

THE LABOUR PARTY COULD BE ABOUT TO REPEAT THE MISTAKES OF THE 1970S.

A pamphlet titled: "**ALTERNATIVE MODELS OF OWNERSHIP. REPORT TO THE SHADOW CHANCELLOR OF THE EXCHEQUER AND SHADOW SECRETARY OF STATE FOR BUSINESS, ENERGY AND INDUSTRIAL STRATEGY**" was recently issued in the name of the Labour Party. It was a discussion document intended to inform and influence the policy proposals to be tabled at the Labour Party Conference later this year. It was discussed at a meeting held in London on the 10th February.

This document would be taken more seriously if it did not emanate from a party leadership that pledges to fight inequality in the future instead of the here and now. In December 2015 John MacDonald, one of the authors and drivers of the meeting, co-signed a letter to Labour Councils instructing them not to set illegal budgets, that is a no-cuts budget. In this letter, unlike the earlier version, no threats of expulsion were made against councillors who contemplated voting against the cuts. The letter complained that councillors were helpless in the face of the 1992 legislation which would debar them should they vote against cuts. The biggest fear expressed in this letter is the replacement of Labour councillors by commissioners, in other words the loss of Labour councils.

Why this should make any difference to the inhabitants of any borough is not addressed in the letter, namely that councillors would have the same amount of money to spend as would replacement commissioners. All that would change is that commissioners may cut here instead of there but in the end the same quantity of cuts would need to be made. The brutal fact is that council spending has been savaged by 45%, (second only to Greece) and the deepest of any department of state meaning that councils no longer have any discretionary spending left. The evidence is there for all to see. Labour Councils are being less than honest about the cuts and its effects on the workforce, the provision of services and the extent of the damage done to their communities. This will be demonstrated in the May Council elections where Labour, with the exception of London (Brexit), will fail to attract working class votes.

The letter of 2015 continues to peddle the illusion that local democracy exists. It does not. Of all the countries in Europe, English councils gain the least financial support from central government. All councillors are allowed to do, is to nod through cuts which have been dictated by unelected officials in the Treasury. The BMJ has reported that austerity related deaths by 2020 will total 200,000. So much for local democracy.

As always, the Labour Party indulges in electoral cretinism. Holding on to office is the highest goal. But if preserving council seats is the highest priority, then it means the party cannot lead resistance against the cuts because holding onto seats means making cuts. The alternative, the mass resignation of labour councillors unwilling to pass cuts, is not considered. This is clearly a case of putting the party before the class. It makes no difference, whether councillors making cuts have been elected by open ballot in the party or by bureaucratic conspiracy, the fact is they are united in their implementation of the cuts.

It also helps explain why Labour has not decisively eclipsed the Tory Party in the polls despite the Brexit albatross around May's neck, despite the collapse of Carillion, despite the crime of Grenfell, despite everything else. Clearly, Corbyn's promise of jam tomorrow is no substitute for the bitter gruel being served today. What is absent from the Labour Party's strategy is an orientation away from the corridors of power to the streets, to mass campaigning around the NHS, schooling, social services, housing and so on.

Instead Corbyn and MacDonald have issued the instruction “prepare for an imminent election”. The result is that canvassing has replaced campaigning. Routinism has replaced leadership. The same weaknesses found today are replicated in the pamphlet “Alternative Models of Ownership”. To make sense, the title of the pamphlet should have read: “Alternative Models of Owners need Alternative Methods of Struggle”.

But there is no mention of raising the tempo of class struggle - the struggle that is needed to bring down this government, the struggle that will make possible, politically, the proposed forms of ownership. Instead everything hinges on a future clockwork election. The implicit proposition is that your elected representatives can do it for you once they get a majority in parliament. It sows illusions. There is no mention in this document, that to set up and to defend these forms of ownership all the laws holding back workers, especially the anti-union laws have to be abolished. There is no hint of class war in this document except the threat of retaliation by finance capital.

The biggest single lesson to be learnt, one which is deliberately obscured, is that the gains made by workers in parliament have always been made before-hand in the streets. Victory in the streets takes place before, not after, Parliament votes. All that Parliament does is to legislatively rubber stamp these gains, and it often does so, in order to water down these gains. The whole idea of participatory democracy is to render workers passive, to delegate responsibility to our political representatives, to reduce all mass campaigns to the one which puts a X on the ballot paper. It preserves the illusion, that it is in the corridors of Westminster, a building as rotten as the tradition of electoral democracy, where change occurs.

It is not “OUR” economy.

This pamphlet is notable for its lack of ambition. In addition, by leaving its intentions open ended and preliminary, it seeks to prevent the media whipping up a frenzy that they will be “unaffordable” and do “economic harm”. This is confirmed by the following disclaimer. *“This report is the work of external experts and constitutes a report to members of the Shadow Cabinet. It should not be taken to represent Labour Party policy”* (contents page).

It is also a sloppy document. *“In recent times, the economic system in Britain has been dominated by a particular form of ownership, that is to say, private property.”* On the contrary, the British economy has been a capitalist economy, one which has exploited its own workers and the nations of the world for over three centuries. How three centuries can be considered recent times is unfathomable, except of course, if it assumes that the period of neo-liberalism since the early 1980s is “recent times” and comprises a unique period.

But neo-liberalism is not the exception nor the aberration. Neo-liberalism is consistent with conditions found throughout these three centuries. It was the post-war mixed-economy, which endured for only 30 years, that was the exception. For only 10% of its life has capitalism in England ever had a mixed-economy which the pamphlet sets as its goal. The mixed economy following the war was predicated on the balance of class forces, firstly, a highly unionised work force suffering war time privation, and secondly, a resurgent USSR. This compares to today, where a subdued working class suffering low union density, faces a resurgent capitalist class.

Nor is the capitalist model the one described by the pamphlet. Capitalism can be *“loosely defined as a legal structure in which private capital investors have the collective right to appoint management, as well as ownership rights to any residual income generation”*. A hundred times no. How do private capital investors “rights” arise in the first place? They have been achieved historically by forcibly and bloodily separating the actual producers from the means of production, distribution, information and

the land. This is the power of capital, the power to act as investors, the power to appoint managers, the power to exploit their employees.

They own the country. It is their economy not ours and it is the biggest insult to workers to describe the economy as “our economy” which the pamphlet does over and over again. “*Tackling short-termism and low investment is key to improving productivity, and thus wealth, in our economy.*” (Section 1, page 6) When workers apply for work, it does not help saying, you will give me a job because it is our factory, or I can walk where I like because this is our land, or better still, telling their employers they cannot fire us because it is our economy, or better better still, telling the police who are baton charging strikers during a dispute to desist because it is our economy.

It is a capitalist economy. So why the sleight of verbal hand? This is no accident, a careless or thoughtless spasm. It is deliberate. By describing the economy as our economy, it creates the impression that Labour has a right if not an obligation to help manage the economy. It sets the tone for collaborative participation. If the economy was described as their economy, the economy of the 0.1%, the economy serving the capitalist class, what possible interest could we have in managing it for them, or better still, managing it more effectively than they and their managers can?

Further it is wrong to say that private ownership rights provide the entitlement to any “residential income generation”. To say this is to adopt the capitalist world view, that profit is the residue that remains over once cost price is subtracted from selling price. But this view is just the inversion thrown up by competition. In fact, wages are the residual income to workers because it is the residue of their labour that is paid. The bulk of their labour is unpaid and it this unpaid element that allows the capitalist to sell at a price higher than cost price (what it cost them to produce).

This then is the anthem of left reformism. Capitalism should be a joint venture between capital and labour. We all have a stake in it, capital and labour. It should work for both sides.

As the new leadership of the Party sees it: what has happened over the last thirty years is that this alleged joint venture has broken down. It has become one-sided leading to inequality and the capitalists cannibalising the economy for their own short-term interests. The balance needs to be restored. The renationalisation of core services including the NHS is needed, more industrial democracy is needed, and the hated anti-union laws need to be scrapped, though inexplicably, this is not discussed in the pamphlet.

As an electoral party the Labour Party has always sought to convince the British working class that revolution is not needed. That there is an accommodation for workers within a reformed and revitalised capitalism. This is attractive to workers at first because it holds a solution to their financial problems short of having to overthrow capitalism. Until it has been demonstrated to them via United Front work, that is putting the ideas of Labour to the test, they will not come to see that this short cut ends in a cul-de-sac, they will not be won to revolution.

THESE PROPOSALS VERSUS THE ALTERNATIVE ECONOMIC STRATEGY (AES) OF THE 1970S.

This is not the first economic strategy proposing nationalisation and industrial democracy in living memory. It was preceded by the more comprehensive and coherent AES in the 1970s. The AES had seven elements: reflation, public ownership, planning, price controls, industrial democracy, capital controls and import restrictions. The latest strategy proposed by MacDonald shares three of the commitments – reflation, public ownership and industrial democracy – while immigration controls substitute for import controls.

The economic and political background for the AES could not have been more different. Trade union density was rising as was militancy, the Soviet Union was still seen as an alternative to capitalism, hence the popularity of planning, and, imports from countries like Japan were beginning to swamp the economy. In contrast, today, trade union density has declined dramatically, strikes are at a low ebb and the balance of class forces decisively favours the capitalist class.

On the plus side, and this should not be underestimated, the new Corbyn leadership is supportive of the new strategy whereas Wilson and Callaghan were vehemently opposed to it, and the mood of the population is totally different today. In the 1970s nationalisation was commonplace, hence the term, “mixed economy”, a mixture of state and private capital. When key industries were originally nationalised after the war, their owners were overpaid saddling the nationalised industries with unnecessary debt, and their output under-priced, allowing these state monoliths to subsidise the rest of the capitalist economy with cheap inputs. The result was that these autocratic state enterprises were cash poor, starved of capital and indebted. Of course, the media hid these facts and attributed their poor and sluggish service to obstructive “union power”.

The ending of the international post-war boom in 1973 meant the mixed economy was unaffordable and trade union strength unacceptable to the capitalist class. The rate of profit internationally had peaked in 1966 and thereafter was in steady decline making it vulnerable to the spike in oil prices following the Yom Kippur war. Falling profitability had already put the brakes on investment leading to the prior minor recession of 1970 and then the full-blown recession of 1973.

The capitalist class sought to make workers pay for the crisis as they always do, but this was rebuffed by the organised labour movement leading to the fall of the Heath (Tory) government in 1974. This fall created the myth that it was the unions who now ruled the country. In the subsequent general election Labour became the largest party but without winning an outright majority. It would now fall to Labour to offload the crisis onto the backs of workers.

At first this attack was hesitant until a run on the Pound in 1976 gave Labour the opportunity to hide behind the IMF. The IMF was put forward as the bad guy who were forcing helpless Labour to attack workers. This is analogous to today where Labour councils present Westminster as the bad guy forcing them to make cuts. In fact, the script for the IMF loan and the conditions attached to it, were prepared by the Bank of England itself, the same Bank that helped precipitate the sterling crisis by withdrawing from the foreign exchange markets where it could have supported the Pound.

The IMF loan, as all IMF loans, demanded austerity, a cut in government spending, an attack on wages and an end to the commitment to full employment. The cuts imposed were a prelude to the future monetarist policies carried out by the next Thatcher government. They represented the termination of the social democratic policies in Britain which had been in place since the war.

The unspoken political strategy remained: to soften up of the labour movement by its political representative, the Callaghan led Labour Party, run by labour bureaucrats who feared their members more than the capitalists. Callaghan who not only defied strike action but inspired it, was determined to drive home the assault and so continued the pay restraint, even if it cost him the opportunity to call an election in 1978 which Labour could have won.

The result was the winter of discontent in 1978, an eruption of strikes which led to the accumulation of uncollected garbage and unburied bodies. The media including the BBC stepped up their propaganda assault against unions in general, and specific union leaders in particular, casting them as the villains. They correctly posed the question of who ruled - the unions or the government - but lied about the actual balance of forces by overestimating the power of the unions.

All of this was designed to turn the country against the unions. The class struggle had come to a head. Either workers would seize the day turning the mixed economy into a socialist economy, or the capitalists would turn the mixed economy into a privatised economy. The parlous and unprofitable British economy demanded the resolution of the mixed economy and union power one way or the other. History records that the combined force of the Labour Party and the capitalist class, acting in concert against the working class, abetted by the media and BBC, prevailed. The price paid was the victory of Margaret Thatcher's Tory Party, elected on an anti-union manifesto.

The election of Margaret Thatcher together with the later defeats of the unions snuffed out the AES. The AES never posed the question of power. It never warned that the crisis of profitability would mean that either workers progressed from the mixed economy to a socialist economy or that workers would be driven back from the mixed economy to a privatised economy. Instead it sowed the illusion that the mixed economy could be improved, that the lot of workers could be protected, and the economy made more dynamic through planning it better.

Interestingly enough, the AES did recognise that the world had become more international and that Britain was falling behind the emerging and reshaped international division of labour. Its response to this was to call for import controls and capital controls. The export of British capital was one of the major flows financing the emergence of new areas of production and the resulting influx of goods from these areas was further undermining British industry. Hence the synthesis between import and capital controls. In the current version there is no mention of capital controls despite the sure knowledge of the response by finance capital to the Labour Party Manifesto and the recent experience of Greece.

The AES may have been an autarchic response to the decline of British capitalism, but it was a coherent response whose purpose was not to overthrow British capitalism but to rehabilitate it. The capitalists had other ideas. It would be workers who would pay for the rehabilitation of the economy through crushing their unions and imposing the naked rule of capital.

Lessons for today.

Conditions today are vastly different to forty years ago. Other than the partially privatised NHS there are no major nationalised industries. Instead privatisation has resulted in unaffordably high prices, which in turn has generated resentment and revulsion at the huge profits and bonuses enjoyed by their owners who are often offshored and seldom pay tax. Today the roles are reversed. Now it is privatisation that is discredited and nationalisation that has become popular.

In addition, the country has suffered ten years of Austerity. Housing has become unaffordable. Services have been cut and the welfare state has been so mangled that tens of thousands of the most vulnerable die needlessly each year. In the mean-time inequality has intensified and while the bottom 80% of society are worse off, the income of the top 5% has soared. For the first time there is found, a popular recognition, that this generation and the next will be worse off than their grandparents.

This is the background leading to the election of Jeremy Corbyn as leader of the Labour Party despite the best efforts of his Labour MPs and Bureaucrats to sabotage his election. Jeremy Corbyn did not precipitate this change in mood, he is the product of the changed mood in the country. He has become the lightning rod for the anger and despair permeating the country.

So too the Labour Party Manifesto. Whole sections of society are thirsty for change, for an end to austerity, to precarious work and the pillaging of the welfare state. Every opinion poll, without

exception, reveals that the renewed support for the Labour Party is expressed through support for the Labour Party Manifesto. (Note 1.)

However, despite the changed political landscape the same fatal flaw found in the AES is found in the Manifesto. Like the AES the Manifesto seeks to rehabilitate an economy devastated by “short-termism” and “monetarism”, and not to overthrow it. It is for this reason that the Labour Party has promoted the Manifesto as affordable and fully costed and that it is good for “our” country and “our” economy.

In other words, the Labour Party is going to fight for the manifesto as accountants or economists or managers, not as politicians. They will thus always be on the defensive, ducking and swerving to avoid the charge of being over-spenders. In this way, the media owned by the tax dodgers, will keep prodding them, constraining their spending promises.

The Labour Party, in its desire to be credible, turns the question of affordability on its head. What is unaffordable applies to workers not the capitalists. What workers find unaffordable is an underfunded NHS, schools skimmed by management, social care unfit for purpose, housing extortionate and often dilapidated. Workers can't afford to go without. The last thing workers should therefore be concerned with, is how much this will cost the capitalist class. Just as the bosses do not consult workers about their dividends, their bonuses and their offshore accounts, why should we consult them about the services, jobs and homes we need.

But if the Labour Party were to adopt this posture, it cannot represent the national interest which includes the interest of the capitalist class. It cannot represent our economy. It would be unable to reconcile the interest of workers with that of the capitalists. It could not strike a bargain, a compromise, between capitalist and worker. It would be ruling on behalf of only one class. And were it to do so, it would have set in motion the irreversible process of ending the class rule of capital.

But the Labour Party will not do this. They will carefully cost the Manifesto. They will carefully calibrate it against the economic background. While they will seek to maximise the leeway with higher taxes on the rich and their corporations this will be finite, ensuring that in the end, if a policy cannot be afforded from a strictly accounting point of view, it will be dropped no matter how much it is needed.

This is fundamentally more important than tinkering with forms of ownership, whether they are co-operatives, municipal-led ownership, local procurement agencies and the other proposals put forward. This is not to deny that these forms of ownership will improve local conditions, if only because they would prevent the multi-nationals from winning council or government contracts in order to bleed them and not pay tax on the resulting profits. The reason that these proposals will have only a minor effect is that they do not fundamentally challenge the capitalist's control of the surplus of society.

Here the question of tax becomes important. Taxation always diminishes this surplus which is why it has always been used as the primary lever to redistribute wealth from the top to the bottom. The proposals for municipal socialism does not increase the tax-take but prevents part of this tax being reconverted back into the surplus via the actions of the multi-nationals or privatisation. The key however is to increase the tax take which would put significantly more resources at the disposal of workers and communities than the conserving of tax through municipal socialism. And for that to happen, concerted international co-operation is needed. The multi-nationals now operate beyond the nation state and are powerful enough to play country off against country. This is the reason for the race to the bottom as countries lower their national tax rates to attract investment. Hence the emphasis must be on increasing the tax on the rich and their corporations but through international

collaboration, which brings the issue of Brexit into relief, because those who led the Leave campaign wanted exactly the opposite, to turn Britain into a low tax haven.

As long as the Labour Party sticks to affordability it will have to end up betraying the working class. Of that there is no doubt. This will have a similar outcome to what happened in the 1970s. In the 1970s the question was: would the unviable mixed economy be resolved in the favour of socialism or monetarism. Today, if Labour win the next election, and this is by no means certain, the same question will be posed: will the Manifesto be implemented regardless of cost or will it be abandoned as a result of cost?

The capitalist world is unstable. If the Tories hold on till 2020, a new world recession is likely to intercede. Even if it does not, an imminent Labour victory will drive up interest rates. Hence Labour would not inherit favourable economic conditions. As a result, the question of affordability will be posed immediately. This is always the contradiction. Manifestoes like the Labour one have been thrown up by harsh economic environments, but it is precisely these harsh economic environments that act against its implementation.

Whether or not the Manifesto is implemented and how much of it is, depends on the pressure from below. If left isolated in Parliament the Labour Party will buckle. It is for this reason that it is necessary now to build the mass campaigns around housing, health, education, social care, local democracy and so on. Exactly what is not happening, because Momentum and other left groupings in the Party have been ordered to focus on canvassing and an “imminent election”.

The Labour Party pamphlet ends on an embarrassing note. In inverse proportion to the timidity of its proposals it compensates by eulogising socialism: *“Its goal would be nothing other than the creation of an economy which is fairer, more democratic, and more sustainable; that would overturn the hierarchies of power in our economy, placing those who create the real wealth in charge; that would end decades of under-investment and wasted potential by tearing down the vested interests that hold this country back. The historic name for that society is socialism, and this is Labour's goal.”* (page 32). If Labour was serious about this goal the Manifesto would be unconditional and the question of affordability ignored. Until this happens the Manifesto cannot act as a bridge to this golden land. Instead, it is more likely we will have the debacle of the 1970s. Only this time it will have a more severe outcome because today’s society is more brittle and enfeebled by 10 years of austerity than it was in the 1970s.

(Note 1. This article ignores the discourse on forms of organisations except to say that co-operatives in a capitalist economy, is analogues to islands of socialism in a sea of capitalism whose survival depends on the state of the sea. Further, this article ignores the issue of A.I. addressed in the pamphlet. It is unlikely that capitalism can survive the large-scale introduction of A.I. because it will lead to the loss of 40% of jobs. A.I. is the most developed example of the forces of production coming into conflict with the relations of production. More to the point, A.I. is just one of the four simultaneous challenges facing contemporary capitalism. The other three are low trend reproduction, the convulsive hand over of economic hegemony from the USA to China, and finally, capitalism’s inability to deal with global warming. Each on its own is enough to unsettle capitalism, but collectively they pose an immeasurably greater challenge to the rule of capital, than was the case in 1929 or 1939.)

Brian Green. February 2018