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The challenge for Corbynomics

The surest way for Labour to redistribute power and wealth is by creating a wide safety net of universal basic services

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Thanks to the hubristic incompetence of the new UK prime minister, Boris Johnson, we could be about to see the first major economy in the developed world ruled by a party, or parties, committed to a radical break with neoliberalism. In the flurry of street demonstrations across the country and parliamentary votes at Westminster in recent days, the outlines have been emerging of a potential coalition — formal or informal — involving Labour, the Green Party, the Scottish National Party and the Welsh-nationalist Plaid Cymru.

On cue, the Financial Times ran last week an analysis of Labour's economic transformation plans, concluding that they were 'untried and radical'.

What the FT objected to were large-scale renationalisations and an 'inclusive ownership fund', designed to transfer 10 per cent of shares in medium to large companies to the workforce. The central assertion in the paper's logic was that the market 'works' and that state intervention would destroy the 'open and liberal' economic model of the last decade. It's just the opening salvo in the defensive battle I expect the UK financial elite to fight against the change that's coming.

Post-Keynesian

For those who want Labour to adopt even more radical policies on climate-change mitigation and social justice, the natural instinct would be to rally round the essentially post-Keynesian project Labour's shadow chancellor, John McDonnell, has designed, and settle for that.

Instead, we should use this moment to demonstrate to the nabobs of orthodox economics that it is not only the era of neoliberalism that is

over but — in the medium term — capitalism itself, and that a radical left government in Britain can set the template for the postcapitalist transition.

Labour's radical economic programme is composed of numerous, interlocking parts:

- fiscal expansion, borrowing up to £250bn for long-term investment via a state investment bank;
- expanding the remit of the Bank of England to deliver 3 per cent annual productivity growth, using a mixture of credit guidance, macroprudential supervision and interest rates — a change which would inevitably engender a more expansionary monetary policy;
- an industrial strategy, oriented towards green energy production and the creation of high-skilled, private-sector jobs;
- redistribution, using taxes on both incomes and assets, and through reviving wage-bargaining power through changes to labour-market regulations;
- a renationalisation programme, targeting rail-franchise operators, energy-supply networks, water systems and mail delivery, and the return in-house of health services and other outsourced local- and national-government functions.

Radical social-democratic programme

The FT labelled this 'socialism, not social democracy' but it is, quite obviously, a radical social-democratic programme. It goes beyond what Scandinavian social democracy has achieved by rejecting the project of continuously injecting market forces and market norms of behaviour into the state sector.

In this sense, it is the first post-neoliberal social-democratic programme in Europe. The immediate challenge it poses for capital would be to the rent-seeking, speculative and unsafe finance sectors — and to the vast, inefficient outsourcing businesses that grew up during the neoliberal era.

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If we set aside outright financial destabilisation tactics, such as a politicised flight of capital, the main threats to this programme would be:

- inability to collect taxes on incomes and assets due to behavioural change by businesses and the rich;

- incapacity of sclerotic government departments to enact the industrial strategy efficiently or to run the renationalised industries in the interests of the public;
- sabotage by the Bank of England and the orthodox-economics community, which would reject the assumptions behind Labour's fiscal and monetary policies and agitate for pro-cyclical austerity in any recession;
- inflation moving out of the 1-3 per cent target range (despite global downward pressures), which a simultaneously expansionary central bank and Treasury would need strong productivity growth and inward investment to avoid.

Beyond these contingent challenges, the strategic problem facing an incoming Labour (or Labour-led) government is that, even if all the obstacles were overcome, the programme might on its own fail to stabilise and revive a stagnant British capitalism. The long-term sources of global growth in the neoliberal era — catch-up, population expansion and development of 'human capital' — are drying up. And Donald Trump, Vladimir Putin and their allies overtly aim to destroy the multilateral global system on which McDonnell's social-democratic programme is premised.

Spontaneous dynamics

That is why the radical Keynesian governments which will come to power in the 2020s must understand the spontaneous dynamics at work in a highly-monopolised, networked economy:

- the zero-marginal-cost effect, which collapses reproduction costs, is being counteracted only by high markups and monopoly pricing;
- automation puts 47 per cent of all jobs at risk;
- huge rent-seeking businesses are fuelled by fiat money and loose monetary policy, and
- vast asymmetries of power are generated by returns to scale for Big Tech.

To counteract that, the centrepiece of a left programme must be the attack on rent-seeking and monopolistic business models, the enactment of new, inalienable data rights for citizens and, above all, reduction of the reproduction cost of labour.

So how would this fit into Labour's programme? The party has proposed new company law to foster a diverse ecosystem of business ownership forms — from co-operatives to mutuals to non-profits. Alongside this, it would need to empower the UK's Competition Commission to attack

rent-seeking and monopoly pricing aggressively. The aim should be to radically reduce the input costs to waged labour.

For example, with rail and bus renationalisation, there should be a low, flat-rate per-mile cost for public transport, running the service at a loss or break-even if necessary, subsidising transport not just for the elderly but also for the 18-24 age group. With housing, the aim should be to stem the rise of private rents, imposing rent caps across the public and private sectors to reduce this massive outlay for most working families.

Traditional Labour strategists are fixated on what they will do. Instead they should fixate on what they want to achieve. This should include cheap or free healthcare (including social care and mental health), urban transport and education to degree level, as well as the right to a fair rent or a mortgage whose repayments are capped at a percentage of family income.

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Taken together, this programme amounts to a new social contract: it would offer universal basic services to all citizens, as of right. In a country with a welfare state such as Britain, it is a swifter and more effective way of achieving what a universal basic income would — the gradual separation of work from wages.

To achieve all these things, the government would have to borrow to fund current spending, retreating from Labour's post-2016 commitment to fiscal discipline.

New rights

Though rooted in the labour theory of value, none of this needs to be esoteric in terms of public presentation. The argument should go: 'Wages are low, jobs are insecure and so are tenancies. We will give you new rights — to free healthcare, education and transport, and to rents or mortgage repayments you can live on. We are doing this because, though our aim is to produce better and higher-paying jobs, there may not be enough of them thanks to automation.'

The most fundamental challenge here is to the 'travailliste' view of socialism, based on full employment and high-waged work. The dynamics of neoliberal capitalism suggest this is no longer possible and that full employment can be achieved only through precarious and low-paid work, unless wholesale protectionist policies are applied to industrial, consumer and service goods.

I do not want Labour to go to the polls calling itself 'postcapitalist', any more than it should call itself Marxist. The early stages of a programme of rapid automation and universal provision make sense from the point of view of the poor and the workforce. But policymakers need to understand: in a period of 'secular stagnation', old-style Keynesian fiscal expansion does not work. And as the author of that phrase, the former US treasury secretary Larry Summers, points out, monetary expansion can also run out of road.

The strategic focus has to be on changing the dynamics of accumulation, leveraging the unique ability of information technologies and networks to expand use-value exponentially, while shrinking the exchange-value of commodities, services and labour itself.

This last point is a mindbender for traditional trade unionism, whose response to the declining wage share has been to call for increased bargaining power. I am all for that — but the surest way to redistribute power and wealth strategically is to attack living costs for people in a highly precarious workforce, by creating a wide safety net of cheap or free, comprehensive services.

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