

The Everyday Economy: Framing a New Political Economy for the UK?

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Abstract

The piece focuses on how the economics of market liberalism are incapable of addressing social injustice and how we need a fundamental reset to the UK's political economy. The article comments on the ideas contained within *The Everyday Economy*, a publication by Rachel Reeves MP, and acknowledges the important role that everyday economic sectors (such as retail, care, transport and utilities) play, and the usefulness of these sectors as an entry point to turning back the market liberal tide through more democratic control and new forms of ownership. However, the article highlights how a new economics must go even further in terms of correcting wealth extraction, with a much deeper intentional reform of state institutions. Included within that is the need to embrace new civic activism as a means to advance democratic economic ownership and economic justice, thus sustainably reversing the market liberal hold on our economy.

Keywords: new economics, Labour, ownership, economy, activism, democracy

IN HER pamphlet *The Everyday Economy*,¹ Rachel Reeves MP sets out a short, accessible vision with a practical set of policies aiming to build a more socially and economically just UK under a Labour government. Writing in the context of the general election defeat for Labour in 2017,² and much economic and social turmoil—given the vote to leave the EU—she explores how the Labour party and the country has ‘an historic opportunity to develop a programme of national renewal’,³ and asserts that this is about building new interest in the Labour party among those whose ‘inclination is Labour but now walked away’.⁴ As a work of political economy, it is concerned with both augmenting longstanding ideas around state redistribution, welfarism and public spending, with new policy ideas about work and wages, families and households, inequality and poverty. This pamphlet is both a traditional left-inspired rallying call both to build a society in which economic wealth is more widely distributed, but also to go deeper and reshape economic power with greater economic democracy.

The Everyday Economy draws on a wealth of material. However, it is a relatively short

publication—broadly aimed at the Labour movement—and at times it tends to skim or is partial in what it picks up on. In that regard, the work diagnoses the problem and accepts the need for the Labour party to ‘modernise itself’ with some realistic policy proposals. However, the work is less bullish about positing a clear new left political economy involving a wholesale democratisation of the economy and society. This pamphlet is not about a strategy to rout market liberal economics. Instead, it offers a more pragmatic attack in which market liberal economics is more patiently undermined and (hopefully) then defeated, with the Labour party seen as the party of ‘the common good’, aiming to build a ‘social and economic settlement in the labour interest’.⁵

Reeves celebrates the traditional redistributive interventions deployed by the state, informed by Beveridge, Attlee and the greats of twentieth century social democracy, and highlights the contemporary need to restore the welfare state with a redistributive tax regime and policies which mediate the worst excesses of the market.⁶ And Reeves concentrates on better funding of our public services, with a focus on childcare and adult

social care. However, she does recognise that we need to go further than these traditions as regards redistribution. She sees the problems the left faces now as very different from 1945, or even 1997.

For anyone interested in the Labour party and/or political economy it's a good read and I detect a genuine grappling with a key progressive left question of our times: do we merely intervene in the liberal market economy and thus make it more just, or is a more fundamental transformation required? That question is easier to answer in ideological terms, rather than in concrete policy. So whilst Reeves writes at times of a fundamental transformation—as an MP and former shadow cabinet member—she tends in policy terms to be more softly interventionist.

Reeves summarises how capitalism has matured and the extraction of wealth has speeded up. The UK (and England in particular) has liberalised the economy much more than other countries within the OECD. Reeves rightly points out that the deregulation of financial markets has seen the UK economy increasingly skewed toward 'financialisation' and the return of capital investment, not production within the real economy, with a 'spiralling of wealth upward to a small elite'.⁷ Wealth, within the global economy, has no attachment to national borders and tax regimes. As such, it is easily extracted by often distant global shareholders and/or offshore investors. This hypermobility of capital and the inability to often even find it, and thus capture it and redistribute it, means that a traditional political economy position is partially impotent, because it fails to engage the systemic and longstanding processes that have seen the rise of unequal allocations in the first place. In this regard, Reeves' ideas on fiscal policy are sound, but possibly limited. For instance, the need for international tax transparency and other ideas on tax are a good start. However, who owns the wealth in the first place and how to generate more democratic ownership of the economy is one which *The Everyday Economy* tends to shy away from.

Reeves grapples with the challenge of creating ready-made progressive policies. However, the policy prescriptions and the philosophy of change posited seem only partially up to the challenge. What needs to be

more central is to take the decent analysis of the maturing of capitalism and situate that within a process in which social gains are wedded to the actual working of the economy, rather than after the fact corrective measures. In this there must be greater consideration of how the inequality is generated in the first place, and the 'before the fact' causes of the unequal allocations of goods, services and wealth. The key task for the progressive left is to create an economic system which is intentionally restructured, creating new institutional arrangements for British capitalism.⁸ This includes new forms of ownership and democracy, with social outcomes at its heart.⁹

Reeves does dip into this growing progressive territory. Indeed, she references work done by the Labour party in the *Alternative Models of Ownership* paper produced by UK Labour prior to the election of 2017.¹⁰ As such, Reeves is tapping into a growing vein of ideas and action which seeks to reshape what a new UK political economy looks like and how social justice can be grown.¹¹ However, whilst Reeves seems to hint at a root and branch reshaping of the economy, she seems relatively less sure in presenting ideas which would radically overhaul establishment power, remake the social contract,¹² and thus reset the UK's political economy.

The hook to systemic change for Reeves is the 'everyday economy'. In this everyday economy are those sectors of the economy that 'everyone, regardless of income, participates in'.¹³ This includes everyday retail, hospitality, care, transport and utilities. She seeks to reinvoke and reimagine a more people-centred, intimate and relational economy, with a specific focus on giving people more control over the workplace, the protection of core services, such as care, and a focus on place in relation to the need for more devolved decision making, including greater local economic democracy.

There is value of the everyday economy as a starting point. In particular, it helps to generate an alternative narrative and framing to the economy. We know from the negative reaction towards the economy (bank bail-outs, failing high streets, crisis within our public services, low wages, insecure work and rising cost of living, as well as the vote for Brexit) that citizens both doubt the

dominant economic approach and are suspicious of a government that seems to favour the already wealthy. In an English economy where the notion and volition of there being an alternative has been eviscerated by neoliberal views, the everyday economy is a useful entry point to a reframing of market liberal economics.

Clearly, the art of practical politics is to start somewhere, to harness wins, so that wider citizen consciousness of the failings of the market can grow and electoral success can be found. On one hand, the everyday economy satisfies that aim. On the other hand, a focus on it arguably neglects much bigger questions and ideas. Issues around trade and capital flows, public ownership, the commons,¹⁴ and the many muscular and bold solutions which seek to break up both the power of financialisation and the power of the City of London are broadly absent. This, coupled with genuine constitutional reform, should all be considered as the starting point to the advancement of an everyday economy. Indeed, HM Treasury has a key role in all of this and, as an active institution which has supported market liberalisation, the pamphlet should have talked more about its reform. Furthermore, notions around the Treasury's own public spending processes, and the wider rules and criteria it adopts, should have been considered. Without that frame, it is possible that our everyday economy (important as it is) could merely dance to the same old market liberal economic tune.

Furthermore, the pamphlet could have given more consideration to statecraft. For decades national statecraft has been used to reshape social institutions towards marketisation, facilitating the entry and funding of the private sector into public services. This invasive project has meant the market has been injected into numerous aspects of social and public life. As such, a restructured economic system which includes new forms of ownership and democracy is not just a policy question to be wholly answered by the political class. Instead, it is rather a step change in how, who and where politics is done. Statecraft and the role of political parties in developing social movements should therefore have been the focus of more attention. Reeves does focus on the nation state and public policy. However, the need for a new politics

entirely has to be a key part of the debate and a means of new movement building. This is a big agenda and goes to the core of how the UK functions, how it relates to its citizenry, and how a radically modernised political party must move forward. We are seeing the rise of new plural democratic movements across the world (perhaps exemplified within Barcelona¹⁵ and new global networks such as Fearless Cities).¹⁶ And we are also seeing movements such as Momentum within the Labour party. New community action and innovation are finding alternative ways in which citizens and the state organise themselves to meet social needs and issues. These already are, and should be a growing part of the progressive left, with government used as an enabler of past labour traditions.

Linked to that is a need for deeper consideration of regional policy and wider constitutional reform. The pamphlet touches on these areas. However, the systemic regional problems which flow from an economy driven by property speculation and extractive financialisation, rather than its citizenry, is somewhat overlooked. In this, the problems of agglomeration economics, which boost city centres at the expense of peripheral locations and towns, are central. Moving forward, the answer cannot be invoking the regionalism of the Labour government of 1997–2010, nor can it be a mere augmentation of the existing devolution process—which is democratically flawed and predicated on market liberalism. There is much work to do on this, but clearly the regional question which has bedevilled England for nearly a century is a central issue that needs more attention¹⁷ than Reeves gives it. We already have innovation at the local state level and learning from that and a 'genuine effective devolution' in which the state 'shares power by devolving it to local places'¹⁸ must also come with an invigorated municipalism and citizenship, drawing from learning and successes abroad.¹⁹

In conclusion, this pamphlet is a short, intelligent and accessible read. The analysis of the problem is solid and the policy solutions are doable. Reeves rightly acknowledges that market liberalism has cut deep into the UK state. As such, she is informed by, but goes beyond, traditional socialist and Labour party ideas, and hints at the need for

an even more radical and progressive set of policy answers. The questions this pamphlet raises are: 'Where to start? And what is the programme for government?' Reeves proceeds from a focus on the everyday economy and some decent interventionist policy. However, I would guess that this will not be voracious enough to turn back the tide. We need to go deeper and to be stronger, to build a new social contract with the British people, which reforms the state and its institutions. A lot of work needs to be done before we have an everyday economy which is for everyone. However, this is a decent contribution to that task.

Notes

- 1 R. Reeves, *The Everyday Economy*, 2018; <https://www.scribd.com/document/374425087/Rachel-Reeves-The-Everyday-Economy> (accessed 10 October 2018).
- 2 Though the result was much better than some commentators expected, with the loss of the Conservative government's parliamentary majority.
- 3 Reeves, *The Everyday Economy*, p. 6.
- 4 *Ibid.*, p. 24
- 5 *Ibid.*, p. 53.
- 6 *Ibid.*, chap. 3.
- 7 *Ibid.*, p. 28.
- 8 J. Guinan and T. Hanna, T, 'The institutional turn: Labour's new political economy', *Renewal*, vol. 26, no. 2, 2018, pp. 5–16.
- 9 For instance, see J. Guinan and T. Hanna, 'Full Corbynism a new left political economy beyond neoliberalism', *New Socialist*, 19 June 2017.
- 10 Labour, *Alternative Models of Ownership*, 2017; <https://labour.org.uk/wp-content/uploads/2017/10/Alternative-Models-of-Ownership.pdf> (accessed 10 October 2018). The author was an independent advisor to this work.
- 11 Reeves references the Centre for Local Economic Strategies (CLES) work on Local wealth building; <https://cles.org.uk/local-wealth-building/> (accessed 10 October 2018).
- 12 N. McInroy, *Forging a Good Local Society: Tackling Poverty through a Local Economic Reset*, Webb Memorial Trust/CLES, 2016; <https://www.rethinkingpoverty.org.uk/wp-content/uploads/2016/08/Forging-a-good-local-society3.pdf> (accessed 10 October 2018).
- 13 *Ibid.*, p. 30.
- 14 D. Bollier and S. Helfrich, *The Wealth of the Commons: A World Beyond Market & State*, Amherst MA, Levellers Press, 2012. N. McInroy and L. Calafati, 'Local government & the commons: the time has come', CLES blog, 19 November 2017; <https://cles.org.uk/blog/local-government-the-commons-the-time-has-come/> (accessed 10 October 2018).
- 15 Fearless Cities; <http://fearlesscities.com/en> (accessed 10 October 2018).
- 16 See blog by author, based on work from Barcelona, 12 December 2016; <https://cles.org.uk/blog/the-social-city/> (accessed 10 October 2018).
- 17 N. McInroy and M. Jackson, *The Local Double Dividend: Securing Economic and Social Success*, Smith Institute, 2015; <http://www.smith-institute.org.uk/wp-content/uploads/2015/09/Double-dividend-Final.pdf> (accessed 10 October 2018).
- 18 *Ibid.*, p. 44.
- 19 S. Kishimoto and O. Petitjean, *Reclaiming Public Services: How Citizens are Turning Back Privatisation*, Amsterdam and Paris, Transnational Institute (TNI), 2017.