

## ***The Political Economy of 'Progressive Austerity'***

*'Hard times ain't gonna rule my mind no more,' Gillian Welch, The Harrow & The Harvest (CD 2011)*

Can there be anything 'progressive' about austerity? Does capitalist crisis always have to be resolved anti-socially, with mass unemployment and impoverishment, and on political terms which favour the right? Our most recent history is not encouraging. Britain's last major sustained economic crisis began in the mid-1970s and was finally resolved by the 'authoritarian populism' and 'regressive modernisation' of Thatcherism, with large-scale privatisation, deregulation and de-industrialisation, and hugely divisive and destructive effects on British society evident to this day.<sup>1</sup> The initial reaction of the left and the labour movement (in those days very much the same thing) was wholly traditional and predictable, a wave of strikes and demonstrations, and beyond that widespread civil disorder. The assumption was that this was just 'the same old Tories', and that like Heath in 1974, they could be defeated by the same old combination of voting Labour and industrial action.

But unlike previous Tory governments, Thatcher was happy to confront opposition, and in the process to defeat and disperse the political left. The later 1980s response from the left was rather more intelligent and constructive – serious consideration of alliance politics and electoral reform, of the sweeping changes in global capitalism in these 'new times' and the shifts in policy and perspective they might require, the beginnings of a mass green politics – but by then it was too late.<sup>2</sup> Thatcherism had transformed the economic and political landscape, consolidated its own hegemony, and killed off the 'social democratic consensus' forever. An exhausted and demoralised left was forced into accepting the new ideological dispensation. The 'New Labour years' of shabby compromise and unbridled consumerism, of binge and bling and spin and scandal, ensued.<sup>3</sup> As soon as bust replaced boom, and the inherently destructive cyclical dynamic of capitalism was again revealed, New Labour imploded in another round of defeat and disillusionment. Perhaps earlier periods of austerity, and 'progressive' responses to it, might offer more encouragement.

### *'Austerity Cripps' and the Social Contract*

Stafford Cripps was Chancellor in the latter years of the Attlee 1945/51 Labour governments. Now largely forgotten, he was at the time popularly associated with the austerity measures that helped overcome successive economic and fiscal crises, partly because of the austerity of his own character and lifestyle. He was a strict vegetarian and holiday naturalist, rising at 4 am to take a cold bath and begin an 18 hour working day, and demanding similar levels of commitment from colleagues. In the 1930s he had been regarded as a 'crypto-communist' and expelled from the Labour Party (alongside Nye Bevan) for several years, but in the very different political climate of the 1940s he was brought back into the fold. In retrospect Cripps has been described as one of the most effective Chancellors ever in his management of fiscal strategy, and as such the real architect of post

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<sup>1</sup> S. Hall, *The Hard Road to Renewal* (London 1989)

<sup>2</sup> M. Jacques & S. Hall, *New Times* (London 1989)

<sup>3</sup> See A. Pearmain, *The Politics of New Labour* (London 2011) for a fuller account

war recovery and reconstruction on a broadly socialist model, specifically the welfare state, the NHS, old age pensions and social security.<sup>4</sup>

One aspect of that 'social democratic consensus', at least in its crucial early years, was trade union acceptance of an incomes policy, a historically unprecedented disavowal of free collective bargaining which Cripps won against stiff opposition within his own party. A deal was struck, a peculiarly British historic compromise. In return for better state support for themselves, their families and communities - the Labourist master-concept of 'fair shares' on a society-wide basis - working people would forego the wage increases their collective power would otherwise have earned them in an era of virtually full employment. This mood of constructive sacrifice didn't last long, despite immediate and tangible benefits to the health, diet and cohesion of the nation, especially its children. The TUC voted against incomes policy in 1950, and 'the old free-for-all' resumed. By 1951, the electorate (specifically the resurgent middle classes) had had enough of 'Crippsian austerity' - rationing, queues, 'a general prohibition on fun' - and brought the Tories back in (albeit with fewer but better distributed total votes than Labour). But the labour movement, at its political and industrial zenith, had shown its readiness to restrict its members' immediate material interests for the sake of national economic stability and to use its considerable 'muscle' for the greater social good.

The social democratic consensus survived a further quarter century, into the 1970s, and brought with it greater equality, general prosperity and upward social mobility than the country has ever known. But by then Britain's long-term relative economic decline within global capitalism was clear, with the beginnings of mass unemployment and inflation at 26 per cent in 1975. The social contract was a last-ditch attempt to preserve the Labourist achievements of the welfare state, the corporate or tri-partite economy and at least the prospect of full employment, and to stave off what would become known as Thatcherism. Agreed between the TUC and Labour in opposition in 1972, the social contract became the central strategy of the 1974/79 Labour government.

Again, incomes policy was a key ingredient, limiting wage increases to an annual percentage, for the most part well below inflation. The further detail of the social contract was largely about trade unions' corporate interest in removing Tory restrictions on their actions and organisation. Unlike largely constructive and (for all the bleating of the post-war 'squeezed middle' class) genuinely progressive 'Crippsian austerity' (from which the middle class would ultimately benefit enormously in health, welfare and especially education), the 1970s social contract was a narrowly defensive move. Attempts to incorporate more positive change like greater industrial democracy, as advocated by the Labour-aligned Institute for Workers Control in tune with the liberationist mood of the time, or to connect the social contract with the demands of the new social forces among women and ethnic minorities and young people, remained secondary and marginal.<sup>5</sup> The ideology of Labourism was exhausted, its advocates grown old and complacent, its broader social purposes sacrificed for corporate and parliamentary expediency. The 'winter of discontent' of 1978/79 was largely about popular patience wearing thin with wage restraint, and the inability or unwillingness of the Callaghan government to deliver its side of the bargain.

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<sup>4</sup> P. Clarke, *The Cripps Version* (London 2002)

<sup>5</sup> M. Prior & D. Purdy, *Out of the Ghetto* (Nottingham 1979)

### *British Capitalism Now*

For all the grand claims of Thatcherism and its New Labour variant, and their undoubted ideological and socio-cultural impact, the British political economy remains resolutely non-modernised. What we've mostly been doing for the last thirty years is taking advantage of development elsewhere. British capitalism is still in deep long-term trouble, its relative historic decline masked only by the buoyancy of finance capital. The City of London - that square mile of glass-fronted monoliths where much of the world's money is gambled or laundered - now accounts for fully twenty per cent of the British economy. And it's proudly aware of its own importance, 'too big to fail' and able to dictate the terms of recovery, and in the process accrue yet more wealth and power. For all the post-credit crunch 'banker-bashing', *The Times* (4/7/11) reports approvingly that 'the values of Central London properties are at a record high as foreign money floods into the market and City bonuses recover... More than ever, London is regarded as a safe haven for international capital.' But beyond the City, the national economy founders: Gross Domestic Product from manufacturing has declined from twenty three per cent in 1979 to twenty per cent in 1992, then most precipitously under New Labour to eleven per cent in 2010. Fifty eight per cent of GDP now derives from economic activity based on public spending and private borrowing, which only deepens our indebtedness and dependency on global money markets. That's why 'market confidence' is so important, and why reducing the deficit in public finances takes overriding priority in fiscal strategy (Cripps ran an even bigger deficit, but post-war Britain was still a primarily manufacturing economy, able to produce and export its way out of trouble).

The deficit really is the economic legacy of the New Labour years, as the Tories allege, but it has less to do with fiscal profligacy than political timidity. On one measure, the deficit is wholly attributable to public spending financed by borrowing rather than taxation; a New Labour conjuring trick designed to placate the tax-averse middle class and deliver the illusion of 'something for nothing'. But it was always going to create a huge black hole in the public finances once bust replaced boom in the business cycle. The Blair/Brown government took out an enormous overdraft; global capital now wants its money back, with generous interest. Forget the sideshow of bankers' bonuses, which merely serves to illustrate the amorality of the unfettered market. The current problem for the British economy is that we are caught in a vicious circle of deficit reduction and near-zero growth. Inflation fuelled by rising global commodity prices threatens 1970s-style 'stagflation' and steadily falling living standards for all but the super-rich. Any conceivable government would have to deal with all this. For all Ed Balls' bluster, there would only be minor differences of emphasis, pace and scale under 'Newer' Labour. Barring an unlikely socialist revolution, the foreseeable economic future - by which I mean the next ten to twenty years - consists of public spending cuts, rising unemployment and (just as serious) underemployment, widening material and cultural inequalities and deepening poverty and hardship; all this in an already fractious and divided society, profoundly ill at ease with itself. And crucially for our purposes here, this prospect does not in itself favour the left. The real political lesson of the 1970s and '80s is that deep protracted recession favours reactionary outcomes.

The outlook for the current generation of young people is especially bleak, with little chance of secure jobs or homes of their own, and heavy burdens of personal debt. Less tangibly, the benign circumstances of most of their childhoods have left them psychologically and culturally ill-equipped to deal with the blight of their young adulthoods and the indefinite postponement of independence,

especially young men. Their responses are almost wholly private, a retreat into the solitary bedroom pursuits of bored and alienated individuals. The recession is being resolved at their expense, but they are incapable of much more than aimless complaint, hyper-cynicism and ultimately sullen acquiescence. How will the rest of us deal with millions of unattached, ungrounded, incapacitated, under-socialised, immature but no longer young men in their thirties and forties? We have had a foretaste on some of our inner city council estates, in the worst of 'lad culture', and rising rates of mental illness and social isolation.

### *The Politics of Austerity*

These are the economic and social realities of our time. What of their effects on the political and ideological climate? The most obvious and immediate – verified by recent local election results, at least in England – is that there is a real public appetite for austerity. Many people accept the case for cuts, unless they have an acute personal or sectional interest in opposing them, or a diehard political anti-Conservatism. This popular fatalism is based on a simple understanding or 'common sense' of how our country is run, not just economically but also politically. Whether we like it or not, we live in a parliamentary democracy. It's arcane and creaky, especially in the demoralising aftermath of the AV referendum, but nonetheless well established and widely accepted. The fact is that public spending has already been fixed for the next four years, the parliamentary lifetime of the coalition government. Barring an unlikely political collapse, or an even less likely short-term economic miracle, deficit-reduction will remain its overriding priority. For the public services all that remains is the fine detail, and the internal bun-fight between services, departments and even individual workers.

This is how a modern parliamentary democracy works in an unfettered capitalist economy, with primacy given to business, operating on a resolutely un-banished cycle of boom and bust. The cuts will work their way through the public economy in just the same way recession has worked its way through the private economy, according to the hegemonic logic of competitive individualism and the free market. In fact the 'neo-liberalism' of privatisation, PFI and 'outsourcing' has rendered the traditional public/private division of the British capitalist economy even less secure, impermeable and meaningful than it always was. The strongest and loudest will emerge relatively unscathed, within as well as beyond the public sector, while the weakest and least canny will go to the wall. We are embarking on a further twist in the tale of Thatcherism, which remains the dominant ideological impulse within modern British history; a prolonged and brutal shake-out of the historical achievements of a century of Labourism.

The 'politics of protest' are no answer to this deep historical shift, especially when they dress up vested interest in grand rhetoric and gesture, or appear to involve only those with few other personal or social responsibilities. 'Socialism' is even further beyond reach than it was in the 1970s, and the Con-Libs have just as much to gain from facing down the unions as Thatcher. 'Mindless militancy' – how the last major strike wave in the 1980s became lodged in the popular consciousness – is even more sterile and self-defeating this time around because of the concentration of trade unionism in the public services and ex-public utilities, which now account for fully 5.5 million of the 7 million trade union members (compared to 4 million out of 12 million in 1980). Even more than before, public sector strikes don't immediately affect the private sector, or even the larger demon of capitalism, but do cause serious annoyance to the public who use those services. For all their talk of

the impact of cuts on the community, what public sector unions are really trying to protect are the jobs and incomes of their members. This is the historically defensive-solidaristic basis of British trade unionism, forged in the factories of manufacturing industry in an era of unapologetic private capitalist exploitation, and adopted pretty much wholesale by public sector unions whose industrial relations are actually fundamentally different (which is what gives public sector militancy a slightly 'make-believe' flavour; teachers strolling down Whitehall making sure to bin their litter).<sup>6</sup>

The 'general public' – that's us, the users, funders and at least notional employers of those services -understands that unions' primary responsibility is to their members. As such they are merely one among a number of special interests looking to maximise their share of the economy, which is mostly why people join them. This they did very effectively during the boom years, at least in those parts of the economy where they still held sway, against a background of broader decline in the 'public service ethos' and the reputation of most state services. In an era of generalised austerity much of the public now wonders why the public sector should not share the pain, just as elements of the private sector did when recession first struck and cuts in hours and even wages were quite widely accepted to safeguard jobs and whole companies (how widespread this practice actually was is not especially relevant; what matters is the ideological impact of 'private sector sacrifice'). This is the dominant recurring element within popular responses to recent agitation over public sector pensions, which are seen as unaffordable and unjustifiable when 'final salary pension schemes' have largely been driven out of the private sector.

Beneath this mood of sullen acquiescence there is a primitive historical understanding, a kind of honest-to-God popular fatalism, that the British economy has become too dependent on financial and property services, on retail and consumption, on imports and foreign investment, all of it superimposed upon serious and unresolved sectoral and regional imbalances and divisions. Put simply, 'we don't make anything anymore'; a complaint felt especially acutely in the industrial north which historically did little else but make things. On top of that is a solidifying consensus that the New Labour years merely papered over the cracks with dodgy borrowed money. The party now has to be paid for. This is the 'common sense' of our time. We have to acknowledge its underlying realism and ideological force, offer alternative explanations and begin to suggest constructive solutions, a 'good sense' that begins to put our society back together again and take it forward.

It is in part a matter of tactics: what 'actions' will actually achieve something concrete and good? Can we make our point in ways that take people with us, which are (in Gramscian terms) creatively 'counter-hegemonic'? Can we think up something more positive and productive than strikes and demos? Can we amuse, enlighten and engage, rather than disrupt and annoy? In response to the inevitable question 'What would you do instead of strikes and demos?' I can only honestly reply I don't really know (though I've got one small suggestion at the end of this article). But I have seen enough of life and politics to know that doing something badly is usually worse than doing nothing at all. Let's be honest: the actual daily business of unions in these 'hard times' is negotiating redundancy terms for individual members. That's what the union officials I know are busy doing. Even on pensions, the real action is going on behind the scenes in negotiations between officials. The strikes and demos appease the activists and fill up the rolling news bulletins, but all

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<sup>6</sup> *Guardian*, 1<sup>st</sup> July 2011

they really achieve is a further loss of public support and credibility, and significant steps towards a new wave of legislation to restrict public sector strikes. Beyond that, all that's really on offer is the tired mantra 'Vote Labour', which was never enough and in these days of a hollowed-out, post-Iraq Labour Party is even less of an answer, not least because millions of us have vowed never to vote Labour again. After New Labour, how many people seriously believe in the left-wing or even 'progressive' credentials of the Parliamentary Labour Party (including its self-styled if vaguely defined 'progressives')?

*A 'Progressive Austerity' for an era of 'Zero Growth'?*

Beyond these tactical issues, is there a strategic green response to cuts which begins to reconfigure the 'progressive left' around the most compelling 'issue' of our time, climate change, and offers some prospect of a democratic politics which can mitigate and avert environmental catastrophe? An approach that doesn't finally rely on the traditional labourist perspective of relentless economic growth under capitalism - more stuff to meet more contrived need - but instead offers some prospect of a sustainable 'steady state' or even sensibly shrunk economy emerging from within recession? Though international comparisons can be seriously misleading, it's worth noting that Japan has had a nearly 'zero growth' economy for two decades; it's been occasionally difficult but life goes on. Japan has no particular problem of unsustainable consumption - no worse than most places and a lot better than many - or private borrowing. Rather, orthodox economists complain that people have too many savings, which right now looks like not too bad a problem to have. Japan remains the third largest economy and one of the most equal and harmonious societies in the world, with life expectancy and quality second only to Denmark. Its exemplary response to the recent earthquake and tsunami demonstrates its basic social efficiency. For the same simple reason, global capital is prepared to tolerate a Japanese public debt or 'deficit' higher than any other country, at 225 per cent of GDP.

A lot depends on how we see 'growth', and in the longer term the ideology of 'growthism'. Low growth is a problem for global capitalism looking for quick and easy profits, rather than for individuals and communities trying to lead meaningful and satisfying lives. It has become a truism that beyond a certain level of material comfort and prosperity, there is no increase in well-being; money can't buy you love. If anything, relentless 'growth' increases inequality, social disharmony and (however we define this somewhat slippery concept) happiness.<sup>7</sup> How can Britain make the best of our economic situation and 'low growth' prospects? Can we, in circumstances of prolonged 'flat-lining', take action which helps create a more harmonious and serene society and (actually the far bigger objective) avert environmental breakdown? Perhaps the British left can for once be creative and constructive, and regain some of the public trust we are going to need if we are to get anywhere near government and broader political power ever again. But this will require a major historic shift in strategic perspective.

For almost all the modern industrial era, left wing politics in Britain finally relied on the 'industrial muscle' or 'bargaining power' of the trade unions. At the proverbial end of the day, they could withdraw their members' labour and 'bring the economy to its knees'. That's how concessions were wrung out of the capitalist economy, in the form of wage rises or better welfare provision. The

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<sup>7</sup> P. Devine, A. Pearmain, D. Purdy, *Feelbad Britain* (London 2010)

world and our country's small place within it have changed enormously since those heady days, above all in the organisation of work. Eric Hobsbawm sketched the beginnings of this process in his masterful 1978 essay 'The Forward March of Labour Halted?'; labour disorganisation has since continued apace.<sup>8</sup> Work itself has become much more individualised and much less union-organised, with the end of 'jobs for life', the 'right to manage' re-established and the vast majority of new jobs beyond the collective reach of trade union membership. At the upper end of the traditional 'proletariat', self-employed craftspeople have bought into the neo-liberal ideology of self-reliance and competitive individualism. At the lower end, mass unemployment and (less commented upon) under-employment have become again ostensibly permanent features of capitalist economies. This is the material-experiential basis for an entire 'dependency culture' among what Andre Gorz identified in 1982 as an emerging 'non-working class' and we have since come to call the underclass.<sup>9</sup>

Not surprisingly the social base of Labourism, the defensive 'subaltern' solidarities resting on the ideology of work, has shattered under the strain. In many parts of the country, several generations have never held down a proper job for any amount of time, let alone pursued what might be considered a career or trade. It's not just about material or financial poverty either. Congenital worklessness causes ignorance and incapacity, alienation and loss of legitimate purpose and, in the search for mitigation and consolation, petty crime and substance misuse, family breakdown, obesity and physical and mental illness. Steady waged work is no longer a right in these places, or even a privilege, but a barely attainable or even imaginable luxury. Creative, purposeful work confers social meaning and structural discipline on our lives, a secure and collaborative connection to other people and the outside world. Without it, we drift into anomie and depression. Men in particular, without the traditional alternative purposes of home-making, reproduction and childcare, are left personally as well as vocationally redundant (or rather, the politest term used by women in relationships with them, 'useless'). The central issue for what remains of the 'labour movement' is no longer the terms and conditions of waged work, but its social distribution.

This time around, there is an added age basis to the new mass unemployment, partly because of the collective strength of the 'baby-boomers' now at or nearing retirement age (on unprecedentedly generous occupational and state pensions). In order to solve the current recession, an entire generation of young people all across the country is being written off, on a much wider scale than the entrenched 'underclass' and deep into the previously 'prospect-rich' middle class. For most young people, secure waged work is being deferred for a decade or more, well into their thirties and beyond. Previous generations would have settled careers, homes and families by this stage. In other words, they would have attained independent responsible adulthood. Its indefinite postponement risks a social catastrophe.

So what can the 'labour movement' do about it? How can the unions use what little industrial muscle they retain to stave off the worst social effects of the new generationally-biased mass unemployment, and just maybe induce change which anticipates a better, fairer and more equal society? What might 'progressive austerity' look like now, when the traditional bargaining

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<sup>8</sup> E. Hobsbawm, *The Forward March of Labour Halted?* (London 1981)

<sup>9</sup> A. Gorz, *Farewell to the Working Class* (London 1982)

power of the trade unions and (with wages suppressed by the market) the 'negotiating table' of formal incomes policy are no longer available? We could start with the public sector, where the vast majority of the unionised workforce is concentrated, and where the unions have at least some institutional or corporate strength with which to press for change. Just recently, NHS management proposed that the unions and their members might consider wage restraint (not even freezes or reductions) in order to minimise redundancies. The unions responded with predictable outrage. Similar proposals in local government are eliciting similar reactions, even in the face of simple and inevitable trade-offs between jobs and wage-rises on local government balance sheets.

Perhaps we need to take a rather different and explicitly socially aware approach, a more direct redistribution of the luxury of work within the public sector, with the specific aim of inter-generational solidarity. This is not a wholly new idea: in 1989 John Lloyd proposed that the TUC bid to run 'privatised' Jobcentres, as 'proof that the collective delivery of common services could be performed and could find public support.'<sup>10</sup> There are lots of other historical examples, here and abroad (especially in the supposedly union-busting USA), of unions assuming responsibility for recruitment and in the process challenging the inconsistency and unfairness of the labour market within capitalism.

In the same spirit of small change within the realms of possibility, which might just prefigure larger social transformation, I propose that every public sector worker over the age of 50 take on an intern or apprentice under the age of 30. Over a period of five to ten years they would share their job, at no extra cost in wages or infrastructure, gradually transferring time and responsibility and salary, until the apprentice is ready to take the job on full-time (or recruit an apprentice of their own). Along the way, the original worker can gracefully and gradually retire on their generous public sector pension. Of course there would be objections, which in the end come down to the loss of material benefits to the full-time worker going part-time. But this brings us to the biggest (and greenest) questions of all: do we really need to keep buying new things? Haven't we got enough? Or are we just buying stuff to fill in our emotional holes, the widening gulfs between us, the growing sense of futility and disconnection inherent in modern consumer capitalism? In which case we need to grow up and out of it, and assume some adult responsibility towards the future, the world and the rest of humanity.

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<sup>10</sup> J. Lloyd, *A Rational Advance for the Labour Party* (London 1989)