is now mainly delivered has increasingly led to weakening the educative element of nursery provision rather than enhancing the learning experience of childcare. This is because, run according to a market logic, due to the high cost of care provision, and inability to force productivity increases through technology, there is a downward pressure on costs and quality, an analogous point is made with regard to the procurement of health and care services in *Alternative Models of Ownership* (p. 44). Not only does this mean a poorly paid and qualified childcare workforce, but also an increasing tendency for monopolies from the cost saving of repeating and combining organisational features. This has led to the childcare market being increasingly dominated by larger chains of for-profit companies, some of which are listed on the stock market.<sup>43</sup>

Through increased lobbying by the childcare industry, the government have introduced a series of deregulatory reforms including the deprofessionalisation of staff, the relaxation of space requirements including access to an outdoor space, removing the local authority role in supporting quality improvements, and 'slimming down' the Early Years Foundation Stage curriculum, and making the Early Years Foundation Stage Profile optional. There were proposals to reduce the ratios of staff to two year old children from 4:1 to 6:1, but they were dropped due to political pressure.<sup>44</sup> Because the state sub-

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<sup>41</sup>A third of Sure Start children's centres in England lost, says Labour, *The Guardian*, April 2017.

<sup>42</sup>Stewart, *Labour's Record on the Under Fives*, p. 33.

<sup>43</sup>Eva Lloyd, *Early childhood education and care policy in England under the Coalition Government*, *London Review of Education*, Volume 13, Number 2, September 2015, Cass School of Education and Communities, University of East London, pp. 2-3.

<sup>44</sup>Lloyd, *Early childhood education and care policy*, p. 149.

sity is also not seen to cover the real costs of provision, requiring the need to cross-subsidise from working parents paying for wrap-around care, poorer children who only use their free entitlement are discriminated against in allocation of places. This leads to worse outcomes for them, and an increasing likelihood that they will not be able to take up their entitlement in practice, as children requiring extra provision are prioritised <sup>45</sup>, with only a third of councils predicting they will have enough places this September. <sup>46</sup>

The current Conservative government have, by making their promised extensions to (what was) the universal entitlement for early years only available to children of working parents, shown, at the very least, that they are not interested in all children receiving early childhood education. Labour have, on the other hand, promised that their wider extensions to the entitlement will be universal and that they will increase the number of childcare places. <sup>47</sup> They have also made a commitment to give £500 million to help reopen many of the Sure Start Centres that have closed. <sup>48</sup> However, it is, at present, unclear how the two policies relate and whether Labour will maintain public provision as targeted 'early intervention' while ceding universal education and care to the private sector, allowing continued downward pressure on costs to weaken ever further the quality of provision. Maintaining early intervention as targeted provision also has the potential to pathologise social problems in the 'poor family' rather than in the wider capitalist structuring of society <sup>49</sup>, although, given the context of the wider measures in Labour's manifesto, this is less likely than the last Labour administration. Even so, it segregates, and potentially stigmatises, families who use it, when not only has univer-

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<sup>45</sup>LSE, Do poorer children receive lower quality childcare?

<sup>46</sup>Angela Rayner, While The Tories Restrict Childcare To Cut Costs, Labour Will Build A Truly Universal Childcare System, Huffington Post, May 2017.

<sup>47</sup>Angela Rayner, While The Tories Restrict Childcare To Cut Costs, Labour Will Build A Truly Universal Childcare System, Huffington Post, May 2017.

<sup>48</sup>Angela Rayner, Labour will boost Sure Start services that changed my life, The Guardian, June 2017.

<sup>49</sup>See Diane Elson, The Economic, the Political and the Domestic: Businesses, States and Households in the Organisation of Production, New Political Economy, Vol. 3, No. 2, 1998.



salism been shown to be a beneficial strategy to children's outcomes <sup>50</sup>, but also, not embracing universalism prevents useful services from being used in general by everyone.

What is more, this policy strand of 'early or family intervention', once reformulated, can be a potential corrective to the pathologising thrust of the other two. 'Childcare' often utilises services for the sake of maternal employment, whilst 'education' is child-centred to the point of ignoring parental contributions to learning (or seeing them as inadequate or even harmful). Both policy rationales approach early years services in an unholistic, utilitarian way. While having childcare to allow mothers to work is often an economic necessity, and providing educative opportunities in settings with other children and experienced adults can also be a social good; it is provision that has the family and the community at its core that, if universal, can be potentially transformative of social relations in the family and between the family and the state. Of course, the family must not be something to be 'intervened' in, but, instead, control the services that they enjoy within the wider community. As Silvia Federici writes,

It is one thing to set up a day care center the way we want it, and then demand that the State pay for it. It is quite another thing to deliver our children to the State to control them not for five but for fifteen hours a day...In one case we regain some control over our lives, in the other we extend the State's control over us. <sup>51</sup>

Although much has since been undone, what is left from the last Labour government's legacy on early years are the buildings, 'one in each community'. Alternative models of ownership could help rebuild and refashion the early years provision that takes place in them. Cooperatives of parents could involve paying parents directly to deliver services together or for one another

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<sup>50</sup>LSE, Do poorer children receive lower quality childcare?

<sup>51</sup>Silvia Federici, *Revolution at Point Zero: Housework, Reproduction and Feminist Struggle*, Oakland, PM Press, p. 21.

(Federici observes how “welfare mothers, for example, denounced the absurdity of the government policy that recognizes childcare as work only when it involves the children of others” <sup>52</sup>), as well as parents employing childcare professionals. Parents can take democratic control of their services so that they do not necessarily need to be excluded from wider community care of their children, and they do not necessarily have high quality care for their children just to go to work.

## National Ownership

The final part of the discussion of alternative forms of ownership, and perhaps the strongest section of all, is on national public ownership. What is essential here is the unabashed support for forms of national ownership:

While it is possible and desirable from the point of view of creating more democratic forms of ownership to encourage decentralisation, local and regional models of ownership, public ownership through national state level institutions remain important for economic and social policy. This is particularly the case where the government wishes to secure important public policy objectives, such as combating climate change, modernising infrastructure or providing ‘patient capital’ for the development of particular economic sectors. National level forms of public ownership that are capable of providing an overall strategic compass can work alongside public and collective forms of ownership at lower geographical scales (p. 27).

At the same time, the report is forthright in advocating for more democratic forms of control. The particular way in which the argument for democratic control is made is critical: firstly, the insistence that even the bureaucratic

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<sup>52</sup>Federici, *Revolution at Point Zero*, p. 43.

forms of national ownership of the postwar period were no more unwieldy and subject to capture by vested interests (in fact, probably less so) than large capitalist firms (p. 27); and secondly, the argument that a lack of democratic control caused the postwar nationalisations (and the post-GFC bank nationalisations) to become subservient to the needs of private capital rather than a realm of public activity embodying of socialist values (p. 29). Here the argument parallels Ralph Miliband, in *Parliamentary Socialism*, that the postwar nationalisations were “to achieve the sole purpose of improving the efficiency of a capitalist economy” and “government interference in economic affairs though in some aspects irksome to private industry and finance, presented no significant challenge to the power of men who continued to control the country’s economic resources<sup>53</sup>.”

The report posits new models of national ownership that are more democratic than the Morrisonian top-down public corporation model of the postwar nationalizations, and Corbyn and McDonnell have already indicated their desire to see more pluralistic, democratic ownership forms<sup>54</sup>. Having listed the various reasons and sectors where national ownership is absolute necessary, the authors argue that

There remain several critical reasons for state ownership in an economy. First, in those sectors that are ‘natural monopolies’, because the technical conditions of the sector mean that it is impossible to have more than one supplier (e.g. railways, electricity, water), a private supplier will be able to extract monopoly rents against the broader common good. This is the case in many of the utility sectors today, despite government attempts at regulation and price control. Second, in areas that require significant capital investment with long horizons to

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<sup>53</sup>Miliband, *Parliamentary Socialism*, p. 289, 291.

<sup>54</sup>For an example of possible forms of democratic national ownership see Paul Salveson of the Hannah Mitchell Foundation’s *Railpolitik: Bringing Railways Back to the Community*, Lawrence & Wishart, London, 2013.

realise any return on investment, private capital is often unwilling to invest unless it can be given guaranteed returns. As mentioned in Section 1, capital markets are infamously short-termist, preferring sectors that produce high returns at low risk. Private firms therefore often require massive guaranteed subsidies or government underpinning of market activities. The best recent example of this is the UK Government's Private Finance Initiative, initially envisaged as public infrastructure investments where the private sector would supply the capital and absorb the risk. (p. 28)

A third critical argument for national state ownership is providing equality of service for customers.

Under privatised systems, poorer customers and rural areas often face either higher prices or a diminished service compared to higher income groups and those in larger urban areas where profit margins are much higher. The paucity of internet and telecoms provision in much of the UK, compared to other countries is testimony to the inequalities produced by a profit oriented system that does not invest sufficiently in national service provision. Providing a nationalised state owned service in such circumstances is more equitable. (p. 28)

The authors also argue, significantly, that national ownership is in many ways a modern necessity, much more able to deliver desirable social outcomes than other elements of the left's traditional arsenal, especially those focused not on the organisation, function, and experience of production but on distribution, while "the growth of a more open, dynamic global economy and powerful financial markets does serve to constrain some traditional forms of national economic policy, national level state intervention is likely to become more, rather than less important." (p. 28)

The report details cases of widespread national ownership and its achievements, most significantly Norwegian state oil and the density of nationalisation in Austria from 1945 to the late 1980s (pp. 29–31). With the case of Norway there is a particular sense of going back to the 1970s, not in the sense of a nostalgia for what happened, but a melancholy in the face of what might have been had Labour been re-elected on an AES-type programme allowing the development of North Sea Oil for the use and benefit of the whole of society rather than its exploitation within a Thatcherite context<sup>55</sup>. Instead, of course, Labour campaigned timidly, not offering a left resolution to the contradictions in British society, and offering no prospect of disalienating the bureaucratic institutions of the welfare state and nationalised firms, and leaving space for their right-wing resolution. As Hall remarks,

One of the most astonishing signs of the reversal in the 1979 election was to hear Mr Callaghan complain that the radical Right meant to tear the old system up by the roots. And we had been foolish enough to imagine that tearing society up by the roots was what socialism was about!<sup>56</sup>

The Norwegian experience is doubly important for understanding socialism. On the one hand, there is the Norwegian insistence that nationalisation was about creating a “qualitatively better society” (p. 30) with the goals of the nationalised firm set by wider society, not just in Parliament, but through general democratic public discussion. Socialism is about a transformed world, different, better systems of values and production organised based on these, not about a marginally better distribution of money within the existing system, which necessarily leads to a technocratic, alien form of the state. Secondly, however, these new values need to be rooted in the present situation and in what is imagined as possible. There is a constant contradiction to reconcile and work on here. The Norwegian example, and the more general evi-

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<sup>55</sup>Medhurst, *That Option No Longer Exists*, pp. 2–3.

<sup>56</sup>Stuart Hall, *Faith, Hope or Clarity*, in *Marxism Today*, 1985, pp. 16–7.

dence that alternative forms of ownership exist and are normal in many parts of the world can help us work on changing what is deemed possible, as can the opportunity to argue for practical plans, as the report does so well. The UK is actually an extreme outlier, even compared to the United States, on privatization. 40 per cent of the total value of assets privatized across the OECD between 1980 and 1996 were in the UK. The privatized industries represent a massive rip-off and everyone knows it.

## Looking Ahead

The recommendations found in the final section of the main body of the report are useful, but are largely directed at what McDonnell and Long-Bailey can do in response to the report. We should also explore what the labour movement can do in response to the report. This section includes a brave, valuable definition of socialism, stating,

We have shown, in simple, practical terms, how a government committed to addressing [the UK's] profound, structural problems could implement key policies that would rectify them. Its goal would be nothing other than the creation of an economy which is fairer, more democratic, and more sustainable; that would overturn the hierarchies of power in our economy, placing those who create the real wealth in charge; that would end decades of under-investment and wasted potential by tearing down the vested interests that hold this country back The historic name for that society is socialism, and this is Labour's goal. (p. 32)

In terms of what party members, trade unionists and members of social movements could do, firstly, there is a contribution to be made in the analysis of sectors in which they are workers and consumers and whether and

how alternative models of ownership could operate—remembering once again that “the workers are the experts”, “women are the experts”. Here, though, it is also worth noting the vital role of experts, whether professional experts or worker, consumer, service user or community experts, external to both the Labour bureaucracy and, were Labour to come into government, potentially the civil service. (In the case of the latter group, as Benn observed with his proposals in government and their frustration by civil servants, “I don’t think anyone can beat them... the civil service is defending the class interests of owners and professional people<sup>57</sup>”). For all the sobriety and practical reasonableness of the proposals in the report, it is easy to see how they would be frustrated in their formulation and implementation. This does not giving up on them but requires determination to build the power, both intellectually and organisationally, to meet this challenge.

Other questions are part of a whole wider discussion to be addressed by New Socialist in the coming months, around how we rebuild the world of labour, or the culture of the working class that is necessary for any form of institutionalisation of such a programme, whether politically or in producing the values of solidarity and co-operation, as well as in the training and capacity building to develop the skills that are required in the management of production. This involves not only challenging local councils but beginning to establish co-operative forms within the party, based on solidarity and that can meet popular needs. As Wainwright argues, this would represent a significant challenge to the existing, often fossilised forms of representative democracy in the party, “the democracy the women’s movement places a high value on the social and economic organisations, formal and informal, created by women to press their needs directly without council and parliamentary mediation<sup>58</sup>.” The Labour Party is not the only point at which the movement needs to be transformed and put to better use in order to realise the programme set out in the report. There needs to be pressure and

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<sup>57</sup>Medhurst, *That Option No Longer Exists*, p. 101.

<sup>58</sup>Wainwright, *A Tale of Two Parties*, p. 166.

an investigation of union and perhaps Momentum resources, both financial and organisational, to help us develop appropriate forms. Credit Unions run by UNITE and the PCS, for example, are already part of the Preston model (p. 25). Once again, there is again a question of how needs can be met directly and how this relates to local council provision.

Ultimately, *Alternative Models of Ownership* is an astonishing and in many ways—precisely because of its sober practicality—an inspiring document. Within the wider context of Labour’s engaging and inspiring election manifesto and campaign and the arrival of new ideas and forces in the party with the Corbyn leadership, this thoughtful and empowering report could (and should) become the starting point for formulating and enacting a transformative, radically democratic and egalitarian economic programme rivalled in our history only by the *Alternative Economic Strategy* that guided our movement in the period immediately before the onset of neoliberalism. It is only fitting that these ideas, reformulated and repurposed for a new time and new challenges, should re-surface just as they are needed, as the long dark night of neoliberalism draws to a close.



# Freedom Yet to Come

**Tom O'Shea**

There have been significant debates around the Labour Party's increasing sympathy for universal basic income (UBI). Though UBI's alternatives have also been discussed by both Jeremy Corbyn and John McDonnell, UBI itself has been the starting point for policy responses to increased precariousness of employment and the possible effects of greater automation, with McDonnell setting up a working group to look into the idea in February last year.

The concept of UBI has been a mainstay for left and green parties in recent decades, and has rapidly become mainstream as it gains increasing support from both centrist parties and individual capitalists, becoming at least an inspiration for further policy development across the political spectrum. However, as this concept has become more popular even among mainstream commentators who seem increasingly ready to entertain at least one form of radical change, it has remained controversial among Marxists.

Authors in the "post work" tradition such as Nick Srnicek and Alex Williams see a UBI as a central feature of a highly automated post-capitalist society. Within capitalism, it is put forward as a transformational reform, smoothing

the path towards post-capitalist society by challenging the ideology of work that makes one's job a signifier of social purpose and worth.

In contrast, the “workerist” tradition has argued that it would undermine the key aim of post-capitalism. A recent critique in *Jacobin* magazine is exemplary. UBI proponents are charged with abandoning the idea of worker's emancipation in the workplace through control of the production process. UBI, it is said, offers workers only a subordinated and alienating position within a market economy.

So should a UBI be part of a socialist vision for the future? Does a UBI even make sense as a transformative reform within capitalism? Debates on UBI as a practical policy are well-rehearsed, but this article seeks to answer these questions through a critical review of the Marxist perspectives on the concept.

## **Freedom in work**

“Workerism” is the often derogatory term for Marxist analysis that dogmatically privileges manual production workers as creators of economic value and agents of history, calling for workplace organisation to the exclusion of all else. Though this is a fair criticism of specific Marxist movements, much of the Marxist tradition is “workerist”—with a small “w”—in emphasizing wage labour as the origin of economic value. As workers, we are said to create value and continually remake the world, yet at someone else's direction. Seeing ourselves as passive “employees” rather than active creators is crucial to the concept of alienation, which underpins capitalists' ability to expropriate value from production, yet herein is said to lie our latent revolutionary potential.

Accordingly, emancipation cannot be seen as freedom from work, which would appear to be an abdication of agency. Instead, class struggle centres

on the workplace, on the fate of the value we create, and on the control of the work process itself. The goal is freedom-in-work through the socialisation and democratisation of the workplace. The free association of producers replaces wage labour.

This position can be caricatured—and historically often has been—as ignoring those who are outside the realm of capitalist production. However, it maintains that unpaid work (such as domestic labour) can, like all labour, create use value, which is something to celebrate. Greater recognition of this fact gave rise to ideas such as “wages for housework”. Although proposed in opposition to narrow workerism, these ideas still embody a certain workerist logic: the response to unpaid labour is to demand that it should be recognised as labour proper by linking it to a wage, and that it ultimately should be socialised, in order to emancipate it. In this vision, the realm of work expands outwards, but work is to become self-directed, and no longer alienating.

In this context, it is not hard to understand the workerist opposition to UBI. To the extent that UBI means we can drop out of work, we gain “free time”, but we lose the historical agency we have as workers. As UBI-funded consumers, we are seen as passive, alienated, taking as given a world shaped by others. We may do work, such as housework, that creates use value outside of the market, but there is no reason to believe that this work must be “free”: it may fall victim to other structures of domination such as patriarchy. Might not UBI create an enormous pressure to “volunteer” in some approved manner, to symbolically earn one’s UBI cheque?

From the beginning, Marxism has pointed out that wage labour offers an escape from “pre-capitalist” structures, even as it imposes a new form of subjugation. Workerism embodies the classical Marxist teleology that sees capitalism as a step on a liberatory path that is only completed through the socialisation of labour. From this perspective, UBI seems to miss a crucial step in the process towards post-capitalism.

This critique recognises the fact that UBI is usually proposed as a specifically social democratic reform within capitalism. Despite all the talk of “free time”, such a formulation of UBI can only be intended to leave the system of wage labour intact, and this is how left critiques of UBI tend to understand it. As such, the liberation involved appears limited: if we still have to perform wage labour to supplement our UBI cheques, then we still cannot escape the alienation of working as someone else’s tool.

UBI is also unlikely to be seen as a transformative reform from a workerist perspective. Organising for a (higher) UBI, to lessen the impact of low pay and precarious conditions, appears as an alternative to workplace organisation. And, from this perspective, organising to plead for state protection from capital looks like a dead end. Indeed, to the extent that UBI is really a subsidy of low pay and precarious conditions, it is not clear who the state would be protecting from whom.

## Freedom from work

The post-work tradition has its roots in the post-operaismo of Italian Marxists such as Carlo Vercellone, Antonio Negri, and other “post-work” thinkers such as André Gorz. Its key contention is that work and value-production increasingly fail to conform to the model we see in Marx, one that is better suited to early industrial times. As production becomes more and more immaterial, less bounded by the conventional workplace, and less defined by physical time or output, labour’s role in production becomes harder to measure and define. In other words, the sphere of value creation becomes diffuse. It comes to include not just domestic and reproductive labour, but all activity that is generative of a functioning society and the knowledge that it possesses.

As a result, much less emphasis is placed on the idea of emancipation *within*

work. Instead, the receipt of a basic income often takes centre stage as the emancipatory moment, releasing us from the compulsion of performing alienated activity for the market, or indeed for the state. Work is not transformed so much as progressively abandoned in favour of UBI-funded, self-directed, productive activity.

Technological advance plays a critical role in this approach. The growth of labour productivity through automation is seen, in the tradition of Gorz, as outpacing our demand for the products of labour. This would appear to make productive full-time work for everyone an impossibility, both as a source of income and as a route to emancipation. A related critique is David Graeber's view that "bullshit jobs" have become the norm in capitalism—jobs which may have some tactical rational for employers yet cannot be seen as meaningfully creating value for society. For Graeber, such jobs should not be socialised; they should be abolished.

So workerist and post-work traditions actually share a vision of production through free association in a society that has moved beyond wage labour, but they foresee very different paths to get there: the one through the transformation of work, the other through escaping it.

The moral agenda is also different. Paying workers "the full fruits of their labour" is a caricature of the workerist position, but not entirely without basis. By contrast, proponents of UBI see it as a way for society to reward all useful activity performed beyond the market. It is often promoted as a "dividend" of past efforts to develop knowledge, technology and "social capital".

Lastly, there is the question of the transformative potential of a UBI on capitalism itself. Inasmuch as it creates an alternative to wage labour, a UBI is often seen by left proponents as a tool to undermine the bargaining power of capital over labour, forcing improvements in pay and working conditions, or even challenging capitalism itself. Even the implementation of a modest "partial" UBI is seen as a transformative reform, undermining the ideology

of work that makes one's job a signifier of social purpose and worth, and that stands politically in the way of the transition to a post-work society.

## **Some sources of confusion**

One conclusion we can draw from this controversy is that it is not always helpful to read the labour theory of value (LTV) as a normative theory, despite the undoubted rhetorical power of doing so. With LTV treated as a moral theory of theft, the UBI debate becomes one of competing moral claims to the social product, based upon competing claims about value-creation.

But in what sense should value-creation in capitalism be a moral yardstick when we are talking about transformation to post-capitalist society? Marx famously proposed “to each according to his (sic.) needs” as a better principle; a post-capitalist society has to transcend the logic of reward-for-contribution to realise that vision. LTV, on the other hand, can be seen as a descriptive theory of the determination of prices of production under specific circumstances. This is why Marx only considers wage labour in that theory—unpaid work is not considered to have any effect on prices.

There is also a lot of confusion about sequencing in this debate. Are we talking about before or after the revolution? To attack UBI, it is tempting to counterpose the promise of after-the-revolution socialism to the dystopia of a capitalism shored-up by a lumpenproletariat-pacifying UBI. At the same time, it is tempting for the post-work side to counterpose the self-directed, unpaid activity and free association of hypothetical UBI-receivers to the horrors of actually-existing wage labour.

But neither of these are entirely fair comparisons to make. Both compare capitalist realities with states of affairs that are really only possible post-capitalism. We need to consider what role UBI might play in a post-capitalist/socialist/communist economy. In parallel, we need to consider

exactly what kind of UBI is possible in a capitalist economy, and the limits thereof.

## **UBI would be contingently necessary in a post-capitalist economy**

UBI has emerged as a policy response to the problem of persistent labour oversupply and the precarity and poverty that goes with it. This oversupply, however, is a necessary feature of capitalism. In the workerist vision of a socialist economy, the problem is solved by guaranteed access to employment. In the post-work vision, UBI solves the problem that employment can no longer be guaranteed. My aim in this section is to suggest how this chasm might be bridged.

First of all, I believe that full employment—understood in a certain way—should be seen as a basic requirement in a post-capitalist economy. The opportunity to work as much as we would like is not just a nice-to-have; it is needed to underpin the strength of labour and ensure the democratic character of the production process. I am tempted to say that worker power through effective labour scarcity is even more fundamental than the *de jure* control of the productive apparatus. There is no state enterprise or worker coop that could not potentially become the site of alienation if you had to beg to be allowed to join, i.e. if surplus labour put some people in a position of *de facto* power over others.

But there is no reason why we should all want to work forty hours a week. In fact, “how much we want to work”, on aggregate, is not a matter of immutable individual preferences but something to be consciously and collectively decided. It should be an object of collective economic management, and this is where UBI may play a role post capitalism.

How much we should want to work, moreover, depends on how much we want to produce. In capitalism, growth is just the accidental product of uncoordinated profit maximization. Associated production, by contrast, implies a collective decision about how big the economy should be at any one time. Even putting aside the issue of ecological limits, the balance between well-being now and in the future, and thus between current consumption and investment, is fundamentally an ethical and political one. To let the current and future scale of output be determined accidentally, through uncoordinated activity, is to abdicate responsibility. A socialist society has to target a certain scale of output at any date, thus aiming for a certain trajectory of growth or de-growth.

A target level of output then implies a target for the input of labour time, given the state of production technology at any one moment. Looking forward, this is unlikely to mean everyone working all week; not in the context of automation, ecological constraints and the satiation of basic needs. So there can be no question of simply trying to stimulate whatever output it takes, Keynesian style, to absorb however much labour we might happen to want to supply. Instead, full employment would require that we adjust the amount of labour we *want* to supply to the desired level of output.

Now this is not a problem where there is no market. For example, if I agree, in a self-sufficient commune, to a plan which foresees everyone working 20 hours a week, then by definition I decide and want to work the required 20 hours a week. The supply and demand sides are brought together in a conscious decision. The same applies to voluntary activity and any work done for its own sake, rather than for payment.

However, there are few visions of a post-capitalist economy that do not foresee at least a consumer market and payment for labour (in money, “labour tokens”, etc.), at least transitionally. And where work is performed for payment, the problem arises of setting this reward at the right level to incentivize the required supply of labour. Rationing out scarce paid work is possible but



suboptimal, leaving nearly everyone dissatisfied.

This is where UBI comes in. Clearly, by raising or lowering a UBI, we could collectively influence aggregate labour supply, whilst leaving each of us free to decide how much we each want to work for payment. In fact, we should speak here not just of UBI but of the general balance between labour and non-labour income. The latter includes goods and services provided in kind, like public healthcare, and money transfers such as pensions, as well as UBI. Here then, UBI becomes an intelligent tool for planning aggregate labour supply in the context of prior defined goals for aggregate production and consumption.

Consequently, instead of seeing “workerist” and “post-work” visions of post-capitalist society as opposing each other, we can see them as contingently necessary solutions to different historical circumstances. We can see UBI as a contingently necessary tool, rather than as something mandated by a particular view of the LTV. In a low-productivity, early industrial context, with a strong desire to increase output to meet basic needs, we face the problem of how to motivate and compensate the performance of a large quantity of arduous work. In this context, there is limited scope, macroeconomically, for extensive non-labour income.

By contrast, with high labour productivity, high living standards and ecological constraints, we face the problem of how to allocate output without giving rise to unquenchable demands for paid employment. As a result, a shift towards non-labour income becomes macroeconomically necessary. Meeting particular needs comes first, in my view, but something like a UBI becomes increasingly desirable, and even hard to avoid. So the post-work vision of UBI in a highly automated communist economy, in which little work needs to be paid for, also makes sense. Vitally, both visions are ones of full employment, in the sense that we each get as much paid work as we want.

But are we really still talking about UBI at this point? The same mechanisms can be discussed with reference to basic service provision or systems of ra-

tioning to meet basic needs; making UBI the theme just situates the discussion within debates on automation and the potential outcomes of capitalism's changing technological base. It is also clear that a post-capitalist "UBI" is functionally completely different from a capitalist one. So does a UBI make sense in a capitalist economy, highly automated or otherwise?

## **The limits of UBI within capitalism**

The question for proponents of UBI as a progressive measure within capitalism is whether it can really be high enough to provide a widespread alternative to wage labour. It seems the answer is "no".

There are circumstances in which a modest UBI could increase labour market participation, but these are limited. More generally, a rising UBI in a capitalist economy will decrease labour participation and unemployment, with predictable effects. Sooner or later the labour market will grow "tight" and the bargaining power of labour stronger. Inflation is likely to rise as firms try to pass on higher labour costs. Ultimately, without state intervention, the result must be a capital strike: investment will collapse as profit rates fall, regenerating unemployment and returning labour to its former weakness.

This is the point where the state usually intervenes, in the guise of fighting inflation. If the state had just raised the level of UBI, then the obvious inflation-fighting response would be to lower the UBI again, forcing people back onto the jobs market and undercutting wage demands. The possibility of a UBI in a capitalist economy is conditional on it being low enough *not* to provide a viable alternative to wage labour for most people.

For the same reason, UBI *within* capitalism is quite likely to mean the redistribution of income from higher- to lower-paid workers, rather than taking capital income and redistributing it to labour. There may be interesting possibilities to tap rental income flows like land rents and speculative capital

gains, but the overall scope for sustainably reducing profit rates to pay for a UBI must be limited.

Moreover, a modest UBI that failed to provide a viable alternative to paid employment might actually increase profit rates. This might be the case if a UBI was effectively funded at the expense of higher-paid labour, whilst also facilitating lower pay and more precarious conditions for many workers. In this case, capital would be better off, whereas workers as a whole would be worse off. A UBI could become part of a package to create a “business friendly environment”: business might still be forced to pay some workers well, but some of that excessive pay could be recovered through taxation to subsidize low pay and “flexibility” for others.

## **What difference does automation make?**

In a sense, automation could change all this, but in another sense—and this is where the LTV is crucial—it would make no difference at all. The idea behind the appeal to automation is that labour productivity will become so high that output can simultaneously fund a generous UBI, high wages and plentiful profit. Hence, no one would be compelled to work, enough people would still be willing to sell their time to capitalist firms, and entrepreneurs will still want to invest, all at the same time. The capitalist system of exploitation remains intact, but we all get to live a good life anyway.

There is an extensive debate about how likely this actually is, given recent trends of slowing productivity growth. We must also consider the capacity of capital to find non-utility enhancing ways to absorb surplus and create work through zero-sum competitive games, such as in marketing, or just through the expansion of corporate bureaucracies. However, even assuming the promise of automation is fulfilled, this vision raises certain questions.

Firstly, it is not correct, that UBI will be necessary to create demand for the

output of automated production. Competitive consumption by the capitalist class and by states could perform this function perfectly well. We also need to be wary of what are essentially moral appeals to capital, in the form of arguments that say automation will make a UBI necessary in order to preserve some idea of the good (but capitalist) society. This is utopian, unless it can be specified why capital should acquiesce.

More fundamentally, we may ask why this future is not with us already, given that labour productivity has quadrupled in the post war period. The answer is that labour, at least for the first three decades, was powerful enough to maintain its share of output, resulting in rising living standards for workers. After that, increases in productivity were rerouted into supporting the endless accumulation of capital.

The high-tech vision of UBI, the darling of Silicon Valley billionaires, would represent the historic defeat of labour. Working to achieve this vision would mean ensuring that workers' standards of living do not rise with productivity, in order to make UBI affordable. Indeed, we could also make such a "full" UBI affordable now, hypothetically, just by drastically reducing our standard of living. It would be kind of the same thing.

## **Can a modest UBI be a transformative reform?**

I hope that the preceding sections have shown that UBI under capitalism and UBI in a post-capitalist society can't be understood as the same thing. Many appealing visions of life with a UBI belong strictly in a post-capitalist world, because they are not compatible with capitalism's functional requirement for surplus labour and accumulation.

Post-work critiques of the narrowness of workerist understandings of value creation do not have merit, but escape from alienating work is not a plausible option for most under capitalism—the broadly workerist vision of emancipa-

tion in and through work therefore remains vital. Moreover, the idea that a UBI could dramatically alter the bargaining position of workers within capitalism, or could even cause the tables to be turned, is logical but not realistic. If we had the power to kill off capitalism with a UBI, then we would not need a UBI to do so. And until that point, any UBI will be strictly limited by the imperative of profitability.

This leaves us with the question of whether a modest UBI, under capitalist conditions, is a transformative reform that moves us forward, or rather one that causes us to regress. One argument from the post-work side is that even a modest UBI would undermine the “work ethic” that provides ideological support for capitalism, whilst preparing us psychologically for the “new technological revolution”. This work ethic is certainly functional for capitalism, but it is less clear why we should see it as a barrier to change, and it is not clear why a UBI as such would undermine it. A campaign for a UBI might contest this ideology of work (and highlight how labour has ceased to benefit from productivity increases), but so too can campaigns for shorter working times and better life-work balance.

Another tactic is to present a UBI not as a welfare transfer but as a “dividend” from a stock of capital that is collectively created and/or held by society (“knowledge capital”, “social capital”, etc.). But this draws upon and reinforces the idea that income is a matter of right derived from property. As equal shareholders in public capital, it is implied that we are entitled to equal dividends. If this is true, however, then surely the owners of private capital stock have a right to their dividends as well?

The mainstream UBI debate, of course, is really mostly about welfare reform. Here, its usefulness integrates claims about efficiency, the dignity afforded to beneficiaries, and public acceptability. For example, John McDonnell has linked the idea of UBI to his experience with child benefit. As a non-means-tested measure, child benefit was once considered a dubious proposal, but has since proved popular among the public.

But child benefit is not like a UBI. Neither are means-tested, but child benefit is need-determined, not universal. The arbiter of need is the (bureaucratically-determined) presence of children, which is recognized as implying a greater household need for income. There seems to be widespread acceptance for means-tested progressive taxation (from each according to their ability!) and for need-determined benefits like child benefit, pensions or disability benefits (to each according to their need!). Acceptance is most fragile where beneficiaries' inability to look after themselves is popularly called into question (the unemployed, "benefit scroungers", etc.).

This is a problem for any UBI scheme. As described above, the scope for funding it from the capital share is limited. This means it is likely to be largely a transfer from the better-paid to the less well-paid, and from those who work to those who do not. Unlike child benefit, its acceptability will depend on persuading people that it is good to work and pay taxes so that other people do not have to. This is likely to be a hard sell.

The acceptability of child benefit rests on the perception that people do not have equal needs, making need-determined distribution more efficient more efficient than universal provision. For the same reason, need-determined distribution provides greater security because people who need a bigger cushion can get one, or because help is targeted at occasions of need, such as the loss of work or the advent of illness. Benefits that are means-tested or conditional on behavior can be bureaucratically wasteful and intrusive, but cases like child benefit show that means need be tested only once (at taxation) and that much needs-testing can be reduced to simple objective criteria. We also need to push the idea that sometimes it is better to give claimants the benefit of the doubt, to create a more humane and efficient welfare system.

Finally, we need to be wary of the assertion that the assessment of need by the state is always suspect, and that equality of benefits is in principle good. From this, it is but a small step to just handing out equal vouchers to spend on private healthcare and education. It is but another small step to the idea

that all means-testing is bad and tax should always be flat. The libertarian support for UBI is not for nothing, after all.

Marxist debates can help us understand UBI's alluring vision. Only by transcending capitalism, however, can we ever reach that vision. Until then, it seems destined to be a disappointment: as a welfare system, it is sub-optimal; ideologically, it may be, on balance, unhelpful; and as a potential subsidy of low-paid and precarious employment, it may even become regressive.

More promising transformative reforms lie elsewhere. We can strengthen and deepen democracy. We can raise the labour share of income at the expense of speculative and rentier incomes through instruments such as land value taxation, reducing the political power of capital as a whole. Lastly, we can begin to foster the growth of public, worker-owned and similar alternative forms of ownership at the gradual expense of the purely capitalist sector. While a UBI scheme is likely to become subordinate to the requirements of the capitalist mode of production, such policy options can help build the foundations for socialism.

# 13

## Escaping the Black Dog's Shadow

Nic Murray

There have been significant debates around the Labour Party's increasing sympathy for universal basic income (UBI). Though UBI's alternatives have also been discussed by both Jeremy Corbyn and John McDonnell, UBI itself has been the starting point for policy responses to increased precariousness of employment and the possible effects of greater automation, with McDonnell setting up a working group to look into the idea in February last year.

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So should a UBI be part of a socialist vision for the future? Does a UBI even make sense as a transformative reform within capitalism? Debates on UBI as a practical policy are well-rehearsed, but this article seeks to answer these questions through a critical review of the Marxist perspectives on the concept.

## **Freedom in work**

“Workerism” is the often derogatory term for Marxist analysis that dogmatically privileges manual production workers as creators of economic value and agents of history, calling for workplace organisation to the exclusion of all else. Though this is a fair criticism of specific Marxist movements, much of the Marxist tradition is “workerist”—with a small “w”—in emphasizing wage labour as the origin of economic value. As workers, we are said to create value and continually remake the world, yet at someone else's direction. Seeing ourselves as passive “employees” rather than active creators is crucial to the concept of alienation, which underpins capitalists' ability to expropriate value from production, yet herein is said to lie our latent revolutionary potential.

Accordingly, emancipation cannot be seen as freedom from work, which would appear to be an abdication of agency. Instead, class struggle centres on the workplace, on the fate of the value we create, and on the control of the work process itself. The goal is freedom-in-work through the socialisation and democratisation of the workplace. The free association of producers replaces wage labour.

This position can be caricatured—and historically often has been—as ignoring those who are outside the realm of capitalist production. However, it maintains that unpaid work (such as domestic labour) can, like all labour, create use value, which is something to celebrate. Greater recognition of this fact gave rise to ideas such as “wages for housework”. Although proposed in opposition to narrow workerism, these ideas still embody a certain workerist logic: the response to unpaid labour is to demand that it should be recognised as labour proper by linking it to a wage, and that it ultimately should be socialised, in order to emancipate it. In this vision, the realm of work expands outwards, but work is to become self-directed, and no longer alienating.

In this context, it is not hard to understand the workerist opposition to UBI. To the extent that UBI means we can drop out of work, we gain “free time”, but we lose the historical agency we have as workers. As UBI-funded consumers, we are seen as passive, alienated, taking as given a world shaped by others. We may do work, such as housework, that creates use value outside of the market, but there is no reason to believe that this work must be “free”: it may fall victim to other structures of domination such as patriarchy. Might not UBI create an enormous pressure to “volunteer” in some approved manner, to symbolically earn one’s UBI cheque?

From the beginning, Marxism has pointed out that wage labour offers an escape from “pre-capitalist” structures, even as it imposes a new form of subjugation. Workerism embodies the classical Marxist teleology that sees capitalism as a step on a liberatory path that is only completed through the socialisation of labour. From this perspective, UBI seems to miss a crucial step

in the process towards post-capitalism.

This critique recognises the fact that UBI is usually proposed as a specifically social democratic reform within capitalism. Despite all the talk of “free time”, such a formulation of UBI can only be intended to leave the system of wage labour intact, and this is how left critiques of UBI tend to understand it. As such, the liberation involved appears limited: if we still have to perform wage labour to supplement our UBI cheques, then we still cannot escape the alienation of working as someone else’s tool.

UBI is also unlikely to be seen as a transformative reform from a workerist perspective. Organising for a (higher) UBI, to lessen the impact of low pay and precarious conditions, appears as an alternative to workplace organisation. And, from this perspective, organising to plead for state protection from capital looks like a dead end. Indeed, to the extent that UBI is really a subsidy of low pay and precarious conditions, it is not clear who the state would be protecting from whom.

## **Freedom from work**

The post-work tradition has its roots in the post-operaismo of Italian Marxists such as Carlo Vercellone, Antonio Negri, and other “post-work” thinkers such as André Gorz. Its key contention is that work and value-production increasingly fail to conform to the model we see in Marx, one that is better suited to early industrial times. As production becomes more and more immaterial, less bounded by the conventional workplace, and less defined by physical time or output, labour’s role in production becomes harder to measure and define. In other words, the sphere of value creation becomes diffuse. It comes to include not just domestic and reproductive labour, but all activity that is generative of a functioning society and the knowledge that it possesses.

As a result, much less emphasis is placed on the idea of emancipation *within* work. Instead, the receipt of a basic income often takes centre stage as the emancipatory moment, releasing us from the compulsion of performing alienated activity for the market, or indeed for the state. Work is not transformed so much as progressively abandoned in favour of UBI-funded, self-directed, productive activity.

Technological advance plays a critical role in this approach. The growth of labour productivity through automation is seen, in the tradition of Gorz, as outpacing our demand for the products of labour. This would appear to make productive full-time work for everyone an impossibility, both as a source of income and as a route to emancipation. A related critique is David Graeber's view that "bullshit jobs" have become the norm in capitalism—jobs which may have some tactical rational for employers yet cannot be seen as meaningfully creating value for society. For Graeber, such jobs should not be socialised; they should be abolished.

So workerist and post-work traditions actually share a vision of production through free association in a society that has moved beyond wage labour, but they foresee very different paths to get there: the one through the transformation of work, the other through escaping it.

The moral agenda is also different. Paying workers "the full fruits of their labour" is a caricature of the workerist position, but not entirely without basis. By contrast, proponents of UBI see it as a way for society to reward all useful activity performed beyond the market. It is often promoted as a "dividend" of past efforts to develop knowledge, technology and "social capital".

Lastly, there is the question of the transformative potential of a UBI on capitalism itself. Inasmuch as it creates an alternative to wage labour, a UBI is often seen by left proponents as a tool to undermine the bargaining power of capital over labour, forcing improvements in pay and working conditions, or even challenging capitalism itself. Even the implementation of a modest

“partial” UBI is seen as a transformative reform, undermining the ideology of work that makes one’s job a signifier of social purpose and worth, and that stands politically in the way of the transition to a post-work society.

## **Some sources of confusion**

One conclusion we can draw from this controversy is that it is not always helpful to read the labour theory of value (LTV) as a normative theory, despite the undoubted rhetorical power of doing so. With LTV treated as a moral theory of theft, the UBI debate becomes one of competing moral claims to the social product, based upon competing claims about value-creation.

But in what sense should value-creation in capitalism be a moral yardstick when we are talking about transformation to post-capitalist society? Marx famously proposed “to each according to his (sic.) needs” as a better principle; a post-capitalist society has to transcend the logic of reward-for-contribution to realise that vision. LTV, on the other hand, can be seen as a descriptive theory of the determination of prices of production under specific circumstances. This is why Marx only considers wage labour in that theory—unpaid work is not considered to have any effect on prices.

There is also a lot of confusion about sequencing in this debate. Are we talking about before or after the revolution? To attack UBI, it is tempting to counterpose the promise of after-the-revolution socialism to the dystopia of a capitalism shored-up by a lumpenproletariat-pacifying UBI. At the same time, it is tempting for the post-work side to counterpose the self-directed, unpaid activity and free association of hypothetical UBI-receivers to the horrors of actually-existing wage labour.

But neither of these are entirely fair comparisons to make. Both compare capitalist realities with states of affairs that are really only possible post-capitalism. We need to consider what role UBI might play in a post-

capitalist/socialist/communist economy. In parallel, we need to consider exactly what kind of UBI is possible in a capitalist economy, and the limits thereof.

## **UBI would be contingently necessary in a post-capitalist economy**

UBI has emerged as a policy response to the problem of persistent labour oversupply and the precarity and poverty that goes with it. This oversupply, however, is a necessary feature of capitalism. In the workerist vision of a socialist economy, the problem is solved by guaranteed access to employment. In the post-work vision, UBI solves the problem that employment can no longer be guaranteed. My aim in this section is to suggest how this chasm might be bridged.

First of all, I believe that full employment—understood in a certain way—should be seen as a basic requirement in a post-capitalist economy. The opportunity to work as much as we would like is not just a nice-to-have; it is needed to underpin the strength of labour and ensure the democratic character of the production process. I am tempted to say that worker power through effective labour scarcity is even more fundamental than the *de jure* control of the productive apparatus. There is no state enterprise or worker coop that could not potentially become the site of alienation if you had to beg to be allowed to join, i.e. if surplus labour put some people in a position of *de facto* power over others.

But there is no reason why we should all want to work forty hours a week. In fact, “how much we want to work”, on aggregate, is not a matter of immutable individual preferences but something to be consciously and collectively decided. It should be an object of collective economic management, and this is where UBI may play a role post capitalism.

How much we should want to work, moreover, depends on how much we want to produce. In capitalism, growth is just the accidental product of uncoordinated profit maximization. Associated production, by contrast, implies a collective decision about how big the economy should be at any one time. Even putting aside the issue of ecological limits, the balance between well-being now and in the future, and thus between current consumption and investment, is fundamentally an ethical and political one. To let the current and future scale of output be determined accidentally, through uncoordinated activity, is to abdicate responsibility. A socialist society has to target a certain scale of output at any date, thus aiming for a certain trajectory of growth or de-growth.

A target level of output then implies a target for the input of labour time, given the state of production technology at any one moment. Looking forward, this is unlikely to mean everyone working all week; not in the context of automation, ecological constraints and the satiation of basic needs. So there can be no question of simply trying to stimulate whatever output it takes, Keynesian style, to absorb however much labour we might happen to want to supply. Instead, full employment would require that we adjust the amount of labour we *want* to supply to the desired level of output.

Now this is not a problem where there is no market. For example, if I agree, in a self-sufficient commune, to a plan which foresees everyone working 20 hours a week, then by definition I decide and want to work the required 20 hours a week. The supply and demand sides are brought together in a conscious decision. The same applies to voluntary activity and any work done for its own sake, rather than for payment.

However, there are few visions of a post-capitalist economy that do not foresee at least a consumer market and payment for labour (in money, “labour tokens”, etc.), at least transitionally. And where work is performed for payment, the problem arises of setting this reward at the right level to incentivize the required supply of labour. Rationing out scarce paid work is possible but

suboptimal, leaving nearly everyone dissatisfied.

This is where UBI comes in. Clearly, by raising or lowering a UBI, we could collectively influence aggregate labour supply, whilst leaving each of us free to decide how much we each want to work for payment. In fact, we should speak here not just of UBI but of the general balance between labour and non-labour income. The latter includes goods and services provided in kind, like public healthcare, and money transfers such as pensions, as well as UBI. Here then, UBI becomes an intelligent tool for planning aggregate labour supply in the context of prior defined goals for aggregate production and consumption.

Consequently, instead of seeing “workerist” and “post-work” visions of post-capitalist society as opposing each other, we can see them as contingently necessary solutions to different historical circumstances. We can see UBI as a contingently necessary tool, rather than as something mandated by a particular view of the LTV. In a low-productivity, early industrial context, with a strong desire to increase output to meet basic needs, we face the problem of how to motivate and compensate the performance of a large quantity of arduous work. In this context, there is limited scope, macroeconomically, for extensive non-labour income.

By contrast, with high labour productivity, high living standards and ecological constraints, we face the problem of how to allocate output without giving rise to unquenchable demands for paid employment. As a result, a shift towards non-labour income becomes macroeconomically necessary. Meeting particular needs comes first, in my view, but something like a UBI becomes increasingly desirable, and even hard to avoid. So the post-work vision of UBI in a highly automated communist economy, in which little work needs to be paid for, also makes sense. Vitally, both visions are ones of full employment, in the sense that we each get as much paid work as we want.

But are we really still talking about UBI at this point? The same mechanisms can be discussed with reference to basic service provision or systems of ra-



tioning to meet basic needs; making UBI the theme just situates the discussion within debates on automation and the potential outcomes of capitalism's changing technological base. It is also clear that a post-capitalist "UBI" is functionally completely different from a capitalist one. So does a UBI make sense in a capitalist economy, highly automated or otherwise?

## **The limits of UBI within capitalism**

The question for proponents of UBI as a progressive measure within capitalism is whether it can really be high enough to provide a widespread alternative to wage labour. It seems the answer is "no".

There are circumstances in which a modest UBI could increase labour market participation, but these are limited. More generally, a rising UBI in a capitalist economy will decrease labour participation and unemployment, with predictable effects. Sooner or later the labour market will grow "tight" and the bargaining power of labour stronger. Inflation is likely to rise as firms try to pass on higher labour costs. Ultimately, without state intervention, the result must be a capital strike: investment will collapse as profit rates fall, regenerating unemployment and returning labour to its former weakness.

This is the point where the state usually intervenes, in the guise of fighting inflation. If the state had just raised the level of UBI, then the obvious inflation-fighting response would be to lower the UBI again, forcing people back onto the jobs market and undercutting wage demands. The possibility of a UBI in a capitalist economy is conditional on it being low enough *not* to provide a viable alternative to wage labour for most people.

For the same reason, UBI *within* capitalism is quite likely to mean the redistribution of income from higher- to lower-paid workers, rather than taking capital income and redistributing it to labour. There may be interesting possibilities to tap rental income flows like land rents and speculative capital

gains, but the overall scope for sustainably reducing profit rates to pay for a UBI must be limited.

Moreover, a modest UBI that failed to provide a viable alternative to paid employment might actually increase profit rates. This might be the case if a UBI was effectively funded at the expense of higher-paid labour, whilst also facilitating lower pay and more precarious conditions for many workers. In this case, capital would be better off, whereas workers as a whole would be worse off. A UBI could become part of a package to create a “business friendly environment”: business might still be forced to pay some workers well, but some of that excessive pay could be recovered through taxation to subsidize low pay and “flexibility” for others.

## **What difference does automation make?**

In a sense, automation could change all this, but in another sense—and this is where the LTV is crucial—it would make no difference at all. The idea behind the appeal to automation is that labour productivity will become so high that output can simultaneously fund a generous UBI, high wages and plentiful profit. Hence, no one would be compelled to work, enough people would still be willing to sell their time to capitalist firms, and entrepreneurs will still want to invest, all at the same time. The capitalist system of exploitation remains intact, but we all get to live a good life anyway.

There is an extensive debate about how likely this actually is, given recent trends of slowing productivity growth. We must also consider the capacity of capital to find non-utility enhancing ways to absorb surplus and create work through zero-sum competitive games, such as in marketing, or just through the expansion of corporate bureaucracies. However, even assuming the promise of automation is fulfilled, this vision raises certain questions.

Firstly, it is not correct, that UBI will be necessary to create demand for the

output of automated production. Competitive consumption by the capitalist class and by states could perform this function perfectly well. We also need to be wary of what are essentially moral appeals to capital, in the form of arguments that say automation will make a UBI necessary in order to preserve some idea of the good (but capitalist) society. This is utopian, unless it can be specified why capital should acquiesce.

More fundamentally, we may ask why this future is not with us already, given that labour productivity has quadrupled in the post war period. The answer is that labour, at least for the first three decades, was powerful enough to maintain its share of output, resulting in rising living standards for workers. After that, increases in productivity were rerouted into supporting the endless accumulation of capital.

The high-tech vision of UBI, the darling of Silicon Valley billionaires, would represent the historic defeat of labour. Working to achieve this vision would mean ensuring that workers' standards of living do not rise with productivity, in order to make UBI affordable. Indeed, we could also make such a "full" UBI affordable now, hypothetically, just by drastically reducing our standard of living. It would be kind of the same thing.

## **Can a modest UBI be a transformative reform?**

I hope that the preceding sections have shown that UBI under capitalism and UBI in a post-capitalist society can't be understood as the same thing. Many appealing visions of life with a UBI belong strictly in a post-capitalist world, because they are not compatible with capitalism's functional requirement for surplus labour and accumulation.

Post-work critiques of the narrowness of workerist understandings of value creation do not have merit, but escape from alienating work is not a plausible option for most under capitalism—the broadly workerist vision of emancipa-

tion in and through work therefore remains vital. Moreover, the idea that a UBI could dramatically alter the bargaining position of workers within capitalism, or could even cause the tables to be turned, is logical but not realistic. If we had the power to kill off capitalism with a UBI, then we would not need a UBI to do so. And until that point, any UBI will be strictly limited by the imperative of profitability.

This leaves us with the question of whether a modest UBI, under capitalist conditions, is a transformative reform that moves us forward, or rather one that causes us to regress. One argument from the post-work side is that even a modest UBI would undermine the “work ethic” that provides ideological support for capitalism, whilst preparing us psychologically for the “new technological revolution”. This work ethic is certainly functional for capitalism, but it is less clear why we should see it as a barrier to change, and it is not clear why a UBI as such would undermine it. A campaign for a UBI might contest this ideology of work (and highlight how labour has ceased to benefit from productivity increases), but so too can campaigns for shorter working times and better life-work balance.

Another tactic is to present a UBI not as a welfare transfer but as a “dividend” from a stock of capital that is collectively created and/or held by society (“knowledge capital”, “social capital”, etc.). But this draws upon and reinforces the idea that income is a matter of right derived from property. As equal shareholders in public capital, it is implied that we are entitled to equal dividends. If this is true, however, then surely the owners of private capital stock have a right to their dividends as well?

The mainstream UBI debate, of course, is really mostly about welfare reform. Here, its usefulness integrates claims about efficiency, the dignity afforded to beneficiaries, and public acceptability. For example, John McDonnell has linked the idea of UBI to his experience with child benefit. As a non-means-tested measure, child benefit was once considered a dubious proposal, but has since proved popular among the public.

But child benefit is not like a UBI. Neither are means-tested, but child benefit is need-determined, not universal. The arbiter of need is the (bureaucratically-determined) presence of children, which is recognized as implying a greater household need for income. There seems to be widespread acceptance for means-tested progressive taxation (from each according to their ability!) and for need-determined benefits like child benefit, pensions or disability benefits (to each according to their need!). Acceptance is most fragile where beneficiaries' inability to look after themselves is popularly called into question (the unemployed, "benefit scroungers", etc.).

This is a problem for any UBI scheme. As described above, the scope for funding it from the capital share is limited. This means it is likely to be largely a transfer from the better-paid to the less well-paid, and from those who work to those who do not. Unlike child benefit, its acceptability will depend on persuading people that it is good to work and pay taxes so that other people do not have to. This is likely to be a hard sell.

The acceptability of child benefit rests on the perception that people do not have equal needs, making need-determined distribution more efficient more efficient than universal provision. For the same reason, need-determined distribution provides greater security because people who need a bigger cushion can get one, or because help is targeted at occasions of need, such as the loss of work or the advent of illness. Benefits that are means-tested or conditional on behavior can be bureaucratically wasteful and intrusive, but cases like child benefit show that means need be tested only once (at taxation) and that much needs-testing can be reduced to simple objective criteria. We also need to push the idea that sometimes it is better to give claimants the benefit of the doubt, to create a more humane and efficient welfare system.

Finally, we need to be wary of the assertion that the assessment of need by the state is always suspect, and that equality of benefits is in principle good. From this, it is but a small step to just handing out equal vouchers to spend on private healthcare and education. It is but another small step to the idea

that all means-testing is bad and tax should always be flat. The libertarian support for UBI is not for nothing, after all.

Marxist debates can help us understand UBI's alluring vision. Only by transcending capitalism, however, can we ever reach that vision. Until then, it seems destined to be a disappointment: as a welfare system, it is sub-optimal; ideologically, it may be, on balance, unhelpful; and as a potential subsidy of low-paid and precarious employment, it may even become regressive.

More promising transformative reforms lie elsewhere. We can strengthen and deepen democracy. We can raise the labour share of income at the expense of speculative and rentier incomes through instruments such as land value taxation, reducing the political power of capital as a whole. Lastly, we can begin to foster the growth of public, worker-owned and similar alternative forms of ownership at the gradual expense of the purely capitalist sector. While a UBI scheme is likely to become subordinate to the requirements of the capitalist mode of production, such policy options can help build the foundations for socialism.

# 14

## Transforming Childcare Now

**Andrea Marie**

*This is the last part of a four-part examination of the care of children under capitalism, which draws extensively on Lise Vogel's (2013) *Marxism and the Oppression of Women* in order to theorise exactly how childcare functions in the UK today<sup>1</sup> and to suggest alternatives.*

*Part One examined how the establishment of childcare outside the home in capitalist society is vulnerable to co-option by capitalist purposes for both production and reproduction, and I summarised Vogel's central thesis in order to explain how.*

*Part Two explored how this co-option functions in the current situation, and the exact ways childcare is used to facilitate women's work and stabilise the rearing of children both through childcare inside and outside the home.*

*Part Three looked at how childcare can be deployed in other ways to those dictated by the purposes of capitalism, drawing on Nancy Fraser's understanding of how the sites of class struggle can be widened beyond the productive realm in order to redraw the boundaries between production and reproduction. To inquire how*

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<sup>1</sup>Raymond Williams, "Notes on Marxism in Britain since 1945" in *Culture and Materialism*, London, Verso, 2005.

*childcare can be reclaimed for our own purposes rather than ceding them to capitalism, I used both William Morris and Alexandra Kollontai to explore how the sites and nature of both work and care can be transformed.*

*Finally, this is Part Four which discusses how this transformation can be initiated today, understanding reformism as a potential part of a revolutionary strategy, and suggesting sites of struggle that working class women can take up to influence Labour Party politics.*

## **Reformism as Response: Transforming Childcare Inside and Outside the Home Now**

As argued above, capitalism poses a huge problem for childcare, standing at it does at the crossroads between the contradictions of production and reproduction. It appears inevitable that these contradictions will be resolved, or given “room to move” (p. 198), by free riding on the unpaid labour of women. Given these profound challenges to providing good childcare outside the home in capitalism, it seems difficult to suggest a way forward within capitalist society without reverting to an abstract, and ultimately idealist, position of total anti-capitalist opposition, that objects to any practical improvements as a compromise, and indeed a distraction from the only serious task, that of overthrowing capitalism itself.

This requires a consideration of a form of reformism that involves a total understanding of society and of the limits imposed by capitalism, this kind of reformism is suggested in Raymond Williams’s notion of “reformism as response”<sup>2</sup>. This kind of reformism must be distinguished, firstly, from an ameliorative reformism in which, perhaps, as with the struggle to shorten

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<sup>2</sup>Raymond Williams, “Notes on Marxism in Britain since 1945” in *Culture and Materialism*, London, Verso, 2005.



the length of the working day, the workers' movement may act in the interests of capitalism in the long-term against the short-term interests of capitalists, as Marx argues, uninterrupted by struggle, capitalism "undermines the original sources of all wealth – the soil and the worker". It is in this way that demands for childcare in the name of 'education' against childcare for maternal employment have been deployed (see Part One), but, in fact, are often a way to assert capital's long-term need to stabilise social reproduction against the short-term need for profit through freeing women for capitalist production. Secondly, reformism as response must be distinguished from a reformism of transitional demands which is, essentially, a crude pedagogical strategy that does not, in the last instance, aim at real reforms but at mobilising around demands which while "reasonable", capitalism cannot meet.

Reformism as response for Williams proceeds from a particular situation, and the state and capital's failure to meet human needs, but then, both in theory and practice, pushes beyond the limited and particular so that "one struggle connects with and implies another"<sup>3</sup>. Childcare, precisely because of how it stands within absolutely fundamental contradictions within capitalism, certainly has this dynamic possibility. There are then three fundamental aspects of a reformism as response when it comes to childcare. Firstly, that childcare cannot be addressed on its own, it implicates other struggles, one of the most notable of which is over work, particularly the length of the working day. Secondly, that a reformism as response is part of the radical end of boundary struggles- an attempt to go beyond simply providing some relief to women from their double shift of productive and reproductive labour, through potentially revolutionary struggles against these spatial distinctions of capitalism that are central to women's oppression. Thirdly, that even if capitalism cannot be overcome in the short-run, that any serious childcare reformism must be anti-capitalist. It is in this vein that the following reforms are suggested.

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<sup>3</sup>Williams, "Notes on Marxism in Britain since 1945", p. 248.

# Work

## Shorter Working Week

One key demand that attacks the boundary between waged and domestic labour, based on an understanding that the real length of the working day does not end after returning from paid work, is to shorten the working week. This would increase the time available for those domestic aspects of necessary labour for which workers are not paid, including care of children, as well as attacking the amount of surplus labour capital extracts from paid workers.

Demands for an eight hour day were beginning to be formulated at the time of the Industrial Revolution. Since then, the working day has been naturalised, with an eight hour day established as the norm and even extended. Although struggles against zero hours contracts, bogus self-employment and piece-work are important to resist the demand for complete availability to work, our struggles need to go beyond being defensive with a clear demand for a shorter week, that, between paid work and unpaid work, may even provide some time to recuperate.

A pilot project in a Swedish care home found a shorter six hour working day improved wellbeing among both staff and residents, and, crucially, was particularly beneficial to carers of children:

The perceived health of the care workers increased considerably in relation to stress and alertness. This was especially apparent in child-caring age groups. Having longer to recuperate and spend time with family is evidently an important factor in creating a sustainable work-life balance.

The way this article frames this experiment is in terms of the long-term in-

terests of capital against overwhelming attacks on the scheme as “too expensive”, desperate to show that

Some of the cost of employing the new care workers is offset by lower payments from the social security system, and the net increase in cost drops to approximately 10%. It is worth noticing that the calculation still doesn’t take into account any long-term effects, which are sure to lower the total even further.

However, although phrased as ameliorative reforms, the strength of capital’s opposition to something which, in some ways would benefit it, reveals how the potential breaking down of certain constitutive boundaries of capitalism and the empowering of workers – especially women workers, through this measure, is a greater problem for capital than the deterioration of the work-force and the expense to society of “unemployment, poor working conditions, early retirement and sick leave”.

Here perhaps the clearest theoretical parallel may be found in Michal Kalecki’s “Political Aspects of Full Employment”, and the argument that, “there is a political background in the opposition to the full employment doctrine, even though the arguments advanced are economic”. In other words, even if the capitalist economy may be more efficient under conditions of full employment, a significant disciplinary power over the working class would be lost to capital. In the Swedish case, this political challenge to capital is less about discipline, more about the constitutive, internal boundaries of capitalism, those that underpin women’s oppression, being challenged. Once this political perspective is introduced, beyond the ameliorative reformist perspective of the contradiction between capital’s short and long term interests, capital’s political stake in the boundaries that partially cause women’s oppression should become clear. For a challenge to the length of the working day combines demands for better conditions for production and reproduction and unites women and men in that struggle.

## Care Bank

While a shorter working week goes some way to recognising that the real length of the working day includes work in the domestic sphere as well, it needs to go hand in hand with a recognition not only of its existence, but of its importance. Recognising care as labour that can resist commodification, providing a potential site of work that, following Morris, is governed by “social morality, the responsibility of man towards the life of man”, it is also a potential critique of productive labour that does not meet the real needs of people, advocating “work for livelihood, instead of working to supply the demand of the profit market”.

This means people, particularly women, need to be better resourced in order to undertake this important work, which would also begin to transform the conditions (of submission, isolation and drudgery) under which it is performed in both the household and the productive realm. As Nadine Houghton argues in *New Socialist*, about the demand for resourcing care:

The natural consequences of raising it address the structural impact of unpaid domestic labour on women working outside the home. Such a demand should be linked to the experiences of low paid women – not simply as a tool for solidarity but as a practical organising tool that shifts the debate around low pay to a clear analysis of class, race and gender.

However, as argued in Part Three, the way unpaid care is resourced needs to not only give women more control over how to resolve the contradictions that capitalism make so decisive for their lives, but to question the boundary between them and the polarised choice they present to women. Houghton writes of the need to remove

What is often seen as a binary decision between work at home and work outside the home – we should be demanding a system

whereby the situation is more fluid and women and parents have the ability to fluctuate more easily between the two.

This creates a demand that everyone, both men and women, parents and non-parents, should have a 'Care Bank', paid care time, which they can draw upon throughout their life span, whenever they need to, to care for children, elderly relatives, other family members or friends, with employment protections so that they can return to work when they choose. This would enable both mothers and fathers to take maternity and paternity leave together at this demanding and important time, rather than the current system, which allows parents to share their leave, but in reality, has not been taken up by fathers. It also allows time to be taken at other crucial life moments.

A Care Bank, unlike a wage, which commodifies care work, potentially opening up social relations further to the discipline of capitalist production and oversight, while not necessarily transforming the conditions in which reproductive labour is carried out – particularly collapsing care with the drudgery of housework, and potentially maintaining women in their isolated domestic role; equally, is not just welfare, which does not conceptualise care as work and, in consequence, does not adequately compensate carers for their labour. It challenges the division between the production and reproduction while also potentially opening up the sharp distinctions between men and women's responsibility for care work and the stipulation that care is done in isolation.

## **Childcare**

While shortening the working day and a Care Bank could provide parents time together to care for their children, the family needs to be further integrated into the community, both because families need to be supported more widely, and to increase the capacity in the community for care in

general. A mix of state provision, co-operatives and well resourced informal care, with the boundaries between the three being porous, provides a way to challenge the spatial, temporal, institutional and cultural splitting off of the domestic sphere<sup>4</sup> as a place where care is carried out in conditions of submission, isolation and drudgery as well as making the social realm inclusive of families, rather than excluding children from public life.

## **Childcare as a Free, Universal Service**

It is clear that the current model of childcare, predominantly formal private nurseries (79% of childcare places) that parents have little involvement with except as consumers, cannot provide the means of ‘socialising the domestic’ that challenges either the conditions of care that takes place inside the home, or to fully integrate care within the community in a way that meets women and children’s needs.

This is because, in this model, childcare is treated as a ‘black box’, where government money goes in to private companies to deliver the government’s policy aims, which are described by the Conservatives’ own evaluation of the extension of free hours as a confused mixture of predominantly enabling parental, and in reality maternal, employment and some early years education<sup>5</sup>. As a Reformism as Response strategy would suggest, without delivering childcare on the basis of a total critique of capitalism, these purposes are not only liable to co-option to capitalist purposes for production (coercing women into the labour-force) and reproduction (educating and stratifying the future workforce), as explained in Part One, but the way these aims are delivered become subordinate to the profit motive, which means it

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<sup>4</sup>See Lise Vogel, *Marxism and the Oppression of Women: Towards a Unitary Theory*, Chicago, Haymarket, 2013, p. 159.

<sup>5</sup>” While the universal entitlement is focused on supporting child development, the aim of the extension is that “Additional free childcare will help families by reducing the cost of childcare and will support parents into work or to work more hours should they wish to do so” (DfE, 2017, p. 12).

becomes only incidental that the services companies provide are useful for the community. Subsequently, there needs to be strong counter-pressure by government to maintain standards, however, by ceding control of how childcare is delivered – what goes on inside the black box, the only mechanisms available for this is a purely external regulatory framework, involving OFSTED inspections, which not only are inappropriate to measure caring interactions (as, after all, care is labour which potentially resists commodification and capitalist forms of measurement), but also act to commercialise knowledge and restrict access to other alternative forms of care).

Yet, as the purposes of childcare move more towards an outcome external to the content of care – enabling maternal employment seen in the Conservative restriction of free childcare to the children of working parents, the government is not only ceasing to assure quality to counter the downward pressure of privatised provision, but rather is favouring a landscape of privatised care, presided over a series of deregulatory reforms to enable private companies to cut costs. This can be seen in the government wanting providers in the 30 hour trial to “test different approaches that drive **market innovation and efficiency**, trialling different ways of supporting providers to achieve economies of scale and reduce costs” (DfE, 2017, p. 12). By encouraging “economies of scale” to enable them to keep their subsidy low, the government is also acting to create a favourable regulatory and funding framework for larger chains of for-profit childcare providers at the expense of independent, cooperative or voluntary sector provision, part of the sector that is decreasing as for-profits take over.

This is the only way in which this model of childcare – low government subsidies going to private childcare chains delivering increasingly poor quality provision and paying low wages to workers – has any chance of working. Forty-three per cent of the early implementers of the 30 free hours reported that they joined the scheme because “they saw it as a good business opportunity” (DfE, 2017, p. 14). However, the fact that the state functions to enable

private companies to make a profit out of delivering essential services allows firms to frame demands for increased subsidies as meeting need and identifies the concerns of children, parents and society as a whole with private childcare providers. This can be seen in the identification of providers' and parents' interests in demanding a higher state subsidy to provide the free 30 hour entitlement to three and four year olds. While this is necessary for it to be practically possible to deliver this extension of free hours in the current circumstances, with research showing that without a higher subsidy "nurseries would have to pay their staff below the minimum wage to break even", the logic of capitalism means good quality childcare is impossible, even with strong state entitlements, if it is delivered through companies governed by the profit motive.

While private companies make a profit from caring for our children, as well as the free entitlement for working parents being structurally undeliverable by all but the big childcare chains paying women childcare workers the minimum wage, it is also inconceivable that parents, and mothers in particular, could define their own purposes for childcare to meet their needs and for the kind of society that we want, such as having childcare provision for time off from care work as well as paid work. In *The Playgroup Movement*, Brenda Crowe writes, "there is a very real need for mothers to go off duty for a couple of hours occasionally. Who else is on the job for twenty-four consecutive hours, seven days a week, without even a break for meals?"<sup>6</sup>. Parents and childcare workers have only minimal control over the services they use and provide. Parental input is only very weakly determined by market mechanisms, as 'consumers' of childcare; and even then, these mechanisms and the pressure of competition serves not to improve standards or further choice but to drive smaller independent and voluntary providers out of business and lower standards, often by intensifying the exploitation of childcare workers, who have minimal control over the pay and conditions in which they work, which are some of the worst in the country.

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<sup>6</sup>Brenda Crowe, *The Playgroup Movement*, Oxon, Routledge Library Editions, 1983, p. 1.



However, socialising childcare is not the same as ceding it to the market, rather, as Fraser observes has been the case with earlier socially democratic governments, “some aspects of social reproduction were transformed into public services and public goods, de-privatized but not commodified”. Recognising care as labour which potentially resists commodification provides a strategy to oppose the integration of childcare into the very narrow horizons of existing capitalist purposes, and recognise the work that childcare workers do, even in conditions that mitigate against a generalisable support structure for that work. However, in order to genuinely value and support their care work, as well as meeting the needs of parents and their children, we need to start by bringing childcare back into public hands by not allowing private companies to profit from the care of our children. Childcare needs to be recognised as a national service, like the NHS or education (and here, the Labour Manifesto (p. 35) promising a National Education Service from cradle to grave is positive), with simple supply-side funding through general taxation, available to all parents and free at the point of use. It should be a flexible resource to suit parents, whether in employment or not, so that they can also use it when they are not doing paid work, to have time to rest or to pursue other meaningful activities and long-term projects.

However, this does not mean ceding control over the care of our children, for the ways in which childcare is delivered should not be incidental to our aims, taken out of democratic control and handed over either to private companies, or the state. Here it is important to go back to Federici:

It is one thing to set up a day care center the way we want it, and then demand that the State pay for it. It is quite another thing to deliver our children to the State and then ask the State to control them not for five but for fifteen hours a day...In one case we regain some control over our lives, in the other we extend the

State's control over us<sup>7</sup>.

## **Alternative Models of Childcare: Co-operative Playgroups**

Like the Playgroup Movement in the 60s, 70s and 80s, a grass roots self-help movement by mothers, and it's New Zealand equivalent, the Playcentre Movement, which began during the war and is still active, parents democratic involvement in care challenges the sharp distinction that views childcare as only occurring when parents, particularly mothers, are absent from it (and ideally at work). Federici, again, observes how "welfare mothers, for example, denounced the absurdity of the government policy that recognizes childcare as work only when it involves the children of others"<sup>8</sup>. In contrast, the Playcentre Federation describes in its philosophy how it "recognises the parents as the first and best educators of their own children. Playcentre families receive a unique early childhood experience with opportunities for whanau/families to learn together."

There needs to be a more fluid conceptualisation of childcare that belies the strict separation between formal and informal childcare, and care inside and outside the home. This means childcare that mothers, and parents in general, are not excluded from. Instead of parents only relation to other parents being as consumers, co-operative provision allows women to create networks of support in their local community. In this 1980 film, *Parents in Playgroup*, one woman describes how "I was a lonely mum, came to Honiton with my husband's job, I didn't want to come, I started playgroup, and I needed the playgroup, very much, I was very lonely, I was a mum help and then I started staying when I wasn't a mum help."

Cooperative care recognises and builds on the capacities that parents have,

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<sup>7</sup>Silvia Federici, *Revolution at Point Zero: Housework, Reproduction and Feminist Struggle*, Oakland, PM Press, 2012, p. 21.

<sup>8</sup>Federici, *Revolution at Point Zero*, p. 43.

and are already using everyday, to care for children, but without naturalising this ability – and Crowe explains how fathers were involved in Playgroups too, as they have been in delivering co-operative childcare today. It allows for parents to learn from the shared wisdom of other parents, as well as recognising that parents need support, and benefit from interactions with, and training from, childcare professionals. This means childcare workers are given a new importance, reflected in their pay and conditions<sup>1</sup>, as Crowe writes, when parents turn to professionals for “advice, guidance and support”, they do so “within the context of a redefined relationship of self-confidence and partnership”<sup>9</sup>. In this sense of partnerships, it is important that childcare workers also have co-operative control alongside parents. Lucie Stephens has further researched how co-operatives operating today are beneficial for children, parents and workers.

It also increases the capacity of the community for care in general, as Crowe describes, in her 1972 book *The Playgroup Movement*, how the Pre-school Playgroups Association (PPA), “continues to promote the principles of mutual support and self-help for the benefit not only of pre-schoolers but of their parents and the wider community. This fosters the morale, self-confidence and the general capacity to cope among a much wider age range that the movement’s name would suggest” For example, “PPA has started to involve teenagers and the retired. A further new development might be to enlist the interest of the redundant and the unemployed to the benefit both of those made to feel unwanted by society and of young children most of whom see far too little of male figures in their every day life”<sup>10</sup>.

In order for this to be practically possible, the government should provide a legislative framework and set up a shelter organisation, like the Playcentre Federation in New Zealand, to give support, advice, training and funding to parents and workers. This NEF report also has further suggestions for how

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<sup>9</sup>Crowe, *The Playgroup Movement*.

<sup>10</sup>Crowe, *The Playgroup Movement*, p. xi.

cooperative childcare could be supported.

## **A System of Fluid Care**

In order to truly attack the spatial separation of the domestic, parents need to be resourced, with the money and time, to be able to have the choice to look after their own children, create their own informal arrangements with their peers, where they can be present or not, or have democratic control over more formal, state arrangements; or, ideally, be able to use all these ways of caring fluidly to fit into their lives and the lives of their children. In this way, a system of paying parents directly, or vouchers, could help parents combine a truly flexible use of provision. To paraphrase Marx, to be able to “leave your child at nursery in the morning, for you and friends to look after your children in the afternoon, join other parents at playgroup in the evening, look after your child at home after dinner”, and be paid for the care you are doing across all these settings, at home and outside the home.

Again, this is not commodifying care through providing a wage; neither does it classify mothers as non-working dependents through welfare. It is a way to challenge capitalism’s sharp division of the domestic sphere and obscuring of the labour done there, often in conditions of isolation, by allowing women to socialise their domestic care arrangements in pleasurable ways that suit them and their children.

However, as direct payments and vouchers have been used to integrate care into the purposes of capitalism (in particular, with how PIPs payments have replaced DLA) and been way to remove support from people, particularly people with disabilities and women, on the grounds of facilitating their ‘independence’, this tentative suggestion needs to be approached with care. Payment is not enough, especially in the current regulatory and funding framework; knowledge also needs to be socialised and support needs to be available to help parents, and mothers in particular, set up the type of childcare that suits

their needs and those of the family and wider community.

## Society

### A Transformation of Space

To help grow the general capability of the community and equip public space with facilities to accommodate families so that children would become a part of daily life rather than excluded from the public realm and relegated to the domestic sphere.

Alongside “the good community playgroup, firmly rooted in its own locality”<sup>11</sup>, child-friendly spaces need to become the norm in public buildings and work places. Birmingham Impact Hub provides #radicalchildcare, a co-operative pop-up on-site creche facility alongside its workspace, which parents can use flexibly. One mother describes how the creche did not enact a strict separation of her from her child, neither did it for the childcare worker and her child:

Co-creche was relaxed and easygoing, it gave me opportunity to work, while knowing that my kid is just upstairs and I can visit as many times as I want; just to see him through the glass door happily playing with other kids or getting inside to give him a cuddle when he was upset or even breast feed him if he was hungry. I felt I was there for him, and I didn’t just leave him in a nursery and went. It was also good to get to know lovely ladies, childcare professionals who were there every week to take care of our children. One of them had her baby in the co-creche which felt more personal, like a community.

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<sup>11</sup>Crowe, *The Playgroup Movement*, p. 1.

It is also important to note the importance of architecture, with the glass partition allowing parents to work undisturbed alongside their children. Although this is a workspace for freelancers, workplaces in general could have a similar arrangement, with co-operative creche facilities and working rights that allow parents to have some allocated time working in the creche.

Child-friendly spaces such as creches, soft play areas, unisex baby changing, breastfeeding rooms, would also mean families, childminders or co-operatives of parents and professionals could fluidly care for children both in each others homes and in public spaces, and means informal groups of parent-carers do not necessarily have to provide a premises. Having already been transformed, spaces are ready to use for such groups. This divorcing of space from collectives of parents reconceptualises formal and informal childcare, allows groups to develop more easily and informally and naturally as a pre-cursor to perhaps establishing more formal arrangements.

## **Increasing the Capability and Responsibility of the Community for Care**

Further to ready-made child friendly spaces, organisations should also have the responsibility to provide childcare. Wainwright describes how women's sections transformed the Labour Party so that in one branch, "they have changed the time of meetings to suit parents and provide two hours' paid child care"<sup>12</sup>.

Wainwright also discusses women's demands for a mobile creche: "their idea was that creche workers would take play equipment and set up a creche on demand, at adult-education classes for instance, or health centres or community centres"<sup>13</sup>.

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<sup>12</sup>Hilary Wainwright, *Labour: A Tale of Two Parties*, London, Hogarth Press, 1987, p. 175.

<sup>13</sup>Wainwright, *Labour: A Tale of Two Parties*, p. 169.

These are all ways to reform childcare that need further examination.

15

# When We Go Into Government, We All Go Into Government Together

John McDonnell MP

In late 2016, in the wake of the referendum result, I wrote an article for ‘the other NS’ about the end of the prevailing economic consensus and the need for the left to seize the opportunity and define what comes after it.

Events have moved on more quickly than even I expected at the time.

The Conservatives – wedded to the continuation of austerity despite the belated recognition by some of its failings and contradictions – lost their majority in an election supposed to solidify it.

Since then, there has been no sign of agreement on the Government front-bench about why they lost ground to Labour, nor the intellectual underpinning of what needs to be done to reverse it.



Senior Tories line up after each other to argue that the problem is the need to re-state the benefits of small-state capitalism, or to accept the failings of capitalism; to double down on “fiscal responsibility” or to park tanks on Labour’s public spending lawns.

Meanwhile, Labour has begun to broaden and deepen the details of our alternative economic vision.

Alongside our 2017 manifesto we published an independent report on the implementation of a National Investment Bank, our approach to industrial strategy, an outline programme for addressing the international scandal of tax evasion and avoidance, and – terrifyingly for some – the ‘Alternative Models of Ownership’ report which details some of the failings of the current mode of production and starts thinking practically about transforming it.

We have launched a Community Wealth Building Unit to help deliver sustainable economic growth through the power of Labour in local government. We have spoken about the necessity of putting workers at the heart of environmental transition, and placing that transition at the centre of government policymaking, through fundamental changes to its institutions. And we have started asking important questions about the boundaries of the welfare state and why essential services are not available to all.

But the fact that the left has succeeded in changing the terms of intellectual debate in recent years should not blind us to the distance which we still have to travel. There should be no illusions about the work that remains to be done.

In an astute article last December, Christine Berry of SPERI pointed to the decades of work by right-wing intellectuals and influencers which preceded the Thatcher-Reagan revolution, citing Milton Friedman: “to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable”.

That network of thinktanks, lobbyists, Conservative MPs and right-wing academics not only laid the broader groundwork for the neoliberal era but produced concrete proposals and recommendations such as the notorious Ridley Plan of 1977.

Achieving a fundamental restructuring of society – not just the economy – on a scale comparable to that of Margaret Thatcher will mean the same degree of spadework by our movement, though by very different means to those of the Mont Pelerin clique and their spin-offs.

While the right relies for its ideas and ballast on a small number of wealthy individuals, we can draw on the whole labour movement: of record numbers of Labour Party members and millions of trade unionists, all with personal experiences we can learn from, whether as workers, students, civil society activists or campaigners.

Now, more than ever, we need to harness that collective knowledge to inform the implementation programmes we are working on between now and the time of the next election.

That means together developing proposals for how we deliver our programme, from the level of the individual firm upwards, involving those on the ground as well as sympathetic policy researchers and frontbench colleagues.

Of course, it won't end then. When we go into government, we all go into government together. That means the whole of the movement: not just the proverbial open door, but active engagement on a daily basis between government and civil society and the real experts on the shop floor.

We need to establish in detail how delivering those policies when Labour takes power will involve recognising and enabling what Hilary Wainwright has called the “transformative capacity” of social knowledge: the everyday practical, tacit and theoretical knowledge of those on the front line.

Who will take planning decisions where the failed logic of the market is swept away? How are those decisions taken? What kind of decisions are best made at a national level and which are best devolved to workplaces? What levels of regional decision making are appropriate for different industries or sectors?

What new forms of ownership can we create to maximise the public benefit of new technology and new forms of wealth, like data?

In short: the labour movement as whole needs to put in place structures for a truly participatory system of economic decision making – not just for making policy but also for implementing it.

Of course, we can learn from elsewhere: the “no representation without participation” principle of Red Bologna; the collective ownership and control of data in Barcelona; the practical, detailed plans of the Lucas Aerospace workers for transforming their industry.

But the task of preparing for the transformation of society we want to see is greater than any of these.

Recent years have seen a wave of municipalisation taking place across the world, with people taking control of the economic decisions that affect everyone’s lives: over 800 “remunicipalisations” of water, transport, energy and other key services.

But by winning power at the national level, we face the challenge – with the attendant possibilities – of leading this kind of transformation at the level of national government.

Together, we can be the movement which finally turns the tide against the forward march of capital and inspires the rolling back of neoliberal capitalism across the world.

What are the main themes behind the changes we need to embed?

The whole sphere of production needs to be restructured. Following decades

of offshoring and the worst forms of globalisation, the decline of union membership and collective bargaining and an increase in casualisation and rent-seeking, it is not enough to simply redistribute the proceeds of what economic growth there is. If that economic model ever worked, recent history has shown it no longer does or can.

Questions of ownership and control over production – including a revitalised trade union movement – must now be at the heart of everything we do, if we are to reverse the drift towards an economy polarised between low quality jobs and weak productivity in some areas and a few “Superstar” cities where faster growth benefits a few but comes at a higher cost of living for the many. In order to control what the economy does it will be necessary to change who owns it.

As we transform the economy of the UK, so we must not forget our place in the rest of the world. Jeremy spoke last year at the United Nations about the need for international cooperation to tackle the four threats facing humanity: the concentration of wealth and power; climate change; the unprecedented numbers of people fleeing persecution, conflict and abuse; and the use of military action rather than diplomacy to resolve disputes.

Just as neoliberalism has broken down barriers between capitalists, so our socialist response must be founded on international cooperation.

If there ever existed a purely domestic solution to social and economic exploitation in the UK, it certainly does not exist now.

Our role in global supply chains means we have both the opportunity and the responsibility to play a major role in creating an international economic system which is fairer to those currently exploited by the race to the bottom.

And Kate Osamor has set out the principles which will underlie the next Labour government’s approach to international development, including evaluating all DfID work on the extent to which it reduces inequality.

Some have recently – and rightly – drawn attention to the importance of Karl Polanyi.

Understanding the extent to which capitalism recreated human relationships in all spheres ought to inspire those of us who want a better society to consider the relationship between economics and the rest of the social sphere.

Creating the world we want to see means breaking down those barriers, and just as the market has intruded into all spheres of people's lives, our goal should be the penetration of collective endeavour into the economic sphere. That can be from the ground up, in supporting moves towards collective and co-operative ownership of shared assets, like platform cooperatives, or community renewable schemes. Or it can be facilitated and guided by democratic and accountable government.

There is no reason why the principles of democracy should stop at the time we clock on for work.

But the rise of free market capitalism has not come at the expense of the state. It has rather been nurtured by the state, power over which has been used by successive governments to promote and enforce the logic of the market and the interests of big capital. It follows that our vision is not simply to restore a role for the state in the economy, but to both transform the nature of that role and whose interest it serves at the same time as we transform the wider economy.

The original title for the article I wrote in the New Statesman was “The forward march of capital halted?”

That wasn't intended to be triumphalist about the potential collapse of the prevailing economic orthodoxy, and the article wasn't.

But we have the potential to rewrite history if we understand the magnitude of the situation we find ourselves in, if we accept the responsibilities of the whole labour movement to shape it, and if we all act accordingly.

16

# Labour's New Economics Conference: Part One, Introductory Session

**Tom Gann**

*This is the first part of our write-up and analysis of Labour's New Economics Conference on alternative models of ownership. The "Alternative Models of Ownership" report is available [here](#), and our analysis of the report [here](#).*

**Gareth Thomas**

Thomas emphasised, in particular, John McDonnell's long record of interest in the matters to be discussed, drawing on his role at the GLC, mentioning in particular his role in empowering of local communities to control their lives in the case of Coin Street. It's crucial to note, despite the efforts to portray McDonnell as an Old Left dinosaur, his long, consistent record of support for

and learning from social movement struggles, grassroots community organisations, including those outside the traditional working class-party relation and his openness to new ideas, social forces and modern democratic struggles.

## **John McDonnell**

McDonnell argued that the movement had placed questions of economic ownership and, crucially, control back on the political agenda, but significant work remains to be done (and the movement is capable of this work) in developing ideas and implications. Here, and running through the conference, popular participation was stressed both in terms of policy formulation and in the capacity of a movement to generate and educate around alternative purposes.

McDonnell continued discussing two strands of what Labour in government will have to do. We would describe these as a politics of relief on the one hand and a long revolutionary transformation on the other (though at certain points, especially in the “Preston Model”, a politics of relief requires initiating policies with a long revolutionary horizon). The politics of relief describes a politics, discussed by McDonnell, of as rapid as possible repair of welfare, education and health through spending paid for by increased taxation on the highest incomes and corporations. This politics of relief is vital but, in a sense non-transformative, presuming broadly speaking, an unreformed economy except around tax and spend redistribution, it is also extremely vulnerable to capital’s class war from above resisting even a marginally increased tax burden. Corbynism’s long revolutionary politics, by contrast, is that root and branch radical transformation of the economy embodied in The Alternative Models of Ownership report and in the discussions at the conference. For Corbynism to achieve its potential both are vital and the potential risk of foregrounding the politics of relief and

dragging Corbynism back into integration with existing society is perhaps the greatest, precisely because there are good, materially grounded reasons for this loss of longer, more radical horizon, threat to this potential.

Corresponding with the line of the argument suggesting the need for a politics of relief and a long revolutionary transition away from capitalism towards democratic control of the economy, McDonnell argued that the current economic model holds us back, not only in recessions and their wakes but in general – crisis is not a break from normal functioning of the system but the intensification of its general tendencies in such a way that it makes the system’s normal functioning legible. A politics of relief would correspond to attempts to address the crisis within the terms of the system’s functioning, a long revolutionary politics the transcendence of this normal functioning. For McDonnell, and even more centrally Corbyn in his closing address, a, probably the, most important aspect of the general functioning of the system is its exploitation of the environment and the malign consequences of this.

A further encouraging aspect of McDonnell’s speech was his grasp of the urgency of formulating plans to being the long revolutionary transformation coupled with not using this urgency as an alibi for authoritarian, top-down policy making in the name of efficiency. Urgency is not a question of leaving things to the (conventionally legitimated) experts but, largely, as a spur for more “fresh and challenging thinking from the movement”. There is, of course, some technical work to be carried out by these narrowly defined experts, and McDonnell pointed to John Trickett’s role in preparing for government. Central to Trickett’s work, with the collapse of Carillion a particular spur to work, is an investigation of what it would take to restore central government procurement capacity (there are analogous and perhaps harder to address questions with local government too). The current form of outsourcing entails both contracts being awarded on an extremely narrow set of criteria and companies like Carillion, Serco and Capita substituting for the procurement capacity that should be directly exercised by local and national gov-



ernment, as Grace Blakeley has argued, “merely act[ing] as arbiters between a Government that lacks the desire or capacity to do proper public procurement and the suppliers that end up doing the work, extracting millions from taxpayers in the process.” Insourcing would require a significant extension of civil service capacities.

However, much of the necessary and urgent development of policy ideas is much more participatory, involving a significant extension of what is recognised as expertise. This also involves the understanding that the 2017 manifesto is not as some within Corbynism or on the traditional (i.e. non-Blairite) Labour Right for whom the election result shows the viability of some left economic policies, the end point but only the beginning. As McDonnell argued, “deepening and developing our commitments requires detailed implementation plans” and we “need to hit the ground running when we come into government.” The participatory nature of these plans owes a great deal, and often this was explicitly acknowledged, to the popular planning tendency in the GLC and to Hilary Wainwright and Robin Murray’s work and the consequences to be drawn from the claim “workers are the real experts”, and for McDonnell, it is essential to learn from the everyday experience of those who really run industries, those who spend their lives in them.

Emphasising and mobilising popular capacities to run industries is not only a moral claim but one that is pragmatic both economically and politically. It is economically pragmatic precisely because the knowledge of workers (and also service users) will allow industries to be run more efficiently. It is worth noting here the very strong emphasis on efficiency but a different sort of efficiency to the narrow capitalist version in the tradition coming out of the GLC, one that emphasises the efficient satisfaction of needs and the inability of market mechanisms to do this, as the 1985 *London Industrial Strategy* begins (a document discussed by both Hilary Wainwright and Jeremy Corbyn), “when the history of Britain’s experiment with monetarism comes to be written, the contrast between unmet needs and vast human and financial waste

will be the theme”<sup>1</sup> – it should be clear the same could be said with British neoliberalism of whatever political stripe more widely. Alongside this economically pragmatic justification, popular participation also has a politically pragmatic justification, the long revolutionary or becoming hegemonic aspect involves the changes in forms of ownership becoming irreversible, and, as McDonnell argued everyone owning, everyone controlling, everyone taking an interest, will build the kinds of broad and where necessary intense popular support that will make the new forms of public ownership significantly less vulnerable to privatisation compared to the old nationalised industries where the lack of a democratic stake limited popular defence.

The critique, sometimes implied, sometimes explicit of the postwar nationalisations and the stress on the future oriented implications of welcoming in popular creativity force long revolutionary policies beyond nostalgia, beyond Tony Judt’s “social democracy of fear”, beyond “The Spirit of ‘45”, beyond treating 1979 as the fall and a return to pre-Thatcherite economic and welfare forms as the best than can be hoped for. Firstly, McDonnell insisted that the new alternative forms of ownership would extend far beyond those industries privatised by the Tories. More generally, against Corbynism as an Old Labour (whether of left or right) politics, McDonnell made central the New Left critique of 1945–79 and even more significantly its energies, attitudes and styles, to allow for the possibility of constructing something genuinely modern.

The rejection of 1945–79 as the limit of socialist ambition not only involves rethinking public ownership but at the very least an extension and modernisation of the post-’45 welfare settlement. UBI was mentioned in passing but it increasingly feels like (and this is welcome) it is no longer being considered as a viable, serious solution. Instead of UBI McDonnell emphasised Universal Basic Services, with the question posed, “why are the basic needs of life not free at the point of use?”. This free access to the necessities of life, more-

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<sup>1</sup>*The London Industrial Strategy*, (London, The GLC: 1985), p. vii.

over, was posed as an extension of the widely accepted principles of the NHS. Grace Blakeley has explored the notion of UBS for us, and it is clear that its superiority to both UBI and the current welfare settlement lies in the de-commodification of the meeting of needs, and indeed, in the prioritising of the meeting of needs over the demands and forms of organisation of the market. Again, there is not only a moral claim here but an efficiency as with the contrast between the NHS and US healthcare, the likely far greater efficiency in meeting needs through collective provision. UBS even beyond the mean, affordability focused version of the UCL report, however, should only be seen as a minimum programme and one that cannot be detached from the wider transformation of economy to ensure the efficient, democratically controlled meeting of the most expansive understanding of need. Indeed, with what actually constitutes a need being understood as a major reformist, with potentially revolutionary implications, struggle under capitalism as with Marx's "historical and moral element" of the value of labour power. Moreover, even an expansive, struggled for definition of need is insufficient, it is also necessary to insist on collective human development, as Raymond Williams wrote, describing the ethical, institutional culture and values of the working class,

Society... as the positive means for all kinds of development, including individual development. Development and advantage are not individually but commonly interpreted. The provision of the means of life will alike in production and distribution be collective and mutual.<sup>2</sup>

Going beyond the post-1945 nationalisations, particularly their lack of democratic control, also entails a striking hegemonic move (and implicit at various points in the Alternative Models agenda are moves that aim at integrating people and arguments who might be thought of likely opponents). McDonnell, on the one hand, concedes an aspect of the right-wing critique (but only an aspect, quite rightly, for example, it was insisted that the nationalised in-

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<sup>2</sup>Raymond Williams, *Culture and Society*, (Harmondsworth, Pelican: 1958), p. 312.

dustries were efficient on conventional terms) that both the welfare settlement and the nationalisations had bureaucratic and alienating features. This experience and argument, however, is polarised leftwards, not into a rejection of public ownership in favour of privatisation but into a much more radical argument that the lack of democracy was not a feature of socialism but a mark of a continued integration into the purposes of capitalism (these arguments were expanded usefully by Andrew Cumbers).

The point then of not repeating the postwar, top-down, integrated into capital's patterns and structures, becomes the creation of an economy and social relations that express radically alternative purposes, where what is best both ethically and in thought of the movement is generalised across society as a whole. Strikingly, particularly for us, McDonnell quoted a passage from Raymond Williams's *The Long Revolution*, which has been crucial for our understanding both of Corbynism's potential and the risks of its incorporation into society's existing purposes, for Williams, the organisations of the labour movement, particularly the Labour Party, the Trade Unions and Co-operatives rather than developing and embodying alternative purposes had experienced a moral decline (the argument is therefore significantly more pessimistic than the argument, above, from *Culture and Society*) grounded in them coming to be limited to a particularly place in society whereby, instead of

The steady offering and discovery of ways of living that could be extended to the whole of society, which could quite reasonably be organised on the basis of collective democratic institutions and the substitution of co-operative equality for competition as the principle of social and economic policy...the co-operatives should be simply trading organisations, the trade unions simply industrial organizations with no other interests, each union committing to its own sphere, and the Labour Party simply an alternative government in the present system—the country needs

an effective opposition.<sup>3</sup>

With only hints both from the actuality of the postwar settlement and the traditions of radical, decentralised socialism in the UK, the future is open, as McDonnell argued, “just because the old order is dying, it doesn’t mean we have an automatic right to remake things”. There are two vital aspects of this, firstly, we must prove our right to transform society, we cannot assume it in a top-down way, secondly we must build both a movement and a set of plans adequate to a social transformation that cannot be accomplished from above by a narrow elite. As McDonnell argued, unlike Thatcher, we cannot rely on lavishly funded think tanks, but we do have a movement, the centrality of the movement in developing plans is both right and necessary, and again the sense of expanded expertise, made practically effective by the movement is key. This process also entails, as McDonnell concluded, that we “lift the spirits of our people”, this, itself, is vital work to build the confidence and the capacity to force radical demands on the leadership to allow us to go beyond a piecemeal defence of what remains of the postwar settlement (i.e. the most limited possible version of the politics of relief), we need confidence and daring for the long revolutionary struggle.

## Rebecca Long-Bailey

McDonnell’s speech was followed with a brief video message from Rebecca Long Bailey, in which she insisted, importantly, that wealth is created collectively and the real wealth creators are not capitalists (the wealth controllers) with ownership and control not reflecting the collective character of the activity which produces wealth.

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<sup>3</sup>Raymond Williams, *The Long Revolution*, (Harmondsworth, Pelican: 1965), pp. 328–9.

## Andrew Cumbers

Andrew Cumbers from Glasgow University then gave an exceptionally useful talk which overlapped with and developed a number of the themes in McDonnell's speech. Cumbers again stressed the necessity of the collective character of work around alternative models- "a pooling of collective thoughts". Significantly, too, Cumbers suggested that this work was in some ways 40 years too late.

It's worth trying to unfold here the what doing this work now rather than forty years ago means. The New Left critique of the postwar settlement, powerfully developed, for example by Stuart Hall and Hilary Wainwright in the 1970s and already articulated by Raymond Williams in the early 1960s was in tense relation to an actually existing social democracy. Firstly, the New Left critique presupposed certain achievements of achieved social democracy whilst seeking, on the one hand, to challenge the racist, sexist, corporatist foundation of these achievements and the attendant limits on inclusion in those achievements and aiming at both a deepening and extending and a radical, democratic break.

Secondly, it's necessary to contrast the degree of class struggle, including struggle internal to the working class against a limited, labour aristocratic definition, keeping the working class in a subordinate position and enforcing relations of subordination and exclusion within the working class itself. This struggle, one both about relations internal to the working class and external, to society as a whole, to the ruling class, produced assertive tendencies in trade unions and developments in social movements able to develop capacities for self-management and develop and empower alternative purposes. The situation now, after forty years of defeat, limiting the assertiveness of the working class, destroying non-market forms of ownership and control and impoverishing large sections of society is significantly less conducive to the development and empowering of alternative social purposes

and to the movement necessary for a radical programme. Trade Unions, for example, are far more limited in their scope, accepting of their allotted social place and capacity to carry through radical projects of self-management than when Williams applied his critique in 1961. McDonnell's conclusion on the importance of lifting spirits and going beyond demands for a mere politics of relief works on the consequences of these defeats.

Cumbers's key question was "How do we get to a very different kind of public ownership- democratic public ownership?" Again, as with McDonnell, public ownership as state ownership was defended in some significant aspects with Cumbers presenting rebuttals useful for a movement that needs to make the case for public ownership across society. Cumbers noted that the claim private ownership is more efficient rests on false neoclassical models that presume full information for consumers and a situation of multiple competing firms, which is clearly impossible with many of the industries privatised since 1979. Cumbers also noted that many nationalised sectors were more efficient than foreign or private counterparts and where they faced problems of underinvestment this was by no means integral to public ownership, which in fact should make borrowing to invest cheaper than it is for private firms, but through government choices not to invest. Here too is the question of "political interference" as a criticism of public ownership, with Cumbers arguing that what political interference there was was largely elite interference of this sort and that the more general worry about "political interference" is an expression of fear at democratic, popular control instead of market mechanisms and elite control.

Alongside the rebuttal of arguments against public ownership, Cumbers made the positive case that both for reasons of efficiency in meeting needs and principles that there are large areas of life where the logic of the market should have no place, most notably social care and energy. Cumbers noted that carbon markets are incapable of delivering on climate change. This requires public ownership of energy for the necessary investment and

planning. It is perhaps necessary, however, whilst acknowledging that energy is a crucial sector in causing climate change, to argue that capitalism in general, across sectors, beyond energy is destructive of the ecological conditions of life— as John Bellamy Foster puts it,

The accumulation of capital is at the same time accumulation of catastrophe, not only for a majority of the world's people but living species generally. Hence, nothing is *fairer* — more just, more beautiful, and more necessary—today than the struggle to overthrow the regime of capital and to create a system of substantive equality and sustainable human development; a socialism for the twenty-first century.

However, again overlapping with McDonnell's speech, whilst large parts of the right-wing critique of public ownership are invalid, Cumbers acknowledged the limitations of the postwar nationalisations: a lack of public engagement, whether with workers or citizens, the management of the nationalised firms remaining elite and distant (the point here is the management was about as elite and distant as the privately owned equivalents, bureaucratic elitism represents a failure to break with capitalism not a feature of socialism), a wider failure to embody and empower alternative values and all these tendencies can be put as a more general integration of the postwar nationalisations into a project of capitalist modernisation not a project of building economic democracy and a qualitatively different society. These limits on the postwar nationalisations, as Williams argues "in being dragged back to the processes of the old system, yet at the same time offered as witnesses of the new," Britain's nationalised industries, "so deeply damaged any alternative principle in the economy as to have emptied British socialism of any effective meaning", <sup>4</sup> are also limitations rooted in the limits of Labour as a Party and the Trade Unions. Williams's argument on the moral decline of the labour movement (a decline that is rooted in tendencies that had always

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<sup>4</sup>Williams, *The Long Revolution*, p. 330.



existed) and their acceptance of their existing place in society- the Labour Party becoming mere alternative state administrators and Trade Unions having a narrow, corporatist and economistic function is key. Cumbers pointed here to Labour's perennial suspicion of syndicalist tendencies, though Benn would be an exception here (and the place of Benn and the Alternative Economic Strategy and the relation to union hierarchies was developed later by Wainwright).

By contrast to the limits of the postwar nationalisation, limits which are precisely not socialist, but limits coming from a failure to break with capitalism, what's required is a "revitalised and democratic public ownership". Cumbers defined the principles of this as: greater worker, consumer and citizen participation; the centrality of concern for the common good not private interests; as much local control as possible; redistribution; and embodying social and ecological values. As Cumbers argued these principles would go beyond merely repeating not only the 1945-79 settlement but also Scandinavian social democracy, going beyond a better incorporation of more of the working class into a better capitalism.

## **Cat Hobbs**

The introductory session concluded with Cat Hobbs from We Own It. Hobbs argued that privatisation has always led to reduced accountability and worse and more expensive services. Hobbs, again mirroring McDonnell on the power of the movement and circumstances, particularly the collapse of Carillion, to force arguments onto the agenda, also argued that the argument had now shifted from whether nationalisation is a good idea to the practical question of how we do it. Hobbs made the important point, which again should be confidence building, that renationalisation is overwhelmingly popular and it's widely acknowledged that particularly in the case of natural monopolies privatisation is an impediment to a good society. Hobbs then

provided a litany of failings across private industries from water companies, noting particularly the environmental consequences of companies finding it easier and cheaper to pay fines for polluting than changing their behaviour (it's important to note here that capitalism works by always trying to avoid paying its way, and this is particularly significant with dumping onto nature, what Jason W. Moore describes as “nature as a sink” <sup>5</sup>), to railways, the Royal Mail energy companies, social care providers and buses.

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<sup>5</sup>Jason W. Moore, *Capitalism in the Web of Life: Ecology and the Accumulation of Capital*, (London: Verso, 2015).

17

# Labour's New Economics Conference: Part Two, Digital Session

Wendy Liu

*This is the second part of our write-up and analysis of Labour's New Economics Conference on alternative models of ownership. The "Alternative Models of Ownership" report is available [here](#), and our analysis of the report [here](#). This part focuses on the "21st century challenges: platform co-ops and the digital era" breakout session. You can find our recap of the introductory session [here](#).*

It can be frustrating to read the mainstream discourse on the challenges posed by technology platforms. It feels like we're finally at a point where everyone recognises that tech companies are not unambiguously good, no matter how much they talk about making the world a better place. On the other hand, there's often very little proposed in the way of actual *solutions*. The most common narrative seems to consist primarily of hand-wringing, coupled with the same tired lines about a little more regulation or breaking

up monopolies. There's a distinct lack of imagination here, an inability to see beyond the horizons of neoliberalism, which makes it difficult for many to envision how technology could function outside of the current economic paradigm.

In that context, it was refreshing to attend this breakout session, where all the panelists seemed quite willing to rethink deeply ingrained assumptions about how technology should work and—more to the point—how it should be owned. Given the pace of technological development, and its potential implications for the battle between capital and labour, ownership of technology may become the key economic question of our time. This session showed that Labour is prepared to tackle that question, and was a major step up from the strategy set out by the Shadow Digital Minister in December.

This session was moderated by Chi Onwurah, Labour MP for Newcastle upon Tyne Central since 2010 and Shadow Minister for Industrial Strategy, Science and Innovation since 2016. Onwurah began with a personal backstory: she's been a network engineer for two decades, and what motivated her upon that career path was the intention of using technology to make the world a better place. Now, though, Onwurah sees technology as part of the problem; networks *can* distribute power, sure, but they can also centralise it, and in recent years we've only seen the latter. Whatever freedom technology once represented, especially in the form of the Internet, it's now clear that the freedom it brings is primarily one-sided: freedom for its owners, but not for its end users.

Onwurah sees this as the result of two separate but entwined factors. The first comes down to a stunning lack of diversity within the tech industry—those in positions of power are overwhelmingly wealthy, white, and male, and as a result less likely to challenge or even notice the prevailing power structures from which they've benefitted. The second has to do with the fact that so much recent technological development occurred during a time of neoliberal consensus, when it felt only natural that the fruits of government-funded

advances in technology would be appropriated by the private sector.

As the narrative around neoliberalism continues to crumble, we'll have to ensure that the discourse around technology changes with it. Most importantly, that means rethinking who should own and control the technology upon which we've all become so reliant. Some analogies to the welfare state could be useful here—Onwurah suggested that we could reconceptualise cloud computing as social housing for the digital age, whereby digital resources are provided as a free public good for those who need it. Such a proposal would have the welcome side effect of weakening the market power of commercial players—Amazon, for instance, owes the majority of its profits to Amazon Web Services, its cloud computing arm.

## **Michael Jacobs on automation**

First to speak was Michael Jacobs, director of IPPR's Commission on Economic Justice and former advisor to Gordon Brown. Most of his talk centred around the challenges presented by automation, in line with a report that IPPR released in December. Jacobs stressed that we shouldn't think of automation as something dramatically new that has never been experienced before; after all, automation has a long history, which was chronicled even in Marx's time. What Jacobs pinpointed as new to *our* era—what some call the second machine age—is that it's not just routinised manual labour that's being automated away, but also cognitive labour, once thought the preserve of humans. What we're experiencing now is a qualitatively different *type* of automation, and it's happening on a different scale than has ever happened before.

Mainstream discourse around automation tends to frame it as a threat, posing a “risk” to particular professions or even jobs in general. It's a very pessimistic outlook, but it makes sense; when we've organised our entire econ-

omy around the idea that most people should be working, it's hard not to see automation in a negative light. Although the longer-term potential of automation includes reducing the primacy of work (and especially unpleasant work), such a dramatic reorganisation of the economy will not happen overnight, and in the meantime we must address the challenges in the short term.

For Jacobs, that means counteracting automation's tendency to shift the balance of power away from labour. Beyond directly replacing workers, automation will result in more labour becoming substituted by capital, meaning that returns to capital will result in ever-greater wealth concentration. This is familiar ground for anyone who's heard much about Thomas Piketty's *Capital in the Twenty-First Century*, and Jacobs suggests that if we wish to avoid the increase in inequality that will ensue, we need to counter that shift.

One such strategy would be to embolden labour, by empowering trade unions to manage the challenges posed by automation. In recent years, we've seen a hollowing-out of the middle classes as many highly-educated workers (previously considered "skilled") are now considered "unskilled", whereas those lucky enough to take advantage of technological change are paid more than ever. Unions could play a crucial role in linking high- and low-wage work, by consolidating bargaining power between the two and thus ensuring that the benefits of automation are shared equally among workers, instead of being used to foster divisions. An ancillary option, which Jacobs mentioned briefly, is to ensure that labour owns more capital, for example via sovereign wealth funds (discussed at more length in the IPPR report).

Jacobs ended with some thoughts on tech platforms. He reminded us that we're living in an era when companies like Apple and Facebook have more market dominance—and the ensuring cultural, social, and political power that comes with it—than any corporation or possibly even nation state has ever had before. These corporations acquired this power primarily through their hold on our data, which they've hoovered up and monetised in ways that

we often don't even know about.

Jacobs didn't explicitly frame the problem in terms of enclosure of the commons of the digital age, but the concept feels like an apt description of what he outlined. The fact that all these unaccountable corporations have been allowed to keep their hold on our data, purely in exchange for providing some services, may be one of the greatest economic tragedies of our time, one that most of us are only just starting to realise. Perhaps it's now time to reclaim this digital commons, bit by bit.

## Nick Srnicek on platform capitalism

Next to speak was Nick Srnicek, lecturer in Digital Economy at King's College London and author of Platform Capitalism. Srnicek's talk focused on technology platforms and the technical architectural features that lead them toward monopoly. He defined a platform as an intermediary between multiple (not necessarily just two) types of users—for example, Facebook provides an interface between advertisers, app developers, publishers, brands, and consumers, among others. The reason so many new technology platforms are natural monopolies comes down to three main factors: network effects (the more users a platform has, the more useful it becomes); competitive advantages resulting from data extraction; and path dependency as other services come to depend on the original platform.

Srnicek proposed that these monopolistic tendencies are severe enough that we should not count on either [regulation or competition](#) as a means of settling the problem. The traditional response to natural monopolies, as Srnicek has written, is nationalisation, in order to take these services into public ownership. It's not a major leap to see that such a solution could still be relevant for the digital age.

Of course, things won't necessarily be as simple as that: these platforms are

global in scope, and their assets are primarily intangible in nature, which means they lack the geographic fixity that made railways or electricity providers so prone to nationalisation. Srnicek acknowledged that the exact details of how one would nationalise an explicitly transnational technology corporation remains an open question. Still, he noted, absent any larger framework of close international cooperation, our next best option is to use the national solutions in our toolbox. A government willing to ban access to, say, Uber or Amazon domestically has enough bargaining power to drastically change the economic landscape, whether it's by promoting a domestic (and ideally public) alternative or by enforcing stricter regulation in line with democratic aims. Concerns about the possibility of bolstering the surveillance state could be assuaged; Srnicek suggested that similar concerns were raised with Royal Mail, and it's just a matter of creating the right legal and technical framework to make privacy a non-issue.

Srnicek ended by proposing some specific, smaller-scale solutions that could nevertheless have significant impact on the technological terrain, both in terms of providing useful services and as a means of checking the power of unaccountable corporations. The first was to nationalise mobility—TfL, for example, could become more of a platform, and if Uber wanted to be part of it, it would have to be subject to TfL's regulations regarding worker pay and conditions. The second was to nationalise cloud computing, in line with On-wurah's earlier comment about the social housing equivalent of Amazon Web Services. The last was for more co-operative platforms: Twitter, for example, could be democratically run and owned.

## **Francesca Bria on the smart city**

The last speaker was Francesca Bria, Digital Commissioner for Barcelona City Council. Bria's talk focused on the idea of the smart city, characterising it as an important battleground for addressing the question of technology



ownership on a smaller scale. At a time when cities are voluntarily giving up their sovereignty to technology corporations—witness Alphabet’s planned takeover of Toronto, or Amazon’s Hunger Games-like search for its new campus—Bria’s call for a municipal digital revolution concurrently with a *democratic* revolution offers an alternative perspective, and one that’s sorely needed. The main thrust of her talk is that we should be rethinking the concept of the “smart city” from the ground up, in order to ensure that technology is controlled by democratic means and not technocratic fiat.

This means expanding our understanding of a “smart city” beyond the confines of what’s normally within the remit of municipal governments, by examining the wider context of technological development in recent years. Bria mentioned the recent rise of self-service checkouts, which masquerade as an enhancement for the sake of efficiency but whose more important function is to outsource jobs to the consumer so that the retailer can save on labour costs. This sort of technological advance highlights how the deployment of technology often follows existing economic trends; when it comes to the dominant economic paradigm, technology companies are typically unrevolutionary, instead advancing neoliberal principles. Bria criticised the rising “Uberisation” of the economy, whereby corporations increasingly outsource responsibility to workers, the result of which is increased precarisation.

As Onwurah said at the beginning of the session, networks can distribute power, or they can centralise it. The growing importance of the Internet has resulted in a truly unprecedented concentration of wealth among a small number of companies. Bria noted that the world’s most valuable public companies were, at the end of 2017, Apple, Alphabet, Microsoft, Amazon and Facebook—all technology companies, and all headquartered in either California or Washington state. Their reticence to pay tax is, by now, fairly well-known, but what’s possibly more worrying is that these companies are behaving like financial institutions, controlling investment flows on the basis of their enormous wealth.

Bria reminded us that much of this wealth is predicated on rent extraction on the basis of our data, and mentioned Shoshana Zuboff's term "surveillance capitalism" which neatly captures the extent to which data extraction has become the new economic model for the digital age. Bria suggested that the question of who owns this data could determine the future, to paraphrase Angela Merkel at Davos earlier this year. In other words, the current situation is not necessarily inescapable; it could be addressed with the requisite political will.

Bria then sketched out some solutions, including invoking antitrust law; taxing income flows; and changing our broader economic priorities so that we move beyond advertising-funded models for critical digital infrastructure. On a municipal level, specific platforms like Uber and Airbnb could be prevented from operating in certain markets, which has already been happening. On the other hand, attempts by governments to reclaim sovereignty will not be unchallenged; Bria suggested that we could see the rise of digital trade wars, in which the WTO would be deployed to tackle what it sees as "digital protectionism".

Bria concluded by discussing the concept of "remunicipality", whereby municipal-level services that were previously privatised could be taken back into public ownership. Such a concept wouldn't just apply to services like electricity or water; it could equally apply to data. The city of Barcelona already mandates public sovereignty of data within its procurement contracts, with the goal of reclaiming the data commons and using that as a foundation on which to build public infrastructure. Bria mentioned the possibility of using blockchain technology for allowing decentralised data ownership.

## Audience questions

The first question revolved around who, specifically, should own data. Srnicek stressed the importance of collective data ownership, as an alternative to the status quo of data being owned by private corporations as well as the possibility of individual ownership resulting in personal data markets. Jacobs suggested that data could be owned at multiple levels, and be conceived of as a commons at all levels. Bria agreed with the idea of collective ownership, adding that encryption could be important for preserving privacy.

Another question addressed the technical skills gap, and whether teaching people how to use and manipulate these systems could result in democratic empowerment or control. Jacobs' response was to concur that we need more technologically-trained people, but suggested that it wouldn't be enough, since these systems are designed to be black boxes where not even the designers are necessarily fully aware of how they work. Srnicek countered with an alternative perspective: we should instead be prioritising training people to do care work, as those are the jobs that will be more necessary in the future. Srnicek's conclusion is an uncommon one, given the prevailing narrative that we need to teach more kids to code, but one that's difficult to dispute given everything else that was said during this session—the high wages in the technology sector are more accurately seen as the result of monopoly rent extraction, rather than an indicator that the industry is building products that address social needs. In that light, attempting to push more people into the technology industry may not be the most productive use of resources; it's quite possible that there are already enough software engineers, but their talents just need to be redirected towards more socially valuable outlets.

There was a thought-provoking question about the trade-off between identity and privacy, asked by a former employee of Royal Mail who had been tasked to implement a digital postbox system (which never came to fruition). Bria highlighted the possibility of technical solutions to the problem of

preserving privacy while verifying identity, through the use of cryptography to accomplish decentralised identity management. Srnicek added that this problem is especially important in the realm of financial transactions, as such data is currently processed by private corporations, and suggested that we need a public payments platform. Though Srnicek didn't go into detail about how that would work, what he's suggesting could easily be an expansion of an existing project by the Government Digital Service called GOV.UK Pay. Currently, the service is limited in scope to niche functions like buying a fishing license or sending money to prisoners, but there's no technical reason its remit couldn't be expanded; it's simply a matter of changing government policy.

## Conclusion

This session was an exciting and thoughtful discussion of the economic challenges facing a potential left-wing government in the digital age. The underlying thread was a recognition that technology companies have become too large and too powerful to be left unchecked, and that we can't simply rely on the market to fix things; the time for a laissez-faire approach is long gone. If we wish to ensure that the fruits of technological development are collectively shared and democratically controlled, then some sort of government action is necessary.

The next challenge, then, is to understand what specifically needs to be done. There are open questions around method and timeline—is it better to focus on incremental change, or to concentrate on specific actions? Furthermore, how can we rebuild the institutions of the public sector and ensure we have skilled people in key positions?

The answers are as yet unclear, but this session was a sign that Labour is asking the right questions, and an indication that it will be prepared for the tech-

nological challenges ahead once it gets into government.

18

# Labour's New Economics Conference: Part Three, Housing Session

Wendy Liu

*This is the third part of our write-up and analysis of Labour's New Economics Conference on alternative models of ownership. The "Alternative Models of Ownership" report is available [here](#), and our analysis of the report [here](#). This part focuses on the "Democratic approaches to housing" breakout session. You can find our recap of the introductory session [here](#) and the digital breakout session [here](#).*

The UK's housing crisis has gotten to the point where it has ceased to feel like news and instead seems like a fact of life. We've moved past concerned op-eds and into resigned acceptance, with the crisis beginning to feel like a permanent background fixture. The scale of the problem is so enormous that it sometimes feels unreal, of almost farcical proportions. Clearly, something has to be done.

So why hasn't something been done? Why does the problem still persist? After all, the standard narrative is that the crisis is merely the predictable result of urban population growth coupled with a shortage of housebuilding. Surely the solution is simply to build more houses, by any means necessary.

This breakout session, moderated by Emma Dent Coad MP and featuring writer Anna Minton, Bristol councillor Paul Smith and journalist Dawn Foster, served as an important counterweight to that view. Over and over, the panelists reinforced that the housing crisis is not just a straightforward problem of supply failing to keep up with demand. Rather, the crisis is structural, with deep economic roots that are decades in the making and intimately entwined with the neoliberal assumption that housing provision is best left to the market. As a result, there is no solution to the crisis that does not involve challenging the commodity nature of housing.

Looming like a shadow over the session was the tragedy of Grenfell, a reminder that consequences of the housing crisis are not just economic; when decisions around housing are dictated by financial concerns, the human costs can be visceral.

## **Anna Minton on the housing bubble**

Minton began with a brief summary of her 2017 book *Big Capital*, which covers the economic underpinnings of the current crisis. She focused on the fact that housing has become an asset, lending a speculative element to the market that means housing prices are not simply a matter of supply and demand. Instead, housing prices in the UK—and especially in London, the epicentre of the crisis—are more influenced by patterns in global financial flows. Increasingly, property developers don't even pretend that their luxury flats are meant to serve local communities; they're deliberately marketed as assets in places like Hong Kong, to wealthy elites who often keep the property empty

because they treat it as a safe investment rather than as a place to live.

The result is an economy that is structurally dependent on the continued existence of the housing crisis. Minton goes into greater detail in her book about the mechanics of the inflated housing market, and how price increases at the very top—driven primarily by the London housing market’s attractiveness to global capital—cascade downward in a perverse “trickle-down” effect, resulting in price increases at all stages of the property ladder. At the very bottom, the consequence is “state-led gentrification”: for local councils, the rising costs of housing in the private market result in a “rent gap”, whereby the public rent is much lower than the potential rent if the property were sold off and converted into luxury flats. As a result, the prospect of continuing their responsibility to provide social housing is much less attractive than selling off land to private developers, not least due to increasingly limiting budget constraints among local councils.

Minton’s assessment is that the situation is not sustainable. All the signs point to a structural instability in the market, and like a pyramid scheme, it will eventually come crashing down. In the meantime, though, the crisis is taking a huge toll on those at the bottom: having to live in poor quality accommodation (if any); constantly on the move; stuck in a state of financial insecurity because of high rents.

Minton then proposed that the way forward lies in empowering councils to build more housing. For Minton, this does not mean public-private partnerships along the lines of what the Haringey Development Vehicle would have been; it means building social housing *outside* the markets, without councils behaving like private developers.

Minton further suggested that planning permission should be decided by the local community, a proposal which even has cross-party support. This would help bring down the inflated value of land, as it would make it harder for private developers to build luxury flats or shopping centres that offer little value



to local communities.

The major theme running throughout Minton's talk is that incremental change is not enough. Instead, we need a step change, whereby we dramatically rewrite the rules of the system. The depth of the problem we're facing now is one that cannot be fixed in a lasting way without completely reversing the trend towards a more liberalised housing market. We need a structural transformation, in which local governments take on a dramatically greater role in housing provision and the practice of speculative house-building is put to an end.

Minton concluded by emphasising that the present situation is a matter of political choice, not economic necessity. After all, Germany doesn't have the same speculative housing economy. Decisions made by previous governments, including Margaret Thatcher's right-to-buy policies, have all served to entrench the treatment of housing as an asset instead of a right, and that view of housing is what lies at the root of our current problem.

## **Paul Smith on local government**

As the Cabinet Member for Housing in Bristol, Smith offered a different perspective, rooted in specific instances of what has been accomplished on the local level in Bristol, where the council has been pushing the limits of what is and isn't possible when it comes to housing. Recently, the council has been taking public land off the market, in recognition of the fact that the private developers who purchase it often engage in land-banking. This practice involves securing planning permissions and then waiting until the land increases in value before even beginning to build, in order to hedge their risks. The more egregious version of this doesn't involve any building at all—some simply sell off the land to another buyer, serving as middlemen for a wholly unnecessary transaction and fetching a comfortable margin the process.

Smith then criticised of the current definition of “affordable” housing—80% of market rate—as an absurdity, not least because of the current inflated market, and suggested a better definition which would be pegged to housing allowance instead of market value. Although local governments don’t have much power to contest this definition, they do at least have the ability to choose who to evict: Bristol has agreed to halt evictions for those who are negatively affected by welfare reform, for instance.

On the other hand, local governments are still quite financially constrained. In Bristol, they’ve had to build some new houses for sale just to be able to pay for council housing. Still, though, they’ve tried to make that into as positive a development as possible, with a view toward remodelling rather than regenerating—building these houses within existing estates rather than tearing them down and rebuilding; hiring locals for construction work; reducing rent for existing council housing tenants.

One custom that local governments have in their favour is the fact that unlike other public bodies, they are not required to sell land to the highest bidder—they can take into account perceived social value when assessing which bid to take. This gives them some degree of freedom, and means they don’t necessarily have to sell land for some cash in the short term at the expense of eroding their capabilities in the long term.

## **Dawn Foster on social impact**

Last to speak was Foster on the social aspects of the housing crisis. As a journalist who has been covering housing for years, Foster has written extensively about the impact of temporary accommodation and homelessness on the individuals affected. Although temporary accommodation is usually meant to be limited to 6 weeks, in practice it could last for much longer. Tenants—who are sometimes accompanied by very young children—often

have to share facilities with strangers, and there can be long-term mental and physical health effects resulting from stress as well as exposure to toxins. The most frustrating aspect of the situation is that it's not even economically efficient; temporary accommodation tends to cost councils much more than actually providing council housing, as tenants are usually charged per night, and the profits go to private companies.

For those who don't qualify for temporary accommodation, the situation is even worse. Foster told the story of a pregnant woman who had to sleep rough because she wouldn't qualify for temporary accommodation until she had given birth, due to the local council's stringent policies on the matter.

Foster then emphasised the detrimental societal impacts of the housing crisis even for those who do have longer-term accommodation. Many people her age, she said, end up having to move every year because landlords decide to raise the rent. As a result, they rarely get to feel like they're part of their local community, which can lead to feelings of isolation. Furthermore, an unstable housing situation can affect whether they choose to start families, which could have larger-scale demographic effects.

Foster ended by proposing some solutions. In the short term, we need stronger tenants' rights, combined with harsher regulation around who is allowed to be a landlord. In the long term, more housing should be socially owned, with a reduction in private ownership in favour of lifelong tenancies instead. Right-to-buy should be ended, as it only results in money—especially housing benefit—going to private landlords instead of circulating within the local community. Councils selling off public assets should be seen for what it is: a one-time action with only short-term gain and that only results in the council abrogating its duties in the long term.

## On local councils

During the audience questions, the topic of HDV was raised, followed by the question of *why* Haringey council felt like it had no choice but to enter into a partnership with Lendlease. Why, the questioner asked, can't local councils like Haringey—which has billions of pounds worth of assets—simply borrow money to build more housing?

Minton responded that this solution, as straightforward as it sounds, is unfortunately not entirely possible within the present system; there are many restrictions on what councils are legally allowed to do. Smith followed by clarifying that the reason councils cannot simply borrow is the result of central government diktat, and that the only real way to change this is to change the government. Such a change is a necessary (though not sufficient) step toward fixing the housing crisis, as it is the only way to ensure local councils are free to build houses at scale.

## Toward decommodification

Near the end of the session, a provocative question was raised from a member of the audience: Given the scale of the problems at hand, why was the manifesto so timid when it came to housing? After all, what we've heard in this session points to a major, systemic issue requiring radical solutions. So why didn't the manifesto make bolder promises?

The obvious answer is that the public—and even the party itself—isn't yet ready for that. We're already seeing a schism within the party as a result of opposing views on how best to handle the housing crisis. The internal battle over the [Haringey Development Vehicle](#) can be seen as symbolic of a larger ideological chasm within Labour, between those who believe that housing

should not be a commodity and those who feel that some element of commodification is necessary in the current economic landscape. While the current leadership of the party appears to be on the former side, there is still strong resistance to that perspective within Labour's own ranks in Westminster and beyond.

Ultimately, this has to change. As David Madden and Peter Marcuse write in *In Defense of Housing*:

Reversing the commodity character of housing must be the core of any answer to the housing crisis.

Such a reversal would represent a fundamental shift in how housing is viewed. This won't be easy to achieve, given how much of the UK economy depends precisely on housing being a commodity, but it can happen if there is enough political will. What we need to do now is to build a social movement around the issue, not just to get Labour councils elected in May, but to create the political consciousness needed to push for the decommodification of housing on a larger scale. Only through decommodification can we fix the housing crisis.

*A previous version of this piece mistakenly attributed comments by Anna Minton to John Healey MP, who was mentioned but was not present at the discussion. In addition, the presence of Emma Dent Coad as moderator was omitted. Thanks to Dawn Foster for the corrections.*

# 19

## Labour's New Economics Conference: Part Four, Co-Operatives Session

**Tom Gann**

*This is the fourth part of our write-up and analysis of Labour's New Economics Conference on alternative models of ownership. The "Alternative Models of Ownership" report is available [here](#), and our analysis of the report [here](#). This part focuses on the "Doubling the co-op sector: why and how" breakout session. You can find our recap of the introductory session [here](#), the digital breakout session [here](#) and the housing session [here](#).*

### **Claire McCarthy, The Co-Operative Party**

Co-operatives, and the relation between co-operatives and Labour, are both strongly historically rooted and have potential to address the current

situation and the future. The Co-operative Party has been Labour's sister party since 1927, and the first co-op was formed in Rochdale in 1844 to sell unadulterated food- a working class fightback in (E. P. Thompson) the "dietary class warfare" of early industrial capitalism.<sup>1</sup> At the same time, co-operatives are "at the heart of Labour's preparation for government". The manifesto commits to doubling the co-op sector, which would, according to McCarthy, amount to the beginnings of an absolutely necessary "ownership revolution" in the private sector.

McCarthy then provided a useful, clear account of what is not meant by doubling the co-op sector. Firstly, success is to be evaluated less in terms of numbers, more in terms of creating the legal framework and structures to allow the sector to flourish. This, moreover, is more significant than mutualising from the centre "at the stroke of a pen" - although the mutualising of RBS would definitely be desirable. It is also necessary to distinguish co-ops as part of a real democratisation of the economy from sham versions, notably the use of mutualisation as both a vehicle and cover for privatisation, with some shares allocated to workers without any control over the firm, as in the case of Royal Mail. With this understanding the Co-operative party have commissioned work from the New Economics Foundation on legal frameworks and institutional arrangements to nurture the sector and achieve its doubling.

Two important new areas for co-ops were discussed. Firstly, in the "new economy", particularly co-ops for the self-employed, with examples given of taxi drivers and supply teachers to bring back solidarity against isolation. This isolation is double and linked, both a subjective experience of atomisation and alienation from other workers, and the objective weakness against capital that these experiences express. Here, new co-ops would perform some of the functions of agencies in organising workers and linking them to work. This relates to a more general point, expanded on by other speakers,

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<sup>1</sup> E. P. Thompson, *The Making of the English Working Class* (London: Pelican, 1968), p. 315

on the function of co-ops to integrate the economy horizontally, with the economy as relations between small co-ops, rather than hierarchically as in the large, internally manifold, capitalist firm. The second area, social care, was only mentioned briefly, though the example of Italian multi-stakeholder co-ops in social care is discussed in more detail in the “Alternative Models of Ownership” report.

## **Rob Jump, University of the West of England**

Jump began by saying “we know why we want to double the [co-operative] sector; the question is how”. But do we, in fact, know why? Does this approach, taking for granted the wholesomeness of co-ops, dissolve certain foundational questions and in that dissolving miss potential means, which may be tied to the why? The why, for example, may require more attention to the needs creating co-operatives are responsive to? Having said that, whilst there was a risk of a slip into technocracy, Jump provided a technical account that was clearly useful.

The starting point was that it is clear that without some central intervention, it will not be possible to double the sector. A wide-ranging, radical package of measures is required and the emphasis has to be largely on small co-ops (the vast majority of both private businesses and co-ops are small). These measures need to address both creating new co-ops and co-operatising existing small and medium sized businesses.

Many of the important changes Jump discussed are already in the “Alternative Models of Ownership” report. Perhaps the two most significant were, firstly around access to finance, and secondly procurement. It is precisely those desirable features of co-ops—the control of workers and other stakeholders, and the centrality of non-market values— which make banks, who lack the control and shared values that they would have with privately owned



firms, reluctant to lend. This is a significant barrier to co-ops being able to invest and expand and is often a spur for their absorption back into the private sector. With procurement, the work to be done by John Trickett in rebuilding civil service capacity and the intersection of growing co-operatives with re-empowering local government, is key.

## **Ed Mayo, Co-Ops UK**

For Ed Mayo, the key task is one of value (and we could take this valuing both in an economic and ethical-political sense, and the unity of these notions is an absolutely central implied theme throughout the alternative models agenda) and putting people and nature first. Mayo emphasised that we were at the beginning of the conversation around co-ops, and how co-ops can contribute to what we might call a revolution in value. Statements arguing that we are at the beginning of a process were typical throughout the conference and are both potentially inspiring- things are open, it's for us to create the future, and concerning- is it too late (as with Andrew Cumbers's worry, the pooling of knowledge is 40 years too late), are we anywhere near where we need to be?

The central image in Mayo's talk, and an image that expresses the central contradiction around co-ops, was that co-ops are "freshwater fish in a salt-water pool" - the dominance of capital in the organisation of the wider economy inhibits their flourishing. As with Rob Jump's discussion, this demands a range of interventions to create a situation that is more supportive of co-ops.

Mayo then offered a set of examples. There was a special emphasis on agriculture, which was fitting given the origins of the co-operative movement in a food co-op and the ecological potential of co-operatives (and of the whole alternative models agenda). Mayo mentioned the recent role of the Scottish

government in supporting farmers' co-ops and the very significant numbers of Indian farmer co-ops contributing to a situation where co-ops support the livelihoods of one in ten people globally. From a global perspective, the doubling of the co-op sector is, as Mayo argued, a rather modest ambition if the size of the sector is compared with, for example, Switzerland, Argentina or Italy, particularly Emilia Romagna. For Mayo, the example of Emilia Romagna is particularly valuable for the high levels of equality throughout the economy coupled with relatively low redistributive taxation (similar patterns can be found in the Basque country, home of probably the most successful co-operative, Mondragon). This suggests a significant role for an expanded co-op sector in what we could call "hard predistribution" (in contrast to the version pushed briefly under Ed Miliband's leadership), as we argued in our study of the Alternative Models of Ownership report,

In essence, the report returns to the fundamental left recognition, going back to Marx, but reanimated in the new left, that we must alter (socialise) the underlying economic relationships – i.e. the ownership and control of productive capital – in order to produce the outcomes we are seeking – equality, investment, community economic stability, ecological sustainability – as a matter of course. Considerations of the difficulties of sustaining the social democratic state's capacity to redistribute under globalised capitalism have certain parallels with the Milibandite notion of "predistribution" and overlap with the fact that the tax changes proposed in this Labour manifesto, while extremely radical in the current situation, are historically very moderate. However, the redistributive measures prescribed by Miliband were extremely mild, reliant almost entirely on labour market interventions such as education and training to attempt to alter distributional outcomes. This report – and the general direction offered by Corbyn and McDonnell – is far more robust, pointing to real changes to the nature of the ownership and con-

trol of productive wealth as well as being comfortable with a far greater level of redistribution.

Mayo concluded by outlining for steps for an inclusive, sustainable, democratic economy: commitment to local economic development, simplification of the corporate framework to make it more suitable for co-ops, acceleration of investment and tax recognition and support for worker buyouts. As the Alternative Models of Ownership report argues, this last step will be particularly important, given the impending “silver tsunami” of retirements of baby boomer business owners creating both an opening for worker buyouts and the possibility of seeing large numbers of small and medium sized businesses close.

## Challenges

There remain, however, a number of challenges and limits to both a co-operative agenda in general and to the particular version outlined here, and many of these can be read through Mayo’s fish image. Firstly, from a broadly technical perspective, are the proposals in the manifesto and alternative models report sufficient? John Marlow has argued for us that as they stand Labour’s National Investment Bank proposals are insufficient to sustaining the kinds of radical social transformation, including in supporting co-ops, that are required.

The next questions are tactical and strategic in nature, and perhaps mark a point where parts of the co-operative agenda may have outlived their usefulness. The cases of both social care co-ops and co-ops in the gig economy are useful examples here. Under a New Labour government which rejected re-nationalisation or wider economic reforms, or even under the coalition government with its ostensible commitment to “The Big Society”, demands to support and expand co-operatives were a tactically sound means of obtaining

some relief and pushing a for islands of anti-capitalist values within capitalism. Equally, under current conditions, even if the May government makes far fewer gestures towards the sectors, the relief obtained through establishing co-ops in the gig economy is a valuable improvisation in difficult circumstances. However, if we are considering a preparations for a Labour government, which will have considerable capacity for exercising state power, the question remains whether co-ops are always the best solution. In a choice between the current situation with social care and co-operatives—perhaps following the Italian model—it is clear what is preferable. Even here, though, there may be forms of or close to co-operatives that risk imposing additional burdens on care workers (the point was made during the session that workers in co-operatives tend to work harder, which may not always be desirable from a pro-workers perspective). At the very least, then, it is necessary to be precise about what kind of co-ops we are aiming for, with Carl Rowlands contrasting co-production with a “guild socialist” model able to develop skills, enhance workers’ positions and demand proper resourcing. Moreover, an incoming radical Labour government may also be able to fully integrate social care into forms of national ownership whilst creating forms of democratic control, which may be more compatible with Rowlands’s model. Equally, whilst the relief offered by co-ops in the currently under-regulated gig economy is valuable, an incoming Labour government may be able to address forms of exploitation in the gig economy more radically. There is nothing virtuous in relying on forms of resilience and bottom-up effort to make horrible situations marginally more bearable when the situations themselves could be transformed.

Then, there area set of problems of a less technical nature that emerge from how co-operatives are “still subject to the capitalist law of value”, as we put it in our analysis of the report, and appeals based on the wholesomeness of co-operatives cannot dissolve the problems and contradictions that result from this. The point could be expressed as how to go beyond “socialism in one company”, and as we argued in our analysis, the worker-owners of the

very successful and internally deeply egalitarian US plywood co-operatives were often deeply conservative in their wider political behaviour. In Raymond Williams's words, the question is how to go beyond co-operatives as "simply trading organisations" isolated from any struggle for alternative social purposes.<sup>2</sup>

The question can also be about the line between internal co-op relations and external ones, particularly when it comes to non-member workers employed (that is, in the last instance exploited) by the co-op's worker-owners. The point was made that often the employment of non-members, particularly in a recession, is more secure than in private firms. This is certainly not to be sniffed at, but neither is it equivalent to a radical social transformation. In some cases, moreover, this can map onto and be intensified by the international division of labour, particularly through market pressures on larger co-ops. The case of Mondragon setting up a subsidiary manufacturing plant in Brazil, which Erik Olin Wright describes as being "run pretty much like a conventional capitalist firm" is instructive here:

The leadership of MCC believes that, given market pressures linked to globalization, this strategy of national and global expansion is necessary for the survival of the Mondragón cooperatives in the 21st century. Whether or not this diagnosis is correct is a matter of considerable controversy, but in any case the result of this expansion is to intensify the capitalist dimension of the Mondragón economic hybrid [and the non-inclusion of many workers in the co-operative produces] a global configuration of economic and class relations within the conglomerate structure of the Mondragón cooperatives [which] is in deep tension with its cooperativist principles.<sup>3</sup>

A further question where the impact of the global division of labour is signif-

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<sup>2</sup>Raymond Williams, *The Long Revolution*, (Harmondsworth, Pelican: 1965), pp. 328-9.

<sup>3</sup>Erik Olin Wright, *Envisioning Real Utopias*, (London, Verso, 2010), pp. 170-3.

icant may be found in the realm of tech co-ops. If tech companies exist near the top of global value chains, where more wealth is captured than really created, wouldn't a tech co-op merely share the spoils of imperialism among a slightly wider group of people than private appropriation? This question relates to the point of tension that David Quentin identified between a radical and social democratic left within Corbynism over Britain's neocolonial position within the capitalist world order.

In responses to questions, it was argued that co-ops could spread through serving as good examples, practical proof that a socialist ethos works. However, whilst this claim is not entirely without merit, it miscasts the role of the ethical. This overestimation of the power of ethical contagion in spreading an internally socialist organisation over wider society ignores the context where co-operatives are subject to market pressures and, in many cases, the worker-owners may benefit significantly from the wider national and international organisation of capitalism in such a way that they become integrated into capitalism as a whole. Far too much is being staked on technical, legal measures and ethical contagion. Indeed, one audience member raised the issue of the sustainability and limited socialist implications of the major expansion of South Korean co-operatives in a context where there was no real challenge to neoliberal values.

To return to Raymond Williams, the ethical needs to operate differently when it comes to co-ops. The ethical totality is not a network of islands of co-operation within capitalism but with the wider movement and its struggles against capitalism into which co-operatives are integrated, whether this is presented as the institutionalised culture of the working class, its "remarkable creative achievement"<sup>4</sup> (Williams) or "the world of labour" (Ralph Miliband) or if we're to take something more specific and hopefully beginning to be emergent today, "Corbynism from Below" (Tom Blackburn). To return to the example of Emilia Romagna, the density of co-operatives—

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<sup>4</sup>Raymond Williams, *Culture and Society*, (Harmondsworth, Pelican 1958), pp. 312–4.

whilst sustained, to some extent, by a useful legal structure—is far more an emanation from the wider world of Italian Communism, of its capacity to build deeply rooted institutions. To take one more example, the feminist and particularly socialist feminist struggles of the 1970s and 1980s produced a range of self-help institutions through which women, especially working class women, met their needs directly and came to make demands on government for resourcing.

Here Silvia Federici's opposition between the movement rooted, popular power embodied in creating autonomous institutions to meet needs and on the basis of extended popular power making demands on the state for resourcing and top-down state services, alien to the lives of working class women provides a superior model for what co-operatives could look like to the simple trading organisations nurtured by an improved legal framework that many of the discussions at the session risked sliding into.

It is one thing to set up a day care center the way we want it, and then demand that the State pay for it. It is quite another thing to deliver our children to the State to control them not for five but for fifteen hours a day...In one case we regain some control over our lives, in the other we extend the State's control over us.<sup>5</sup>

Within these socialist feminist struggles prefiguration (a theme already present in Raymond Williams) becomes central. In extending principles of co-operation, of meeting our needs and extending our capacities in common against the state and capital (this necessarily antagonistic relation between popular power and needs and capital tends to be wished away by appeals to the wholesomeness of co-ops), the task is less of developing legal frameworks for when we come to power, although there is a place for this, but one of building a movement within which popular capacities to satisfy needs that capital cannot and will not meet can be nurtured and developed.

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<sup>5</sup>Silvia Federici, *Revolution at Point Zero: Housework, Reproduction and Feminist Struggle*, Oakland, PM Press, p. 21

20

# Labour's New Economics Conference: Part Five, Local Democratic Economic Strategies

**Tom Gann**

*This is the fifth part of our write-up and analysis of Labour's New Economics Conference on alternative models of ownership. The "Alternative Models of Ownership" report is available [here](#), and our analysis of the report [here](#). This part focuses on the "Local Democratic Economic Strategies" breakout session. You can find our recap of the introductory session [here](#), the digital breakout session [here](#) the housing session [here](#), and the Co-op session [here](#)*



## **Andrew Gwynne, Shadow Secretary of State, Communities & Local Government**

Andrew Gwynne, chairing the session, noted that we can't wait until the next Labour government to provide relief from austerity and that there is a clear role for local government. This helps open up the questions of local democratic economic strategies on four levels.

1. (What Gwynne was referring to) What can Labour councils do now with existing powers and within quite serious given constraints, and also what role the movement, in its current state can play both in pressurising councils and carrying out aspects of a programme.
2. What sort of movement do we need to build both to nurture and pressure for a wider, more radical practice around local democratic ownership and to carry this out.
3. What does a Labour government have to do nationally to empower councils more generally to carry out these programmes.
4. To reverse the terms of the question, what local practices could be scaled up to national level.

## **Matthew Brown, Preston City Council**

Matthew Brown began the session proper with a discussion of the "Preston Model", starting with the opening of the new municipally owned market and the announcement of Labour's new Community Wealth Building Unit. He went to give both the national and, indeed international, as well as the local context for what has happened in Preston.

For Brown, Labour's interest in community wealth building is part of, following a claim from Jeremy Corbyn, politics finally catching up with the 2008

crash and its implications. For Brown both 2008 and its aftermath represents a systemic failure, most notably in the post-crash attempts of macro-economic policy to desperately prop up an obviously unviable system. In terms of the specific Preston context, the most important event was the final abandonment by in 2011 of the £780 million Tithebarn city centre regeneration project (for comrades in Haringey and Southwark, the villainous role of Lend Lease will be notable). The failure of this conventional capitalist, developer-led regeneration project forced a radical improvisation.

Brown then outlined the main features of the model

- The anchor strategy- the encouragement of major local institutions like the hospital and university that are rooted in Preston (while capital is mobile, some institutions are not) to spend more of their budgets locally.
- Use of local government pension funds, £100 million is now invested locally.
- Using council procurement- “procurement is more interesting than you think” - to support co-ops, including farming co-ops and IT co-op for university graduates (it’s worth noting here that it’s not just capital that is sucked into London and the South East but people).
- Building a Community Bank
- Establishing a housing development company and co-operative energy company, the latter in conjunction with other Lancashire councils.

Brown continued, pointing to examples from the USA that suggest the possibility of doing some of this on a greater scale. The Bank of North Dakota has 70% of citizens’ savings deposits and this cushioned the impact of 2008 much more than in other US states. Alabama has successfully shifted pension investments towards local investment, which not only proved socially useful but has provided more stable returns.

Brown concluded by noting (and this would be part of what I've described as "hard predistribution") the egalitarian tendencies in the model, with Preston now having the lowest percentage of workers paid less than the living wage in Lancashire. Brown also regretted how far local government is presented as managerial and limited.

## **Heather Wakefield, UNISON**

Wakefield echoed Brown's conclusion, noting that particularly given the post-2010 tightening constraints on local government, Labour in local government has not felt transformative. However, even in the context of the limits placed on local government there are aspects of the situation that can be worked on. 64p in every pound spent by local government goes into the local economy, at least in the first instance, which gives considerable potential power through procurement. Potentially even more significantly, outside London, 60% of the council workforce live in the local authority area, earning and spending money locally and using services, this gives them an overlapping set of interests in their towns or cities.

These overlapping interests in a place also bear on the spatial implications of exploitation of council workers, particularly those whose jobs are outsourced. Underpayment of workers, for example in care workers not being paid for travel time, not only deprives them of money they should be receiving, but sucks money in the form of profits for shareholders that should be decent wages being spent locally out of the area. A similar leaking is present in pension funds: pensions are deferred pay, which could be invested locally, but instead security in retirement is mediated through various forms of speculative investment. In addition to this loss of potential investment, the capital in pension funds is not subject to democratic or ethical oversight, often being used for arms production or trade or bolstering environmental destruction. What all this amounts to is a situation where workers are alienated from

where they live and from each other.

Wakefield went on to identify a number of issues or challenges in building local democratic economic structures:

- The necessary central role of workers and trade unions alongside the need to democratise unions.
- The need to transform local government industrial relations systems so that they become more than merely a means of managing cuts.
- With local government playing a central role, issues of representation, especially the under-representation of women in councils need to be addressed, including through developing more participatory democratic forms.

## **Ted Howard, Democracy Collaborative**

Howard began by talking of the “pilgrimage” from the USA to Preston, and how Preston had now eclipsed what had been achieved in the US. He then outlined the principles of Community Wealth Building.

- The priority of labour over capital, particularly in a crisis, with continued stable employment more important than capital’s profits.
- The need for local and broad-based rather than absentee ownership, as the basis for asserting what interests are valued.
- The importance of active democratic ownership contrasted with the passive, consumer model of neoliberalism.
- The central role for multipliers and internalising the circulation of money with investment sticking rather than capital being extracted.
- Economic development understood not as a partnership between the state and business, in which the state is unaccountable and subordinate, but as a multistakeholder process.

- Place matters, direct investment in neighbourhoods, particularly neighbourhoods of colour is necessary, trickle down particularly into these neighbourhoods cannot be relied upon.
- Systemic change, the current system destroys the environment and produces inequalities so it's necessary to move beyond amelioration to build systems that produce different outcomes.

Howard concluded, with the properly Marxist-humanist insight, “people made our systems, we can remake them” (or, “if there’s been a way to build it, there’ll be a way to destroy it, things are not all that out of control”).

## Questions, Challenges, Extensions

The session was extremely encouraging, especially alongside the announcement in the week before of Labour’s Community Wealth Building Unit. The following points are intended less as criticism, more as areas where further exploration may be useful. These questions range from considering how far a struggle within Labour may be necessary to spread the model to how unique is Preston and therefore what aspects could be generalised to what sort of unions might we need to develop and implement programmes to what could a Labour government nationally do to expand on possibilities for local democratic economic strategies. The piece concludes with a brief consideration of the 1985 GLC London Industrial Strategy <sup>1</sup> as an exemplary local democratic economic strategy to suggest that, long-term, we need to be thinking about what it would take to get us to a point where versions equal to its scope and radicalism were possible in all kinds of different areas.

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<sup>1</sup>The London Industrial Strategy, (London, Greater London Council, 1985). All page references are in parentheses in the text

## Generalising the Preston Model?

If there could be an area of criticism, however, it could be in a slight vagueness about the political struggles necessary to generalise something like the Preston Model to other Labour councils. Questions were posed from the room, particularly in the wake of struggles in Haringey, over the role of party members in pushing for policies like those in Preston and countering possible resistance from sitting councillors, but these were brushed off by both Gwynne and Brown, with Brown suggesting “a friendly debate about ideas” may be all that’s required. Of course, there are relatively sensible pragmatic reasons for not attacking existing Labour councils in this sort of forum and, largely, the transformation of local councils is the task of local members. Moreover, although it seems likely that the Community Wealth Building model probably requires imaginative left leadership able to grasp and be responsive to local needs while not accepting the narrow constraints of existing capitalism particularly in its spatial impacts, there is no reason why its drawing together of communities and obvious practical orientation shouldn’t be able to draw in other sections of the Party. Here, a certain impatience with factional concerns whilst retaining the attentiveness to local needs and practically oriented critique of capitalism may well be a prudent part of a hegemonic strategy. However, the importance of developing a radical movement including one that pushes imaginative people on the left (and Howard emphasised that there is an important role for visionary leadership in community wealth building) into leadership positions.

Relatedly, and overlapping with some of these concerns over generalising the model, the question needs to be asked: how specific is Preston? Why has it not (yet?) been imitated to any great degree? Here, there may be a range of geographical, economic and political issues that intersect and reinforce each other. Equally, then, the question could be posed, what adaptations would be required to do Community Wealth Building in a larger city, a London bor-

ough, or London as a whole, or a rural area, or on the level of a devolved government- what would such a strategy look like in Wales?

One major factor, of course, in building broad support was desperation after the cancelling of the regeneration project, and Brown commented that was exceptionally easy, as a result, to bring anchor institutions into the project. Preston is certainly not unique in terms of failed, capitalist regeneration projects but this certainly is a major factor in allowing space for improvisation. A more general point could perhaps be made here, drawing on Neil Smith's notion of the Catch-22 of gentrification (places that have suffered long periods of disinvestment need significant investment but the cost of that investment is greater integration into capitalism, social cleansing and destruction of communities <sup>2</sup>) or to slightly transform the saying, is the misery greater in a place capitalism wants to exploit or in one it does not want to? This bears on the political aspect of the question too: would a place that capital had more interest in (and this doesn't necessary mean a rich place; big capital has, for example, a greater interest in Liverpool than Preston) have been able to develop the model without interference, including interference mediated through Labour councillors? Finally, for the specificity of Preston, would the model work (or what adaptations be required) in a larger city, or in a impoverished but widely dispersed rural area? As Wakefield argued, London boroughs may lack the majority of people with the overlapping interests in a place that come from working and living, and therefore, relying on services, there. Furthermore, do anchor institutions operate in a similarly rooted way in a larger city, or are they less reliant on the well-being of their surrounding area as a whole? Perhaps a final critical point that merits investigation would surround how does Preston stand not only in global and national capitalism but how does the strategy relate to its neighbours. On the one hand, projects like a Lancashire Community Bank, would probably, depending on control and the allocation

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<sup>2</sup>Neil Smith, *The New Urban Frontier: Gentrification and the Revanchist City*, (London: Routledge, 1996), p. 161.

of investment benefit neighbouring areas as would support for food co-ops with the rural hinterland, one the other, however, how far does the attempt to root capital in Preston damage surrounding areas? Stopping a leaking of resources to London and the South East or even to international capitalism is one thing, stopping a “leaking” of resources to Blackburn quite another.

As Wakefield suggested, and the point was developed in a question by Hilary Wainwright, a further question about generalisation surrounds what kind of trade unions are required. Wainwright offered a further principle to add to Howard’s that is clearly vital to projects of local democratic ownership and control, around the necessity to mobilise popular knowledge. This clearly then poses the question of how this knowledge is to be organised and made effective, particularly as it is often tacit, embodied in practice, rather than explicit and this poses the question of what kind of trade unions would be necessary to support or even lead this role when it comes to the knowledge of workers. There is also a further question when it comes, for example, to pension funds, which was signalled by Wakefield, that traditional economic calculations by unions (and the beleaguered state of British trade unionism, given forty years of defeat, certainly adds to these conformist pressures) would challenge (and, it should be added would probably be consciously worked on by capital) efforts to redeploy pensions towards useful local investment, particularly in areas where the overlapping interests in place do not exist, and towards the centring of ethical, peace and ecological considerations. The stability argument may, as with Alabama, have a bit of purchase, but without a trade union movement which goes beyond an immediate, narrow calculation of workers’ interests – in this case in maximising returns of pensions – may well not be enough. One could add to Howard’s observation that this going beyond would require union members having space to act less as consumers of a service from a union, more as active, knowledgeable participants. The question of pension funds may also be key beyond local government as they offer significant resources for useful and ethical investment on a national level.



The next area of investigation would be around precisely what Labour needs to do on a national level to empower and resource councils to develop the local democratic economic agenda. Brown mentioned US councils being able to mandate living wages and bans on payday lenders, and both of these moves as well as being ethically sound also have a spatial implication, with more money to be spent in communities rather than leaking out through profits squeezed through underpayment or extraction of interest. Powers to mandate living wages and ban payday lenders, however, would only be part of the task.

## **Lessons from the GLC Industrial Strategy**

It might be useful to conclude by looking at the 1985 GLC London Industrial Strategy, which Wainwright mentioned, not, as she said, “nostalgically” but as a document that suggests what local democratic planning and control could look like, with a view to thinking about what doing something along these lines would take both in terms of the actions of local government, powers and resources provided by central government and in terms of what sort of movement building would be necessary.

On looking at the strategy, the most immediately striking thing is the huge range of sectors covered, including some that still seem obviously part of what a council should be doing (even if here powers are increasingly limited) like transport and planning for development, “The People’s Plan for the Royal Docks”, to other areas of the economy where it now would be remarkable today to see central, let alone, local government planning, such as furniture, vehicle manufacture, clothing and printing, to areas still not really treated by dominant opinion and practice as economic like domestic work, to areas that challenge and aim to transform the city in an international context, attentiveness to global supply chains and the major chapter on arms conversion.

The two perhaps guiding assertions of the document—both of which would be contested, if even acknowledged, by dominant opinion today—are the centrality of planning, particularly in individual sectors, “detailed sectoral planning can generate feasible, cost-effective and socially beneficial strategies for employment growth” (p. 19) and the central role of popular participation, “the strength of the sector strategies is that they have been subject to consultation and refinement in the light of experience” (p. 21). This establishes planning not as the technique of narrowly defined specialists in obedience to “economic laws” but as an on-going, collective, political, conscious, and consciousness-developing, process (as with much of the new economics agenda it is, in a sense, prefigurative, or at very least the means cultivates capacities that are necessary to the ends).

Notable too, on the level of conceptuality, often, but not always, tacit rather than theoretically articulated, is the wider spatial sense of the city in the world and challenges to the taken for granted spatial splits of capitalism (“Capitalism’s drive to increase surplus-value by enhancing productivity...forces a severe spatial, temporal, and institutional separation between domestic labour and the capitalist production-process”<sup>3</sup>). The city economy, therefore, involves both the international and the domestic, two areas conventionally excluded. This is particularly apparent, especially because the intellectualism fostered by the processes of the women’s movement means that the claims are theoretically articulated, in the chapter on and the strategy’s general understanding of the domestic. This includes a set of challenges through the experiences theorised in the women’s movement to dominant understandings, and the possibilities of a practical challenge to things as they stand,

Work performed in the house, usually by women, is unpaid and largely unrecognised. But it makes an important contribution to

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<sup>3</sup>Lise Vogel, *Lise Vogel, Marxism and the Oppression of Women: Towards a Unitary Theory*, Chicago, Haymarket, 2013, p. 157.

the economy and affects how wealth and work for wages is distributed...the boundaries between the tasks that are performed privately in the home and those that are publicly provided or communally performed are not fixed. In the 1920s there were radical versions of communal organisation of daily life (p. 195).

The domestic, however, is not only included as one sector among others in the GLC's politics of production (perhaps it would be better to say production and reproduction), but figures as the starting point of consideration, "for an economics geared to need the household is the starting point" (p. 19). Attention to the domestic a major lever for opening wider questions, grounded in the strategies developed by the women's movement, involving,

Extension of the sharing of domestic work and caring: within the household, between households, through extended public provision; linking public provision (particularly of childcare, and care for the elderly) to the needs of women as wage workers; further reducing women's total working time by improved transport and communications, and the decentralisation of public services and shops; changing the structure of wage employment to allow for a better integration between wage work and domestic care. (p. 21)

As suggested by this particular attention to the domestic and women's oppression, both in the home and in its impacts in waged work, the GLC strategy is attentive to inequalities and forms of oppression more widely, particularly of race (there are affinities here with some of Howard's remarks on community wealth building against the extraction of resources or non-resourcing of neighbourhoods of colour). The strategy notes disproportionately high unemployment of Black youth (p. 6), creating strategies to develop the power of Bengali clothing workers to challenge discrimination and oppression (p. 137) and particularly focusing interventions in training and childcare on part-time cleaners, who the strategy notes were

disproportionately Black women (p. 460).

Spatial questions also implicate how does the local exist within both the global division of labour and imperialist militarism with the strategy attending, on a local level to both global supply chains and arms conversion in a way that should inspire the fleshing out work nationally as well as locally. The GLC strategy, for example, is far in advance of Labour nationally at present on global supply chains and, particularly, on what is now described as defence diversification, with the limitedness of British trade unionism a significant factor in the lack of much of the latter thus far in Corbynism. The GLC strategy, for example, proposes “the GLC will seek to set up links with clothing providers in the progressive countries of the Third World who provide good quality, unionised employment, and will seek to increase trade between London firms and these enterprises” (p. 137). Learning from this and applying it in the circumstances of 2018 would require an ethical and imaginative procurement strategy would be key, and this would require a major challenge to government proposals to ban councils (and not only councils) from divesting on ethical grounds, if these are restarted following the Palestine Solidarity Campaign’s successful challenge– the focus has been on opposing BDS but it extends far more widely. The establishment of non-exploitative trading relations is also part of the arms conversion strategy within a critique of government aid programmes that support arms trading and the

Creat[ion] of a market for over-priced and uncompetitive British goods, especially when, as is often the case, such exports are for purposes of dubious relevance to real needs in the Third World, or may actually be harmful.” (p. 300)

The whole agenda whether considering Preston today or London in the 1980s has to have this strong spatial sense around where the local stands in flows of capital, and what it can do about them, and it is perhaps the specifically spatial thought and practice that gives these models their anti-capitalist charac-

ter and their usefulness.

Finally, there is the theoretical radicalism that brings together all these considerations into general principles for a politics of production. The strategy rejects not only monetarism but Keynesianism particularly because of their focus on national markets and consequent indifference towards the local and to production, let alone to the domestic (p. 59-60). Instead, general principles of a politics of production are set out, which potentially offer a great deal to imagining what a strategy for local democratic economic development might entail.

- An emphasis on long term strategic production planning of industries;
- a concern that restructuring in all sectors of the economy should be carried out in the interests of those who work in the industry and use its products;
- a commitment to the development and application of human centred technology;
- a strategic concern with improving the conditions and hours of work in the domestic economy, and with improved means of integrating domestic work with other parts of the economy in order to improve the living and working conditions of women;
- a priority to extending social control over the public economy through increasing political, trade union and user control;
- a commitment to popular involvement in all aspects of strategic policy making (popular planning) and in the operation of enterprises (enterprise planning).

Clearly we are a long way from being able to formulate let alone implement a contemporary version of the GLC's industrial strategy, it would require the development of and extension of powers and capacities both legal and institutional and cultural-political in the broadest possible sense. However, exploring what it might take to get to such a place and what can be began now would certainly be worth attention.

21

# Labour's New Economics Conference: Part Six, Plenary Session

**Tom Gann**

*This is the sixth part of our write-up and analysis of Labour's New Economics Conference on alternative models of ownership. The "Alternative Models of Ownership" report is available [here](#), and our analysis of the report [here](#). This part focuses on the plenary session. You can find our recap of the introductory session [here](#), the digital breakout session [here](#) the housing session [here](#), the Co-op session [here](#) and the local democratic economic strategies session [here](#)*

## **Anna Coote, New Economics Foundation**

Anna Coote's talk largely concerned the case for Universal Basic Services and "what to do about the welfare state?" For Coote, principles of solidarity, so-

cial justice and shared ownership and control, which are preconditions for building something much more radical and general are already embodied in parts of the welfare state, most notably the NHS. Coote urged us to conceptualise existing features of the welfare state as part of the social wage, and as a component of our livelihood with Universal Basic Services, arguing that UBS, “a bigger and better social wage”, is more efficient and solidarity-building than UBI because satisfaction of basic needs is not mediated through market mechanisms. Coote continued, arguing that UBS does not mean identical means of provisioning and criteria for access and this suggests an ambiguity, on the one hand it is correct to argue that different forms of organisation, supply and control may be appropriate for different areas of life, some may be more open to radical decentralisation than others. However, especially when the role of the state is conceptualised as ensuring access, quality of service and funding, this diversity of provision could very easily be compatible with forms that allow in market logics, especially on the level of how services are managed. As Sahil Dutta and Paul Gilbert have argued for *New Socialist*, and they include the Alternative Models of Ownership report in their criticism, the left is increasingly offering persuasive critiques of private ownership but we have failed to develop “new left approaches to management” against the deep inscription of neoliberalism in contemporary management techniques. The NHS, for example, whilst funded by government and free at the point of use (though it is important to note the restrictions on migrant access to healthcare) is very and increasingly subject to forms of privatisation and impositions of market logic, and a UBS drawn like Coote did does not necessarily challenge these tendencies.

## **Sprios Sgouras, Vio. Me Greece**

Sgouras gave a powerful and exceptionally useful talk on the issues confronting workers running a self-managed factory. More information about

the workers' struggle and a solidarity statement can be found here. Linking up with discussions elsewhere at the conference, Sgouras stressed the role of a genuinely democratic and radical union as central to the self-management of the factory. Here is perhaps one of the major challenges of the whole alternative models of ownership agenda- what sort of popular power must we build and how should it be institutionalised to be able to carry out such programmes? Sgouras noted that to have a self-managed factory does not abolish contradictions, quite the opposite, there are major discussions about money, wages and conditions but democratically with open accounting books. There is, an extremely valuable discussion around these questions in an interview in *Politics and Letters* with Raymond Williams, in which he critiques the utopian tendency towards imagining socialist democracy and society based on self-management, care, ecological values, creative work, community living and anti-imperialism, as simpler than existing society, as "relaxed happiness in plenty, governed by controlling general moral impulses". In contrast to this Williams insists on the complexity of socialist democracy, both in terms of the questions that have to be addressed and as a kind of aesthetic pleasure, we must realise "how marvellously active, complex and mobile a socialist democracy could now quite realistically become".<sup>1</sup>

Sgouras then discussed the struggles against and within a legal process that functions to destroy the productive base of society, particularly in struggles over who is held responsible for the debts accrued by the company who used to run the factory. For Sgouras, of course, and rightly, responsibility should lie with shareholders, whilst the remaining assets, those that allow for continued production should belong to the workers and society as a whole (again paralleling other claims made in the conference this is both an ethical claim- it's not right to saddle workers with debt- and a practical one- the capitalist legal system actively harms the possibilities of useful production).

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<sup>1</sup>Raymond Williams, *Politics and Letters: Interviews with New Left Review*, (London: Verso, 2015), p. 431, 435.



Finally, Sgouras discussed the place of the self-managed factory within the wider set of social relations and the wider economy. Here parts of the discussion paralleled, though on a more militant plane, aspects of the session on co-operatives. Significant issues, for example, remain with how the factory can attract necessary funding and investment. Perhaps most inspiringly, Sgouras then discussed the necessity of building the productive base in a total fashion, moving beyond isolated islands and developing relations of self-managed production and distribution not mediated through commodity exchange. Re-establishing a productive base to meet needs within a system of socialist, ecological and anti-militarist values cannot be achieved in beleaguered islands within a still existing capitalist totality.

## **Hilary Wainwright, Red Pepper**

Hilary Wainwright began with a quote from Norman Tebbit, on the Greater London Council: “this is modern socialism, we will kill it”. However, Wainwright insisted that although there are lessons to be learnt from the GLC, it won’t do to be nostalgic (given the GLC’s rigorous emphasis on constructing a socialism appropriate to its modern conditions, indeed, as precisely suggested by the “modern” in the Tebbit quote, simple nostalgia would represent an absolute betrayal). Wainwright paid tribute to Robin Murray, who amongst things was absolutely instrumental in the GLC’s 1985 Industrial Strategy as a “people’s civil servant”, at certain points projects of mobilising the knowledge of ordinary people do require conventional technical expertise. With, as discussed by McDonnell, John Trickett undertaking important work on building up civil service procurement capacities, the question of what a “people’s civil servant” would be today and how we produce them, is a crucial one. Indeed, there has, rightly been some interest in the question of how far civil servants (as they did with the Benn’s Alternative Economic Strategy) could disrupt our plans, so far though, there

has been less in whether they would be capable of implementing them.

For Wainwright, there is a sense that not only do we have a Labour government in the making, but that this government is potentially genuinely participatory and is posing crucial questions about how to prefigure things including in how we develop policy now. Again, it's useful to return to Williams and how part of the shift from an optimistic conception of the labour movement in *Culture and Society* to the more pessimistic, moral crisis version in *The Long Revolution* involves an incapacity to prefigure, with the labour movement providing the insitutionalised ethical-cultural basis for the future organisation of society in the analysis in *Culture and Society*. However, in the analysis of *The Long Revolution* there is a splitting-off of component parts into forms of narrow electoralism and managerialism and corporatist economism in the moral crisis involving the move from

The steady offering and discovery of ways of living that could be extended to the whole of society, which could quite reasonably be organised on the basis of collective democratic institutions and the substitution of co-operative equality for competition as the principle of social and economic policy [to the situation where] the co-operatives should be simply trading organisations, the trade unions simply industrial organizations with no other interests, each union committing to its own sphere, and the Labour Party simply an alternative government in the present system—the country needs an effective opposition”.<sup>2</sup>

Here, what Wainwright is identifying in Corbyn and McDonnell, represents a significant break with labourism, albeit one that has always had a presence in the movement, if not, until now, at the level of the leadership. The original Clause IV, as Wainwright pointed out, did include a commitment to “popular administration and control” but this was never developed in practice, and the rejection of tendencies towards greater workers’ control has been as much (if

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<sup>2</sup>Raymond Williams, *The Long Revolution*, (Harmondsworth, Pelican: 1965), pp. 328–9.

not more so) a facet of the Trade Union as the Party leadership, with the industrial leadership almost always corporatist and top-down. The top-down character of both the industrial and political leadership also determines the Party-Union relation which always was mediated through leaderships rather than, outside, at least on a national level, of Benn's development of the Alternative Economic Strategy, bringing workers directly into sites of political power. Wainwright contrasted this labourist tendency with "the workers are the real experts" and "wisdom lies in the streets", with the belief in people and the centrality of popular knowledge absolutely central to Corbyn and the "quirky" McDonnell's politics. The question becomes then, especially when privatisation proceeded first by appropriating then undermining the knowledge of workers, how and what would be required to mobilise this knowledge today. One example of mobilising knowledge, which Wainwright compared to the Vio.Me factory workers', centring of ecology and the meeting of social need, along with its anti-militarist values, was the Lucas Plan. Wainwright noted the Lucas Plant worker's insistence on the non-redundancy of their skills, experience and knowledge, whether explicit or tacit and embodied in practice.

The Lucas Plan emerged at a time of both the development of militant workers power in unions—often a power beyond the existing corporatist bureaucracy—and in and though social movements of struggles for alternative values. A key question then, as posed in Wainwright's conclusion, is what would a transformative union or party look like today? How do we go beyond beleaguered, defensive isolation?

(Wainwright has an excellent piece, which covers some of the same ground as her plenary discussion, as an introduction to McDonnell's speech at open-Democracy)

## Olivier Petitjean, L'Observatoire des multinationales

Petitjean discussed how there have been over 800 cases of deprivatisation or remunicipalisation, and the role of workers, unions, civil society more widely and even in some cases managers with a strong public ethos in these victories. The significant obstacles to remunicipalisation were noted, though in response to a question it was argued that while EU law certainly does not help and may hinder to a degree it is not decisive in preventing remunicipalisation of services. Some trade deals like TTIP, by contrast, would severely limit prospects. Moreover, once remunicipalisation is achieved, the battle is not over; a constantly mobilised public is necessary both for the organisation and management of the service whose democratic accountability will wither without this and to be prepared to resist reprivatisation. Finally, the case of Paris's remunicipalisation of water was discussed, especially the importance of environmental concerns and, overlapping with the discussion of the Preston Model, its crucial role in ensuring the relocalisation of resources in cities against their leakage out through and for the power of international capital.

## 22

# Labour's New Economics Conference: Part Seven, Jeremy Corbyn's Speech

**Tom Gann**

*This is the seventh (and final) part of our write-up and analysis of Labour's New Economics Conference on alternative models of ownership. The "Alternative Models of Ownership" report is available [here](#), and our analysis of the report [here](#). This part focuses on Jeremy Corbyn's closing address. You can find our recap of the introductory session [here](#), the digital breakout session [here](#) the housing session [here](#), the Co-op session [here](#), the local democratic economic strategies session [here](#) and the plenary session [here](#)*

*You can read Jeremy Corbyn's speech [here](#).*

Corbyn's closing speech began with thanks to all the staff involved in making the event possible. This, as well as being absolutely correct in general, fitted nicely with the general themes of the conference around the collective

character of the production of anything useful.

Corbyn continued, again echoing themes, arguing that it is not only vital that plans are participatory now, but that “when we’ve won an election we won’t stop consultation and mobilisation, it has to step up.” This commitment is crucial not only because it is right, but also because ensuring wide ownership of the project and developing forms of popular power across society is an absolute precondition to facing down the likely considerable opposition from capital to the programme. Corbyn then briefly—perhaps too briefly—addressed some of the international context for implementing and developing a left programme, in the context of the Brexit outcome and the necessity of not signing up to trade treaties like TTIP. There are, however, other major international questions that need to be addressed, both in terms of building internationalist alliances against the power of global capital but also in terms of how far the alternative models of ownership programme could play a role in undoing the exploitation of the Global South by the UK, especially in terms of what happens to finance capital. How does the domestic agenda relate to Corbyn’s argument from his excellent United Nations Research Institute for Social Development speech, that “the dominant global economic system is broken”? Can the economic transformation of the UK go beyond the fairer sharing and more democratic control of the spoils of imperialism? Can we go beyond Raymond Williams’s observation in his more positive assessment of the ethical-political power of the institutionalised culture of the labour movement in *Culture and Society* of the limits imposed by how “England’s position as an imperial power has tended to limit the sense of community to national (and, in this context, imperialist) lines.”<sup>1</sup> Here, in a different way from the critique McDonnell quoted from *The Long Revolution*, Williams critiques the limits on ethical generalisation stemming from how a degree of privilege or achievement within the existing system limits the working class to its allocated place, here the place is national rather than sectoral (co-ops trading organisations, unions industrial organisations, the party, merely Parliamen-

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<sup>1</sup> Raymond Williams, *Culture and Society* (Harmondsworth, Penguin, 1961), p. 312.

tary).

Following Wainwright, and referring to having donated his copy of the London Industrial Strategy to Islington archives, Corbyn insisted on the creative capacity of ordinary people and its squandering by social relations- “creativity is there but lost by society,” and we need to “unleash the creativity in all of us”. Again, as with the GLC notion of efficiency and monetarism/neoliberalism’s tremendous waste of human and financial resources (one should add of nature, too) in the face of unmet human need, the claim here is both moral and pragmatic- “when the history of Britain’s experiment with monetarism comes to be written, the contrast between unmet needs and vast human and financial waste will be the theme”<sup>2</sup>. Social organisation limits the use of popular expertise in ensuring both the satisfaction of needs and full social development of human capacities, as Corbyn argued: “services will be more efficient and better run when controlled by the knowledge of those responsible for them”.

As with McDonnell and others, it is clear that Corbyn is operating within what we would call a long revolutionary horizon. The question is not only the next election and addressing what Tory policies since 2010 have done to health, education and welfare, but the formulation and implementing “plans and policies rooted in the experiences and ingenuity of our movement...to define a whole era”. This horizon beyond a politics of relief and electoralism, most cheerfully, involves a very significant concern with and beginning to develop concrete proposals against global warming. For Corbyn, the need to limit global temperature rises to 1.5 degrees above pre-industrial levels (and it is worth noting that this is the more radical demand of the Paris Agreements) demands a radical shift in how we organise our economy, and this, moreover, entails more radicalism than in 1945.

It has been a concern for some of us at *New Socialist* that ecological themes have been marginalised in the Corbyn project, so the assertion both of their

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<sup>2</sup>The London Industrial Strategy, (London, The GLC: 1985), p. vii.

centrality and the beginnings of a wider framework for concrete proposals was cheering. On the more radical wing of the project, ecological concerns have been marginalised by drawing the wrong conclusions from the correct argument that the accumulation of capital necessarily means the accumulation of ecological catastrophe. This argument cannot be simply reversed into, “anti-capitalist policies necessarily address climate change”. On the other hand, for the more conformist part of Corbynism, it appears that attention to climate change is a middle class indulgence, not proper class politics, and the assertion of alternative values, in this case ecological (though similar arguments have been deployed against asserting anti-imperialism) will distance us from our electoral base and imperil the election victory that is necessary for the desperately needed politics of relief.

Alongside the ecological policies of the manifesto, Corbyn particularly emphasised the need for a green energy system that is, on the one hand, decentralised, diverse and flexible, but which also, with a publicly owned grid, is integrated and organised to allow for the necessary long-term investment and planning. Again, drawing on notions of popular expertise, Corbyn insisted that energy transition is dependent on the initiative, skills and knowledge of many people. However, this stress on decentralisation and non-state initiatives absolutely does not mean that the solution lies in the privileged, environmentally conscious in a narrow sort of way, installing roof-top solar panels, what Corbyn described as a “Thatcherite prosumer model”. Nevertheless, and this is not a question restricted to energy, it would, for example, particularly bear on how to organise a national railway network, it still remains to be worked through how the relation between maximum decentralisation and local and workers’ control and autonomy relates to the need for nationally (even globally) integrated coordination.

Again, overlapping with elements of McDonnell’s stress on participation as part of securing the irreversibility of transformation, Corbyn insisted on the need to build, through popular involvement, broad support for the transfor-



mation. This creation of broad support is certainly an aspect of heading off the critique that ecological values are anti-worker, by ensuring that all benefit, all have control through democratic planning and the ecological transition does not force communities to pay the price. In addition to the role of democratic planning, Corbyn committed to workers being guaranteed jobs on equivalent terms.

As a necessary extension of these themes it might be worth raising, although only raising at this point, questions around what a wider “eco-Corbynism”, beyond what was argued for around energy here. This would also bear on the international context, both in terms of what pressures from international capital there are and will be on the project and in terms of how the project relates to Britain’s continued imperialist position. What might a Corbynite contribution to socialist world ecology look like?<sup>3</sup>

A crucial area of eco-Corbynism will have to be around food, an often ignored but today timely site of struggle, particularly in the UK which will see the convergence of a long, structural crisis of capitalist world ecology with the impact of Brexit on worker conditions in agriculture, possible import duties and, at least with a Tory Brexit, a potential race to the bottom in the regulatory environment imposing major costs of human and, particularly, non-human natures. Certain strands in other sessions at the conference suggest what could be the beginnings of a practice around food, whether the fact that the first co-op was established to sell unadulterated food or Preston’s support for farmer co-ops. It is vital, however, that the question of food be rooted in class struggle, there is, always, following Thompson a “dietary class warfare”<sup>4</sup>. However, questions of dietary class warfare cannot be limited to a narrow understanding of class, they are, for example, very strongly mediated and organised through the oppression of women, through who does the

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<sup>3</sup>The conceptual framework of this question, including world ecology and human and non-human natures is substantially derived from Jason W. Moore, *Capitalism in the Web of Life: Ecology and the Accumulation of Capital*, (London, Verso, 2015).

<sup>4</sup>E. P. Thompson, *The Making of the English Working Class* (London: Pelican, 1968), p. 315.

shopping (and here significant questions in local economies around public transport and locations of shops are also key) or cooking and under what conditions. These questions are always formed through capital's contradictory demands to have women's work appropriated in the household for reproduction and its need to free women for wage work outside the household.

Two observations from Jason W. Moore are particularly valuable. The first is his working through of precisely how food is a site of class struggle and the global, world-ecological character of this struggle, the second the potential, precisely because of their class struggle, even if this is only latent, of movements for "food justice". This also introduces some quite vital questions around prefiguration and state power, which bear on the whole of the alternative models agenda.

The alternative path can, of course, be only followed through class struggle but...this is a class struggle as the relation of production and reproduction, of power and wealth in the web of life....we can say with some confidence that food - not just land - has become a central site of the world class struggle in a way that is entirely unprecedented...To be sure the struggle over food is more than a class struggle, and many forms of food justice appear quite modest: calls for supporting organic agriculture, local farmer's markets, Transition Towns and so forth. But if neoliberal subjectivities persist..we appear to be witnessing an important shift since the mid-2000s...The class struggle of the 21st century will turn in no small measure upon how one answers the questions; What is food? What is nature? What is valuable?<sup>5</sup>

Here then is the argument both of food in class struggle and an account of the challenge to neoliberalism in forms that may appear modest, marginal or merely aesthetic. What is at least beginning now though is potentially the basis of something more encompassing and radical, and this introduces the

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<sup>5</sup>Moore, *Capitalism in the Web of Life*, p. 287.

question of prefiguration, Moore continues,

What would a socialist valuation of humans and the rest of nature look like? This can only be answered through practical activity and reflective theorization. But provisional answers, taken as guiding threads can be offered In my view the elements of socialist world-ecology are all around us.<sup>6</sup>

Examples of these elements, include, Moore here quotes Rebecca Solnit, “organic urban, community assisted and guerrilla agriculture...a revolt against what transnational corporate food and capitalism generally produce [and are] blows against alienation, poor health, hunger and other woes”. Moore’s admiration and the hope he finds in this is one, crucial pole, but the other, equally crucial one, is his refusal to wish away out of a utopian socialist desire for simplification serious questions around the limits, as we stand of these sort of projects, “even allowing for some measure of exaggeration in this statement- it is clear for instance, state power will be needed...to re-orient agriculture towards sustainable and democratic practices.”<sup>7</sup> Whilst there is a great deal the movement and local government could do around food justice, *now*, with Labour out of national government, this does not mean problems of state power and co-ordination, including when questions of how a Corbynism stands within a socialist world ecology can be wished away. Of course a Corbynite contribution to socialist world ecology would not be limited to food and energy, it necessarily includes questions around transport, production and distribution of goods and re-orienting technology away from military uses towards human and sustainable ones, but food is likely to be a vital focus and something where movement activity can begin *now*.

In conclusion, Corbyn briefly mentioned the extension of universalism across basic services and, finally, how the doctrinal rejection of collective

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<sup>6</sup> Moore, *Capitalism in the Web of Life*, p. 288.

<sup>7</sup> Moore, *Capitalism in the Web of Life*, p. 288.

action had been exposed, and that collective goals must be put at the heart of what we do- “we are going to build the future together.” The point here, is that collective, participatory action is both a means and end in (Williams), furthering the idea of, “society...as the positive means for all kinds of development, including individual development. Development and advantage are not individually but commonly interpreted”<sup>8</sup> and here the gap between pragmatic and moral claims breaks down, full human development in common is both means and end.

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<sup>8</sup>Williams, *Culture and Society*, p. 312.