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Building a Growth Strategy on a New Social Settlement: the UK case.

David Coates

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Sheffield Political Economy
Research Institute.

About the author



David Coates

David Coates holds the Worrell Chair in Anglo-American Studies at Wake Forest University, USA. He previously held personal chairs at the universities of Leeds and Manchester in the UK. He has written extensively on US and UK public policy, comparative political economy and the history of labour movements.

He is the author most recently of *America in the Shadow of Empires* (Palgrave Macmillan, 2014) and *Capitalism: The Basics* (Routledge, 2015).

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'In a nutshell, what Labour needs most fundamentally is to find, fashion, forge, beg, borrow or steal a narrative about the economy that is capable of both challenging the terms of the old debate and setting the framework of the new.'

(Hay & Payne, 2015)

What is particularly striking about the hysteria surrounding the election of Jeremy Corbyn as leader of the Labour Party is the simplicity of so many of the premises on which that hysteria appears to be based. It is as though the problems of centre-left parties of the Labour Party kind are always and necessarily best solved by the choice of a more moderate leader than the previous one, and are always best eased by the adoption under his/her leadership of already-available moderate policies that were previously unwisely discarded. It is as though parties of the centre-left, because they necessarily face electorates whose marginal voters are more conservative than they are, are always required to reset the more controversial of their policy-stances to meet the marginal voters' conservative concerns. It is as though the single most important thing a new Labour leader needs to do – and certainly the most obvious and pressing one if the party is to return to power in 2020 – is to publicly retreat from any flirtation with, or pursuit of, paradigms of analysis and policy that are qualitatively distinct from, and more progressive than, those already on offer from either George Osborne or Nigel Farage.

Oh, if only political life was that simple. Then none of us would have anything serious to worry about, and we could all go home and tend our gardens. Sadly, however, political life is not that simple, and therefore those of us of a progressive predisposition ought to garden less and worry more. We ought to worry about how the Labour Party got itself into so impotent a political condition. We ought to worry about how best to get the Party out of it; and we ought to be working now on policy and analysis that will enable a future Labour Government to leave the Party's current political impotence far behind. The purpose of this paper is to suggest how all that necessary worrying might most usefully be applied.

Getting into trouble

It is important to recognise from the outset that those of us making the case for a progressive reconfiguration of advanced capitalism now start from a position of incredible weakness. It is not a position of weakness created in a single moment, or by the mistakes/character of a single leader – certainly not in the UK case by the modest radicalism of an Ed Miliband, as so many of his critics now imply – but it is a position of serious weakness nonetheless.

There was a moment in the late-1990s when a majority of the governments of Western Europe and North America were centre-left ones – when perhaps the chance for progressive politics seemed greater – but sadly, and as is often the way with moments, that particular one passed, and did so on this occasion with remarkable rapidity. The majority of those same governments are now centre-right in both political origin and persuasion; and even where they are not (officially, say in France; or nominally, as in the United States) they are either in retreat or marooned in gridlock. Moreover, even in the heyday of Clinton and the young Blair when centre-

left optimism was more plentiful, the presence in power of centre-left politicians of their kind did not mark any fundamental rupture with the dominant neoliberal assumptions surrounding public policy that had been put in place in the two decades before. Clinton's White House triangulated with Reaganomics. Blair's New Labour was in essence Thatcherism in drag: neoliberalism softened with a sprinkling of post-neoclassical endogenous growth theory. Centre-left politics in the era of Blair and Brown, no less than centre-right politics now, operated on the premise that capitalism was best managed by being managed lightly, if it was to be managed at all. It was Gordon Brown, we must remember, and not just Robert Lucas, who told the world that, in the first decade of the new millennium, the instabilities of the capitalist business cycle were now behind us (Coates, 2008).

Because of that centre-left immersion in the neoliberal understandings of a post-Keynesian world, it was the understandings of capitalist dynamics expounded by New Labour politicians, as well as those embedded in neoclassical economic theory, that were then momentarily discredited by the financial crisis of 2008. And indeed it is a measure of the depth of the difficulties now besetting the centre-left across the entire advanced industrial world that – after the full impact of that crisis and its subsequent recession has been lived through by all of us for more than seven years – it is the axioms of neoclassical economics that have re-established their hold on popular thought and public policy, while centre-left political parties still struggle for popular legitimacy. But we should not be entirely surprised, certainly not if we are British. For in the UK in 2010 – and for the second time in my adult lifetime, 1979 being the other – a Labour government lost power not simply because of its own incompetence (as arguably had been the case in 1970) but because the entire economic philosophy and growth strategy associated with it had literally stopped working. Keynesianism in the 1970s, and 'post-neoclassical endogenous growth theory' in the 2000s, both ended in a serious economic crisis; and both in consequence helped re-legitimate the more conservative (in economic terms, the neoliberal) alternative that had been hitherto discredited: discredited for a generation prior to the crisis of Keynesianism in the 1970s, and discredited just briefly in 2008-9 as Keynesian-type public spending briefly softened the calamitous consequences of a crisis created by the excessive deregulation of particularly finance capital.

In the UK case, that second discrediting was never as deep and prolonged as the first precisely because leading New Labour politicians, no less than their Thatcherite opponents, has spent nearly two decades telling much the same narrative as had Margaret Thatcher before them. New Labour spent the years between Tony Blair's election as party leader in 1994 and Gordon Brown's electoral defeat in 2010 telling the UK electorate that 'tax and spend' politics was part of Labour's past, not of its present and future: so sustaining the argument that public spending and debt was something that had to be justified in ways that private spending and debt did not. In that inherited and largely uncontested ideological universe, it did not take Conservatives long to bounce back from the initial discrediting of unregulated private financial speculation in 2008 – bouncing back with the entirely specious claim that too much public spending before 2008 had triggered the crisis, and that too much public spending after 2008 had made that crisis worse. And it did not take the UK electorate long to start believing these Conservative claims again, in no small measure because a Labour Party now under new leadership could not challenge the basic premise of Osborne-type austerity – namely, that excessive public spending

is the key thing holding back economic recovery – without admitting that the whole thinking behind 13 years of New Labour rule had been fundamentally wrong.

Yet it had been fundamentally wrong; and austerity politics will continue to hold sway in the UK (both in Whitehall and in the wider electorate) until a new generation of centre-left politicians and intellectuals says so, and formulates a new progressive growth strategy based on a full and honest analysis of why New Labour's light-touch management of UK capitalism ultimately failed to deliver either the economic growth or the social justice that had been promised. Persuading a sceptical electorate to believe in the credibility of such a new growth strategy will then be hard enough. Electorates have been promised things, and then let down, many times before. But no such rupture with neoliberal orthodoxies will be even possible until that new growth strategy is designed and refined. *Designing and refining it is the most pressing task before us*, since the Labour Party will not return to power until it gets its underlying economic analysis right, and until it designs a full battery of policies capable of addressing the full complexity of the modern capitalism it would manage and control. Equipping the next incoming progressive government with that analysis, and those policies, is the most pressing issue of the day. It is one to which the energies of the entire intellectual Left ought now to be applied; and the purpose of this paper is to suggest how that process of analysis and design might best get under way.

Getting out of trouble

For that is the key question: how to equip an incoming progressive government with an economic growth strategy that will both work and be progressive. The answer, of course, will be ultimately one of content; but initially it will also be one of method. So let us go to method first.

When social democrats battled communists for the loyalty of the European working class in the decades after 1917, a very different approach to the formulation of immediate policy developed on each side of the divide between them. The characteristic method of social democrats was (as it largely remains) to combine a relatively under-theorised account of why capitalist economies were failing to generate generalised prosperity, with a much more developed exploration of the immediate concerns of the electorate they were trying to attract. Since the bulk of the thinking of that electorate was then (as now) heavily influenced by political forces that were currently more powerful than the social democrats themselves – and that meant successful centre-right parties (or worse) rather than tiny communist parties or their contemporary left equivalents – those immediate electoral concerns inevitably pulled social democratic politics to the right, made modest ambitions the order of the day, and marginalised within the social democratic coalition more radical forms of parliamentary socialism.¹

The pattern characteristic of communist party policy-making was entirely otherwise. There, the first move was invariably to establish the general character of capitalism on the global stage, establish the over-riding nature of the immediate conjuncture, and then develop policies designed to accentuate the contradictions in ways that would hasten the complete collapse of the global system. Though the method was rapidly perverted by the degeneration of the Soviet Union and the

consequent demand from Moscow that all national communist activity be subordinated to the defence of the isolated worker's state, the basic method of policy formation remained intact (Claudin, 1975). And it could do so because the aim of communist parties, for the majority of the interwar period at least, was not to win short-term electoral advantage by seeking mass support. That would have involved tailoring its programmes, as communists saw it, to the most backward and reactionary sections of the working class. It was rather to attract into communist ranks the most advanced sections of that class – and communists judged how advanced workers were by the extent to which those workers agreed with whatever programme/line the party then happened to be pursuing! It was a perfect recipe for the uniquely communist combination of ideological purity and small membership.

Rightly so, the whole international Stalinist experience is now behind us: but in its going, a new generation of progressives has emerged without any knowledge/direct experience of the underlying strength of the Third International's way of formulating policy. Chasing electorates who are heavily influenced by conservative ideology will never be enough for successful centre-left politics; and centre-left parties will never fully understand why they periodically win elections, and even more regularly lose them, if all they do is run opinion polls and develop focus groups. The electorate is slipping away. It will have to be pulled back, and it can only be pulled back if the programme on offer speaks to the totality (and the centrality) of the concerns that daily life in capitalism is now generating from those in the middle or towards the bottom of the class structure. Such programmes will not do that unless the analysis underpinning them is in a position (and is of a quality) to isolate, anticipate and explain the totality and centrality of those concerns. Centre-left parties, like any others, will only win votes – and then hold them – if their policies do *more* than respond to immediate electoral concerns. They will only win and hold votes if they can respond to those concerns in ways that address the underlying processes and forces bringing those concerns into the forefront of the immediate political conversation. And they will only win and hold votes if the responses they then make to the electorate's immediate concerns do actually answer those concerns in effective and permanent ways: and they cannot answer effectively and permanently things that they do not first fully understand.

Centre-left politics, that is, if it is to help us leave this age of austerity behind us, needs to take at least one leaf out of the old communist party play-book. Centre-left politics in the wake of the crisis of 2008 and its recessionary aftermath need to be properly grounded in a full understanding of the dynamics of global capitalism and of the determinants of capitalism's present conjuncture. Centre-left politics need to be properly grounded in a full understanding both of capitalism's general tendencies and of its national specificities. Centre-left politics, that is, need to be fully grounded in a properly-developed body of economic and social theory. They need to follow the old Communist Party model, moving from analysis to programme rather than the old Social Democratic model, moving from programme (and immediate electoral concerns) to analysis.

The theoretical journey from immediate electoral concerns to general and underlying processes and trends is never an easy one, and is invariably a matter of moving backwards and forwards through a set of linked levels: moving from the surface manifestations of underlying processes, to the underlying drivers of those processes themselves. The journey will certainly need to combine, at the very least,

an analysis of:

- The underlying and irremovable trends and contradictions of capitalism
- The precise manifestation of those trends and contradictions in the present stage of capitalist development
- The presence of all this in the specifics of a particular national capitalism
- The impact of general and specific elements of capitalism on the daily life of potential voters
- The lived reality of those impacts; and the appropriate programmatic response to them.

This is not, of course, in any way an easy exercise. Just the reverse in fact. For a complete analysis of an interlocked set of surface issues involves a careful separation, not just of individual dimensions of the current conjuncture of capitalist features, but also of their origin in differential dimensions of the overall capitalist story. So, in the case of the Anglo-liberal capitalisms, for example – those like the US, or the UK, whose situation is examined in more detail in the Appendix to this paper – *some part of the problems facing the Democrats in Washington and Labour in the UK derive from peculiarities specific to each national capitalism*: (not least right now, for example, the different immigration dynamics in play in each, linked in part to the different global role each plays/has played in the immediate past, and the differences in political culture left in place by half-a-century or more of labour-movement retreat in the US case. Clearly, there is no obvious UK parallel to the strength of libertarian thought, or that of socially-conservative Christian evangelicalism, both of which are now so potent in the United States). *But a further set of the problems currently faced by US and UK centre-left parties derive from the particular character (and current weakness) of something we might call the Anglo-liberal model of capitalism*, and so are shared by Democrats and Labourites alike and yet are specific to them, and are not faced to anything like the same degree by centre-left parties in other forms of national capitalism. (An important example might be the disproportionate weight of the military-industrial complex in both the US and UK economies.) And yet *other problems now faced by both UK and US progressives derive from broader global trends*, affecting each part of the capitalist global system to differential degrees depending on their position in it, but affecting them all to some degree regardless of their specific global positioning. (The overhang of public sector debt in the wake of the 2008 financial crisis springs to mind as a key shared problem.)

Disentangling those three different causal routes (the specific, the model and the general) to the contemporary issues besetting a particular national capitalism, though complex, is clearly a vital task to complete ahead of policy design: because only by accurately isolating the terrain on which a problem is anchored can policy be devised that will be strong enough to address the basic and underlying causes of each problem in turn. Developing and filling in a matrix of the following kind might help to make that task both easier to do and easier to complete. The sequence of analysis, that is, has to go from 'immediate issues' to 'national specificities' to 'general trends' to 'core contradictions & the theories that explain them'; and then back again from core contradictions to surface problems, the better to isolate the extent to which those surface problems can be alleviated (or even solved) by interventions at one/more of the underlying levels. Obviously, the job of centre-left policy-

design in such a complex and fluid circumstance has still to be focused at the top (surface) level, but what the completed matrix underscores is the extent to which policy now also needs to be designed with an eye to these underlying and deeper levels of causation, and to the politics of wider alliances (beyond the boundaries of one national capitalism alone) made necessary by all this complexity.

For understood in this fashion, the task facing a serious centre-left party in the UK comes to have two over-riding characteristics. One comes from the impossibility of finding purely national solutions to problems/processes that are supranational and systemic: namely, the necessity from the outset of the policy-making process of coordinating with other centre-left political formations abroad, and of making at least a European-wide programme a key part of the overall solution being offered. The other comes from the depth and entrenchment of the various sets of linked issues and processes now being faced. Not all of them are equally easy to address. Not all are open to full and complete resolution. And because they are not, progressive politics in any one national context has to be designed to deal with each level of problem specification differently. Progressive politics has to be designed to *'address and solve' surface issues, to 'address and abate' inherited national specificities, to 'manage and soften' general trends common to many national economies, and simply to 'ride' (in the sense of 'riding the tiger') basic capitalist contradictions that cannot be legislated away.* Centre-left politics has to be about managing those basic contradictions rather than about removing them entirely. It has to be about managing them in ways that favour labour rather than capital, by building particular social and economic settlements that can hold together for a period at least, so giving the current generation (and possibly the next) the chance of a higher quality and more secure life. In the absence of revolutionary socialist forces, capitalism cannot be entirely replaced. The only realistic option on the table is to establish some level of democratic control over a capitalism that will inevitably continue. Capitalism unregulated is anarchic. Capitalism that is regulated is less so. The over-riding task of the centre-left therefore, is to make capitalism as civilised as possible: by recognising the forces driving it, and by defeating those political forces whose self-interest is geared to tipping the underlying balance between labour and capital in the other, less civilised, direction.

Leaving trouble behind

When the method is applied in the UK case (as in the Appendix to this paper), a complex set of surface issues, national specificities and general trends emerge, to which more detailed analysis and policy formulation needs to be applied. Among the surface issues discussed in the Appendix are: the UK's troubling employment record, constrained living standards, housing and debt problems, deepening income inequalities, persistent poverty, work-life balance problems, trade deficits and inadequate productivity growth. These surface issues sit inside a set of national UK specificities that include: unbalanced economic development, the outsourcing of manufacturing employment & associated encouragement of service sector growth, the extensive deregulation of business & continued erosion of trade union rights, the abandonment of tax & spend politics, and the capping of welfare spending by governments armed with a renewed faith in the power of markets to generate economic growth. Both the UK's surface issues and its national specificities

ties are also underpinned by a set of general economic, social and political trends that include: secular stagnation in the context of austerity politics; economic & social headwinds that lower growth rates & erode productivity; globalization, the collapse of communism, and a generalised wage race to the bottom; technological change & the polarisation of jobs/labour markets as the global weight of capital & labour shift; the intensification of wealth & income inequality, and the associated rise of a neoliberal orthodoxy determined to protect that inequality; the generalised crisis of the post-World War II welfare state; and the emergence of new environmental constraints amid an intensified struggle to capture limited resources. And beneath all this, of course, rumble along deeply rooted capitalist logics: including the core structural contradiction between capital & labour; the necessarily combined but uneven economic development of global capitalism; and the inherent propensity of capitalist economic systems to succumb to crises of over-production, disproportionality, and falling rates of profit.

The immediate and the long-term politics of the UK centre-left have to be designed explicitly in response to all of that truly awesome list of problems, trends and constraints – a response that has to begin by recognising at least the following.

First, as is presumably clear from the scale of the list itself, the old economic growth models will no longer work – neither the growth model of Old Labour (based on Keynesianism) nor that of New Labour (based on post-neoclassical endogenous growth theory). The pre-1973 Keynesian one was built on the rising labour productivity released in Anglo-American economies by the spread of Fordist production systems – a rise that enabled (and indeed required) wages and profits to expand together. While that productivity boom was in place, strong unions and expanding public spending acted as demand-generators for the realisation of profits accumulated by the mass production of consumer goods. The model never worked as well in the UK as it did in the US: the market here was smaller, the size of companies inadequate, and the imperial preoccupation of politicians still too strong. But it did work to a degree, even in the UK: until rising money wages and stalled productivity produced the stagflation of the 1970s that destroyed the viability (and public credibility) of Keynesianism as a progressive way of managing private capitalism. The 1970s crisis eventually morphed into the Thatcherite alternative growth strategy of intensified work routines and curtailed welfare provision which – when combined later with the rising productivity of the new information-technology – gave the UK a second sustained post-war growth period: this one (from 1992-2007) characterised by weak unions, stagnant wages, growing income inequality and rising personal debt. That growth strategy entirely collapsed in 2008. Income inequality and the maxing-out of credit cards will not sustain the demand side of a fully-employed economy in any viable political scenario to come. If ‘neoliberalism’s main problem’ is simply ‘a pro-cyclical tendency towards excessive credit rather than productive exhaustion’, as Terrence Casey has argued (Casey, 2014), then maybe life can be pumped back into an old growth model yet. But hardly life that will meet the needs of progressive politics. Progressives need more than ‘countercyclical mechanisms to restrain the financial cycle, or macro-prudential regulation’ (ibid): though they will need still both. They will in addition need an entirely new growth model – a new social structure of accumulation – more in tune with their values, to specification of which this paper will return below.

Nor will the Conservative's 'austerity' package either. If the aim here is to lower taxes to trigger innovation and growth, we have evidence enough that 'trickle-down economics' simply does not work (Blyth, 2013; Madowitz, 2014; Elliott, 2015c) – and certainly does not for the UK (Wolf 2013a, 2013b, 2013c; Berry, 2013; Wolf, 2015c; Krugman, 2015b).² Cutting government programmes and public sector employment in periods of low economic growth only compounds local manifestations of secular stagnation. It does not reverse them. Cutting public spending erodes levels of demand, and the quality of life, without any commensurate leap in labour productivity. Thatcher's productivity leap was anchored in the fear of job loss and an associated intensification of the work process, and by a defensive lengthening of the working day. People worked longer and harder in the 1980s if they had a job than they had a decade before, in an attempt to make sure that their job stayed secure. But it did not. The heart of the UK manufacturing sector was destroyed in the process, and the resulting reconfiguration of the entire economy in the direction of service-employment then pulled productivity down. It isn't possible to cut our way to enhanced productivity in a Thatcherite way again. People cannot work harder and longer this time round than they are already doing – that low hanging fruit went in the 1980s – and it is not possible to get more productivity out of service employment if (as is now the case) that employment has been as computerised as it is likely ever to be. The UK did not have to go down the austerity route in 2010 (Wolff, 2013b), and it does not have to stay on that route. The route was politically chosen, and can (and should) be politically rejected. Niall Ferguson (Ferguson, 2015a, 2015b) might like it, and Osborne defend it, by the selective use of statistics; but any balanced view of recent UK economic performance data makes abundantly clear that the rate of recovery quickened again in 2013 and 2014 only after the Coalition Government eased back on the austerity pedal (van Reenan, 2015; Wren-Lewis, 2015a, 2015b; Skidelsky, 2015b).³ And it could hardly be otherwise when it is also recognised that the other major claim justifying swingeing cuts in public provision – namely, that borrowing by the outgoing Labour Government caused /contributed to the 2008 crisis rather than being a necessary/essential response to it – was flat out wrong (Krugman, 2015a). It is remarkable how quickly Gordon Brown's decade-long reputation for 'prudence' at the Treasury has now been written out of the governing narrative on the New Labour years.

There is also now growing evidence – not least from international agencies that once stood at the heart of the neoliberal settlement (OECD, 2015 a, b) – that, at this stage of capitalist development, economic growth and social inequality do *not* go together: that on the contrary any long-term successful growth strategy has to be based on reduced levels of inequality and the full development and mobilisation of all levels and forms of human capital. The well-paid boss in the top office is no longer – not that in truth s/he ever was – sufficiently significant as to be able to trigger prolonged economic growth by his/her initiative/genius alone. The reality is beginning to dawn, in key parts of the international governing strata, that because production is inherently a social process, its success over the long term requires the full motivation of all involved economic players. On the demand side of the economic equation, those players require a capacity to buy goods and services from the wages they earn rather than from the credit they borrow; and on the supply side of the equation those same players need to be able to sustain over the long period high-quality inputs into the creation of goods and services that others buy (and so require, among other things, working environments and work-life balances

that will enable them – and motivate them – to do so). Neoliberal orthodoxies might still rule in business schools and economic departments in major universities on both sides of the Atlantic (Dymski, 2014; Watson, 2014) – though at last, thank goodness, there is some sign of sustained pushback even there (PCES, 2014) – but those orthodoxies need to be rejected entirely in the think-tank and policy-making world surrounding centre-left political formations, the better later to put them out of action in the treasuries of the advanced capitalist world where they currently hold way too much sway. These neoliberal orthodoxies need to be rejected not simply because their social consequences are morally offensive. They need to be rejected too because they make no long-term economic sense.

What has ultimately to replace the neoliberal politics of austerity is a progressive resetting of public policy and the social order in ways that stimulate the full use of existing productivity capacities in the UK. If (as is likely) we now face a sustained period in which there is no systemically-induced new technology to lift productivity up across the economy as a whole, any incoming progressive government will need to lift that productivity by fully-utilising the productivity potential that is already there. It is only possible to stimulate greater labour output/hour across the entire economy in a limited number of ways. Some of these ways, like intensifying the work process by managerial dictate, are neither possible in the present conjuncture nor progressive in any conjuncture. But other ways are both those things – possible and progressive. (1) Productivity/hour can be raised, across an economy as a whole, by *rebalancing the distribution of labour* from low-productivity to high productivity sectors (the traditional Swedish model solution, now requiring both active industrial policy and an active labour market one). (2) Productivity can be raised by *fully employing the entirety of its labour force and increasing its skill level* (the traditional left-Keynesian solution, now requiring quantitative easing as well as long-term public spending/borrowing); and (3) productivity can be raised by *fully mobilising the existing set of economic skills, a set now so heavily skewed by gender*. This last source – the full use of an educated young female labour force – requires a new and progressive set of social policies, an entirely new social settlement focused on the needs of working families, and particularly on the needs of the women within them. In that third strategy, policies on equal pay, on flexible working hours, on affordable child care, and on the de-gendering of family responsibilities move centre-stage: no longer to be add-ons to be cut the first time the national budget has to be balanced, but rather the first thing to be funded to make sure that the budget balances at a higher and more generous level.

All of which means that a progressive growth strategy will only come from a party committed to managing capital in the genuine interests of labour, and one equipped with an intellectual framework that recognises the vital role of progressive social settlements in facilitating economic growth. When the Conservative Government of Edward Heath put the nation on a three-day week in 1974, in its battle against powerful industrial unions, productivity/hour in the UK economy rose to levels that were not attained again until the late 1980s. French productivity is way higher than ours. A low-wage long-hours route to productivity growth is a cul-de-sac. *The only way to generate greater output from a fully-mobilised population is to create an economy and a society in which the organisation of work is subordinate to the needs of a fulfilling private/family life, and where the rewards to work are visibly fair, equitable and just.* There is no Anglo-liberal route to long-term economy re-

covery and prosperity for all. That route benefits only the rich and the privileged. That is why they like it, and advocate it so. Progressive politics has to go off in an entirely different direction.

Closing thoughts

The great dilemma of centre-left governments is that they invariably find themselves elected into office only when the economic conditions surrounding them are so bad as to effectively preclude the easy implementation of centre-left programmes. Paradoxically, if economic times are good, parties offering extensive sets of social reform have difficulty persuading electorates that they are even necessary. And yet when times are bad, and electorates turn away from governing parties of the right in the hope of something better, the economic surpluses needed to allow the easy funding of those reforms are invariably denuded by the scale and severity of the bad times themselves. When this conundrum first became obvious in the 1970s, some of us argued that the solution was to totally abandon what we then saw as the illusions of centre-left politics, and to focus instead on the building of a revolutionary socialist alternative (Coates, 1975, 1980). Mea culpa: we abandoned one set of illusions only to adopt another and even grander set. So let me concede now what should have been obvious to me then: namely, that, in the absence of any credible revolutionary alternative to the creation of a socially-responsible and managed capitalism, the task before progressive intellectuals becomes one of devising ways to assist centre-left governments, constrained as they are by the severity of the legacies they inherit, to nonetheless use their first periods in power to systematically and incrementally widen the parameters of the possible, and to do so in as progressive a manner as they can manage.

The call is on, from every current of opinion within the broad Labour-Party church, for the Party to reconnect to key groups of voters, to re-establish public confidence in its economic competence, and to make clear its underlying vision (Diamond and Radice 2015). Of course it must do those things, but it will not achieve any of them if, as some now propose, it prioritises the concerns of Conservative marginal voters in the south and the midlands, 'and redefines its central task as that of reversing 'the drift away from voters in southern England' (ibid). For there are always two ways of reconnecting a party to its voters: you can transform that connection by transforming the party or by transforming the voters. A truly progressive political party has no genuine option – if its progressive goals are ultimately to be achieved – but to prioritise the transformation of its electorate. It has no option but to pursue effective counter-hegemonic politics (Coates, 2013), because ultimately the only way in which parties of the centre-left can hope to persuade electorates to take them seriously again is to raise the general level of understanding of the economic and social processes now shaping daily life. There is an ideological battle to be won – and won years ahead of the moment of voting – and battles are never won by those who decline to fight.

Sound-bite politics may suit the right. Reducing election campaigns to shopping lists of promises might suit the needs of the 24-hour news cycle: but both serve the centre-left ill. The politics of the centre-left has to be based on *intelligence*, not on rhetoric. It has to be based on a clear understanding of why radical change is

needed, and on why simple equivalencies between public budgets and family ones quite simply do not hold. Ed Miliband has been criticised in many conservative circles of late – both within the labour movement and beyond – for being too elitist, too intellectual and too radical. He ought to have been criticised there for being insufficiently any of those, and certainly for being insufficiently capable of/willing to counter neoliberal orthodoxies with a powerful counter-orthodoxy of his own. That counter-orthodoxy was not on offer in the last UK election because offering it would have involved too profound a rupture, for both Ed Miliband himself and for the Brownites around him, with the world-view and political record of their mentor (Hay & Payne, 2015). *But no counter-orthodoxy was on offer too because no full alternative was out there for the Labour leadership to draw on and to draw down.* We must not leave subsequent Labour leaderships so ill-equipped again. There is important work to do, building that alternative. It is intellectual work; and it needs to start now.⁴

Notes

1. That was certainly the pattern of politics that built up in the British Labour Party, the pattern that led an earlier Miliband and his academic acolytes to question the adequacy of Labourist politics (Miliband, 1961; Saville 1967; Coates 1975, 1980, 2003; Panitch and Leys 1997).
2. This, from Cambridge: June 4: 'The Macroeconomic Impact of Liberal Economic Policies in the UK' Report: This new report compares UK macro-economic performance in the three 'corporatist' decades prior to 1980 with performance in the Thatcher and post-Thatcher decades since 1980. The conclusion is that growth in GDP and productivity, unemployment and income inequality were better in the corporatist era, while inflation and industrial disruption improved under the free-market regime since 1980. The well-known improvement in UK growth relative to France, Germany and other European economies is shown to be wholly due to the slowing of the European economies with no improvement in the UK. The long-established decline of the UK share in world trade has continued at the same rate since 1980 as in the pre-1980 decades. The conclusion is that free-market policies did not result in a better overall economic performance, and that a wider range of varieties of capitalism can be adopted than is generally assumed. The authors argue that the decline in productivity growth under free-market policies has been mainly due to the extreme loss of manufacturing. This decline was concealed up to 2007 by an inevitably unsustainable expansion in household debt and associated consumer spending. Since the debt-related banking crisis slow growth in productivity has been fully revealed as 'secular stagnation', and this is likely to be permanent unless the economy can be restructured with a larger modern manufacturing sector.
3. For the limits of Ferguson's statistics, see Skidelsky (2015a, 2015b) and Wren-Lewis (2015c).
4. Hence the new series on 'Building Progressive Alternatives' just announced by *Agenda Publishing*: details at <http://www.agendapub.com/index.php/catalogue/series/32-building-progressive-alternatives>.

APPENDIX: The method applied in the UK case

What follows is intentionally preliminary and tentative. In addition to any corrections needed – of which there may be many – the analysis will need to be widened, to take in more dimensions of the general UK condition; and deepened, to link back through general trends to underlying capitalist logics not laid out in any detail here.

Surface issues

The superficial figures on recent UK economic growth suggest gathering strength: gathering strength both in comparison to the economy's performance in the years immediately following the 2008 financial crisis, and strength when compared to other leading (particularly European) economies over that same period. Prior to the May election, George Osborne could legitimately claim (as he did) that the UK economy grew faster in 2014 than any other advanced economy – slower, obviously, than China but way better than the growth performance of either the Eurozone economies or even the United States. Unemployment in the UK in 2014 fell below 6 per cent for the first time since 2008 – only Germany and Austria had lower rates among the 28 EU member states – and inflation in the UK dipped below zero in 2015 for the first time in half a century. An economy that had experienced a double-dip recession in 2011-12, and had teetered on the edge of a triple one early in 2013, was by 2014 growing by 3 per cent per annum as UK GDP at last passed its pre-recession level (Nardelli *et al.*, 2015).

But surface appearances only flattered to deceive. As Craig Berry (2013a) and others have convincingly demonstrated, in at least the following ways the contemporary UK economy continues to carry profound weaknesses.

A troubling employment record

On the surface, the employment record looks strong and improving, but, behind the figures, serious structural weaknesses remain. Recent employment figures have been improved in part by an unprecedented growth in 'self-employment' – self-employment which 'accounts for a third of the increase in employment since the recession' (Pryce, 2015: R31; Hayes 2015), now accounts for more than 15 per cent of the labour force, and is shifting the overall UK labour market in an eastern and southern European direction. Some of this growth is genuinely entrepreneurial: but most is not, acting instead as a cover for 'people working part-time and paid a fraction of the wage enjoyed by full-time employees' (Inman, 2014). Moreover, the number of officially-registered part-time workers wanting (but unable to obtain) full-time work – the rate of underemployment – is still high and rising (now nearly 1.4 million (Blanchflower 2014)), the same number as that for workers with zero-hour contracts. The number of UK workers recording unpaid overtime is also at record levels – 5.4 million of them in 2013, including one part-time worker in five (TUC, 2014) and probably every schoolteacher in the land – at the very time when long-term unemployment persists for nearly six per cent of the total labour force and has risen sharply for 16-24 year olds from ethnic minority backgrounds (Taylor, 2015). The Coalition Government deliberately cut public-sector employment – currently by over 630,000 jobs with more in the pipeline (Lavery, 2015) – without employment growth as a whole doing more than keeping pace with the growth of the

UK population in total. The result: the UK has become very good at creating what Frances O'Grady called 'bad jobs' (Rutter, 2015) and at doing so without causing wages to rise as rates of unemployment fall.

Constrained living standards

The inverse relationship between employment and wages in the current UK economic 'recovery' is truly remarkable; the fact that, for all the economic growth now underway, if the TUC is right British workers are still 'suffering the longest and most severe decline in real earnings since the mid-Victorian era'. Its research suggests that we have to go back to the 1860s 'for a pay freeze as deep and as long as the current one' (Doward & Bissett, 2014). Certainly, 'living standards have been through a severe and prolonged squeeze' in the UK since 2008 (IFS, 2015a). This much is not in dispute: 'that compared to 2007, the average worker, across the private and public sector, has seen an eight per cent decline in real weekly earnings: for the self-employed, real incomes have fallen 22 per cent' (Pryce, 2015). And, if real wages are beginning now at last to recover, they are only now clawing their way back to pre-recession levels (Inman & Allen, 2015) after 'UK households experienced the longest period of falling real wages since records began' (SMF, 2015). Not everybody's wages are even doing that. There is clear evidence that 'working-age households remain worse off' than they were in 2007, with an average income for people aged 22-30 still 7.6 per cent lower than before the financial crisis (Kollewe, 2015). Overall indeed, average weekly earnings in the UK economy 'have fallen by 8.6% (after adjusting for CPI inflation) since 2008 Q1', making them 'the same in real terms as they were 10 years earlier in 2004 Q3' (IFS, 2015b). This fall is currently the 'fifth largest in the EU, with only Spain, Portugal, Ireland and Greece faring worse' (Blanchflower, 2015). When set in the context of the OECD as a whole, therefore, the UK's relative performance on wages since the global financial crisis 'is very poor, placing 23rd above only Hungary, the Czech Republic and Greece' (Machin, 2015). Well might Martin Wolf properly speak of 'something very close to a lost decade' (Wolf, 2015a) and Fraser Nelson place UK GDP/head as lower than in any US state except Alabama – not even as high as that in Mississippi! (Schwarz, 2014).

Housing & Debt Problems

There is also the question of the key housing sector. Business investment did begin to rise in the UK in 2014, but so too did house prices, with the attendant dangers of a credit bubble and a debt-fuelled spending spree giving us a repeat version of 2008 (Jenkins, 2014). Evidence from the CBI cited by Adam Barber 'demonstrated that over the last decade house prices in the UK have risen on average by 56 percent' (Barber, 2015) so that currently rising house prices are beginning once more to squeeze moderately-paid first-time buyers out of the housing market entirely. And not just the moderately paid: middle-income families too are struggling to maintain home ownership in overheated cities, of which London remains the prime example (Boffey, 2015). Indeed, and for the first time since the early 1980s, the number of people owning their own house outright is now actually coming close to outstripping those with mortgages, as with more and more young workers are forced out into both the private-rented and social-rented sectors (Osborne, 2015). Leaving aside for the moment the generational injustice locked up in the UK's changing pattern of home ownership, 'an obvious concern', as Martin Wolf has written, 'is that

house prices have been soaring again, while households are still burdened with debts that on average amount to 140 per cent of disposable income' (Wolf, 2014). Should interest rates show even a modest propensity to rise, it is likely therefore that 'the number of households struggling to keep up with their mortgage will double' (Pickford & Giles, 2014): to 2.3 million. Indeed, the persistence of a serious squeeze on middle-class incomes, and the increasing reliance on private debt of households at the lower end of the income distribution, are currently combining to make the issue of household debt the ongoing 'strategic silence in contemporary policy debates about the state of the UK economy' (Montgomerie & Stanley, 2015).

Deepening inequalities and the persistence of poverty

Marked income inequality, already a striking feature of UK economy and society under New Labour, has deepened still further since 2010 (Hay, 2015). Over and beyond the impact on the GINI co-efficient of Piketty-type accumulated wealth over time, the main long-term force pulling incomes apart in the UK has been, and remains, changes in the structure of employment. Currently, the UK is demonstrating a higher propensity to replace middle-skilled jobs with low-skilled ones than most of its European neighbours (O'Connor, 2015) and that propensity is likely to continue. As the Resolution Foundation put it, when projecting forward in 2012, in the UK at least 'increasingly, jobs will tend to be created at the top and bottom of the jobs market – that is, in high-pay/high-skill and low-pay/low-skill employment. Middle-ranking jobs will decline' (RF, 2012: ii). The more contingent forces at work generating greater income inequality in the contemporary UK include the adverse employment consequences of the Great Recession, and the subsequent entry into power of a Conservative-led Coalition Government determined to cut welfare spending at precisely the moment when the need for welfare support was on the rise (IFS, 2015c).

Paradoxically, the initial impact of the Great Recession was slightly to lower levels of income inequality: wages fell but benefits did not. But that lowering did not and will not continue: the government's 'welfare cap' holding 'increases in working age benefits below the rate of inflation' will inevitably 'impact negatively on the incomes of those in the lower incomes deciles' (Lavery, 2015), even before Tory policy adjusts to follow David Cameron's recent ruminations on the need not to publicly subsidise low wages (Rigby, 2015). England in particular is already witnessing these sharp inequality trends: its households 'increasingly divided between the rich and the poor, with a 60% increase in poor households and a 33% increase in wealthy households' between 1980 and 2010, at a time when 'the number of middle-income households went down by 27%' (Boffey, 2015). Bank bonuses continued to soar in the City under the Coalition, as the Trussell Trust reported tripling between 2012 and 2014 the number of people receiving free food from the food banks they run.

Persistent problems of balancing work & life

In the UK, as elsewhere in the advanced capitalist world, young women now both out-number and out-perform their male equivalents at every level of the education system, and in the UK at least, female labour-market participation rates match those of the men with whom most of them chose to live. Indeed, as recent research had shown, 'women have been the main driver of the rise in living standards in the

UK over the last 40 years for low- and middle-income families' (Stratton, 2011). But though wage rates and promotion patterns nearly converge for both genders when men and women first enter the labour force, as soon as children enter the equation gender divisions reappear. Women earn less. They are less promoted, and their skills less utilised; and even when professionally successful, it is they who often pull out of paid employment when parents need to be tended in old age. The gendering of care roles within the family blocks the full exploitation of women's economic skills, at the same time as the inadequacy (and cost) of childcare, the lack of flexible working schedules, and the asymmetry of school hours with employment requirements undermines the ability of two-income families to combine paid work and family life without excessive degrees of strain. These problems are common to many contemporary industrial and post-industrial economies – in that sense, this entry needs to be replicated in a later section of the paper – but they are particularly acute in the UK because of recent public policy: policy limiting childcare support as childcare costs soar (Hodgson, 2013; Siddique, 2013); policy cutting public sector jobs heavily filled by women (Allen, 2011); policy leaving too many women under-employed in part-time, low-skilled work; and policy making the winning of flexible hours by working parents still extraordinarily difficult to get. This latter is particularly frustrating, given recent calculations that 'greater flexibility working could add £11.5 billion annually to the UK economy' (Citrix, 2014).

Trade deficits and structural imbalances

At 6 per cent of GDP, the UK's current account deficit has widened to a joint peacetime record. In years past, that would have been enough to put the UK government into a major balance of payments crisis. The fact that no such crisis currently exists tells us several things. The most serious is that there is nothing new in the imbalance between exports and imports: the UK has run a trade deficit consistently since the deindustrialisation of the 1980s. More telling for the immediate period however, the state of the current deficit also tells us that the Coalition Government's attempts to rebalance the economy – strengthening its manufacturing base and redirecting labour from public sector employment to private – has not yet dented this standard shortfall. The deficit is larger right now than under New Labour primarily because of movements in investment receipts: UK investors abroad earning less than before, foreign investors in the UK repatriating more. Given the continuing under-performance of industries like pharmaceuticals, food production and now North Sea oil – and even allowing for some modest degree of success to Vincent Cable's quiet attempt to reignite an active industrial policy – the UK's basic over-dependence on finance and services remains intact. So too does the vulnerability of the UK's exporting capacity: a 'steady loss of market share of export goods from the late 1990s', a trend that has 'been particularly marked from 2013 onwards, with the relative appreciation of sterling' (Perraton, 2015).

Inadequate productivity growth

At the base of all this, of course, is the much-discussed puzzle of the UK's continuing low rate of productivity growth. The Coalition Government 'presided over an economy with the weakest productivity record of any government since the second world war'; GDP/hour in the UK is currently 17 per cent below the G7 average; with the Office of National Statistics (ONS) reporting a 0.2 per cent fall in produc-

tivity in the third quarter of 2014, leaving output/hour largely unaltered from 2013 and still slightly lower than in 2007. As the ONS put it, ‘the absence of productivity growth in the seven years since 2007 is unprecedented in the postwar period’ (Elliott, 2015a). Why the UK’s recent productivity performance is so poor remains a matter of both great concern and great controversy (Pryce, 2015). If *The Financial Times* recent research is correct, ‘the stagnation in productivity since the crisis is largely explained by just four sectors – professional services, telecommunications & computing, banking & finance, and manufacturing’, each of which ‘played an important role in improving national output/worker before the financial crisis’ but not since (Giles *et al.*, 2015). Productivity in UK-based professional services, for example, averaged 3.8 per cent per year from 1997-2008, but less than 1 per cent per year thereafter (*ibid*). What productivity growth/worker did occur in 2014 was the result of working longer hours, not of working more effectively per hour: with the result that the productivity gap remained firmly in place – 15 per cent lower in 2014 than it would have been, had productivity trends pre-2007 continued unabated – so way below trend, and even below the best of the productivity scores pre-the recession. ‘In the third quarter of 2014, output per filled job in the UK economy was still one per cent lower than in the first quarter of 2008. Output per hour was actually 1.8 per cent lower’ (Wolf, 2015).

Put that way, we end up for illustrative purposes with this initial list of surface issues:

Troubling employment record
Constrained living standards
Housing and debt problems
Deepening inequalities & the persistence of poverty
Work-life balance problems
Trade deficits and structural imbalances
Inadequate productivity growth

If time and space allowed, we could add others: but in general, the most immediate sets of problems that centre-left parties in the UK need to address include at least the following. On the economic front: a troubling employment record, constrained living standards, the persistence of trade deficits and structural imbalances, and underneath them all – the consolidation of a long hours-low wage economy characterised by internationally inadequate levels of labour productivity. In social terms, those economic issues co-exist alongside deepening inequalities of wealth & income, and the persistence of genuine poverty; heightened levels of personal debt and financial insecurity even among those with relatively secure employment; inequalities of opportunity & reward between ethnic groups and generational cohorts; and persistent gender discrimination at work and difficulties of achieving an appropriate work-life balance.

UK specificities

The task now becomes one of explaining why the UK’s surface issues take this form. Here two different kinds of material become immediately relevant: material related to UK specificities and peculiarities that are themselves linked back to the UK’s

position in the global capitalist order over many centuries; and material related to general trends evident inside capitalism at this stage of its global development. In the first of those bodies of material are matters linked to the limits of the Anglo-liberal model of capitalism. In the second are matters anchored in the disintegration of a post-Second World War global order that was initially divided into a First World, a Second and a Third. And beyond both – deeper still – are logics set in play by the necessarily combined but uneven development of capitalism as a global economic system, logics exposing the UK even now to both the legacies of its own imperial past and the impermanence of social settlements created when at least half the world's workforce was locked away from capitalist competition by a Cold War divide that is now itself long gone.

The national specificities now giving the UK's economic/political agenda its own particular feel are predominantly those left in place by the country's imperial past. They include an over-developed financial sector, an over-militarised manufacturing base, an uneven pattern of economic development within the UK itself, a political class with over-large global ambitions, an excessively moderate form of social democratic politics, and an available residue of jingoistic sentiment in the electorate as a whole (Coates, 2014). Two of those legacies are of particular importance here: the long post-war struggle to re-establish the international competitiveness of a UK economy deeply scarred internally by sectoral and regional patterns of uneven development; and traditions of state economic management that privilege military over civilian productive excellence.

Economic under-development and sectoral/regional imbalance have been recognised as problems by the UK political class for three generations now. They – and the productivity shortfall they help sustain – preoccupy Osborne's Treasury as once they preoccupied Brown's (Elliott, 2015b). The relative over-development of finance and the under-development of modern civilian-focused industrial capacity, which constrain the current government just as earlier they did New Labour, was the main domestic economic legacy of the UK's brief nineteenth century period of global economic dominance that set UK-based finance and UK-based industry on different development paths (Coates, 1994). Three times since the end of World War II, the UK political class has sought to correct that imbalance: as Keynesian corporatists under old Labour, as liberal militarists under Thatcherism, and as endogenous growth theorists under New Labour. The UK electorate has proved patient with each of these attempts, but less patient over time: giving Keynesianism a full 30-year run, Thatcherism 18 and New Labour just more than a decade. But, in the end, electoral loyalties always shifted as the imbalance and the under-performance remained firmly intact. For all the attempts down the years to reset the UK's internal economic structure and external economic performance, the UK's north-south divide remains as marked as ever, the City of London remains one of the UK's few leading global economic sectors, and the UK manufacturing base remains as incapable of sustaining a trade surplus now as it has at any point in any of the last three decades.

Experiment four to correct all that is now well and truly underway, and it too carries at its core the impact of the UK's past imperialism. For the other legacy of that past that still shapes the UK's political present is the continuing capacity of centre-right politicians to buy into the whole tradition of liberal militarism (Edgerton, 1991). The militarism may at last be fading, but the commitment to classical

liberalism is not. There is simply no sustained tradition on the UK centre-right of the use of state power for civilian industrial reconstruction of the kind evident in both Germany and France. That use is understood in the UK context as inherently socialist and as such, of the left. The Osborne solution to UK economic underperformance, and to the particular weight that a well-developed welfare state places on the revenue flows of an only slowly growing private sector-based economy, is thus fully in the classical liberal tradition. The Osborne solution is to cut, slash and burn his way to growth: to cut public spending wherever he can (and in his case, that does include the military – he is no Thatcherite on that) and cap public assistance to the poor (IFC, 2015c, 2015d, 2015e; Gaffney, 2015); to slash away whatever remains of organised labour’s capacity to raise wages and control working conditions, and to burn regulations limiting the impact of market forces on business wherever possible. This latter was difficult for him so long as Vince Cable headed the Department of Business, Innovation and Skills. It will be easier now. The UK under Osborne’s leadership is currently immersed in its fourth sustained post-war attempt to reposition the UK economy closer to the position of leadership it knew briefly in its imperial period – and, as such, constitutes Europe’s leading example of voluntarily adopted austerity policies as a route to sustained economic growth.

In that way, these UK specificities play into a series of characteristics/weaknesses uniquely associated with Anglo-American liberal capitalism as a whole – weaknesses linked (in the US as well as in the UK) to that earlier (or, in the US case, still current) imperialism. These include, as Colin Hay put it, ‘the hegemony of an assertive neoliberal ideology; an elite community increasingly trapped in its thinking within this narrow ideological framework, substantial deregulation of markets and privatization of financial management’ and ‘the systematically building up of debt incurred principally to fuel consumption’ (Hay, 2013: also Hay, 2011). It was this Reagan/Thatcher inspired growth model – one based on weakening trade unions, allowing inequality to grow, fuelling consumer demand by the maxing-out of credit cards, and easing taxation on the rich in the belief it would trickle down in extra employment and wages for all – which crashed so dramatically in 2008, and which no amount of political tinkering (George Osborne notwithstanding) can ever put fully back together again. As was argued more fully in the main body of the paper, there thus seems no reason to assume that Osborne’s fourth strategy will be any more successful than the rest: hence the need for the UK centre-left to devise a fifth that ultimately will.

This take on UK specificities then gives us a second column of at least the following kind.

Unbalanced economic development sectorally & regionally
Outsourcing of manufacturing employment and encouragement of service sector growth
Deregulation of business and continued erosion of trade union rights
Abandonment of tax & spend politics: stress on role of government as factor-enhancer
Capped welfare spending, and incremental shift from carrot to stick in moving people from welfare-to-work
Renewed faith in the power of markets to generate economic growth

General trends

This might all matter less if the outlook for global capitalism as a whole was an upbeat one. But unfortunately it is not. On the contrary, there seems to be general agreement among major economic forecasters that the long-term rate of economic growth among major capitalist economies is likely to be significantly lower in the immediate future than in the immediate past. Wolfgang Streeck, for example, when recently wondering how and if capitalism will end, noted a ‘persistent decline in the rate of economic growth, recently aggravated by the events of 2008’: an annual average growth rate of 20 OECD economies generating a 3-4 per cent five-year moving average in the 1970s but only 1-2 per cent immediately ahead of the financial crisis (Streeck, 2014). And he is not alone. The IMF is currently forecasting that ‘growth in potential output in the rich world will be 1.6% a year between 2015 and 2020...marginally higher than the rate of expansion of the last seven years but significantly lower than growth rates before the slump’ (Giugliano, 2015).

Two sets of reasons are often canvassed for this looming level of relative underperformance. One is the thesis on *secular stagnation* developed by Lawrence Summers as a counterweight to the arguments for austerity as a route to economic growth. The other, direr still, is that of the *six adverse headwinds* that the leading American economic historian Robert Gordon now thinks likely to hold growth rates low in the United States for the foreseeable future. One puts the emphasis of the blockage to growth on the demand side of the economic equation, the other on the supply side.

The Summers argument is that, ‘without rapid asset-price inflation or exceptionally aggressive monetary policy, it has proved impossible to generate enough demand to absorb potential global supply’ (Wolf, 2015). The Gordon thesis is that the US economy in particular now ‘faces six headwinds that are in the process of dragging long-term growth to half or less of the 1.9% annual rate experienced between 1860 and 2007’: the headwinds of ‘demography, education, inequality, globalization, energy/environment, and the overhang of consumer and government debt’ (Gordon, 2012). Neither thesis is without its critics – Subramanian (2015) and Eichengreen (2015) for Summers, for example, or Krugman (2012) for Gordon – but even the critics concede the force of the trends being alluded to in this ongoing conversation about stagnation, slowdown and productivity dearth (Fleming & Giles, 2013). For whether we like it or not, we would appear to be caught up in ‘an age of global oversupply: as Daniel Alpert put it, ‘an oversupply of global labour (hence high underemployment); an oversupply of global productive capacity (hence ultra-low inflation); and an oversupply of global capital (hence low interest rates)’ (Alpert, 2013). It is an age of oversupply which in 2014 the politics of austerity then made significantly worse – particularly in the Eurozone. ‘Stupid ... politics and policies ... choked off demand’, as a frustrated Joseph Stiglitz put it. ‘In the absence of demand, investment and jobs will fail to materialize. It is that simple’ (Stiglitz, 2015).

Regardless of where we stand on the relative importance of demand-side and supply-side barriers to rapid economic growth, there is no avoiding the underlying truth to which Summers and Gordon both direct our attention: namely, that dominant trends in contemporary capitalism do suggest that serious difficulties lie ahead for centre-left parties in advanced capitalisms that seek full employment

and rising living standards for the bulk of northern labour forces. One adverse trend is anchored in the *globalisation* of industrial production: the spread of capitalist wage relationships into what was once the closed world of global communism and the Third World of colonial dependency (Coates, 2015b). Social settlements fixed in the West during the Cold War years are now under challenge precisely because less well-paid labour forces are suddenly available for exploitation in authoritarian regimes like China and Russia, as well as in struggling democracies that were once military dictatorships (particularly in South/Latin America). The resulting outsourcing of middle-ranking industrial jobs to former communist regimes in particular (Pierce & Schott, 2012) is reinforcing a pattern of job polarisation in northern labour markets brought into being by *patterns of technological change* that have replaced manual labour with machine-production in many previously only semi-automated production systems (Wiseman, 2015). In the US case at least, the bulk of employment growth after 1990 was in the non-tradable sectors of the economy – primarily government and health care, rather than in manufacturing – sectors in which value-added/employee grew more slowly than in the tradable sectors (Spence & Hlatshwayo, 2012).

Globalisation and technological change have combined, that is, to squeeze middle-class earnings and job security out of the heart of advanced capitalisms, and to leave labour markets in core capitalisms increasingly divided between high productivity (and high-waged) labour on the one side and low productivity (low paid) labour on the other. Tüzeman and Willis (nd) correctly call this ‘the vanishing middle’. In this sense, what centre-left parties now face is the task of raising productivity and living standards in economies that have deindustrialised to a significant (and many claim, permanent) extent – in economies that have prematurely deindustrialised, if Dani Rodrik is right (Rodrik, 2015) – with one core dividing fissure in their labour markets and their electorates being that between a restricted group of top salary earners and a growing body of the full-time working poor (Kuttner, 2014).

Not all advanced capitalist economies are equally deindustrialised. Nor are all of them subject to exactly the same low-productivity drivers. National specificities here relate back to the general global role of their dominant classes, and so to the different degrees to which their particular economic models are linked to imperialism. The US and UK are particularly vulnerable here. But, globally, centre-left politics now have to operate inside (and against the background of) a different balance of forces between capital and labour on the global scale: with capital’s freedom of manoeuvre enhanced globally and with labour (and labour’s share of GNP) threatened inside core capitalisms themselves (Karabarbounis & Neiman, 2013; Rognlie, 2015). The contemporary centre-left faces a world in which growth models have emerged, and prevailed, in the Anglo-liberal economies that have broken the link between productivity and wages which alone enabled both to grow together in the pre-1970s era of Keynesian social democracy, models that are creating instead a growth path characterised by widening levels of income and wealth inequality which – if Thomas Piketty is right – will now become self-sustaining unless public policy acts to redress it. The generation of that kind of counteracting public policy is made all the more difficult, of course, by the institutional embedding of neoliberal principles and practices, and by the systematic and deliberate weakening of institutions and social forces committed to greater economic equality and social justice. The backcloth to the centre-left’s search for an effective growth strate-

gy is the emergence, that is, of what Robert Reich recently called ‘the share-the-scrap economy’ in which ‘almost all profits go to the...owners’ and in which just ‘the scraps’ go to labour that is increasingly deployed only on demand (Reich, 2015).

If those are not problems enough for those of us committed to progressive politics, then let us also add demographic and welfare issues of the kind mentioned by Robert Gordon. It is conventional in much of the literature on comparative welfare politics to recognise the existence of a *generalised crisis of the welfare state* – a crisis differentially impacting (but common to all) the various types of welfare system now embedded in the advanced capitalist world (Esping-Anderson, 1990). Prior to the 2008 financial crisis, problems of welfare provision in such economies were largely a product of the systems’ successes: people living longer, expecting better healthcare, looking for a more equitable work-life balance, and so on. Pre-2008, it was the growing weight of welfare provision on even successful economies that was producing tax rebellions, a degree of re-commodification of welfare services, and the recalibrating of many welfare programmes (Pierson, 2001). But post-2008, it has been the under-performance of the underlying economies that has taken the crisis of the welfare state to a new level. Ageing baby boomers, growing numbers of the poor and under-employed, and escalating healthcare costs now all have to be sustained from tax revenues depleted by low rates of economic growth, poor productivity performances and growing opposition to increased taxation (Hay & Wincott, 2012). And, if that is not enough to complete the progressive misery, let us add a dash of environmentalism as well. For once we include in our analysis of general trends a growing awareness of the limits imposed on any model of economic growth by resource depletion and environmental damage, the resulting policy options narrow again. There is no easy re-industrialising route back to full employment and generalised prosperity for Anglo-liberal capitalist models now struggling to achieve both, even for those political forces keen to recreate that prosperity on the basis of greater equality.

So not everything currently besetting the UK economic/political agenda is unique to the UK alone. The UK’s productivity crisis is certainly more severe than elsewhere, but all major capitalist economies are now dealing with a productivity slowdown of the scale last seen in the 1970s. Each of them is also dealing with that productivity slowdown in the shadow of the 2008 financial crisis. Each in that sense is experiencing some version of a collapse in internal social settlements based on the governing assumptions of the Great Moderation (Coates, 2015a). Each is also dealing with general tendencies visible in developed welfare capitalisms of whatever variety (liberal, conservative or social democrat); and each is dealing too with a world transformed by the collapse of communism and the subsequent movement of whole industries out from the conceptual north, out east and out south. Each, that is, is having to operate now in a global order in which the balance of power between capital and labor has shifted markedly in capital’s direction, putting northern welfare states under heavy competitive pressure: but also in a global order in which many of the sharpest tensions between capital and labour are now being played out in developing, rather than fully-developed, capitalist economies – and are being played out there in a manner reminiscent of northern class struggles generations ago (Coates, 2015b). Each is experiencing, to varying degrees, a combination of employment-outsourcing and job-polarisation that is undermining the security of middle-class incomes; and each is exposed to processes of intensified income and wealth inequality of the sort identified by Thomas Piketty and his colleagues.

Among those more general trends, therefore, are at least the following:

Secular stagnation in the context of austerity politics
Headwinds that lower growth rates & erode productivity
Globalisation, the collapse of communism, and a generalised wage race to the bottom
Technological change and the polarisation of jobs/labour markets as the global weight of capital & labour shift
The intensification of wealth & income inequality, and the associated rise of a neoliberal orthodoxy determined to protect that inequality
A generalised crisis of the post-World War II welfare state
Environmental constraints and the new fight for limited resources

Capitalist Logics

Behind the national specificities that gave UK politics its particular flavour are general tendencies that recognisably flow from the core contradictions of global capitalism long recognised within the Marxist tradition: not least

Structural contradictions between capital & labour
Necessarily combined but uneven economic development
Crises of over-production and of disproportionality
Crises linked to the changing organic composition of capital and the tendency of the rate of profit to fall

This all then pulls together in a particular way:

Surface issues

Troubling employment record
Constrained living standards
Housing and debt problems
Deepening inequalities & the persistence of poverty
Work-life balance problems
Trade deficits and structural imbalances
Inadequate productivity growth

National specificities

Unbalanced economic development sectorally & regionally
Outsourcing of manufacturing employment and encouragement of service sector growth
Deregulation of business and continued erosion of trade union rights
Abandonment of tax & spend politics: stress on role of government as factor-enhancer
Capped welfare spending, and incremental shift from carrot to stick in moving people from welfare-to-work
Renewed faith in the power of markets to generate economic growth

General Trends

Secular stagnation in the context of austerity politics
Headwinds that lower growth rates & erode productivity
Globalisation, the collapse of communism, and a generalised wage race to the bottom
Technological change and the polarisation of jobs/labour markets as the global weight of capital & labour shift
The intensification of wealth & income inequality, and the associated rise of a neoliberal orthodoxy determined to protect that inequality
A generalised crisis of the post-World War II welfare state
Environmental constraints and the new fight for limited resources

Capitalist logics

Structural contradictions between capital & labour
Necessarily combined but uneven economic development
Crises of over-production and of disproportionality
Crises linked to the changing organic composition of capital and the tendency of the rate of profit to fall

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The
University
Of
Sheffield.

Sheffield Political Economy Research Institute
Interdisciplinary Centre of the Social Sciences
219 Portobello
Sheffield S1 4DP

T: +44 (0)114 222 8346
E: speri@sheffield.ac.uk