

WHY CAPITALISTS NEED COMMUNISTS

The Politics of Flourishing

Charles Seaford



Wellbeing in Politics and Policy

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The Politics of Flourishing

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These individuals represented themselves, not their organisations, and were not intended to be a representative sample of the categories I have divided them into: this was not a qualitative research exercise. I spoke with people whom I thought would have something interesting to say, or who might themselves be members of the counter-elite one day. I should make clear that not all of them think of themselves in that way!

PRAISE FOR *WHY CAPITALISTS NEED COMMUNISTS*

“Charles Seaford clearly and intelligently articulates the challenges that the capitalist system is facing today and manages to thread together the thoughts of those (from both sides of the divide, so to speak) who can see this failure and wish to put the system back on a more sustainable tack. He weaves a plausible road map of how we can help heal our society. This is a must-read for politicians, professional investors and civil society activists who are looking to get a better understanding of the challenge facing us and a glimmer of an idea of how we can tackle it.”

—Saker Nusseibeh, *Chief Executive, Hermes Investment Management*

“Speaking as one of what Charles Seaford describes as market liberals, I can say that I see absolutely no need for the new ideology he promotes in this book; but I can say with equal certainty that his thesis deserves to be debated, and that anyone with a serious interest in political ideas will find this book well written and highly stimulating.”

—Oliver Letwin, *Conservative MP for West Dorset*

“Big moments, when we face both huge problems and opportunities, require big books about how we make the desirable feasible. *Why Capitalists Need Communists* meets the challenge of the moment by addressing key issues, not just posing the problem but offering answers. Charles Seaford has done the progressive community a great service.”

—Neal Lawson, *Director, Compass*

“Free market capitalism is failing and ruling elites are losing their nerve. What better time for progressives to strike back? From workers on boards to resurgent trade unionism, this book signposts the way to a greener, fairer economy.”

—Frances O’Grady, *General Secretary, TUC*

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PROLOGUE: WHY CAPITALISTS NEED COMMUNISTS

While writing this book I met some capitalists—people responsible for very large sums of money invested in business, or with senior positions within those businesses, and who as a result live very comfortable lives. People like Elizabeth Corley, Vice-Chair of Allianz Global Investors, Mike Rake, at the time Chair of BT, and Saker Nusseibeh, Chief Executive of Hermes Investment Managers. I also met some ‘communists’—they don’t use that old-fashioned label any more, but that is what they are. People like Sarah-Jayne Clifton, who runs the Jubilee Debt Campaign, or Neal Lawson, who runs left think tank Compass. They are not members of the communist party or even Marxists, but they oppose the system and, like the communists of old, think we need more collective control of the means of production. Members of these two groups have quite different outlooks in predictable ways. But what they have in common is a belief that capitalism as we know it is broken, that things have to change, that things will either get better or worse, and that there are actions we can take to make them better. They also share a desire to make these actions happen, even if they don’t quite know, let alone agree on, what they are. (Details of the people I met are listed in the Acknowledgements.)

The capitalists I met are not typical capitalists. I chose to meet some of those who want the system to change, rather than those who are simply trying to preserve the status quo. But what they said reflects a wider mood—so they told me, and so any one reading the press can observe:

they are the vanguard of a discontented class, and while they have opponents, and always will, the ‘centre ground’ of business has shifted. If they want to, these progressive capitalists can make the running.

And some of them do want to. They want the system they help to run to deliver social justice, prosperity and environmental sustainability. They recognise that it is not doing so now, but they think that it can. They also recognise that the game is almost up: the Brexit vote signalled that voters no longer buy the elite story; if things don’t get better, they fear that the initiative may pass to what they think of as the extreme left. They think that the result would then be chaos, rather than constructive reform. Partly because of this, they are beginning to do things.

But what they are doing is not making as much difference as they might have hoped for. The changes are small and technical and will take time to have effect. The problem is large, and political, and is having effect now. The progressive capitalists are stuck. They may not see it like this, but they are trapped in a system that they cannot change on their own: the day job is demanding, the system is complex, and there is no master plan. You can change the system, but you cannot change it from the ground up: there are too many interlocking relationships that hold it in place. A study group here or a quango there cannot set in motion the sequence of changes that will make a significant difference.

The capitalists cannot up the pace on their own. On the other hand, they cannot simply hand over the problem to the politicians. There do need to be changes to the rules of the game, and these do have to be made by government, but politicians on their own simply lack the knowledge and confidence to identify and implement the measures that will make the difference. The two groups have to work together.

But this will not happen as things stand. The capitalists need to recognise the constraints created by their own privilege. Change requires passionate determination, time, energy and a streak of utopianism. These can only be provided by activists, who will act as the capitalists’ conscience, push them to go further than they otherwise would, challenge them, organise—and help them accept and indeed ask for the structural changes that will make a better future possible. It is all too easy, when sitting in a plush office, to turn the big problems we face into intellectual puzzles, challenges that justify the existence of the intelligentsia, rather than seeing them as burning human issues, case studies of individual suffering that just *have* to be dealt with. I have worked for a left think tank

and know that ideas on their own do not drive change. Only when they connect with the concerns of voters do they do so. It is ideas *and* suffering, linked together, that drives change.

The progressive Establishment's traditional political ally—the 'centre ground'—thought it knew what to do, and for years it managed the system in what appeared to be an effective way. However, it ran out of answers and now it has lost its power. Capitalism's problems mean the initiative is with the left of the Labour Party and the right of the Conservative Party. The trouble is, although the right have a plan of sorts, the left don't know what to do. They have no convincing theory and vision of change of the kind that put Lenin in power in 1917, or even of the kind that gave Attlee power in 1945. Some of them know that power matters, and because they think about power, they have won some small victories. The systemic change that they sometimes talk about remains quite beyond them.

Nonetheless, they have a great strength: they know humbug when they see it, they are happy to challenge the capitalists, and they are fired up to put right the injustices and stupidities of the world as they see them. What if they were to use this strength, and the critical intelligence it gives them, to work with the capitalists? What if they were to help them change the system? What if capitalist knowledge and 'communist' determination were brought together in the same room? What might happen then?

Ah, the reader says, but these two groups are on opposite sides. The capitalists don't really want to change the system, and the 'communists' are incapable of understanding it. Otherwise Momentum and Goldman Sachs would have formed a partnership already. And they haven't. Nice thought to bring them together, but completely absurd.

The argument of this book is that this is not absurd, and indeed it is necessary if we are to put the UK back onto a positive trajectory, and avoid the dystopian future that a projection of current trends suggests. This is not necessary simply because of Brexit, but it is all the more urgent because of Brexit and the debate it has provoked. Progressive capitalists may be a small minority, but in alliance with politicians and activists they can be very powerful. It is always when individuals from different walks of life co-operate that things happen. If they do so, they can form a counter-elite: a group that challenges the assumptions of the incumbent elite and helps bring about real change.

One reason this is possible is there is an emerging alternative to the orthodoxies that have sustained existing power structures for the last 40 years or so, orthodoxies that have prevented capitalists and communists from working together. Remarkably, that alternative has the power to improve the lives of the powerful as well as the powerless, to release them from a narrowness that is currently imposed on them. This alternative forms the subtitle of this book: 'The Politics of Flourishing'.

PART I

Why We Should Change



CHAPTER 1

Introduction

We are at a turning point: the orthodoxies that have dominated political and economic thinking since the 1980s are crumbling, and it is widely recognised that those orthodoxies won't help us solve the big problems we face. I will argue in this book that there is an emerging and coherent alternative, what I have called the 'politics of flourishing', and that members of an emerging counter-elite,¹ upon whom major change normally depends, may be ready to adopt this alternative. It is based on a new set of ideas and ideals that between them can provide the cohesion needed for action and change the terms of political debate.

The biggest of our big problems are climate change and inequality, both of which may worsen as the developing world becomes more prosperous. These and three other related problems—automation, the housing shortage and the rising cost of public services—are the starting point for this book. They are not our only big problems, and inequality in particular is a shorthand for a whole complex of social and economic issues. However, the test of any alternative to the current orthodoxy will be whether it can help solve these problems, and other pressing issues which cluster round them, such as threats to biodiversity, obesity, family breakdown and immigration.¹

¹See pages 19 and 79 for definition of counter-elite.

MARKET LIBERALISM AND ITS BREAKDOWN

Inequality in particular has led to turbulent politics. The world is getting richer but the lives of many in Europe and the US have been getting worse—and even when they haven’t been, people fear that they will. That is one of the reasons UK citizens voted for Brexit in 2016, one of the reasons they gave Labour its biggest vote share increase since 1945 in 2017, and one of the reasons they have become increasingly divided on immigration.ⁱⁱ In November 2016, the Americans elected Donald Trump. In France, radicals of the right and left, Marine Le Pen and Jean-Luc Mélenchon, attracted 41% of the vote between them in the first round of the 2017 presidential election. The winner, Emmanuel Macron, was successful because he presented himself as something new, and his party was indeed a new creation. In Germany, the far right AfD (*Alternative für Deutschland*) became the third largest party in the 2017 elections and entered the Bundestag for the first time with 90 seats. In Italy, the anti-establishment Cinque Stelle became the party with the largest number of votes (32%) in the 2018 elections and has formed a government with the right wing Lega.

Turbulence of this kind signals a breakdown, at least a temporary breakdown, of the deal between the elite—those with the most power—and the masses, the deal that is common to most democracies. ‘Vote for us’ say the politicians, ‘accept our wealth’ say the business leaders—‘and we will deliver steadily improving lives for you and your children.’ When the elite does not deliver on its part of the deal, it is hardly surprising that the masses decide the deal is off. As *Financial Times* correspondent Martin Wolf has put it, the “elites have failed” and “the durability of contemporary globalized capitalism cannot be taken for granted.”ⁱⁱⁱ The root of this failure is in the relationship between the state and capital, or more concretely in the relationships between members of the elite representing the state and members representing capital. It is this failure that leads to blocks of flats burning down, inequality and climate change. Much of this book is about what it will take to reform these relationships.

The orthodoxy that has dominated since the 1980s is *not* ‘neoliberalism’, the rabid adulation of markets that some extremists adopted and that became fashionable when Thatcher and Reagan were in power: a refusal to recognise market failure and injustice, a rejection of regulation and an insistence on business freedom. Rather it is a much more measured, rational and therefore beguiling system of thought shaped by neoclassical economics, that is the mainstream economic theory taught

in universities. It is so much the orthodoxy that it doesn't have a universally agreed name, but I shall call it 'market liberalism.' In this view of the world, markets produce the best possible outcomes but only if their well-understood failures, including environmental externalities and various social injustices, are addressed; crucially, proponents of this view believe that these failures *can* be addressed through a combination of market regulation, tax and subsidy. Economists can advise politicians on the technical failures, and voters can send signals about unacceptable levels of injustice or poor public service. Provided politicians respond with appropriate policies, a virtuous circle should follow: markets will produce economic growth, while political action will ensure its proceeds are fairly shared, softening those social tensions which, for example in the 1970s, have held back growth in the past.

This approach has been shared by all governing parties, with minor modifications, and underpins the Treasury's formal guide to economic policy appraisal and evaluation, the Green Book.^{2,iv} When Tony Blair and Gordon Brown came to power in 1997, it felt for many like a fresh breath of air after the slow decline of John Major's government, and radical new policies were introduced on the constitution and public services. However, there was no significant change from the Major government's economic policy or from its fundamental stance on markets and the working of the economy. The Labour leadership felt that to depart from this was to invite certain political defeat—although the orthodoxy was so strong that they would not have known how to depart from it even had they wanted to.

But, to be fair, there was no reason why they should have wanted to. The traditional market liberal economic programme which they inherited was supremely optimistic and at least partly successful: the combination of free markets, clever economists and wise politicians had produced good outcomes and could be expected to continue to do so. The result

²It sums up the role of government in two sentences: "The rationale for intervention... can be based on ensuring markets work effectively e.g. ensuring pollution is accounted for by business, or to achieve distributional objectives e.g. to promote fair access to education. Alternatively, this could involve providing goods generally not provided by market mechanisms e.g. defence" (p. 12). The guide allows for "strategic objectives" other than the correction of market failure (p. 20), admits the importance of "health, relationships, security and purpose" to well-being (p. 23), admits the limitations of marginal analysis techniques (p. 28), but still defines economic efficiency as being obtained "when nobody can be made better off without someone else being made worse off" (p. 20).

was a particular style of politics, what I shall call the ‘politics of consumption’, with politicians’ primary role being to raise living standards. For a Labour government this included raising the quality of public services. There were no enemies to threaten these standards, and so, according to the liberal prospectus, the process would ultimately lead to universal liberal democracy and a world where borders were irrelevant: the ‘end of history’ and a ‘flat world’, to paraphrase the titles of two books published in 1992 and 2005.^v

We now know, of course, that this didn’t happen. The consensus is that things are more complicated than was previously thought and that the approach to the economy must change. Nonetheless market liberalism remains the orthodoxy, and even its extreme variant, neoliberalism, is alive and well. The European Commission’s main economic department, DG ECFIN, for example, continues to argue for less product and labour market regulation in the interests of higher business investment; these arguments depend on entirely tendentious assumptions. In a recent paper presenting the evidence for its recommendation, it did not consider whether there were any trade-offs, whether the costs to workers and consumers that might result from reduced regulation would be justified by the increased investment that would result. It just assumed that they would be. Nor did it assess whether the damaging effect on investment in some countries that it identified would have been less severe had all countries adopted similar tough regulatory standards. Again, it just assumed it would not have been.^{vi}

Similarly, in France, Macron won the 2017 general election with a partly neoliberal programme and in September of that year he signed five decrees weakening employee protection under the Code du Travail. He has also promised significant budget and tax cuts, mainly benefiting the richest 10%. Meanwhile, as a *Washington Post* headline put it, “Don’t let his trade policy fool you: Trump is a neoliberal.”^{vii} As the article goes on to explain, he is offering a “messy mix of free market fundamentalism and hyper-nationalistic populism,” the latter mainly evident in increased spending on the military and border controls and some “mostly symbolic moves on trade.” This similarity between the two men’s economic policies (Macron also has his nationalist gestures, such as resisting foreign takeovers of French firms) is striking given the way they are often contrasted, but it is not really surprising: both men’s attitudes were formed by successful careers in the more ruthless parts of capitalism. Trump inherited and built up his father’s property business in New York.

Macron was employed by Rothschilds, the investment bank, where he worked on big corporate deals.³

There is an important difference between them, though. Macron has not abandoned the politics of consumption, the politics where there are no enemies. Trump *has* abandoned it, and has replaced it with what I shall call the ‘politics of fear,’ the politics where there *are* enemies and politicians’ role is to protect citizens from them.^{viii} The danger is that Macron’s anti-egalitarian policies will strengthen proponents of those politics in France. One of his critics has put it thus: “All in all, it’s a program nearly guaranteed to aggravate the problems at the heart of France’s political crisis: unemployment, inequality, and poverty. These are the same forces driving growing numbers of French people to withdraw from politics altogether—or worse yet, cast ballots for the National Front.”^{ix}

For the National Front, like Law and Justice in Poland and Viktor Orbán’s Fidesz in Hungary, are also proponents of the politics of fear, and offer their voters community and security. Unlike Trump, though, these European parties are not nationalist neoliberals. Law and Justice has implemented a generous welfare policy, and although Orbán cut taxes and employment protection, he is also attempting to reduce dependence on foreign capital and create jobs for the manual working class. There was a sharp increase in the monthly minimum wage in the second half of 2017.^x Right-wing governments elected in 2017 in Austria and the Czech Republic are attacking the rights of immigrants, but have no plans to dismantle the generous welfare provisions in those countries. Indeed the appeal of these central European parties is partly as modern guardians of the welfare state, as introduced by social democrats in the West and communists in the East. This is then combined with an appeal similar to that of Trump, that is ‘there are enemies out there, normally foreign, and it is the duty of politicians to protect citizens from them.’ In a low growth economy, protection from enemies may be a more credible promise than sustained, rising living standards.

Like Trump, those campaigning for the UK to exit from the EU exhibited a mix of neoliberalism and nationalism. One faction, that has

³These included Nestle’s \$11.8 billion takeover of Pfizer’s baby food business from which he personally made €2.8 million. Investment banking may seem more polite than the New York property market, but as Macron himself put it to *The Wall Street Journal*, the job was a form of prostitution and the skill was seduction.

emerged more strongly since the referendum vote was won, promised radical globalisation: the problem with Europe, they argued, was that it was not international enough, restricting global trade as it did. A rival faction played on nationalism: the problem with Europe, they argued, was that it was *too* international and infringed our national sovereignty. Vote for Leave, they promised, and at least you can belong to something of your own. Although the two factions did not pretend that they had a coherent programme, and even fell out quite seriously, they could well have united around a very traditional political tool: national sentiment as compensation for inequality. Indeed some Leave voters told pollsters that a fall in living standards was a price worth paying for independence, although this certainly wasn't a campaign message.^{xi}

It is not, to repeat, that mainstream politics in Britain has been uncompromisingly neoliberal. The right and centre of the Labour Party and the left and centre of the Conservative Party were never neoliberals, but what I have called market liberals: they agreed that markets were almost always the best way of organising economic activity, but also that governments had to intervene in them, and that governments had to invest in public services. It was the failures of this model that created opportunities for stronger programmes on both right and left—the full-blooded neoliberalism of the resurgent Conservative right, and a reinvention of social democracy by Labour.

EXISTING LEFT ALTERNATIVES

Market liberalism has been resilient despite its failures, partly because of the absence of a left alternative until recently. I have already referred to Blair and Brown. Strangely, Macron was appointed Economics Minister in 2014 by his predecessor as president, François Hollande. What better signal of the complete bankruptcy of his socialist economic programme could there be? In 2009, Tony Judt wrote of the left, “we seem unable to conceive of alternatives” and characterised the attitude of the next generation as “‘We’ know something is wrong and there are many things we don't like. But what can we believe in? What can we do?”^{xii}

This hanging question—what can we do?—reflected a damagingly wide gap between the morality and policy of social democracy, at least in the UK and USA. Policy had descended into pragmatism, compromise and a managerial response to inefficiency, and as Judt put it “we find it hard to look past those compromises to recall the qualities that informed

progressive thought in the first place”—that is an ethical revolt against the inequity and materialism of the nineteenth century.^{xiii} Arguably this failure itself reflected an organisational as well as an intellectual failure. As Jonathan Hopkin wrote in 2012:

Market liberalism has become locked in precisely because of the weakness of parties, whose organizational decline provides party leaders with an incentive to delegate political power to technocratic institutions and to market actors.^{xiv}

A clear-cut example of this delegation was Labour business minister Patricia Hewitt’s 2002 reduction of ministers’ powers to stop takeovers in the public interest. She argued that such decisions should be ‘depoliticised’ and left to the Competition Commission. To delegate in this way was precisely to sever the link between morality and policy, to reduce policy to managerialism.

But things have moved on since Hopkin wrote this. In 2018, we can be *a little* more optimistic about the Labour Party’s organisational capacity—its membership almost doubled to 570,000 between summer 2015 and November 2017^{xv} and this has helped reduce the grip of market liberalism on left policy thinking. As Conservative Chancellor of the Exchequer Philip Hammond lamented, “It’s all very sad because for 35 years we had a broad consensus in British politics about our economic model...[whereas now] this model comes under renewed assault.”^{xvi} Jeremy Corbyn and Theresa May offered voters a real choice in the 2017 general election. Similarly no-one thought that Macron, Mélenchon and Le Pen were versions of the same thing any more than Clinton, Sanders and Trump were. Corbyn in particular has re-injected morality into the Labour Party positioning in a way that none of his predecessors could.

And this morality *is* linked to policy, is more than rhetorical, as an inspection of the economics section of Labour’s manifesto at the 2017 general election reveals. While all parties might agree with its preamble that “the creation of wealth is a collective endeavour,” the rhetoric was backed up by at least some policies that Conservatives would never contemplate. Labour promised, for example, to set up a national education service to transform adult education, to use public sector procurement and renewed trade union rights as part of a 20-point plan to improve employment security and conditions, to set up a network of regional development banks with a mandate to help deliver industrial strategy,