

# Fabian Review

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Winter 2011/12

# OCCUPY MIDDLE ENGLAND

Our new polling shows how some radical views  
on the economy suddenly became mainstream

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**INSIDE:** Ideas for a better capitalism from David Coats,  
Patrick Diamond, Stewart Lansley, Vicky Pryce, Kitty Ussher and others

**AND:** Mary Riddell interviews Ed Balls

# independent thinking from polity

## The Politics of Climate Change

Second edition

Anthony Giddens

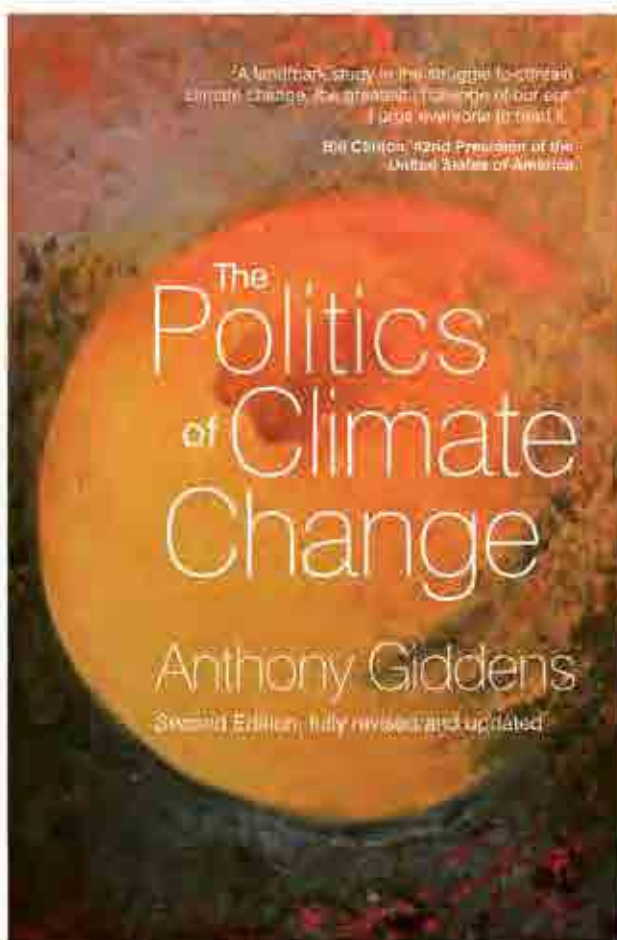
*"A landmark study in the struggle to contain climate change, the greatest challenge of our era. I urge everyone to read it."*

Bill Clinton, 42nd President of the United States of America

Since it first appeared, this book has achieved a classic status. Reprinted many times since its publication, it remains the only work that looks in detail at the political issues posed by global warming. This new edition has been thoroughly updated and provides a state-of-the-art discussion of the most formidable challenge humanity faces this century.

If climate change goes unchecked, the consequences are likely to be catastrophic for human life on earth. Yet for most people and for many policy-makers too, it tends to be a back-of-the-mind issue. We recognize its importance and even its urgency, but for the most part it is swamped by more immediate concerns.

Political action and intervention on local, national and international levels are going to have a decisive effect on whether or not we can limit global warming as well as how we adapt to that already occurring. However, at the moment, argues Giddens, we do not have a systematic politics of climate change. Politics-as-usual won't allow us to deal with the problems we face, while the recipes of the main challenger to orthodox politics, the green movement, are flawed at source. Giddens introduces a range of new concepts and proposals to fill in the gap, and examines in depth the connections between climate change and energy security.



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Image: Adrian Teal

# Labour needs a game-changer

A massive fiscal stimulus is an economic no-brainer but a political no-go zone.

The answer? Tax cuts says **Andrew Harrop**, General Secretary of the Fabian Society

**It's time to call a spade 'a spade'.** The UK is in depression. Families with middle incomes will be poorer in 2015 than 2002, we face at least seven years of austerity in the public finances, and it will take longer for GDP to return to pre-crash levels than in the 1930s.

This bleak news seems to have created more uncertainty within Labour ranks than on the Government benches. It is slowly dawning that if the party wins in 2015 it will become a government of austerity too. So Labour needs a fresh electoral and economic strategy.

The politics must not be allowed to dictate the economics, however. It would be disastrous to assume that Labour can only restore its economic reputation by hugging close to George Osborne's spending plans and fiscal rules. If the party follows that course it would be betraying a generation of British businesses and families.

Osborne's painful medicine was designed for a V-shaped recession not an L-shaped 'lost decade'. The left should now feel duty-bound to argue that only a massive fiscal stimulus is proportionate to the scale of the crisis. For without government intervention a decade of low growth and soaring unemployment is inevitable.

To bring the politics into line with the economics, however, Labour needs a

game-changer. For when the left argues for short-term Keynesian stimulus, neither the public nor the bond markets are convinced: they sense it is a ruse to defend every cherished corner of the welfare state, a strategy of permanent deficit not temporary stimulus.

We now know that this ambiguity will do Labour no favours. The harder the party resists cuts today, the more will be left for it to do if it retakes power in 2015. So, setting aside capital projects, Labour's only spending commitments should be aimed at leveraging private investment or creating jobs for the unemployed; and even these must be fully-funded from new taxes on the wealthy to leave the long-term path of deficit reduction unchanged. The rest of the time, when the left wants to argue against a cut, it must say where else the money will be found.

When it comes to a short-term fiscal stimulus, however, Labour should take people by surprise. The party should argue for major tax cuts. By saying that people should keep more of their own cash, Labour would undermine the charge of statism and perhaps outmanoeuvre the tax-cutting right.

These should not be any tax cuts, however. They must be time-limited and only benefit the bottom 90 per

cent of families. First, to ensure the package is progressive, Labour could propose a time-limited 'VAT cash-back' scheme, for low income households, to get the tills ringing. For a time-limited period the Government would issue credits to offset VAT liability, paid to benefit and tax credit recipients who are the hardest hit and most likely to spend.

But to really defy political convention, the party should go further and campaign for the most visible and symbolic tax cut possible. For two years only and with suitable claw-backs from higher-rate taxpayers, Labour should call for the basic rate of income tax to be slashed. Only then would people sit up and take notice, perhaps reappraising Labour for the first time in years, and forcing the Tories onto the wrong side of the argument.

Some people on the left will recoil at the thought of tax cuts as the welfare state is under threat, and it's true that none of the options are pretty. But if the left really wants to argue for economic stimulus as a counter to the self-defeating vortex of austerity, we must side-step the statist trap that has been set for us.

Time-limited tax cuts are the middle way between economic despair and the charge of deficit denial.

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## FABIAN REVIEW

Fabian Review is the quarterly journal of the Fabian Society. Like all publications of the Fabian Society, it represents not the collective view of the Society, but only the views of the individual writers. The responsibility of the Society is limited to approving its publications as worthy of consideration within the Labour movement.

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# A very British revolution

As economic shocks continue to dominate the headlines, and with no sign that we will return to prosperity any time soon, **Tom Hampson** outlines our new polling that shows the British people are ready for a new way of doing business



*Tom Hampson, who has been Editorial Director and Editor of the Fabian Review since 2006, is leaving the Fabians to join the policy communications agency Soapbox as Partner. For more information go to [www.soapbox.co.uk](http://www.soapbox.co.uk) or email him at [tom@tomhampson.com](mailto:tom@tomhampson.com).*

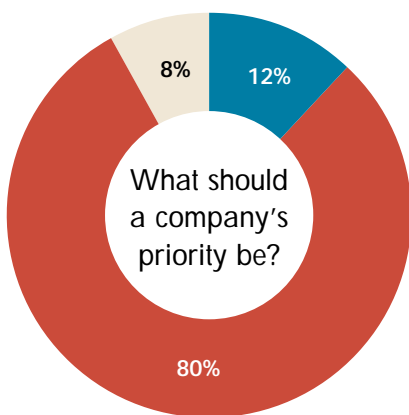
Quietly and without much fuss the British mainstream has shifted. Across the nation, worn out political territory has been vacated and tents have been pitched on the new centre-ground, and middle England has unfurled polite new placards and banners that read ‘people before profit’, ‘narrow the gap between rich and poor’, and ‘protect the workers’. Tea has been brewed and hardier souls are even sleeping out overnight.

Only the new radical fringe – mostly Tory voters – have stayed away from the party.

Wishful thinking? Not entirely – our new Fabian/TUC polling conducted at the end of November by YouGov, shows that what once were the concerns of radicals and protesters are now the overwhelming view of the majority. A full 80 per cent of those we polled say that the private sector

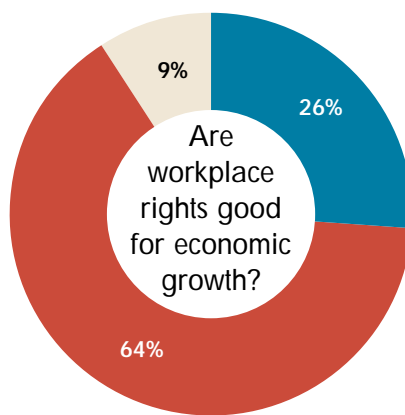
should put long-term investment and their employees, customers and communities before profit, with just 12 per cent agreeing that maximising profits for shareholders is a company’s prime responsibility. Seventy per cent say that the gap between those at the top and everyone else is now too wide and that this harms ordinary people. A total of 69 per cent of people say that something should be done about that gap. The Occupy movement that began in Wall Street this summer and has since swept through cities across the globe could happily sign up to all these positions; if ever proof were needed that this is a nation with a progressive streak at its heart, this is it.

80% support ‘good capitalism’



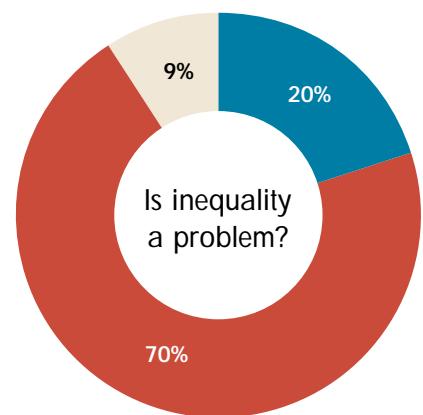
- Longer term investment and a wider responsibility to employees, customers and communities
- Maximise shareholder profit
- Don't know

64% say workers rights are essential



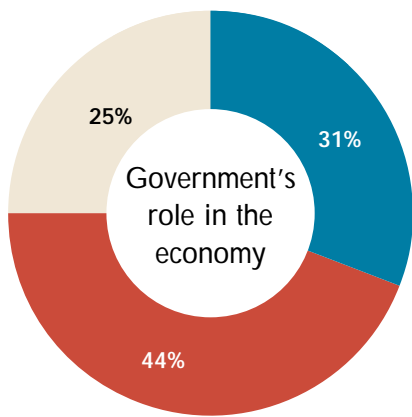
- Workplace rights are essential and mean businesses will be more successful in the long run
- Workplace rights sound nice but in the end mean fewer jobs and a weaker economy
- Don't know

70% worried about inequality



- The gap between the top and everyone else is now too wide and is bad for ordinary people
- We should not worry about the gap too much or reduce incentives for successful people
- Don't know

Source: YouGov Survey, 27th–28th Nov 2011. Sample Size: 1723 GB Adults.



- Governments should keep out of the way
- Governments should play an active role in the economy
- Don't know

Source: YouGov Survey, 27th–28th Nov 2011. Sample Size: 1723 GB Adults.

Maybe one of the most powerful results of our polling is where we can also see the outline of the much-discussed, much-disputed, ‘squeezed middle’: 44 per cent say not only that something should be done about the increasing gap between rich and poor but that they themselves can see an effect on their own living standards – that it’s not just a problem for the poorest.

At first glance, the headline figures in some of our findings appear to offer some real challenges to the centre-left.

When asked how much governments should do to help companies succeed and how much should be simply left to the free market, a full 44 per cent agree that “in the past, government intervention has usually ended in tears. Governments should keep out of the way, and leave businesses free to take their own decisions about how to grow and where to invest.” Less than one third (31 per cent) agree that “the economy as a whole, and people like me, would benefit if government intervened more in British companies by playing

a more active role in encouraging and supporting the best businesses.”

However, government intervention is hardly a unique preserve of the left – indeed it has always been a hallmark of one nation Toryism. That the public – even after a financial crisis caused in large part by a lack of regulation – is still so suspicious of the role of the state is very worrying for Labour and is a gauge of how steep the hill the party has to climb is.

Those who voted Conservative at the last election ... occupy a very different political territory to Lib Dem voters

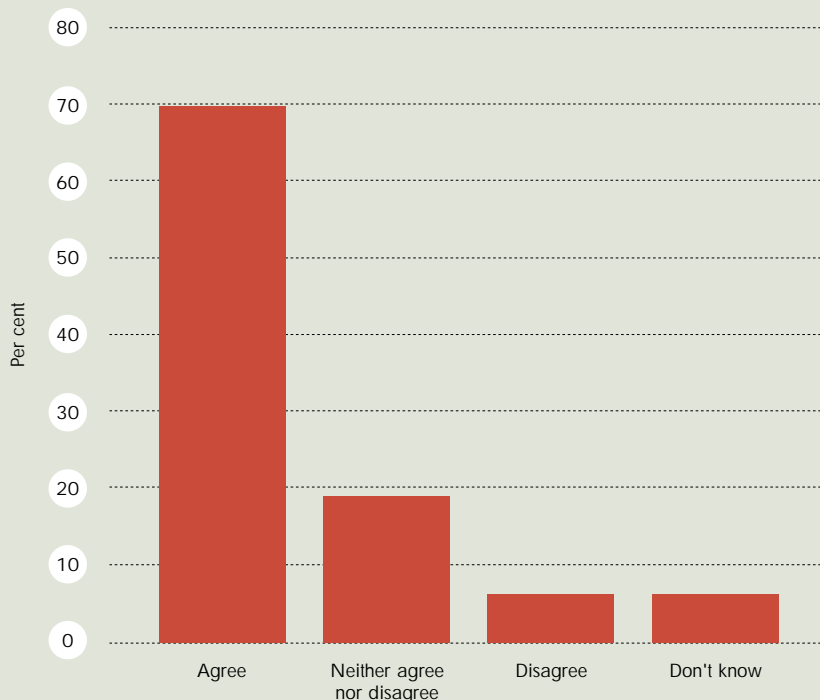
What’s more, the responses to this question about the role of the state are intriguing, though – and more complex than the headline figures suggest: a full 25 per cent of people responded ‘don’t know’. This is by far the highest ‘don’t know’ figure in the whole survey and poses a further question: are we seeing here that the British public take a reasoned, political position at odds with state intervention, or are we seeing a confusion about what the state has to offer?

One clue comes in the answer to our question about manufacturing: here, 70 per cent agree that ‘the economy has become unbalanced and the government should actively seek to help manufacturing companies’. Could it be that many of the 25 per cent who are unclear whether state intervention is a good thing exhibit unease about the state in general, but when presented with specific steps – such as investment in the manufacturing sector – they support this? If so, the problem could be one of the reputation of ‘the state’ rather than an ideological attachment to laissez-faire capitalism.

Without a doubt, though, while our polling shows a nation with broad progressive instincts, it also shows some stark divisions over some fundamental issues of substance – and these are splits whose contours run directly through the middle of the coalition Government.

Those who voted Conservative at the last election and – even more starkly – those who intend to do so at the next election occupy a very different political territory to Lib Dem voters. Repeatedly, Lib Dem voters are

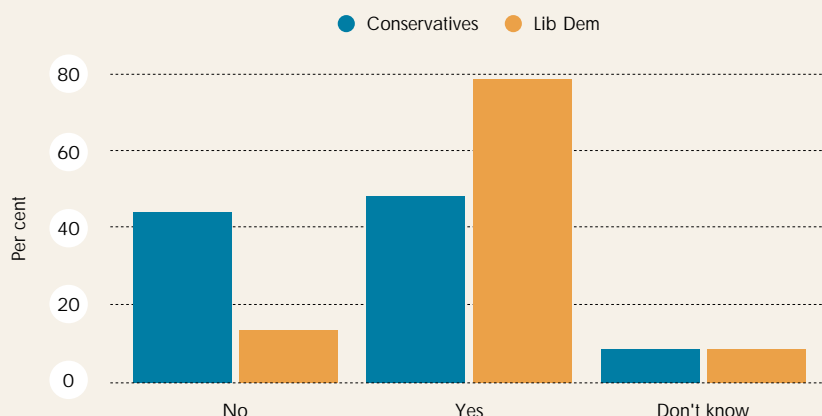
## The economy has become unbalanced and the government should actively seek to help manufacturing companies



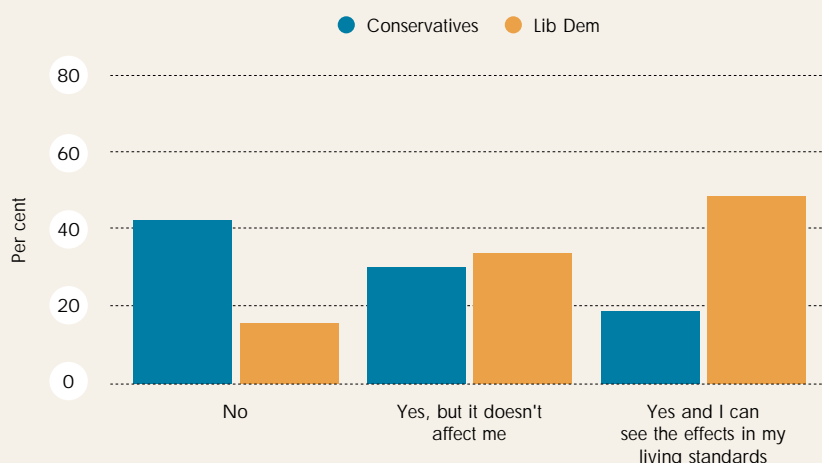
Source: YouGov Survey, 27th–28th Nov 2011. Sample Size: 1723 GB Adults.

## The coalition problem

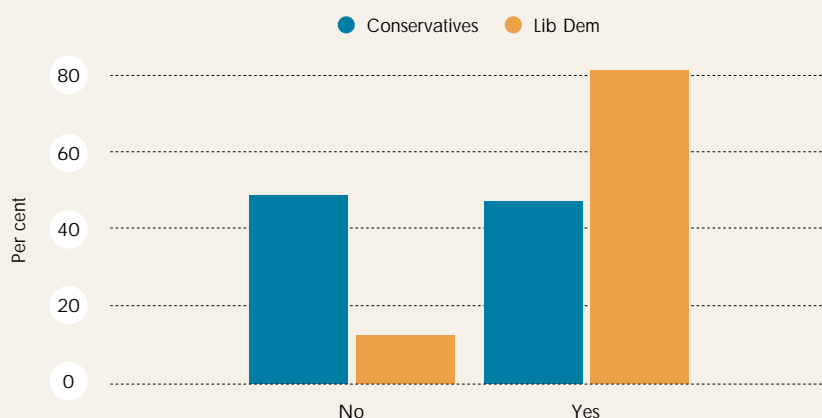
### Q. Is inequality a problem?



### Q. Should anything be done about the gap between the rich and poor?



### Q. Are workplace rights good for economic growth?



Source: YouGov Survey, 27th–28th Nov 2011. Sample Size: 1723 GB Adults.

significantly more progressive than the average – and indeed sometimes even take more progressive positions than those of Labour voters.


On whether the gap between rich and poor is bad for ordinary people, Tories are nearly evenly split (48 per cent yes, 44 per cent no) while Lib Dems are conclusively progressive (78 per cent yes and just 14 per cent no). On how that gap is affecting society, there is almost a complete reversal in the figures: 42 per cent of Tories and 17 per cent of Lib Dems say there's always been a gap and that nothing can or should be done about it, while 19 per cent of Tories and 48 per cent of Lib Dems say it's not just a problem for the poorest.

What's more, as the coalition looks set to continue with its attempts to reduce rights at work, David Cameron and Nick Clegg are etc going to have real problems keeping any clear common ground when there is such a pronounced division in the ways their respective voters see workplace rights. When we asked about protections against unfair dismissal, rights to maternity and paternity leave and minimum wage legislation, people who intend to vote Tory are almost evenly split: 48 per cent said that workplace rights lead to fewer jobs and a weaker economy and 46 per cent said that businesses will be more successful if they involve their workforces. However, for Lib Dem voters, these figures were 13 and 81 per cent respectively – a far clearer answer than the national average of 26 and 64 per cent.

It's clear the British people aren't happy with how the economy works. They're not taking to the streets en masse but our polling highlights the fear people feel for their future and the future of the next generation. There's a growing appetite for something new, and the party that can tap into this will find themselves slap bang in the new centre ground of British politics. ■



*This poll was supported by the TUC. You can read the full poll online at [www.fabians.org.uk](http://www.fabians.org.uk)*



“It doesn’t  
have to be  
this way”

The Government’s growth figures might vindicate **Ed Balls**, but Labour’s remedy to the economic consequences of Mr Osborne still isn’t selling. The Shadow Chancellor tells **Mary Riddell**: “Our opportunity starts now”





Mary Riddell is a columnist for the Daily Telegraph

Ed Balls loves Christmas. Such is his enthusiasm that he plays Santa Claus at the parliament children's party and at a special school in his constituency. At home, however, a nagging dispute threatens to cloud the bonhomie. "We have a continual debate about whether the presents should arrive in pillow cases or socks. I think pillow cases. Yvette thinks socks. My argument is that, with socks, you get less in."

This festive dilemma might also stand as a metaphor for the Shadow Chancellor's economic strategy. Where the frugal George Osborne might be in the pro-sock camp, Balls is perceived as an evangelist for the pillow case approach, arguing that the brutality of Tory cuts is snuffing out recovery.

That stand-off came to a head on the day of the Chancellor's autumn statement. Balls, who had been given a redacted version of the speech only eight minutes before Osborne began to speak, was aware of the sharp drop in growth predicted by the Office of Budget Responsibility (OBR) but not the size of the rise in borrowing. His reaction, as he absorbed the figures, was one of "shock". Balls's back-of-the-envelope calculation was confirmed by a text from his office as £158 billion in the seconds before he got up to accuse the Chancellor of "failing colossally".

"To have a moment when George Osborne had to stand up and say it had gone so wrong, and to have a chance to explain why, was very important for me. I've been waiting to do that response for a year." Balls does not dispute that his delivery, pitched somewhere between King Lear and Widow Twankey, might occasionally have struck TV viewers as "a bit shouty".

But gradually, he says, the "cauldron of the House of Commons" grew stiller. "There were times when Cameron and Osborne were fidgeting, and the whole of the Conservative and Lib Dem back benches were silent because they all know this isn't working. That was the completely best thing about it for me."

The vindication of Ed Balls has yet to find an echo among the mass of voters. However right his arguments and deep the difficulties engulfing Osborne, only a minority believe that Labour can be trusted to run the economy. Polling for Lord Ashcroft, conducted shortly before the autumn statement, showed that 11 per cent believed that Balls had the answers on what to do, as against 17 per cent for Osborne.

Even within the Labour movement, there is a whisper of restiveness from those who have never quite learned to love Ed Balls or who are worried that there has been too much castigation of Tory cuts and too little emphasis on how Labour would construct a deficit reduction plan or propose to govern in austerity.

Undaunted, Balls believes that the autumn statement of 2011 will mark a turning point. "I think it [will prove] a game-changer in people's understanding. When a government [takes office], you really want to believe these new guys are going to make it work. Then suddenly people realise that not only is there lower growth and high unemployment, but that the one thing this Government said it would do was to borrow less, and now it is borrowing more. In the next six-to-nine months, people are going to say: 'What's the alternative?' Our opportunity starts now."

So what, precisely, is the alternative? Balls is cagey, saying that "it's a long, long game ... What we have to do is establish

a platform of competence. People are really worried about what's happening now – about next week, not five months' time ... Implementing strategy takes time. It's always difficult when, for a period, you get ahead of where the public are."

His example is 1993/4, when Tony Blair and Gordon Brown were frustrated that their ideas made no headway, despite the ERM crisis and rising taxes. That backdrop to victory in 1997 appears to have convinced Balls that voters will eventually be won over by his argument. "I've said to Ed [Miliband] a number of times: 'You have to be good at opposition. You've got to be the answer to the big question.'

"The best moment he's had so far on doing that politically was phone hacking, though maybe that wasn't a cut-through moment for my constituents in Morley in quite the way it was in Westminster." Would Balls agree that Miliband is not yet the answer to the big question on the economy? "You have to prepare the ground so that when the question is asked, you are the answer. That's what he's doing."

While Miliband's focus on the 'squeezed middle' was initially "a bit bumpy," Balls considers Miliband to have been proved right both on middle earners and the danger of a lost generation. The Shadow Chancellor has, however, seemed rather silent on the leader's argument about predatory capitalism. Nonetheless he proclaims himself in favour, saying that the media have wilfully misunderstood the idea that companies who invest in their staff should not be undercut by those who break the rules.

With £15 billion in cuts earmarked for 2016/17, he accepts that Labour would have to be a cutting government. "In 1997, we stuck to Conservative spending cuts for the first two years." Would a Labour administration have to stick to the status quo laid down by Osborne?

"It's much too early to get into that. We have shown in the past that we're willing to do tough things." So another Labour tax-and-spend bonanza is not going to happen? "No way. Not in a million years. Absolutely not, because that is a totally irresponsible way to get into government. You've got to show that you can make the tough decisions [and] be tough with public spending. There will be no splurge giveaways."

In the meantime, he foresees worse to come. "The OBR's forecasts are pessimistic. I'm worried that George Osborne's failure with the economy will turn them into a self-fulfilling prophecy, and it doesn't have to be this way... Nobody in the Labour Party should get into the idea that it has to be this way."

This could be construed as a veiled warning to anyone predisposed to question the Balls strategy. While he appeared closer to endorsing strikers than Ed Miliband, there is no whiff of disloyalty from Balls who has said that, in the event of a future leadership vacancy, he would defer to his wife, Yvette Cooper.

This, it now seems, may not be a done deal. Perhaps, I say, he never really wanted the top job. "Well, I went in to win, and there were moments along the way when I hoped. [But] certain things didn't work out ... There were disappointments along the way. I was more associated [than Ed M] with Gordon in the public mind, and I wasn't called Miliband. That was a disadvantage. But it was a fabulous chance to put the arguments and break free of the past – incredibly liberating."

At 44, Balls is probably not yet at the height of his political powers. So why cut off his options? "Well, we've got a leader, and I'm backing him a hundred per cent, and that for me is sufficient. I want to be Chancellor. As I sit here today, I'm happy that is the summit of my ambition. [But] God knows what can happen in life."

So Balls has left himself some wriggle room? He replies that it would be "fabulous" to be Chancellor in an Ed Miliband government. "Who knows what will happen in life," he

repeats, adding that if the Labour Party is seen to be “turning in on itself and agitating, no one will have any time for that at all.”

Even his enemies might concede that Balls appears more consensual. Before drafting a provisional reply to the autumn statement, he not only consulted Gordon Brown but also went to see Tony Blair, who is scarcely prime cheerleader of the Balls fan club. He will not be drawn on what they told him, merely saying: “I wanted their advice. They’ve had a lot of experience, it was the right thing [for] me to, and it was very helpful. Smaller people spend the whole time talking about what happened. But the big figures are just as worried about where the country’s going as they were when they were [in power.]”

“I’ve been over in Brussels, and I’ve never felt the mood to be so fearful about where leadership is coming from. People say how different it would be if [Brown] was there”

Boldly, considering Tory efforts to brand him Gordon’s creature, he agrees that Brown deserves some revisionism. “I’ve been over in Brussels, and I’ve never felt the mood to be so fearful about where leadership is coming from. People say how different it would be if [Brown] was there. He’s had a harder time from some newspapers – and colleagues as well – than any other politician. He’s sanguine, forward-looking and very worried about where things are going ... I have a lot of respect for Tony Blair and Gordon Brown.”

This benevolence has its limits. Musing on how Labour’s recent PMs will be judged by history, Balls notes that “it’s very hard for a fair record to be written in the year after an election defeat ... There are too many memoirs,” he adds, in what could be interpreted as a dig at Alistair Darling. “Memoirs are not objective. They have to be seen as the view of the holder of the pen.”

If few politicians have better-tuned antennae, even fewer have such a diverse hinterland as Balls. He arrives in the office with wet hair after a training run, grumbling that a bodged repair on a blocked shower has left the Balls/Cooper Yorkshire household with no upstairs running water for several weeks. A recent admission that he cried at the Antiques Roadshow appalled his wife, who is not a fan of the programme.

His tears were prompted by a participant determined to hang on to his valuable vase. “Some people watch the programme thinking: kerching, kerching! Other people think there’s more to life than money, markets and exchange. Therefore Antiques Roadshow is an expression of socialist values.”

What does Balls prize above money? “The most precious thing for me and us is definitely protecting our children so that they can be who they want to be.” While David Cameron is unmentioned, Balls makes clear his distaste for photo-chronicles of family life. “However short-term, tactical and tempting it might be to have pictures on the front of a Sunday magazine, we would never, ever do that.”

His most precious material belongings are the violin his mother gave him, a first edition of a Keynes pamphlet, *The Economic Consequences of Mr Churchill*, and “an amazing, two-chamber barbecue which looks like a steam train.” As he recently told *Total Politics* magazine, he would be eager to cook a wood-smoked leg of pork for George Osborne. “He’s said he is quite keen.”

Do they get on? “There’s a side to him that is much more personal than I would ever be in politics.” Leaving aside Tory handling of the economy and *ad hominem* remarks over the dispatch box, Balls is kindly-disposed. “Actually, we’ve

always got on quite well. In the past we’ve sat down late at night at conferences with a drink, and I’d happily do so again. If we were walking down the corridor, we’d have a chat.” This camaraderie does not extend to Cameron, who, in the case of low-paid public sector workers, displayed a “high-handed, arrogant, dismissive, haughty approach [that] is totally out of touch with the mood of the country.”

The Lib Dems get more mixed reviews. “You’ve got to make a distinction between Lib Dem voters, members, MPs and Nick Clegg.” Surprisingly, given his previous hints of disdain for “Liberals” and coalitions, Balls recently evinced enthusiasm for a Lib-Lab deal.

“I’ve never been somebody who thinks coalitions a better form of government ... When I talk about Lib Dems [now], I don’t think of Nick Clegg as being part of that ... [But] I’ve known Vince Cable and Chris Huhne for 20 years. They know the difficulty they’re in. Vince has not had a Damascene conversion – he’s kept his head down. Given their values and integrity, I don’t think Lib Dems will be comfortable in the coming months.”

So he would be in favour of a Lib-Lab coalition after the next election? “You could do it tomorrow. What’s happening is so dangerous and against the national interest that what is needed is a new consensus. If you can form that consensus tomorrow, I’d be part of it like a shot.” Is he envisaging a Lib Dem rebellion? “If it happened tomorrow, I’d cheer.”

While Balls does not wish to speculate on how government implosion might come about, he clearly does not think the coalition is guaranteed to hold together until 2015. “No, of course not. The law says 2015 – tomorrow would be better.”

Is he saying that someone like Vince Cable might be prepared to pull the plug? “It’s not easy for Lib Dem MPs to say it’s not working. That’s fine. If Vince popped up tomorrow to say Osborne had got it wrong, it would be catastrophic. I’m not annoyed he hasn’t said it. It doesn’t make me respect him less. But I know that in his heart of hearts, he knows it’s not working.”

Even without Lib Dem meltdown, Balls foresees big trouble brewing for the coalition on the NHS. “The disruption is massive, and the budget cuts huge ... All you need is a bad bug, and there’d be a real question about whether this system is stable or unstable.” So why hasn’t Labour made more of the problems? Balls promises that “Ed Miliband will be raising the temperature at PMQs.”

On Europe, he denies that he is more Eurosceptic than Miliband. “That’s not fair. It’s too binary. I’ve always been sceptical about the euro. It was going to be very, very hard to make it work, and so it’s proved.” Will the single currency fail? “I don’t know. I hope not. But Europe is a potentially massive danger for our country for the next few years.”

He is, he says, delighted to have the high-flying Rachel Reeves as shadow chief secretary. “Rachel’s fabulous.” A future Labour leader? “She should be allowed to live her life and be all she can be. If I was her, I’d think that I would love to be Shadow Chief Secretary in a Labour Government.”

As for Balls’s future, he appears to rule nothing out. For now, however, the only career certainty is that he remains parliament’s top Santa. As a child he would pore through his mother’s mail-order brochures, choosing his gifts. Now the most popular publication in the Balls household is a dog-eared Argos catalogue, from which the children select their presents.

In these austere times, does Balls seek to limit what goes into his children’s stockings (or pillow cases), or is he in favour of lavish presents? “It all comes from Father Christmas,” he says airily. Past Labour Chancellors still stand accused by voters of applying that spirit of largesse to the nation’s finances. In Ed Balls’s promise, there would be no profligacy on his watch. ■

# We're all good capitalists now

Fierce criticism of how we do capitalism hasn't just been heard outside St Paul's, but in boardrooms too. For the critique to become a credible political agenda, Labour needs to show that a more active state will help not hinder private sector competitiveness argues **Patrick Diamond**. And below, **Vicky Pryce** and **Stefan Stern** analyse what business thinks about the quest for a better capitalism



*Patrick Diamond is Senior Research Fellow at Policy Network and Nuffield College, Oxford*

**What will Britain's economic future** be after the biggest slump since the 1930s punctuated a decade of rising productivity, employment and living standards? Until the crisis in 2008, UK growth outstripped France and Germany, inflation averaged 1.5 per cent, the unemployment rate was half the eurozone average, and the rise in per capita GDP meant that Britain rose from last to third place in the G7.

Yet the limitations of New Labour's economic strategy had become all too apparent as the global financial crisis unfolded. Instinctive caution, focused on reassurance, made the party too reticent about the case for intervening in markets. The legacy was underinvestment in public infrastructure, notably transport and housing; a regional economic divide manifested in the growing disparity between the South East, Northern England and the devolved nations; a speculative economy built on a property and construction boom; and an expansion of public and private consumption financed by debt, characterised elsewhere as 'privatised Keynesianism'.

Post-war governments of left and right had struggled to find ways of moving beyond political crisis and economic stagnation. Thatcherism rejected the inevitability of decline, emboldened by sweeping changes in the global economy. Reforms were initiated that radically restructured British industry, accelerating the transition from manufacturing to services and leaving in their wake a long trail of inequality and polarisation. This agenda of privatisation and deregulation was used to promote a newly invigorated British prosperity, the basis of four successive election victories for the Conservatives. The strategic choice that now faces Labour is whether to be the party of economic modernisation and renewal, or risk being confined to a futile defence of declining sectors and regions.

The challenge is to show how an active state can create national prosperity. In the aftermath of the financial crisis, voters across the western world directed their anger not only at over-mighty bankers, but over-mighty governments. Labour has to fashion a new argument subtly defining the legitimate role of the state while drawing on the distinction made by Keynes between the 'agenda' and 'non-agenda' of government – demonstrating that it has the imagination to promote an economic renaissance despite the crisis imperilling the eurozone and the world economy.

That means going beyond the limited supply-side agenda of skills and science which has bequeathed precarious economic foundations. Britain excels in technological innovation, but has relatively few world-beating high-tech companies. There are fewer SME's in the UK than any comparable advanced economy. And while French, German and Nordic governments nurture great national businesses, British governments make a virtue of standing aside. The boundaries of state action have to be redrawn after the crisis.

The aim of a new left political economy must be to break out of the impasse in three ways:

1. By forging a more resilient and balanced economy where people can plan ahead and where financial institutions support sustainable wealth creation not unsustainable speculation
2. By delivering fairer outcomes, narrowing the inequalities of wealth and ownership that characterise modern capitalist economies
3. And by sustaining the growth necessary both for rising living standards and improvements in public services

However, delivering on these goals requires a fourth, distinctly radical objective: redistributing economic power so that it cannot be hoarded by over-mighty interests or institutions. The search for a more sustainable and

productive form of capitalism hardly represents a dramatic lurch to the left. Not surprisingly, some of the most imaginative, indeed critical thinking about the future of markets and the factors driving business success has come from the private sector, as well as from NGOs, economists and policy experts.

There are ideas that emerged on the right about the failings of modern capitalism. The most prominent exponent of this critique, John Gray, was once himself a vociferous advocate of the Thatcher revolution. The second strand is stakeholder capitalism, epitomised not only by Will Hutton's work, *The State We're In*, but the writings of John

Kay and John Plender in response to the failings of free market economics. These authors suggested that companies should serve the interests of a wider group of stakeholders, not only shareholders, promoting long-term strategies for growth while being rooted in communities and recognising their wider obligations.

This is explored further in research on new business models and 'shared value' developed by the management expert, Michael Porter. In a recent article in *The Harvard Business Review*, Porter argued: "A big part of the problem lies with companies themselves, which remain trapped in an outdated approach to value creation that has emerged over the past few decades". The private sector has conceived value creation too narrowly, optimizing short-term performance in a bubble, missing the most important customer needs and ignoring influences that determine long-term success. Porter insists "companies must take the lead in bringing business and society back together". Labour's task is now to forge a persuasive agenda for public action. Regulatory intervention to curb financial irresponsibility is necessary, but not sufficient. The left has to show it can get the economy moving again. That means aggressively widening lending to business, devolving power, and expanding the ownership base of our economy.

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#### Business lending

The left has to conceive the institutions and mechanisms needed to bring about changes in the structural base of the UK economy. The refusal of the Bank of England and the Treasury to support a National Investment Bank, treating all government borrowing as an addition to the public sector borrowing requirement (PSBR) even where invested in assets that yield positive returns, is self-defeating as long as British banks are averse to making long-term loans to industry. Almost every government in Europe owns a credit institution that lends to the private sector. The aversion to making loans, dismissed as 1970s-style 'picking winners', has to end. What Britain lacked over the course of

**"In theory, you can care for the bottom line while being a responsible company. Unfortunately that's only true in the long term"**



*Vicky Pryce is Senior Managing Director at FTI Consulting*

To me, 'responsible capitalism' is a re-statement of the principles of corporate social responsibility. The underlying principle is that companies should consider the interests of all their stakeholders, not just their shareholders. So the bottom line remains important but its significance is tempered by consideration of how companies treat their employees, their customers, their suppliers, those in the communities in which they are located, as well as the environment in which they operate. Does this mean that the focus shifts necessarily away from profit making as the *raison d'être* for an enterprise? Not necessarily.

It makes good business sense to care for your employees – if you do they stay longer, there are greater returns on their training, absenteeism is found to have gone down, retention increases, costs of hiring are reduced, and productivity improves. Caring for your community means that the city or region in which you operate regards you and your products as a 'good' thing (reflecting the social mix in your area in your hiring strategy also means that there is a greater understanding of the needs of your local customer), service improves and with it profitability. Caring for the environment and reducing, for example, energy consumption also cuts costs over time that help profits. Treating suppliers

with dignity and mutual trust allows for long term relationships to flourish and ultimately improve product quality. Ensuring that management practices across the world do not allow for, say, the use of child labour or corrupt practices preserves a company's reputation which can be destroyed overnight.

So it is blindingly obvious, and accepted by many economists, that in theory, you can care for the bottom line while being a responsible company. Unfortunately that is only true in the long term. And it requires companies and its shareholders to be interested in sustainable profits rather than short term opportunistic rises in share value.

There is therefore a role to play for government. Through regulation they can stop responsible businesses being driven out of the market by less principled competitors. This is why we have minimum standards for health and safety and a National Minimum Wage. Carbon taxes and other forms of 'green taxation' give firms an incentive to reduce their environmental footprint if they are not doing it already. Ensuring that shareholders have the right (and duty) to intervene more actively in the strategy and direction of the companies they have invested in can lead to a reduction of the current 'principal/agent problem' – in other words the incidence of managers running firms for their own benefit, including awarding themselves perverse remuneration packages. A proper dialogue between politicians and the business community on how to create a fairer and more prosperous society should focus on the 'win win' that can be had by all if it is to succeed.



the 20th century was a 'developmental state', using public power to promote national competitiveness. No alternative emerged either to nationalisation, a policy applied between 1945 and 1979, or the laissez-faire trajectory pursued ever since. Britain needs its own state-backed investment institution.

### Regional devolution

A new capitalism must be built around a revitalised polity where power is no longer hoarded at Whitehall and Westminster, but widely distributed throughout the nations and regions of the United Kingdom. Economic and social reform should be accompanied by political and democratic reform. That will help to foster genuine partnership between the public and private sectors. The state must actively nurture growth but business should invest for the long-term, widening the criteria for value creation in mergers and acquisitions and encouraging responsible behaviour by fund managers, while focusing on export-driven growth. That requires long-term investment in physical infrastructure and assets alongside new approaches to financing public goods. An integrated, locally-based approach

to SME growth, employment activation, public transport and city renewal requires proper devolution of policies currently administered centrally. The revival of Regional Development Agencies (RDAs) would also help to foster business networks, connecting SME's in under-performing regions with overseas markets.

### The ownership revolution

That approach should be augmented by the redistribution of property and assets, an ownership revolution that places control over wealth in many more hands: extreme wealth inequality perpetuates imbalances that harm national economic performance. A property levy on homes over £2 million ought to be invested in shared ownership schemes and affordable housing so that many more families can get a foot on the housing ladder, augmented by a progressive capital gains tax.

All of these approaches need to be embedded in institutions that are responsive and accountable through local and regional governance, so they cannot easily be swept away by future governments. The coalition Government is seeking to make Britain the Hong

Kong of Europe through a return to a 1980s-style deregulatory, low cost strategy. Of course, any progressive party has to acknowledge the debate about what kind of growth is now viable: is faster growth possible given global competition, and is it desirable given environmental limits imposed by climate change? These remain fundamental concerns.

Nonetheless, Labour will succeed where it links the developmental state with national modernisation, each driving a renaissance of the British economy. Just at the point when some question whether the state has a role, it has never been more vital. This need not imply that a larger share of national income has to pass through government's hands, or that the state has to be ever more centralised. The key is to build a platform of resilience, protecting citizens and wealth-generating sectors, without dampening the culture of pluralism and experimentation that is necessary for competitive success. It is about using rules, frameworks and strategic investment imaginatively to change attitudes and behaviour, actively shaping the future contours of British capitalism. ■

## "The narrow pursuit of 'shareholder value' is looking like a rather tired, very 20th century idea"



*Stefan Stern, a former FT columnist, is Visiting Professor at Cass Business School, London*

We all know what happens to whistleblowers in businesses and organisations. First they are ignored. Then they are mocked. Finally they are threatened. But after that, what? If they are merely crying wolf we tend to hear no more about them. But if the whistleblowers are right one of two other scenarios generally ensues. Either their warnings are not heeded in time and the business collapses (see Enron

or HBOS). Or their words are listened to and meaningful change is achieved (the US tobacco industry, News International).

Ed Miliband's speech to the Labour party conference this autumn was the act of a whistleblower, someone confronting parts of the business community and challenging them to defend their ways. The howls of protest, in some quarters, have not died down yet. Two questions arise from all this: why are some business people so touchy, and can we expect any significant business figures to support the leader's analysis?

Times are tough for most businesses, and perhaps some did not take kindly to the idea, put about by parts of the media, that the conference speech was an all-out attack on the 'business community'. Those who are struggling to pay wages and suppliers are probably not looking to politicians from any party to offer them criticism, or advice. However many times Ed Miliband tried to stress that he was essentially pro-business, and that his criticisms were aimed only at harmful and destructive

practices, that was not what some business people heard.

Which is doubly unfortunate, as there is in fact a growing sense in many businesses that new and more sustainable approaches are indeed needed. The fashionable idea of the moment is a concept called 'shared value' – crudely, using business to help fix social problems – launched earlier this year in the Harvard Business Review by Michael Porter and Mark Kramer, which Patrick Diamond discusses above. The managing partner of McKinsey, Dominic Barton, has also spoken up in favour of what we might call, to coin a phrase, 'producer' rather than 'predator' capitalism. Powerful CEOs such as Unilever's Paul Polman and PepsiCo's Indra Nooyi have joined this chorus. The narrow pursuit of 'shareholder value' is looking like a rather tired, very 20th century idea.

This debate is still in its early stages as far as many business people are concerned. But it is heading in the right direction. My money is on Whistleblower Ed achieving vindication, and sooner than you might think.

# From inequality to instability:

## Why sustainable capitalism depends on a more equal society

The financial crash of 2008 occurred after a sharp rise in inequality – as did the Great Depression of the 1930s.

**Stewart Lansley** shows how the only way to avert future recessions is to assert the primacy of equality



*Stewart Lansley is the author of The Cost of Inequality: Three Decades of the Super-Rich and the Economy*

The pursuit of a more equal society has long been one of the fundamental principles of social democracy. It was a commitment to greater equality that drove the post-war social and economic reforms, the introduction of more progressive taxes and a new set of social mores that kept a check on personal fortunes at the top. For 40 years from the mid-1930s – the period of the ‘great leveling’ – the wealth and income gap narrowed sharply in the UK and across the rich world.

This long-term trend came to a halt at the height of the global crisis of the mid-1970s and then went into reverse. This reversal was driven by a new economic philosophy, one that argued that egalitarianism had gone too far, that a sharp dose of inequality and bigger rewards at the top would kick-start enterprise, boost growth and be good for us all.

As the Austrian-American economist, Ludwig von Mises, one of the leading prophets of the superiority of markets, put it in 1955: “inequality of wealth and incomes is the cause of the masses’ well being, not the cause of anybody’s distress ... Where there is a lower degree of inequality, there is necessarily a lower standard of living of the masses.” It was a view echoed by Sir Keith Joseph, one of Mrs Thatcher’s most trusted advisers, in 1976. “Making the rich poorer does not make the poor richer, but it does make the state stronger ... The pursuit of income equality will turn this country into a totalitarian slum.”

From the beginning of the 1980s, the high priests of the free-market achieved a degree of political ascendancy once held by the founding fathers of social democracy. Although market capitalism took its deepest roots in the United States and the

United Kingdom, shallower versions were eventually adopted across most of rich world. As a result, the move towards greater inequality became increasingly widespread. Although starting later, most nations became more unequal, albeit less severely than in the US and the UK. The repercussions of this trend were eventually to reverberate across the globe.

The Labour leadership was amongst those who eventually succumbed to the new creed. In his introduction to the 1997 Labour manifesto, Tony Blair wrote that he had “no time for the politics of envy”. This was more than a symbolic gesture or vote-seeking rhetoric. It was a key turning point in Labour’s central philosophy. Blair wanted a society that encouraged ‘leveling up’ rather than ‘leveling down’. Stephen Byers, trade secretary from December 1998, said that wealth creation was now more important than wealth distribution.

New Labour had embraced the idea that too much equality would be a drag on economic progress. As long as tackling poverty was made a priority, then the rich should be allowed to flourish. The accumulation of large fortunes might bring a bigger divide, but, by encouraging business, job and wealth creation, it would make everybody better off through an expanded economic cake. It was the widespread acceptance of soaring levels of personal wealth, and the growing polarisation that went with it, that became one of the defining characteristics of the shift away from the social democratic values that had once dominated post-war politics and opinion.

### For the few not the many

Steadily, the gains from growth in a number of rich countries over the last three decades have been heavily colonised by big business and a small group of financiers, bankers and business executives. This has set the workforce adrift from economic progress and left ordinary citizens with a smaller and smaller share of the economic cake. It is these trends that fuelled the towering personal fortunes of the modern age and the rise in inequality to pre-war levels.

Between 1980 and 2007, average real wages in the UK rose by only a little over half the rate of growth. From 2000 to 2007, median chief executive pay rose six times faster than median earnings. Over the same period, the top one per cent of earners increased their share of the economic pie by close to three percentage points. It's a common story across the globe. In the United States, living standards for four-fifths of the workforce have been little better than stagnant over the last three decades. In Germany, real wages started flat-lining from the millennium.

So have the architects of market capitalism been proved right? Have runaway fortunes at the top brought the promised economic renaissance? The evidence says no. The wealth gap has soared, but without the promised pay-off of wider economic progress. On all measures of economic performance bar inflation, the post-1980 era of rising inequality has a much poorer record than the egalitarian post-war decades.

Since 1980 the UK economy has been expanding at two-thirds of the rate achieved in the post-war era of 'regulated capitalism'. Productivity growth averaged 1.9 per cent a year from 1980 to 2008 compared with an annual average rise of 3 per cent in the more regulated era. Unemployment since 1980 has been running at five times the average of the two post-war decades. This is despite a steady fall in the share of national output accruing to wage-earners, from around 60 per cent at the end of the 1970s to 53 per cent by 2008, a trend that was meant to unleash a new era of record job creation. Financial crises have also become much more frequent and more damaging. As shown in figure 1, the three post-1980 recessions have been deeper and longer than those of the 1950s and 1960s, culminating in the crisis of the last four years.

The main outcome of the post-1980 experiment has been an economy that is both much more polarised and much more fragile and prone to crisis. So what does this tell us about cause and effect? Contrary to the claims of the new market theorists, is it the rise in inequality itself that has contributed to more fragile and unstable economies, making it a key factor in the cause of the 2008 crash and the persistence of the current crisis?

According to the only official account of the 2008-9 crash, the answer is no. The report of the bipartisan US Financial Crisis Inquiry Commission into its causes, published in January 2011, blamed pretty well everybody and everything for the meltdown but failed to mention 'inequality' once in its mammoth 662 page report.

Yet, history shows a clear link from inequality to instability. The two most damaging recessions of the last century – the Great Depression of the 1930s and the Great Crash of 2008 – were both preceded by sharp rises in inequality. In the United States, for example, there have been only two occasions over the last 100 years when the richest one per cent of Americans have held more than a fifth of the country's income pool. The first came in the 1920s, when in the eight years to 1928 – the year before the crash that led to the Great Depression – the share of income taken by the top one per cent increased from 14 to 24 per cent. The second came in the build-up to 2008, which witnessed a similar rise from 14.3 per cent in 1990 to 22.8 per cent by 2006.

### How inequality causes economic failure

So what are the mechanisms through which excessive concentrations of income trigger economic malfunction? The first stems from changes in the relationship between wages and productivity (the increase in productive capacity), a key link in the way economies function. If they get out of line in either direction, they create imbalances that lead to economic failure. Over the last century, this relationship has followed three separate patterns. For the two and a half decades from the end of the Second World War, wages and productivity moved broadly in line across richer nations. The proceeds of rising

FIGURE 1: The record on UK recessions

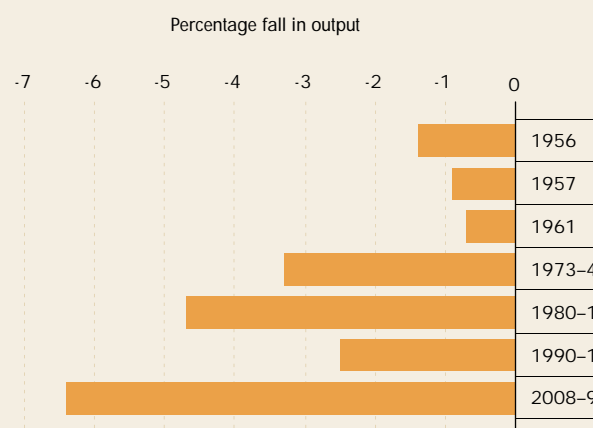


FIGURE 2: The UK's growing wage-productivity gap

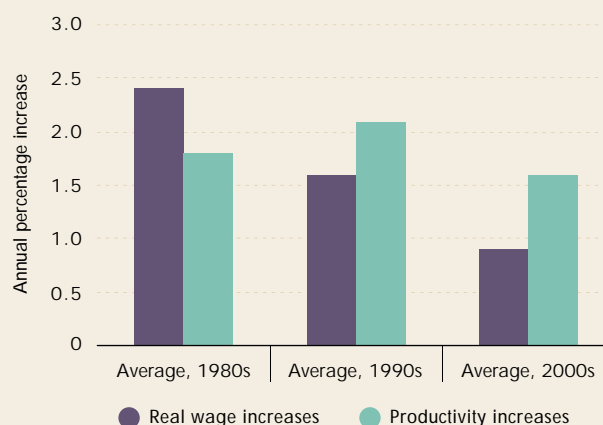
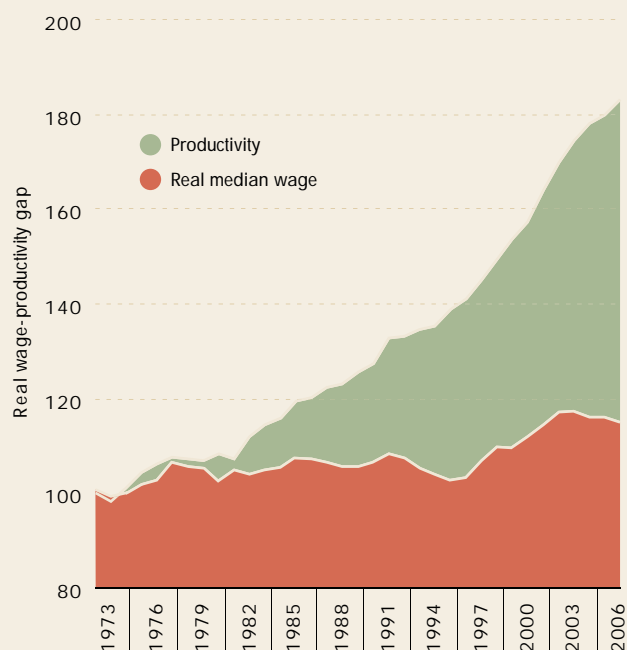


FIGURE 3: The growing wage-productivity gap, the US



prosperity were evenly shared. This was also a period of relative economic stability. Next, for a brief period from the early 1970s, wages rose more quickly than productivity across the globe, a period that became known as the 'profits squeeze'. This was a time of deep economic crisis and 'stagflation'.

Then there have been two periods when wages have lagged productivity – in the 1920s and the post-1980s – both of them culminating in deep-seated and intractable slumps. Figure 2 shows that between 1990 and 2007, real wages in the UK rose more slowly than productivity and at an accelerating rate.

### The great experiment in unequal market capitalism has failed on its own terms

In the United States, as shown in figure 3, the decoupling started earlier and has led to an even larger gap. The significance of a growing 'wage-productivity gap' is that it upsets the natural mechanisms necessary to achieve economic balance. This is because de-linking earnings and output sucks demand out of the economy and imposes deflation. In most rich economies, wage-enabled consumption accounts for around two-thirds of economic demand. If wages fall substantially below this level, as they did in both the 1920s and the two decades to 2008, purchasing power does not keep pace with the extra output being produced. Consumer societies suddenly find they lack the capacity to consume.

Without counteracting policies that lift demand, economies would eventually seize up. In both the 1920s and the post-1990s, the demand gap was filled by an explosion in private debt. In 1920s America, the ratio of household debt to national income rose by 70 per cent in less than a decade. In the UK, levels of personal debt rose three-and-a-half times faster than national income in the 25 years to 2008. Without this stimulus to demand, a deep-seated recession would have occurred much earlier. But pumping in private debt didn't prevent recession, it merely delayed it.

The second mechanism occurs because concentrating the proceeds of growth in the hands of a small global financial elite eventually leads to asset bubbles. In 1920s America, a rapid process of enrichment at the top merely fed years of speculative activity in property and the stock market. The build-up to 2008 followed a near identical pattern. From the early 1990s, rising corporate surpluses, uncontrolled bank lending and burgeoning personal wealth led to a giant mountain of global footloose capital. By 2008, the assets – loans, credit advances and derivatives – held by the ten largest UK banks had grown to nearly five times the size of the UK economy. The cash sums held by the world's global rich (those with cash of more than one million dollars) doubled in the decade to 2008 to a massive \$39 trillion, a sum equivalent to slightly more than three times the size of the annual output of the American economy.

Only a tiny proportion of this sum ended up in productive investment. Far from creating new wealth, a tsunami of hot money raced around the world at speed in search of faster and faster returns, creating the bubbles – in property, commodities and business – that eventually brought the British and global economies to their knees.

The third factor at work has been – contrary to the arguments of the pro-market school – an increasing divorce between the process of enrichment and economic dynamism. The towering rewards that became available in finance from the early 1990s meant that it became easier to make big money through business strategies that were essentially unproductive. It was the emergence of these perverse incentives – one of the key sources of rising inequality – that led to banks

pumping uncontrolled supplies of credit into the global economy. This enriched a generation of financiers but only by the expansion of activity which stifled the 'real economy'.

Money poured into takeovers, private equity, property, and financial and industrial engineering – business activity that became the source of many of the biggest fortunes. Moreover, these came not from investing in the productive economy and the creation of new businesses, wealth and jobs, but mostly from extracting wealth from existing companies, and leading in most cases to the destruction of jobs.

In the decade to 2007, while bank lending for property development and takeover activity surged, the share going to manufacturing shrank by more than a half to settle at a mere 2.4 per cent. Britain's sustained boom from the millennium was a myth. The City brokerage firm, Tullett Prebon, has estimated that, after stripping out the 'bubble effect', the UK's much vaunted real growth from 2000 to 2008 was half its headline rate. While the contribution to the economy made by financial services more than doubled over this period, manufacturing shrank by a quarter. During the UK's boom years, the money and productive sectors of the economy were moving in opposite directions.

### Rebalancing the economy

New Labour's leaders were right in arguing that the left needs to have a more coherent policy for wealth creation. That is the route to wider prosperity for all. But the central lesson of the last thirty years is that a widening income gap and a more productive economy do not go hand in hand. What has been built is an increasingly wealth-diverting model of capitalism – Ed Miliband's 'predatory capitalism'.

It is now clear that a business system that fails to share the proceeds of growth will eventually self-destruct. Allowing the richest members of society to accumulate a larger and larger share of the cake has merely brought a dangerous mix of demand deflation, asset appreciation and a long squeeze on the productive economy which has ended in prolonged economic turmoil. The great experiment in unequal market capitalism has failed on its own terms.

It is a lesson that has yet to be learnt. Across the globe, the great wealth divide has continued to grow through the recession. While real wages are falling across the rich world, executive pay and City bonuses have been spiraling upwards. According to the American business magazine, *Forbes*, the number of global billionaires jumped 28 per cent from 2007-2010, taking them to a collective wealth of \$4.5 trillion. Little more than a thousand individuals command a sum equivalent to a third of the output of the American economy, even higher than in the year the crisis broke.

Vast income gaps are still present in the global economy. The proceeds of growth, when it returns, are likely to continue to be very unequally shared. If we are to avoid the risk of near-permanent recession, these sources of imbalance need to be removed: the great concentrations of income and wealth need to be broken up, as they were from the 1930s; the wage share needs to be stabilised and restored to the post-war levels that brought equilibrium and sustained stability; and above all, creating a more equal society needs to be elevated to a primary economic goal.

The lesson – for the right as well as the left – is that capitalism that shares its output proportionately between profits and wages, and fairly amongst all citizens, is not just likely to be politically more stable, it will also deliver a more productive economy, faster growth and less turbulence. A generation ago, the baton of economic philosophy was passed from the social democrats to the market theorists, with disastrous consequences. It is now time it was passed back. ■





# Show people what's in it for them

Discussions about a new economy risk seeming remote to most voters. Better capitalism needs to be the answer to the questions people are asking about their lives, argues **Nicola Smith**



*Nicola Smith is Head of Economic and Social Affairs at the TUC*

Britain's economic problems are going from bad to worse. Over the last year we've seen growth flat-line, unemployment surpass 2.6 million and real wages continue to fall. And this economic fiasco has very human consequences: there are now 1,016,000 young people aged 16-24 who are looking for work, over a quarter of whom have been out of a job for over a year. When those who are 'economically inactive' (such as students, disabled people, unpaid carers, those who have retired early) but also want work are included in the statistics, a staggering 4,877,000 people don't have a job but want one.

It's not just those who are out of work who are feeling the impacts of our stalled recovery. Under-employment – not having as many hours as are necessary to make ends meet – is a growing problem, with over a million part-time employees now looking for full-time jobs (a level that has close to doubled since the start of the downturn). And as pay rises fail to keep pace with high inflation living standards are taking their biggest hit in decades.

But, as many now recognise, our economic problems, and their consequences for families and communities across the country, are not just short-term: when the recovery eventually comes along a return to 'business as

usual' economic management will not provide a guaranteed reprieve for those who have lost their jobs and seen their costs of living rise. Indeed, while the scale of the current living standards squeeze is a departure from trend, for many households it isn't a new phenomenon. The 16 years of unbroken growth that we saw before the recession did not bring improvements on the scale that Britain's families might have been expected. As the Resolution Foundation has expertly shown, since 2003 middle wages in Britain have been flat, despite GDP growth of 11 per cent.

This collapse in the wage share has been borne most heavily by the middle and lower paid, leading to a sharp rise in earnings inequality. Some unskilled and semi-skilled jobs now pay little more in real terms – and in some cases less – than they did in the late 1970s. Over a similar period there has been significant change in the types of employment opportunities available for people to do. In 1978, 25 per cent of jobs were in manufacturing, compared to around 8 per cent now. At the same time the size of the service sector has increased, with service sector workers now comprising 85 per cent of all employees.

These shifts have meant improved opportunities for some and declining prospects of adequately paid work for others: new high-wage professional and managerial jobs have been created in large numbers, as have positions in lower wage service sector employment. At the same time, jobs in middle-wage occupations (for example plant and machine operatives or secretarial

professionals) have declined. The implication is that rising numbers find themselves trapped in low-wage work, where terms and conditions and job security are more likely to be poor, with little chance of moving up. Concerningly, this 'hollowing-out' of the labour market appears to have been exacerbated by the recession: the Work Foundation demonstrate that when jobs did show some significant post-recession gains (in early 2010) it was professional and elementary work which saw the greatest rises.

It would be absolutely wrong to discount the significant economic success that (before the recession) recent years have brought the UK. Between 1997 and 2008 the country saw strong growth in jobs, with employment rates hitting their highest levels for many years and unemployment continuing to fall. But at the same time all was not well for many middle and lower income households, where living standards could only be sustained on the back of high levels of personal debt, there were increasingly few new opportunities to allow them to progress and three recessions over thirty years meant that perceived job insecurity and the overall risk of unemployment increased.

Given our current four year (so far) economic hiatus, the imperative of planning to tackle these longer run problems is greater than ever. The national living standards squeeze is set to be a continued problem into 2013, and even when real wages start to rise many will find that the share of national output they receive is far less than they may expect (with recent evidence

from the OECD suggesting that those at the top will continue to take a far greater share). Unemployment – which reached a low of 4.8 per cent in 2005 but has only been below 5 per cent for 9 quarters in the last 30 years – is forecast to remain above its pre-recession levels until at least the next election. These problems will not be easy to solve, particularly in the current fiscal climate, but any hope of doing so requires a significantly new way of doing business with a relentless focus on creating not just more but better jobs and a new culture of longer-term decision making and higher investment, enabled by state support for growth and effective corporate regulation.

### Making the case for a new economy

The case for a new economic approach as the means to boost jobs and living standards is backed up by the evidence, and needs to be made more loudly. We know that the countries with the strongest link between growth and median wages are those where better regulation and stronger collective bargaining mean that pay inequalities are the least, and that economies where businesses are supported by the state to focus on the long-term (rather than exclusively upon short-term returns) secure higher levels of investment in their workforces and in new technologies. Research

shows us that social mobility is higher in countries where greater redistribution means less inequality. There is also increasing evidence that wealth polarisation contributes to financial instability, and the IMF has recently demonstrated that countries that were better regulated felt fewer impacts from the financial crash.

How do we get there? There is no easy answer, but a wide range of policy changes would help. The TUC have, for example, argued for an interventionist industrial strategy to boost our competitiveness; a state investment bank to support innovation and growth in our key industrial sectors; changes in corporate governance arrangements to reduce our ongoing focus on short-term shareholder value; and greater use of progressive taxation, which acts to close the gap between the richest and the worst off as well as providing vital revenues for investment in shared social and economic goods.

There are also new questions we need to answer – moving away from tired left/right debates on whether or not pure free market capitalism is ever the answer and engaging in discussions in which many of our competitor nations are already far advanced: what are the changes in policy and practice that will allow us achieve both higher productivity and rising real wages?

How can government, businesses and unions effectively challenge employment polarisation? What contribution should banks be making to the real economy? How can we compete most effectively in a new low-carbon world?

Building public support for the solutions is as important as identifying what they are. The task we continually face is linking our arguments for change to the realities of people's day-to-day lives, demonstrating that the policy measures we support will allow our economy to create more and better jobs and will lift standards of living. Demos's 'Good Growth' project has shown that employment, health and income are people's top concerns – the challenge is to show that addressing inequality, regulatory shortfalls and the investment deficits in our economy are the best means to meet them.

Over the year ahead the TUC will be developing a research programme that seeks to make these links more explicit, building our evidence base and demonstrating that it is in the interests of working people across the UK to give their support to a better capitalism. Even during times of austerity, a more productive and fairer economy is within our reach – our task is to show why such change is vital to secure the economic futures of households across the country. ■

# The art of the possible

There is ample scope for politics to shape how the economy works, argues **David Coats**



*David Coats is the director of WorkMatters Consulting and a research fellow at the Smith Institute*

If Karl Marx were around today he would probably be welcoming the final collapse of the capitalist system. Broken banks, unsustainable levels of sovereign debt, and public cynicism about the good faith and competence of politicians would confirm his belief that the predictions of *Das Kapital* are self-evidently correct. And while it may

be difficult to identify the bourgeoisie and the proletariat in classical Marxist terms, there is no doubt that a widening gap has appeared between the super-rich and the rest of us. Business elites appear to believe that they are subject to a set of norms separating them from the common herd; the bonus culture in the City of London is obviously back with a vengeance and the executives of the UK's top companies have seen their pay rise by 49 per cent in the last year, at a time of freezes and cuts for the rest.

No doubt there is a rising tide of public anger. Even commentators associated with the political right like Peter Osborne and Charles Moore are complaining about the feral rich. But what we have not yet seen is a practical

reform programme that might make a difference. It is all too easy for the public conversation to polarise between the Occupy protesters on the one hand, with their unfocused complaints about the brutalities of capitalism, and a somewhat unenthusiastic defence of a modified status quo on the other.

What the centre-left needs above all else is a distinctive social democratic political economy, which explains how economies grow successfully and how a progressive government can set the stage for the operation of markets (principally through regulatory interventions), defend the public interest (instead of just promoting business interests) and achieve desirable social policy objectives – most notably a lower

level of income inequality and a wider distribution of life chances.

Ed Miliband's distinction between 'predators' and 'producers' is essentially an effort to inject these wider concerns about the future of capitalism into a political conversation that is now out of kilter with public opinion. Perhaps the leader's language could be more nuanced, but the notion that businesses should be responsible and recognise that they have an impact on their employees, the communities in which they are located and the wider environment would be unexceptionable in many continental European countries. After all, the German social market model is characterised by an extensive array of institutions holding businesses to account – that is what 'stakeholder capitalism' is all about.

There needs to be much more transparency in executive pay, with the total remuneration of all directors adumbrated in detail in the annual report

Missing from Ed's speech, perhaps, was a more developed account of how companies will succeed in the future. It remains commonplace (despite the global crisis) to hear both politicians and commentators talk about intensifying competition, the disruptive effects of new technologies, rising customer expectations and an accelerating pace of change.

If this is right then we might go further and say that successful businesses will depend on committed, long-term investment (so that firms can build their capabilities) and high-trust workplace relationships (where workers are participants in the process of change rather than simply victims and therefore willing to embrace change with enthusiasm). Moreover, while Labour in government was right to focus on research and development as a source of innovation, too little attention was paid to those small incremental improvements in processes or products that enhance business competitiveness. Workplace cultures can be just as important as R&D spend in driving an organisation forward. It is unfortunate then that so many British workplaces are characterised by low trust and a low level of grumbling discontent that gets in the way of improved performance.

It may be premature at this stage to offer a fully developed policy menu, but the areas demanding attention are already clear. Britain needs more

committed institutional investors, focused on the long-term performance of businesses, not earnings per share over the last year or short-term increases in the share price. Moreover, listed companies should be required to publish comprehensive information in their annual reports on environmental impact, the management of employees (including the extent to which workers are informed and consulted about workplace change), medium-term businesses strategies, the impact on the communities in which they operate and any measures that might be taken to minimise negative impacts. There is a strong case too for mandatory changes in board composition, widening the pool of candidates from which non-executive directors are drawn and breaking the charmed circle that reinforces the *pensée unique* dominating Britain's boardrooms.

There needs to be much more transparency in executive pay, with the total remuneration of all directors adumbrated in detail in the annual report. Companies should publish the ratio of top pay to low pay, the distribution of pay across the organisation and the percentage of the total workforce in receipt of the national minimum wage.

As the International Monetary Fund (amongst others) have argued, the relative decline in the bargaining power of workers on median earnings and below was one of the causes of the crisis, especially in the United States. High levels of ultimately unsustainable household debt were used to compensate for the stagnation of wages. If we want a better capitalism then there needs to be less income inequality for reasons of both social justice and economic stability; wage growth needs to be reconnected with productivity growth. Whether this means boosting the power of trade unions remains an open question, but there can be no doubt that rebuilding those workplace institutions influencing the initial distribution of incomes (before the tax and benefits system intervenes) is an essential element in the policy mix. And a shift in bargaining power might impose some constraints on executive pay too, not least because there will be a strong workers' voice demanding that the same principles apply to pay across the organisation.

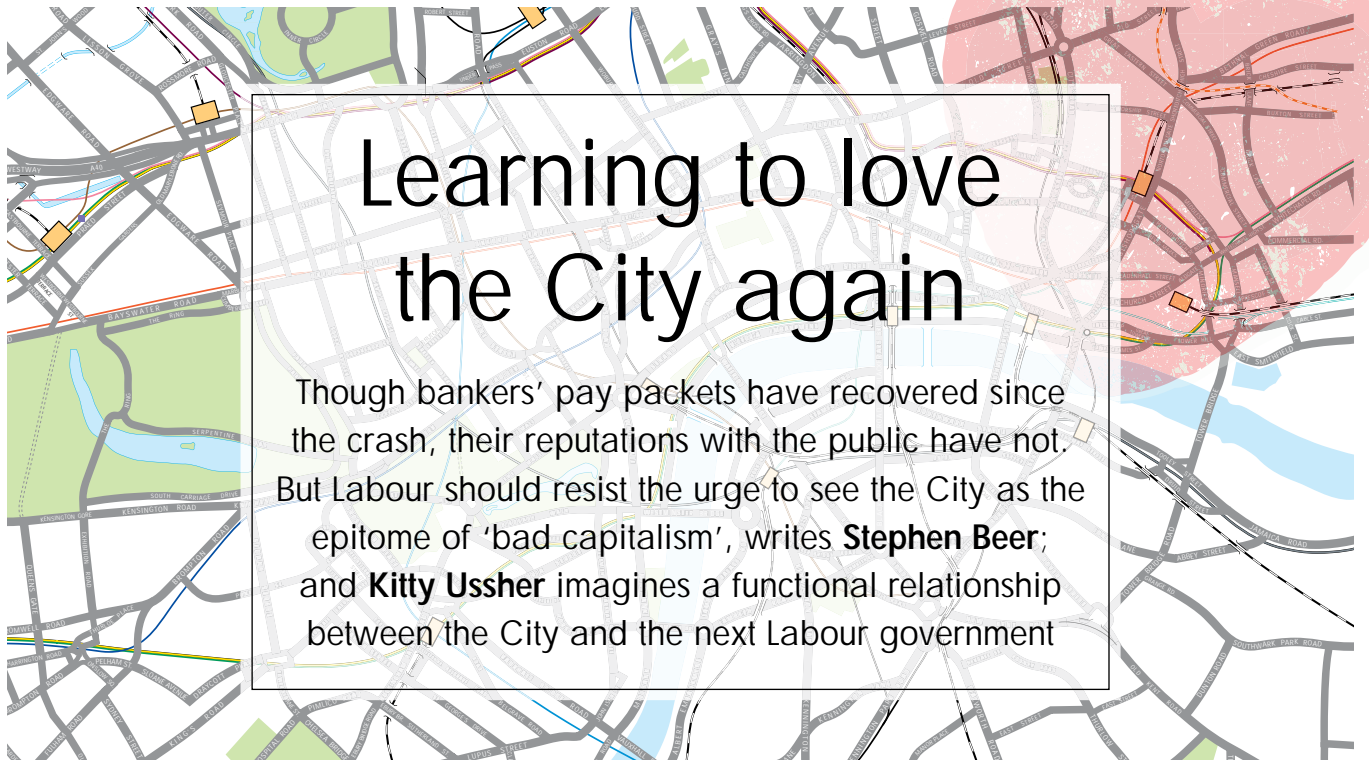
Government has a role to play here by setting labour standards – ensuring that the national minimum wage retains its real value and is properly enforced for example – and applying similar principles to public procurement. An obvious step would be to ratify the International Labour

Organisation's convention on labour clauses in public contracts, which requires the government only to do business with those who observe either the wages and conditions negotiated with trade unions or the prevailing wage in a sector. A race to the bottom is therefore prevented and some support given to an equalisation of the bargaining power between workers and their employer.

No doubt some will argue that this agenda is impractical or backward looking or a recipe for economic stagnation. An obvious response is that there are several varieties of capitalism and that the UK's version has not obviously outperformed the others – until the eurozone crisis Germany had recovered more rapidly from recession than the UK and the Nordic countries have achieved better economic and social outcomes over a prolonged period. Nonetheless, a sceptic might say that even though capitalism comes in different varieties, this is as much a limitation as an encouragement to develop a different economic model; countries have different histories, traditions, institutions and cultures and the scope for one learning from another is very limited.

Social democrats have to reject this counsel of despair not least because there are good examples of countries consciously moving onto a different path. China in the 1970s was labouring under the burden of the Cultural Revolution and a planned economy but is now in the process of successfully joining the global mainstream. The Nordic countries in the 1930s were small, agricultural, poor economies on the fringes of Europe and are now amongst the richest and most egalitarian societies in the world. We should remember that Thatcherism was a transformative project too, dismantling the UK's post-war economic model and undoing much of the progress made by both Labour and Conservative governments in reducing poverty and inequality. In other words, there is ample scope for political choice to shape economic outcomes in the UK as elsewhere. The task now is to develop a narrative that makes sense of our economic predicament, offers an exit from the crisis and presents the possibility of a fairer and more sustainable capitalism in the future. ■





# Learning to love the City again

Though bankers' pay packets have recovered since the crash, their reputations with the public have not. But Labour should resist the urge to see the City as the epitome of 'bad capitalism', writes **Stephen Beer**; and **Kitty Usher** imagines a functional relationship between the City and the next Labour government



*Stephen Beer is the author of the Fabian Society pamphlet, **The Credibility Deficit: How to restore Labour's economic reputation**. He is an investment manager with the Central Finance Board of the Methodist Church and is chair of Vauxhall CLP. This article represents his personal opinion.*

For about a year after the collapse of Lehman Brothers in 2008, there was much talk about the need for morality in markets. I remember having existentialist discussions with brokers and dealers at the time. Prime ministers and archbishops spoke about the need for values. Yet banks were keen to get back to business as usual. In 2010 the coalition government took power and pursued austerity. Only now, with the eurozone crisis threatening banks once more and with whole economies at risk again, is there room again for debate about reform.

If we are going to reform the City we need to talk once more about how to have a 'good' economy. The financial crisis showed our economy has to promote virtuous behaviour, be based on equality, and not permit undue concentration of power. Any focus on good capitalism must start with this foundation.

One solution I hear a lot in the City is that investment banks and other companies should focus on employing good leaders. If each trading floor is run by someone setting a good, moral, example, then that is worth more than ten compliance officers dealing with new regulations. It sounds an attractive

idea. Until, that is, we realise that the same could have been said after any previous crisis. Periodic disasters show that the country cannot rely on bankers and others doing better next time. Remember that calls for virtuous leaders are also being used to argue against more media regulation and you see how inadequate this solution is.

*We could gain much by encouraging better relationships between people in economic life and society as a whole*

Better leadership is necessary, together with better regulation, but to prevent strong incentives acting against both, we need to ensure power is not too concentrated. For example, banking activities need to be genuinely separated between riskier investment and more conservative retail banking. There may be other City activities which should be separated.

An easy win for the City would be reform of executive pay. Until this is tackled, anti-City sentiment will remain. While people find their own

living standards squeezed, they see executive pay increasing. The bitter irony is that people's own pension funds, managed in the City, may be voting for excessive pay and reappointing the remuneration committee directors who are awarding them. Some well-placed reforms would permit good pay for good performance (though the link between the two is questionable and may not even be desirable at executive level) while avoiding excessive awards. Remuneration votes should be forward looking and binding. Remuneration committee membership should not be limited to directors. The ratio between the highest and lowest paid should be stated clearly and an explanation given if the ratio is above a certain level.

Many City institutions are pioneering corporate social responsibility and we need to encourage this work. For example, I regularly talk to companies about both their investment case and how they manage their impact on communities and the environment around the world. The two should be seen together. There are however many converts yet to be made. We could gain much by encouraging better relationships between people in economic life and society as a whole. A breakdown of relationships is at the heart of emerging divisions in society. A relational focus should be applied to companies, as the authors of a recent report, *Transforming Capitalism From Within*, recommend. Better relationships with stakeholders can provide better outcomes, including for shareholders.



Our aim is to have a vibrant and profitable financial sector as part of a growing economy. That means Labour must learn to love the City again, but a City reformed. The entrepreneurial spirit must be maintained, and applied to new forms of company, such as new

co-operatives, and new investment areas such as low carbon technology.

This is the moment to push for reform of the City, but it must come as part of Labour's broader pitch to restore economic credibility. That means a credible plan to reduce the deficit

in good time and a credible plan for sustainable growth. Without that, the City will know we are not serious. With economic credibility, Labour will recover its place as a great reforming party. ■



*Kitty Ussher is a former Treasury minister and is launching a Labour City Network (part of Labour Finance & Industry Group) in 2012*

Whatever some on the left might wish for in the heat of the moment, the City of London is not going to go away. The question for a future Labour government is how to harness its power for genuinely progressive ends.

Some power is already harnessed. Financial services contribute £50bn to the national coffers each year; the average city worker pays as much in income tax annually as the rest of us earn overall. That's a lot of the wealth from financial services put at the disposal of the government. The sector also makes up a tenth of the economy, supports over a million jobs directly, two thirds of which are outside London's financial district and – unlike the manufacturing sector – has a net positive effect on our balance of payments.

But it can do far more. It's time to take a pragmatic, rather than an adversarial, view of financial markets. If Old Labour was suspicious of markets, and New Labour was in awe of them, the next generation of Labour politicians should take a more functional approach, harnessing and shaping them to achieve their own priorities.

Starting with retail products, far more can be done in the field of targeted saving schemes. We already encourage people to use the private sector to save for a decent pension, where the money cannot be touched before a person reaches retirement age. That principle can be extended far more widely by creating markets to save for specific purposes to help at crunch points earlier in life.

Take childcare. People are already given childcare vouchers by the state, but there is no financial mechanism to increase their value over time even though they are a valued commodity. Perhaps we need tax exempt childcare saving schemes, which can be

contributed to from birth by family, friends and government, where the deposits grow on the financial markets, but where the value can only be realised in the form of childcare vouchers. That would help hardwire it into all young people's minds that society sees the value of keeping incomes up in families with young children. Unused vouchers could be passed around the family or donated to those who need them.

*The Government could learn from the City how to use its own financial resources to better serve the public interest*

A similar principle can be applied to education and training. Child trust funds – abolished by the coalition government – were innovative because they incentivised families to save for their children from the moment they were born. The problem was always, however, that the funds would be controlled by the child when they reached 16; they may not spend it on things society or their family consider useful. But the child trust fund could be reinvented as an education and training account. This would be a retail product where cash could be deposited on behalf of a child by the state and/or family, including bequests made through wills, which would grow in the wholesale market over time. However the value could only be extracted in the form of training credits for higher or further education from accredited providers.

These accounts could last for life, with deposits made privately or through payroll, by individuals and employers, growing in value on the markets as time went by to be used to improve skills and retrain. On death, any unused

credits could be bequeathed to family members or transferred to a central pot to distribute to the training accounts of young people in underachieving schools. (This central pot could also be topped up by charities, companies, and indeed government if it saw fit.)

Insurance in general is the great unexplored area for benefit reform. As *Of Mutual Benefit*, a recent Demos pamphlet, argued statutory sick pay kicks in for just long enough for someone to become long-term unemployed. Greater use of the private insurance sector can lead to faster, targeted rehabilitation that is not only better for the individual but also the taxpayer and the firm.

On the wholesale markets, the green investment bank has huge potential to direct funds into British capital projects. It should be set up as a private company limited by guarantee, with a capital injection from government and allowed to borrow from the market and lend for infrastructure projects according to predetermined criteria. Only the actuarial risk of default need be scored on the government accounts; the Treasury should be represented on the board to safeguard this interest.

Across the board, the Government could learn from the City how to use its own financial resources to better serve the public interest. It should be straightforward, for example, to buy substandard housing back from bad landlords, paid for by the savings from having a lower housing benefit bill in future. And as well as dividing government money into capital and current accounting streams, there should be a mainstream category called 'early intervention' or 'invest to save' across the whole public sector, to focus attention on better long-term use of government money regardless of political cycles.

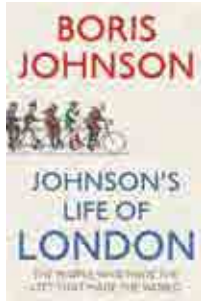
None of this can happen without the expertise and reach of the City. All of it has the potential to transform the economic lives of British people. The principle of working together to achieve more than we achieve alone applies as much to the relationship between policymakers and financial services as it does to our more traditional activities. ■

## The egos have landed

On the eve of 2012's mayoral election, books from the current and former mayor reveal much about the nature of London politics writes **Katharina Klebba**



"You Can't Say That: Memoirs"  
**Ken Livingstone**  
Faber & Faber, £23



"Johnson's Life of London"  
**Boris Johnson**  
Harper Press, £20



**Katharina Klebba is Senior Programme Manager, Partnership and Events at the Fabian Society**

With the London mayoral elections just around the corner, one would expect that the latest publications by Ken Livingstone and Boris Johnson would offer some account and analysis of London's recent troubles including the August riots and role of the Metropolitan police in the phone hacking scandal. Furthermore, the interested reader might wish to be presented with propositions on how to tackle some of the challenges London will be facing over the coming years such as an imminent housing crisis, the 2012 Olympics and a generally adverse economic climate. How would either candidate protect the interests of the City, whose economic well-being will be pivotal to London and indeed Britain's economic recovery, while at the time not alienating its European partners that push ever more strongly for a 'Robin Hood Tax'? And how will they tackle rising crime rates?

But these books suggest the mayoral rivals are more concerned with building their own personal brands than engaging with the weighty political challenges of London and beyond, and

reveal notable differences in the political positioning of the two candidates.

Ken Livingstone's 600-page autobiography *You Can't Say That* takes a traditional approach to legend building. It offers a detailed account of the upbringing and political life of the former London mayor. From his formative years in politically and socially conservative Britain to his first involvement in the Labour Party during the radical late-sixties, Livingstone recounts his journey through politics in painstaking detail. On his initial difficulties with the politics of the Labour Party he recounts: "I knew I had to join the system and change it from within. Challenges from outside the establishment had more chance of success if there were sympathetic people working on the inside for the same goals...so finally I overcame my doubts and joined the party: a rare example of a rat boarding a sinking ship." Plodding through the pages we are neither spared minute descriptions of his backpacking trip across the African continent nor every facet of his boyish fascination with insects and reptiles.

But there are plenty of nuggets for the political geek: his memories of his time as head of the Greater London Council are fascinating and his recollection of his struggle for the congestion charge interesting. We meet the tireless political activist and idealist, struggling for a more radical, truly left wing Labour Party and a fairer and more equal London and Britain. His facing down of Tony Blair, Margaret Thatcher and the tabloid press are entertaining and outraging at the same time, and we are reminded why Livingstone has established himself as one of Labour's political heavyweights.

The book is an attempt to bring to life Livingstone's life-long commitment to London, the Labour Party and centre-left politics and it certainly succeeds in that – the making of Red Ken. However what it does not do is what we would like to most know from Ken: what's new? We get to know one of Labour's longest serving political veterans but we are not offered an idea of what has really changed since the 2008 election. Ken 2.0 if you will. In the same way that he hasn't been able to protect his idea of a London cycling-hire scheme from being branded and becoming popular as the 'Boris bike', Livingstone has not been able to use his book as an opportunity to re-brand his experience and politics into a vision for the future.

Boris Johnson strikes a very different note in his book *Johnson's Life of London*, dedicating 300-odd pages to historic personalities that made London the influential and powerful city it is today. From Boudica to Chaucer,

Rothschild and Keith Richards, Johnson sees London's rise to the rank of a world city as the result of a stream of visionaries that inhabited it throughout its over 2000 year history. London attracted these not by "oil or gold or any other natural wealth – because London has nothing but Pleistocene clay and mud". Instead, London offers a stage for "competition, for prestige that has so often produced the flashes of genius". It's a distinctly Tory explanation, and Johnson praises the likes of Samuel Johnson and John Wilkes as the great antagonists of their time. Influential left-wingers are, unsurprisingly, notable absentees.

Johnson's account is neither comprehensive nor detailed and the reader is left with nothing but a vague account of unconnected events in London's history. What we do get is the next chapter of the infamous 'Johnson show', a light-hearted and unorthodox approach to history and politics – shallow, eccentric, at times vulgar. Attempting to build on his reputation as the ultimate Tory rebel, constantly battling the establishment, Johnson puts a contemporary political spin on historical events, calling Boudica "the first banker-basher to hit the Square Mile" and Samuel Johnson history's first "compassionate conservative". At the same time Johnson is at pains to refute claims that his rival Livingstone has a better grasp of and commitment to London than him and so throughout the book we follow Johnson as he cycles through the city, recounting a different historical anecdote with every cobblestone.

In essence, we are not offered an original view of London's history but rather we are left with a superficial, though at times mildly amusing, tale of Boris's London.

Both books are a testament to the egos we are faced with in the run-up to the election next year. On the one hand Ken Livingstone, political veteran of Labour Party and London politics and on the other Boris Johnson, Tory party rebel with a light-hearted and unusual approach to politics. These books demonstrate that personality will be crucial to winning the keys to City Hall. Recent polls have suggested that the issue of transport fares will be crucial to Londoners when casting their vote next May. However while voters trust Livingstone over Johnson to deliver on these issues, the latter is leading in the overall poll with 8 per cent over his rival, a 2 per cent increase in support despite rising transport fares and the riots. Ken's 'fair deal' pledge presents a credible challenge for Boris but the mayoral race will be a beauty rather than policy contest. And judging by their books, both Ken and Boris know it. ■

## THE WINTER IN REVIEW



Clockwise from top left: Simon Crine, John Willman, Glenys Thornton, Dianne Hayter, Michael Jacobs, Andrew Harrop, Shirley Williams, Bill Rogers, Sunder Katwala

Eight former General Secretaries of the Fabian Society welcomed Andrew Harrop into the fold this September with a dinner at the House of Lords. The party included Bill Rodgers and his successor, Shirley Williams, plus Glenys Thornton, who was made a life peer shortly after leaving the Fabian Society in 1996, and Baroness Dianne Hayter. Also in attendance were John Willman, who went on to become the Associate Editor of the Financial Times, Michael Jacobs, who was a special adviser to Gordon Brown, as well as Simon Crine, who is now working for Digital UK. Andrew was also joined by his predecessor, Sunder Katwala. Sunder has moved on to set up British Future, an organization dealing with issues of identity, immigration, and fairness.

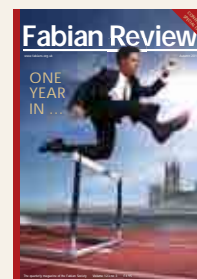
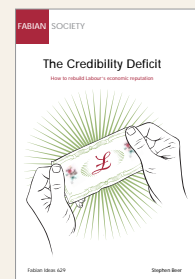
Attendance at the Annual General Meeting was nearly double what it was last year, which reflects the new enthusiasm that comes with the record rise in membership numbers. Members as young as 15 came and contributed to the discussion which centered around a new Fabian stream of work on the role of the state. Karen Buck MP opened the debate challenging some of the “myths” that had built up around

state intervention and in particular Labour’s level of spending. She added that her constituents relied on the state to protect them from market failures such as low pay. Jessica Asato (Islington councillor and member of the Fabian Executive) focused on how the state needs to be devolved and localised so that services can be responsive to local needs and pressures and Policy Network’s Patrick Diamond took a wider view about how social democratic parties can function in a context of scarce resources. Attendees came from all over the country; next year is going to require a larger venue.

The Fabian Society held the biggest fringe programme at the Labour Conference, with various well attended debates and discussions over the four days. Highlights included ‘Question Time’, with Yvette Cooper, Maurice Glasman, Philip Collins, and Andrew Harrop discussing ‘The Challenge for Labour.’ The debate saw Collins insisting that Labour must concede the economic argument in order to progress, though Cooper maintained that Labour must challenge the Conservative version of events and show that “this is a growth

crisis not a debt crisis.” Elsewhere in the programme, Emily Thornberry chaired a ‘Dragon’s Den’ style event, where hopefuls pitched their ‘one idea to win the next election.’ The Dragons – Luke Akehurst, Hazel Blears, and Anthony Painter – rated the proposals before an audience show of hands declared Daniel Elton’s call for the break up the six big energy companies the winner. The Labour Conference also saw Young Fabians hold a reception and pamphlet launch, and the Fabian Women’s Network discussed on women and Blue Labour and women’s status in Afghanistan.

The Fabians have been in the news over the autumn period, including coverage by the *Times*, the *Independent*, the *BBC*, and the *New Statesman*. Stephen Beer’s pamphlet on Labour’s economic policy *The Credibility Deficit* was the *Times*’ main political story before the Labour Conference, with a focus on Ed Miliband’s task of convincing the electorate of Labour’s economic competence. Beer also discussed the pamphlet in an interview on Radio 4’s PM programme. Also appearing in the media was Fabian polling research featured in the *Fabian Review*. The polling highlighted the challenges and opportunities one year into Ed Miliband’s leadership and was featured in the *Independent* as well as by the *BBC*, considering Miliband’s prospects for the next 12 months. New General Secretary Andrew Harrop’s piece on how Fabian values can influence Labour’s electoral strategy was also featured on the *Guardian*’s ‘Comment is Free’ website.





## A note from Local Societies Officer Deborah Stoa

It's interesting to compare current Fabian activity with the Fabian programme of a century ago. No comparison you might think, but look again and you might find that not so much is different.

Themes were discussed which are still the subject of current Fabian discussion both local and national. Lectures on 'Equality' by Bernard Shaw and 'Trade Unionism and Politics' by Sidney Webb were part of the lecture series 'Some Open Questions of Socialism'. Poverty and inequality were recurring themes and the Fabian Women's Group was represented in this lecture series by Maud Pember Reeves talking on 'Housekeeping on a Pound a Week'. Mabel Atkinson spoke on 'The Problem of the Second Chamber: a Socialist's Solution'. How topical! The Women's Group had a series of lectures entitled 'The Physical Disabilities of Women as Workers' and whilst we can sympathise with their aim – to study women's economic position as workers and mothers – the title would not be tolerated today.

There are differences though. The 1911/12 Annual Report also tells us that there were 46 Local Societies – 20 fewer than 2011 – the largest of which was Liverpool which held 150 lectures and debates during the year. The secretary – a Mr Reeves of Bootle – must have been a hard worker. We also had flourishing Local Societies in Toronto and Christchurch N.Z which don't exist now although we have a thriving Australian Society. Also popular was the Annual Soiree to say nothing of the Summer School in North Wales with Swedish Drill and country dancing led by Miss Mary Hankinson. The Fabian Holiday – that's a whole new subject!

# LISTINGS WINTER 2011/12

## BEXLEY

Regular meetings. Contact Alan Scutt on 0208 304 0413 or alan.scutt@phonecoop.coop

## BIRMINGHAM

All meetings at 7.00 in the Birmingham and Midland Institute, Margaret Street, Birmingham. Details from Claire Spencer on virginiaisawithc@gmail.com

## BOURNEMOUTH & DISTRICT

• 27 January: Any Questions evening. Future speakers for 2012 include Stephen Twigg MP, Ben Bradshaw MP, Jeremy Corbyn MP and Bridget Phillipson MP  
All meetings at The Friends Meeting House, Wharnclyffe Rd, Boscombe, Bournemouth at 7.30. Contact Ian Taylor on 01202 396634 for details or taylorbournemouth@gmail.com

## BRIGHTON & HOVE

• 14 January: New Year Party  
Details of these and all meetings from Maire McQueeney on 01273 607910 email mairemcqueeney@waitrose.com

## BRISTOL

New Society formed. Contact Ges Rosenberg for details on cgrossenberg@tiscali.com

## CAMBRIDGE

Details from Kenny Latunde-Dada cambridgefabiansociety@hotmail.co.uk

## CAMDEN

New Society forming. Contact Tristan Stubbs for details at tristanstubbs@hotmail.com

## CARDIFF AND THE VALE

Details of all meetings from Jonathan Wynne Evans on 02920 594 065 or wynneevans@phonecoop.coop

## CENTRAL LONDON FABIANS

• Wed 11th January, 7.30 pm: Stephen Beer on "The Credibility Deficit" Cole Room, 11 Dartmouth St, SW1H 9BN. Details from Giles Wright, giles.wright@fabian-society.org.uk

## CHISWICK & WEST LONDON

Details from Monty Bogard on 0208 994 1780, email mb014f1362@blueyonder.co.uk

## COLCHESTER

Details from John Wood on 01206 212100 or woodj@madasafish.com or 01206 212100

## DARTFORD & GRAVESHAM

• Details from Deborah Stoa on 0207 227 4904 email debstoate@hotmail.com

## DERBY

Details for meetings from Alan Jones on 01283 217140 or alan.mandh@btinternet.com

## DONCASTER AND DISTRICT

New Society forming, for details and information contact Kevin Rodgers on 07962 019168 email k.t.rodgers@gmail.com

## EAST LOTHIAN

Details of this and all other meetings from Noel Foy on 01620 824386 email noelfoy@lewisk3.plus.com

## FINCHLEY

Enquiries to Mike Walsh on 07980 602122

## GLASGOW

Now holding regular meetings. Contact Martin Hutchinson on mail@liathach.net

## GLOUCESTER

Regular meetings at TGWU, 1 Pullman Court, Great Western Rd, Gloucester. Details from Roy Ansley on 01452 713094 email roybrendachd@yahoo.co.uk

## GREENWICH

New Society forming. If you are interested in becoming a member of this local Society, please contact Chris Kirby on cckakirby@hotmail.co.uk

## GRIMSBY

Regular meetings. Details from Maureen Freeman on m.freeman871@btinternet.com

## HARROW

Details from Marilyn Devine on 0208 424 9034. Fabians from other areas where there are no local Fabian Societies are very welcome to join us.

## HASTINGS AND RYE

Meetings held on last Friday of each month. Please contact Nigel Sinden at fabian@sindenql.com

## HAVERING

• 10 February: AGM and speaker Andrew Harrop on 'Labour and the Economy' Both at 8.00 at Fairkytes Arts Centre, Billett Rd, Hornchurch. Details of all meetings from David Marshall email david.c.marshall.t21@btinternet.com tel 01708 441189

## HORNSEY AND WOOD GREEN

New Society forming. Contact David Chaplin – chaplind@gmail.com

## ISLINGTON

For details of all meetings contact Dab Stacey on dan\_stacey\_uk@hotmail.com

## LEEDS

Details of future meetings from John Bracken at leedsfabians@gmail.com

## LEICESTER

New Society forming. Please contact Annie Moelwyn-Hughes on anniemh@tiscali.co.uk

## MANCHESTER

Details from Graham Whitham on 079176 44435 email manchesterfabians@googlegmail.com and a blog at <http://gtrmancfabians.blogspot.com>

## MERSEYSIDE

(Formerly Wirral Fabian Society)  
Anyone interested in joining a new Fabian Society, please contact Phillip Brightmore at p.a.brightmore@gmail.com





# FABIAN QUIZ



## Together The Rituals, Pleasures and Politics of Co-operation Richard Sennett

Living with people who differ – racially, ethnically, religiously, or economically – is one of the most difficult challenges facing us today. Modern politics emphasizes unity and similarity, encouraging the politics of the tribe rather than of complexity. In *Together: the rituals, pleasures and politics of co-operation*, Richard Sennett argues that living with people unlike ourselves requires more than goodwill: it requires skill. The foundations for skillful co-operation lie in learning to listen well and to discuss rather than debate.

Penguin has kindly given us five copies to give away – to win one, answer the following question:

*What is the official motto of the European Union?*

Please email your answers and your address to:  
review@fabian-society.org.uk

or send a postcard to:  
Fabian Society  
Fabian Quiz  
11 Dartmouth Street  
London SW1H 9BN

Answers must be received no later than Friday 17th February 2012

### MIDDLESBOROUGH

New Society hoping to get established. Please contact Andrew Maloney on 07757 952784 or email andrewmaloney@hotmail.co.uk for details

### MILTON KEYNES

Anyone interested in helping to set up a new society, contact David Morgan on jdavidmorgan@googlemail.com

### NEWHAM

Regular meetings. Contact Tahmina Rahman – Tahmina\_rahman\_1@hotmail.com

### NORTHUMBRIA AREA

For details and booking contact Pat Hobson at pat.hobson@hotmail.com

### NORTHAMPTON AREA

New Society forming. If you are interested in becoming a member of this new society, please contact Dave Brede on davidbrede@yahoo.com

### NORTH STAFFORDSHIRE

Any Fabian interested in joining a North Staffordshire Society, please contact Richard Gorton on r.gorton748@btinternet.com

### NORWICH

Society reforming. Contact Andreas Paterson – andreas@headswitch.co.uk

### NOTTINGHAM

Contact Dr Arun Chopra – arunkchopra@gmail.com

### PETERBOROUGH

• 13 January: Dr Clare Gerada of the BMA on 'The NHS – What's Going to Happen?'. • 10 February: Sue Christoferou of the Equality Trust on 'Inequality. What Does the Spirit Level Tell Us?'. • 23 March: Andrew Harrop on 'Rehabilitating the State'. Meetings at 8.00 at the Ramada Hotel, Thorpe Meadows, Peterborough. Details from Brian Keegan on 01733 265769, email brian@briankeegan.demon.co.uk

### PORTSMOUTH

Regular monthly meetings, details from June Clarkson on 02392 874293 email june.clarkson@ntlworld.com

### READING & DISTRICT

For details of all meetings, contact Tony Skuse on 0118 978 5829 email tony@skuse.net

### RICHMOND

New Society forming covering Kew, Twickenham, Teddington, Hampton, Brentford and Isleworth. Please contact Tony Eades for further details on 0208 487 9807 or email tonyeades@hotmail.com

### SHEFFIELD

• Further dates – 19 January, 15 March, 17 May with speaker Linda McAvan MEP. Details and information from Rob Murray on 0114 255 8341 or email robertjmurray@hotmail.com

### SOUTH EAST LONDON

Regular meetings contact Duncan Bowie on 020 8693 2709 or email duncanbowie@yahoo.co.uk

### SOUTHAMPTON AREA

For details of venues and all meetings, contact Eliot Horn at eliot.horn@btinternet.com

### SOUTH TYNESIDE

For information about this Society please contact Paul Freeman on 0191 5367 633 or at freemanpsmb@blueyonder.co.uk

### SUFFOLK

• 12 January: Dr Graham Gudgin on 'Can we Continue with a Thatcherite Free Market Economy?'  
• 7 March: AGM and speaker Andrew Harrop. Details from John Cook on 01473 255131, email contact@ipswich-labour.org.uk

### SURREY

Regular meetings at Guildford Cathedral Education Centre Details from Maureen Swage on 01252 733481 or maureen.swage@btinternet.com

### TONBRIDGE AND TUNBRIDGE WELLS

• 17 February. Andrew Harrop. • 16 March. Nick Raynsford MP on 'The Government's damage to Housing and How to Reverse it'. For details of these and other meetings contact John Champneys on 01892 523429

### TYNEMOUTH

Monthly supper meetings, details from Brian Flood on 0191 258 3949

### WARWICKSHIRE

Details from Ben Ferrett on ben\_ferrett@hotmail.com or http://warwickshirefabians.blogspot.com/

### WEST DURHAM

The West Durham Fabian Society welcomes new members from all areas of the North East not served by other Fabian Societies. It has a regular programme of speakers from the public, community and voluntary sectors. It meets normally on the last Saturday of alternate months at the Joiners Arms, Hunwick between 12.15 and 2.00pm – light lunch £2.00. Contact the Secretary Cllr Professor Alan Townsend, 62A Low Willington, Crook, Durham DL15 0BG, tel, 01388 746479 email Alan.Townsend@dur.ac.uk

### WIMBLEDON

New Society forming. Please contact Andy Ray on 07944 545161 or andyray@blueyonder.co.uk if you are interested.

### YORK

Regular meetings on 3rd or 4th Fridays at 7.45 at Jacob's Well, Off Miklegate, York. Details from Steve Burton on steve.burton688@mod.uk

### EASTERN REGION CONFERENCE

• Saturday 25 February 2012: 'The Future of the State'. Witham Labour Hall (Close to Witham Station on Liverpool St to Norwich line. Car park). Tickets £10. Further information and tickets from John Wood at woodj@madasafish.com or Deborah Stoate on 0207 227 4904

# NOTICEBOARD

## Subscription rates

At the Annual General Meeting, members agreed to increase the annual Ordinary rate subscription by £1 to £38.00 (£36.00 for those paying by Direct Debit).

The Reduced rate subscription for students, retired and unwaged / unemployed members remains unchanged at £19.00 (£18.00 Direct Debit).

## Fabian Fortune Fund

**WINNER: Giles Bridge, £100**

Half the income from the Fabian Fortune Fund goes to support our research programme. Forms available from Giles Wright, giles.wright@fabian-society.org.uk



## Social Europe

A Fabian one day public conference  
Saturday 25th February 2012

This major conference challenges whether EU social policies put prosperity at risk and asks what would UK repatriation of social policy mean for Britain and Europe? It will examine what social and employment protection is fair across Europe, and consider the future role of unions and civil society.

The conference will take place at Amnesty International UK, 17–25 New Inn Yard, London, EC2A 3EA. Tickets and more information will be available in the New Year at [www.fabians.org.uk](http://www.fabians.org.uk).

Held in partnership with the European Commission and Amnesty International

**STOP PRESS:** Ken Livingstone confirmed as special guest speaker for our New Year Conference. See details on how to book tickets below.

FABIAN SOCIETY



# THE ECONOMIC ALTERNATIVE

**Fabian New Year Conference,  
Saturday 14th January 2012**

The Fabians are kicking off 2012 with a packed Fabian New Year Conference. Join over 1000 delegates, 50 top speakers and keynote speaker **Ed Balls MP** as we debate the economy.

Join speakers including Sally Bercow, Lord Maurice Glasman, Will Hutton, Owen Jones, Peter Kellner, Stewart Lansley, Chris Leslie MP, Lord Roger Liddle, Baroness Ruth Lister, Ken Livingstone, Deborah Mattinson, Lisa Nandy MP, Rachel Reeves MP, Mary Riddell, Polly Toynbee, Chuka Umunna MP, and Lord Stewart Wood as we debate today's economic crisis, the challenges in articulating a credible response and the future shape of our **Next Economy**.

**Venue: The Institute of Education, London WC1H 0AL.** Full up-to-date line-up at [www.fabians.org.uk](http://www.fabians.org.uk) and you can join the debate on Twitter using **#fab12**. Tickets cost £30 (£15 for concessions) or £32 including membership (£16 for concessions). To buy tickets, call 020 7227 4900, email us at [olly.parker@fabians.org.uk](mailto:olly.parker@fabians.org.uk) or go to [www.fabians.org.uk](http://www.fabians.org.uk).

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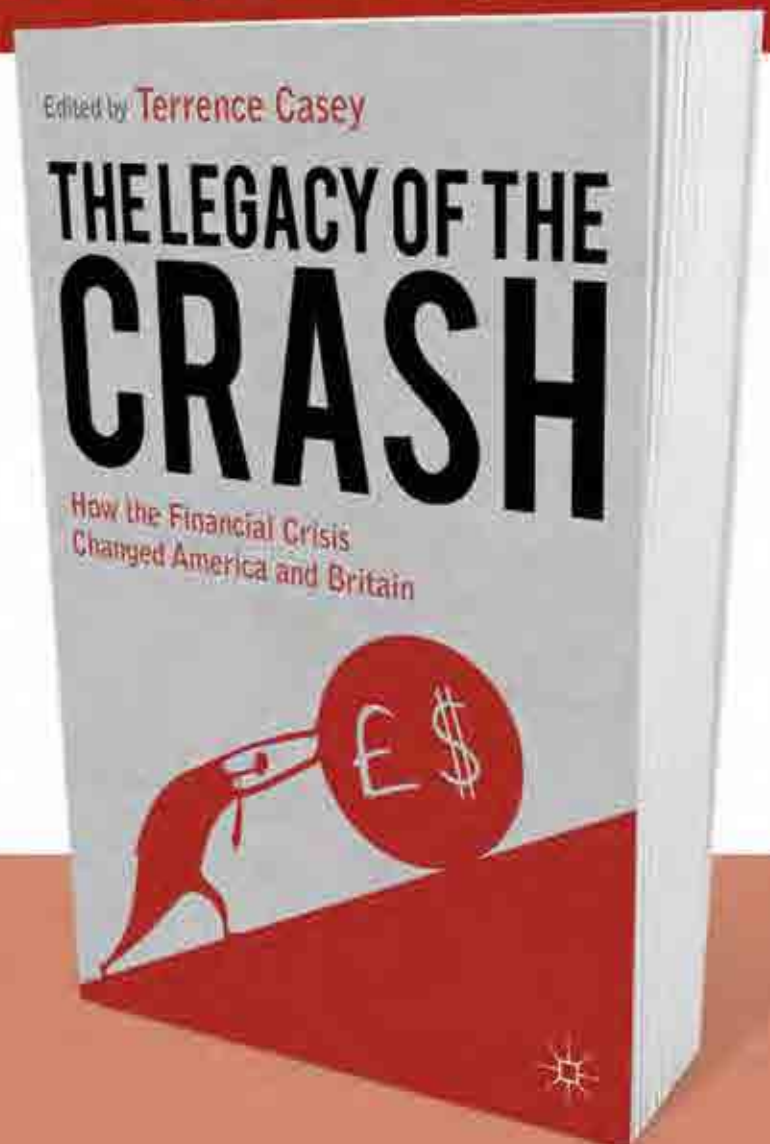
**NEWSTATESMAN**  
**theguardian**



Bringing together a stellar cast of contributors to provide a sophisticated account of how the administrations are faring on both sides of the Atlantic. This book explores the impact of the crisis and assess how political leaders in both countries have responded, whilst also looking at the challenges of governing in the new 'age of austerity'.


"...this is not the last word on the financial crash, obviously, but it one of **the most outstanding to date.**'

- *Michael Moran,*  
*University of Manchester*  
*Business School, UK*



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I'm unwaged/under 22/student/OAP/low paid

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(i.e. you're a member of another political party)

Name \_\_\_\_\_

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Post Code \_\_\_\_\_

Email \_\_\_\_\_

Mobile/phone \_\_\_\_\_

Date of birth \_\_\_\_\_

#### STANDING ORDER INSTRUCTIONS TO BANK / BUILDING SOCIETY

The minimum suggested joining fee per month is £1 if unwaged/under 22/student/OAP/low paid or £3 if waged/in employment. Please give more if you can afford to as we have an ethical funding policy which means we heavily rely on individual membership subscriptions.

Please pay immediately by standing order to Compass' account, Lloyds TSB, 32 Oxford Street, London, W1A 2LD (a/c 02227769, sort code 30-98-71) the sum of £ \_\_\_\_\_ starting with the first payment on (date) \_\_\_\_\_ and continuing on the same day every month (delete as appropriate), unless cancelled by me in writing.

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Account name \_\_\_\_\_

Account number \_\_\_\_\_

Sort Code \_\_\_\_\_

Signature \_\_\_\_\_

Standard cheque price is £32.50 per year waged or £17.50 per year unwaged. Cheques should be made payable to 'Compass', or to get £5 off these standard cheque prices join online with your debit/credit card at <http://www.compassonline.org.uk/about/join.asp>.

Send this completed form to: FREEPOST COMPASS (no stamp or address required – just these words in capitals on the front of an envelope)