# Coping with TINA:
# The Labour Party and the New Crisis of Capitalism

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## Introduction

Relying heavily on its financial services, the British economy has been one of the hardest hit in Europe by the collapse of the banking industry. The credit crunch, aggravated by the bursting of a decade-old house price bubble, has taken a severe toll on the economy. For many commentators, the banking crisis of 2008 marked the end of New Labour economics. The Keynesian style reaction to the crisis by the Brown government and, subsequently, the election of a new leader eager to turn the page on the New Labour era seem to have opened up the possibility for a renewal of ideas and policy in the Labour ranks. Now in opposition, the Labour party has a chance to reflect on the meaning of the crisis. The current situation also offers an opportunity to seek an explanation for the financial meltdown and assess New Labour’s responsibility in the debacle.

There is no alternative’ – TINA - was the sound-bite which Margaret Thatcher, the Conservative Prime Minister, once famously used. This acronym has come to signify that ‘there is no alternative’ to economic liberalism, that free markets, free trade, and capitalist globalisation are the best and only way for modern societies to develop. This has been the Conservative mantra over the past 30 years, but it has also been to a large extent that of New Labour between the mid-1990s and 2008.

Yet, one the defining characteristics of traditional social democracy in Europe had always been a critique of capitalism. From its origins as a revolutionary political movement in continental Europe (notably in Germany), social democracy has gradually become a force integrated within the capitalist order. This integration has been so effective that social democracy is now one of the central pillars of liberal-capitalist societies. (Marlière, 1999: 1) It would therefore be tempting to assess the extent to which the 2008 crisis has forced the Labour party to rethink its more recent pro-market philosophy and policies.

In order to achieve this, I firstly attempt to understand the impact of the new major 'crisis of capitalism' on the British economy; the third one since the beginning of the 20th Century. Secondly, I examine how the Brown government tackled the crisis from 2008 onward. Thirdly, I discuss the extent to which Ed Miliband, the New Labour leader, is committed to break away from TINA. Susan George, a prominent critic of neoliberal globalisation, once opposed TINA by saying: 'There Are Thousands of Alternatives' – TATA (Lees-Galloway, 2009) - which also refers to a political slogan of the alter-globalisation movement that came out of the World Social Forum. So, is TINA on the way out for Miliband's Labour party? If it is, is new economic thinking being progressively formulated?

## The Third crisis of Capitalism

In September 2008, stock markets around the world started to falter and plummet. A number of banking, mortgage and insurance companies failed. The problems appeared in the American financial system, spread quickly to Britain and later to mainland Europe. This 'contagion effect' (Preston, 2009: 507) prompted the historian Eric Hobsbawm to write that the world was facing the 'most serious crisis of the capitalist system since 1929-33'. (Hobsbawm, 2008: 28) Five years later, the crisis still has not receded.

The United Kingdom is presented as a 'liberal market economy'. (Hall, Soskice, 2001) A 'liberal market economy' has a 'small state', shuns labour market regulations, and minimises state intervention in the economy through low taxation and modest welfare spending. The liberal state plays the role of a neutral arbiter concerned essentially with keeping open, competitive markets. Labour relations are decentralised and individualistic and trade unions are relatively weak. The state does not try to coordinate labour-management relations. In the United Kingdom, the influence of the City weighs heavily on policymaking. 'Financialisation' characterises the British economic system. It aims 'to make all citizens financial subjects, able to bear the risks and accept responsibility for their own life-style decisions. People are ready to take much higher levels of debt to fund those decisions, and therefore in need of the services that 'a rapidly expanding financial services sector could supply'. (Gamble, 2009a: 453-4)

To fully appreciate the current political situation in Britain today, it is helpful to briefly examine the political impact of the conservative victory in 1979. From the early 1980s, the 'hard right' was in power in the USA and in the UK. Ronald Reagan and Margaret Thatcher gradually contributed to bring about a new policy paradigm based upon neoliberal ideas. Those policies were in turn exported to a large number of countries all over the world. They designed a 'smaller state' and they were associated with privatisation, deregulation, and supply side policies. 'Financialisation' was a growing sector of employment in the United Kingdom and was making a major contribution to exports. The success of the financial services meant that the City came to wield increasing political power. From 1986 onward, new regulatory legislation swept away existing rules to attract foreign banks to the City of London and to make it a leading financial centre in the world. (Moran, 1990)

In 1997, the Blair government was as much willing to work alongside the City as the Conservatives in office had been. Keeping London as a major financial centre came to be seen as a priority. Gordon Brown, the Chancellor, was the zealous supporter of deregulated financial services. (Lee, 2007) New Labour also took great pride in presenting itself as the party and government of 'light' financial regulations. This is what Gordon Brown was saying in his annual speech at Mansion House as late as June 2006: 'The message London's success sends out to the whole British economy is that we will succeed if, like London, we think globally (…) if we advance with light touch regulation, a competitive tax environment and flexibility. (...) And just as two years ago we promoted the action plan for liberalising financial services across Europe, I can tell you that the Treasury is now working with Charles

McCreevy [European Commissioner for International Markets and Services] and with you to ensure that the forthcoming European financial services white paper signals a new wave of liberalisation. (...) In 2003, just at the time of a previous Mansion House speech, the Worldcom accounting scandal broke. And I will be honest with you, many advised me that we were right not to go down that road which in the United States led to Sarbannes-Oxley, and we were right to build upon our light touch system through the leadership of Sir Callum McCarthy - fair, proportionate, predictable and increasingly risk based.' (Brown, 2006)

After the traumatic exit of the pound from the exchange rate mechanism following Black Wednesday in 1992, the British economy grew steadily for the next 16 years. This performance contrasted with Britain's post-war experience of 'boom and bust', in which periods of growth were punctuated by sharp contractions, often associated with sterling crisis and balance of payments problems. Although elected on a platform to end British economic decline, the Thatcher government had presided over a sharp recession in the early 1980s with unemployment rising to over 3 million. After implementing severe austerity policies, the Conservatives managed to re-start the economy, but the boom was short-lived. By the end of the 1980s, there was another deep recession and a rise in inflation. This recession undermined the position of the sterling and led directly to the crisis in 1992. The economic fluctuations between 1979 and 1992 seemed to indicate that the British economy was caught in a permanent cycle of 'boom and bust'.

In office, Chancellor Brown proclaimed the end of 'boom and bust', and boasted that Labour had found the secret of non-inflationary growth. (Gamble, 2009a: 451) However, viewed in the international context, the British economic performance was anything but exceptional as there was non-inflationary growth throughout the international economy. Some European countries experienced recessions (notably following the bursting of the dot.com bubble in 2000-01) but, overall, this was a time of prosperity for almost everyone. This period allegedly marked the success of neoliberal ideas associated with the Washington consensus, notably in the Anglo-American world. (Gamble, 2009b)

When the 2008 debacle occurred, proponents of laissez faire economics argued that these events were purely of a financial nature, and therefore the remedy should be of a technical, not political, order. (Garrett, 2011: 281) A majority of commentators have described the recent events as a ‘financial crisis’. Others, who are in the minority, believe that things are much more serious than a ‘financial crisis’. Some are of the view that we are facing a ‘crisis of capitalism’. (Gamble, 2009b) This terminology helps emphasise the fact that the current crisis is exceptional, and for that reason that it is inherently political in nature. This crisis creates ‘the conditions for the rise of new forms of politics and policy regimes. (…) A crisis of capitalism does not mean the end of capitalism, or even the beginning of the end. It is rather a period when capitalism is reorganised.’ (Gamble, 2009b: 7) According to this line of reasoning, one can identify two such crises in the past century: the Great Depression of the 1930s and the stagflation of the 1970s. (Casey, 2010) Both crises led to dramatic transformations of capitalist economies. The 2008 crisis would thus represent the third crisis of capitalism. If this argument is at all valid, one should wonder what kind of structural, organisational, and ideological transformations have been brought about by the 2008 financial meltdown. Did the crisis create a policy shift similar to that from Keynesianism to monetarism in the UK in the 1970s? Did it inspire a new ‘policy paradigm’? (Hall, 1993: 279)

The British Labour Party offers a fascinating case study because this party was in office when the banking crisis occurred (2008-2010). Furthermore, it is also interesting to see where the party stands on these issues now that it has been back in opposition with a new leader. (Since September 2010)

**The New Labour government and the crisis**

The most striking element of continuity in economic policy since 1979 has been the emphasis on controlling inflation. (Hodson, Mabbett, 2009: 1044), Thatcher governments identified inflation as a priority to create growth and prosperity. Gordon Brown, as Chancellor and as Prime Minister, agreed on that ground with his Conservative predecessors. (Brown, 1999) The Labour government followed the Conservative approach of achieving the target by announcing an inflation target and publicising the advice of the Bank of England on the appropriate settings for monetary policy. Policy transparency was intended to influence inflation. The Blair government changed an important aspect of the institutional framework: it granted the newly created Monetary Policy Committee (MPC) operational control over monetary policy. This meant that the Chancellor could no longer go against the Bank's advice in setting the interest rates, as was the common practice prior to 1997. The transfer of the power to set and control interest rates to the Bank of England was seen by commentators as a way to secure an immediate vote of confidence from the markets. (King, 1997: 81-97)

The Blair-Brown governments were therefore largely comfortable with the neoliberal agenda. (Hay, 1999, Heffernan, 2001, Marlière, 2008) As Stuart Hall put it, the New Labour experiment was essentially neoliberal, but it contained a 'subaltern programme, of a more social democratic kind, running alongside.' (Hall, 2003: 19) In terms of policy *objectives* (as opposed to policy *means*), an element of the old Labour 'ethos', which Blair and Brown accepted, endured. It obliged New Labour to fund and provide public services and social welfare in an effort to reform, in some measure, the socio-economic situation that they had inherited from the Conservatives. (For instance, the minimum wage, family credits, indirect use of tax revenues to redistribute resources to the poor and fund increased expenditure on public services) (Heffernan, 2011: 166) According to Colin Hay, New Labour 'ceased effectively to be a social democratic party, committed as it had by then become to pervasive neoliberal economic orthodoxy and to a basic acceptance of the legacy of the Thatcher years.' (Hay, 1999: 42) Others, like Richard Heffernan, argued that what was unusual about New Labour was not the endorsement of neoliberalism, but the use of market instruments to promote reformist goals. (Heffernan, 2011: 165) New Labour pro-market philosophy was particularly evident in its attitude towards the financial industry. From 1997 onward, Blair's government was keen to celebrate the City of London and promoted deregulation of the financial activities by setting up a 'light-touch regulation system.' (Beech, 2009: 529)

Labour's spending plans were largely dependent on the economic growth generated by the financial markets. It was revenues generated by economic growth, and not income or resource redistribution that financed the increase in public expenditure. This procedure was completely in line with the Thatcherite philosophy, according to which economic prosperity can only come from the proceeds of the lawtaxed and competitive free market. This model unravelled in the wake of the economic recession prompted by the banking collapse of 2007-8.

On 13 September 2007, Alistair Darling, the Chancellor, took a leading role as the financial crisis unfolded. The Bank of England was then providing emergency support to Northern Rock, one of the country's leading mortgage providers. Northern Rock was a former building society that had demutualised in the 1990s and adopted an aggressive model which involved high leverage and high risk. At some point, the bank was offering 125% mortgages. (Gamble, 2009a: 455) Interestingly, in the first weeks of September, only Vince Cable, for the Liberal Democrats, was calling for the immediate nationalisation of Northern Rock. The Labour government clearly did not want to become involved in running banks because it did not want to damage the markets' confidence in the City. (Gamble, 2009a: 456)

On 14 and 17 September, long queues formed outside Northern Rock's branches. Panic was only diffused when the government declared that it would guarantee all deposits in the Bank. The government provided capital to Northern Rock, and the Bank was eventually nationalised. The Brown government, while intervening in order to prevent a complete default and to guarantee the funds of depositors, persisted for many months in trying to find a private sector solution for Northern Rock.

The government's stand on Northern Rock exposed worrying deficiencies in the existing institutional framework, whereby the Financial Services Compensation Scheme provided a 100% guarantee on only the first £2,000 deposits. On 1 October 2007, the FSA raised this limit to £35,000 and subsequently to £50,000. Shortly after this, the government committed itself to guaranteeing all retail-bank deposits in the UK. (Hodson, Mabbett, 2009: 1051)

In the wake of Lehman's collapse, Llyods TSB, with direct support from the Brown government, purchased HOS, the largest mortgage lender in the UK until then. A couple of weeks later, the government nationalised Bradford & Bingley. On 8 October 2008, Gordon Brown and Alistair Darling announced a massive bank bailout, including £50 billion of cash for equity swaps, £100 billion in short-term loans from the Bank of England, and another £250 billion in loan guarantees. Five days later, the government announced that the Royal Bank of Scotland, Llyods TSB, and HBOS would receive £37 billion between them in exchange for equity stakes of roughly 60% for RBS and 40% for the merged Llyods TSB and HBOS. The government would also have a say in how the nationalised banks were run. (Casey, 2010: 14)

The Labour government was also slower than its US counterpart to recognise that the credit crunch required a change of interest rate policy. The Bank of England cut its interest rate, but it did so more cautiously than the Federal Reserve. A majority of members on the Bank's Monetary Policy Committee believed that the greatest danger was from inflation not recession. (Gamble, 2009a: 456)

Having averted the collapse of the banking sector, the Labour government was willing to revive growth, and it pursued massive stimulus packages from November 2008 onward; Alistair Darling approved a £21 billion pound stimulus package. The bulk of the stimulus came through a reduction of VAT from 17.5% to 15%. The threat to the British economy was avoided, although at the cost of soaring budget deficits. (Quinn, 2011: 406)

The net result of fiscal and monetary stimulus has been mixed. After a sharp recession in 2009, anaemic growth – largely a jobless one - has returned in 2010 and 2011. These results were obtained at a terrible cost for the public finances. Deficits reached 11.3% of GDP in 2009. In the UK, GDP dropped around 8% and unemployment rose by 8%. (Casey, 2010: 16)

In the aftermath of the financial meltdown of 2007-08, the Labour party has found it hard to adjust to the new political and ideological landscape. The financial sector has been badly damaged and the neoliberal ideas which sustained it have been discredited. Bankers have become hate figures, on a level with estates agents, journalists and politicians. (Gamble, 2009a: 457) However, nothing seems to have changed since 2008: bankers continue to operate as they did before the beginning of the crisis. For instance, more than 100 bankers at RBS were paid more than £1 million and total bonus pay-outs reached nearly £1 billion in 2010, even though the bailed-out bank reported losses of £1.1 billion for 2010. Len McCluskey, the General Secretary of Unite, declared: 'Taxpayers will be baffled as to how it is possible that while we own 84% of this bank [RBS], it continues to so handsomely reward its investment bankers. This is an institution in which over 21,000 front-line and support staff has been sacked.' (Treanor, 2011: 7)

However, some commentators have argued that the sharp increase in government borrowing and the suspension of the fiscal rules constitute an ideational or even a paradigmatic shift at the heart of New Labour, and away from monetarism. The strongly interventionist stand of the Labour Government since the start of the crisis has signalled, for some, a shift toward a rather radical Keynesian agenda. Proponents of this thesis argue that 'Brown and his Chancellor, Alistair Darling, have rediscovered the political economy of (...) Keynes.' (Lee, 2009: 30) Commentators – notably in the Murdoch press – presented these measures as marking the end of New Labour. The Sun newspaper argued that New Labour had finally succumbed to 'socialism'. (Fielding, 2012: 657)

Others – amongst whom one finds the majority of academic commentators – have argued that there is indeed little evidence to suggest that the New Labour government did revert towards a more Keynesian paradigm based on expenditure of goods and services or increasing transfer payments. More than half of the deterioration in the fiscal balance has occurred as a result of the financial crisis. (Hodson, Mabbett, 2009 : 1053) These expenditures did not directly help raise household income or boost the demand for goods and services. The bail-outs were essentially intended to revive the supply of credit.

In the case of monetary policy, the instrument of quantitative easing was *ad hoc* policies in order to address pressing financial problems, but they did not alter the relationship between the government and the banks. As for fiscal policy, the borrowing government rose sharply in response to the global financial crisis, but this change had more to do with the costs of the bank bailouts than with the Chancellor's rather modest stimulus package. When it comes to the financial sphere, the Northern Rock financial crisis has prompted the Brown government to introduce a new policy instrument with the creation of a special resolution regime. However, the government did not introduce macro-prudential regulatory instruments that might have helped reduce the ability of the City to profit from the next boom. (Hodson, Mabbett, 2009: 1058)

The crisis has exposed the flawed economic policies and beliefs at the heart of New Labour: the lack of attention to financial stability and concerns over the ability of existing instruments to deliver asset price stability. New Labour reckoned that fiscal discipline would bring about balanced economic growth and steadily raising investment. This belief has been profoundly shaken as a result of the crisis.

By the end of 2009, Alistair Darling and Peter Mandelson felt that the most effective way to win back lost voters was to demonstrate the government's economic competence. They argued that Labour had to be open about the need for massive cuts given that public spending was set to account for 53% of GDP by 2010. Gordon Brown and Ed Balls, then Secretary of State for Children, Schools, and Families, wanted to promise some future spending in health and education. (Fielding, 2012: 658) In March 2010, in his Pre-Budget Report, Alistair Darling announced that a re-elected Labour government would cut spending on a scale 'deeper and tougher' than under Margaret Thatcher, and would halve the deficit by the end of the next parliament. This was a deliberate attempt to sound like the Conservatives on the issue of deficit. (Fielding, 2012: 659) Yet differences between the two parties remained. Darling intended to start the cuts in 2011 in order to allow the economy to recover. He also planned to tax the wealthier classes and to raise £6 billion by increasing the National Insurance on higher earners. A survey carried out in May 2010 showed that there was no majority in favour of making major cuts in spending and public services to reduce the debt: 45% were in favour, against 46% who supported raising taxes broadly and cutting spending and services less. (Greenberg Quinlan Rosner Research 2010)

The political consensus on cuts and austerity proved disastrous for both the Labour and conservative parties. Faced with an absence of choice, the electorate failed to give a majority to any of the two major parties. It was clear that with 29.1% of the share of the votes - its worst electoral result since 1918 - Labour had lost the 2010 general election. Voters blamed Labour for the economic crisis and were of the view that the recession had destroyed Labour's reputation for economic competence. (Quinn, 2011: 403-411)

**New leader, new ideas?**

According to Sunder Katwala, then General Secretary of the Fabian Society, neither Blair nor Brown ever attempted a 'frank audit' of Thatcherism. (Katwala, 2009: 11) This amounts to an acknowledgment by this party insider that although New Labour had a mandate for some important policy shifts, it neither achieved, nor attempted a deep realignment of British politics. Would Ed Miliband be a post-New Labour leader, and challenge Thatcher's TINA mantra?

In the run-up to the campaign for the leadership of the Labour party, Ed Miliband was, of all the main contenders, the most vocal critic of New Labour. (Jobson, Wickam-Jones, 2010: 525-548) He was the one who presented himself as the true alternative to New Labour and its pro-market philosophy. This is arguably an ironic claim from someone who had been so deeply embedded in New Labour governments. Firstly, Ed Miliband was an advisor to Gordon Brownand later as a New Labour cabinet minister between 2005 and 2010.

Ed Miliband's leadership campaign revolved around three main ideas: a) He proposed Keynesian-style approach to deficit reduction; b) He committed himself to combat social inequalities; c) He promoted an interventionist state; that is a state in charge of regulating market capitalism and of stimulating economic growth and social justice. Miliband was critical of the coalition's programme of deficit reduction and cuts in public spending. The Labour leader argued that those cuts would harm the most vulnerable in society. Instead of severe spending cuts aimed at halving the public deficit in four years, the new Labour leader proposed a living wage, a graduate tax to replace the unpopular tuition fees and a progressive approach to taxation. (Hasan, Macintyre, 2011: 227)

During the party leadership contest, Ed Balls, another candidate and a former close ally of Gordon Brown, had argued that the thrust of both the Coalition's and Alistair Darling's deficit plans were 'too deep and too fast.' (Wintour, 2010: 6) By appointing Balls as shadow Chancellor, Ed Miliband could have encouraged a more 'left-wing' approach than the austerity choice made by Darling. Miliband eventually chose Alan Johnson, a Blairite who had supported Darling's stand over the deficit. (Watt, 2010: 8) Moreover, Johnson was lukewarm about the top rate of income tax which had been introduced by the Brown government. When Johnson unexpectedly resigned in January 2011, Miliband eventually appointed Balls, a choice that marked a slight shift towards a more ‘Keynesian’ style approach to secure future growth.

The newly elected leader insisted that it was time to go ‘beyond’ New Labour. He said it at a speech in Gillingham on 27 November 2010, and announced a two-year review of Labour party policy. These reviews allegedly aim to rethink the assumptions that guided New Labour. (Prabhakar, 2011: 32) In the first speech following his election as party leader in September 2010, Ed Miliband attempted to set out a new agenda for the Labour party. He distanced himself from New Labour on policy issues and he detached himself from Brownite ‘boom and bust’. (Jobson, Wickham-Jones, 2010: 526)

In a speech at the Fabian Society in January 2011, Ed Miliband spelled out his economic vision in more detail and was also very critical of New Labour in power. (Miliband, 2011a) He argued that New Labour had failed in three counts. Firstly, he said that it was important to understand why the economy had stopped working for the people, and how Labour could offer a new economic model. Secondly, Miliband recognised that New Labour managerialism took the government away from the ‘instincts and values of the broad progressive majority in Britain’. He argued that New Labour came to be seen as the ‘people who put markets and commerce before the common good’. Thirdly, he admitted that New Labour did not manage to build a ‘broad, open progressive majority’. Ironically, the Labour leader attacked the ‘Conservative fallacy that markets always know best’, failing to acknowledge that this had been Blair-Brown thinking over the past 15 years. He then moved on to attack bankers: ‘I want us to articulate the frustration of people who are fed up with bankers taking vast public subsidies and then rewarding themselves for failure while the rest of the country struggles.’ This was a comment that neither Blair nor Brown would have contemplated making. However, this is also a fairly safe point to make today given the profound unpopularity of bankers among the British public. Furthermore, Miliband acknowledged that the New Labour government did not get ‘banking regulation rights’. With him, taxing high earners and bonuses was no longer a taboo subject. Miliband called on the government to extend a £3.5 billion tax on banker’s bonuses for another year. (Stratton, Wintour, 2011: 5) This measure was a step-down from an earlier claim that the government’s one-off tax on bankers’ bonuses should be made permanent. (The Independent, 2011: 9) Later, the Labour leader led the chorus of critics who forced Stephen Hester, the RBS boss, to abandon his plan to take a £1 million bonus (84% of the bank is now owned by the government after being rescued by taxpayers' money in 2008). After criticising Network Rail directors for seeking large bonuses, Miliband broadened his attack on the Coalition by calling a Commons vote and by urging an end to the 'bonus culture'. In February 2012, Ed Miliband argued that 'all companies must show responsibility, but banks have a particular responsibility, because they are either directly or indirectly supported by the taxpayer.' (Wintour, 2012: 28) He called for 'one nation banking', claiming that 'if banks do not change their ways, the only result will be further isolation from society, greater public anger, and an economy which does not pay its way.' This did not mean a condemnation of bonuses in theory on his part, but he warned that 'exceptional rewards for exceptional performance means that the kind of huge bonuses which have caused such controversy recently should not be handed out for just doing your job. They should not be a one-way bet.' (Wintour, 2012: 28)

In stark contrast with New Labour, the new party leader has signalled his support for the European Commission's proposals to introduce a financial transaction tax. This very modest tax would see a 0.1% charge on stock and bond trading and 0.01% on derivatives contracts. The European Union predicts that it would raise £50 billion a year. (Tolley, 2011) Later, Miliband seemed to change his mind on the proposed tax, saying that it was unfeasible. (Beckett, 2012: 14)

Turning his back on over a decade of New Labour policies, Ed Miliband has asserted that 'free markets combined with "light-touch" regulation were sold to Middle Britain on the basis that they would guarantee economic freedom, rising living standards and a fair reward for the hard-working majority'. Following the banking debacle, Miliband seems to have given up on a number of New Labour ideas and policies. He thinks that after 11 years of a Labour government, the 'squeezed middle' is not better off, as people have become 'too reliant on personal debt and financial services'. Today, wealth creation and social justice 'need to be built into the way our economy works'.

Miliband dismissed Conservative thinking on the causes of the crisis. He objected to the idea that it 'was high levels of public borrowing that caused the crisis.'

The Labour leader conversely argued that it was the ‘crisis that caused high levels of public borrowing’ and denied that the solution to the crisis should consist of cutting back spending completely.

Miliband argued that the New Labour tradition which embraced markets ‘is also important for [people's] future and for creating wealth’. He nonetheless believes that his party would also need to draw on ‘that other tradition based on mutualism, localism and the common bonds of solidarity’.

**‘Responsible’ Capitalism**

Together with a Keynesian approach to deficit reduction and a concern with rising inequalities, Ed Miliband launched an attack on ‘predatory capitalism’ and called for ‘responsible capitalism’. He first coined the expression at the 2011 Labour Party annual conference (Miliband, 2011b). The speech was seen by some as a major shift in Labour policy. Seumas Milne, a left-wing *Guardian* columnist, wrote that it was the most radical speech by a Labour leader for a generation' as it signalled an ‘unmistakeable break with the corporate consensus of the past three decades and the model of unfettered market capitalism this has enforced.’ (Milne, 2011, 24) In an essay subsequently published on the topic, Miliband essentially described ‘responsible’ capitalism not as an ‘economy based on predatory, short-term speculation’, but one in which there is ‘a more active role for government in making the market economy work. (Miliband, 2012a)’

Ed Miliband is said to be receptive to Maurice Glasman’s ideas. Glasman, a London based academic, has coined the expression ‘Blue Labour’ (‘Blue’ as in small-c conservatism) to mark an intellectual and political break with the New Labour experiment. According to Glasman, Ed Miliband Labour’s needs to value tradition a bit more to re-learn some of the lessons of its pre-1945 past. Back then, the party was allegedly more concerned about solidarity and community, and it was not comfortable with the ‘filthy rich’ (as Peter Mandelson famously put it once).

He also believes that ‘Old’ labour was ‘worse’, as it was ‘entirely disengaged from democracy in the economy’. For Glasman, ‘Blue Labour’ is about rediscovering the Labour tradition and its critical relationship with capitalism. (Glasman, 2011a) He argues that Labour politics should be rooted in the democratic resistance to the commodification of human beings. The Labour party should promote local communities and stress the importance of human association, of relationship building, and of solidarity: '(…) Labour must establish those conversations that broker a common good within party organisations such as Progress, the Fabians, Compass and the Christian Socialist Movement and build a common programme.' (Glasman, 2011b: 32) Glasman is critical of Blair and Brown who 'were recklessly naive about finance capital and the City of London and relentlessly managerial in their methods. [Blair's] concept of modernisation [verged] on the demented: a conception of globalisation understood entirely on the terms set by finance capital.' (Glasman, 2011b: 32) Maurice Glasman's views on the banking system are bolder and more demanding than Ed Miliband's: 'The control of the City of London in regional investment must be broken and local banks established that could enable people to have meaningful jobs and live closer to their parents.'

In line with 'Blue Labour' thinking, Ed Miliband sees in our current circumstances a 'quiet crisis that is unfolding day by day in kitchens and living rooms in every town, village, and city up down this country.' (Harvie, Milburn, 2011: 16) The Labour leader describes a crisis of 'social reproduction'- that is, a breakdown in the ability of individuals, families, and communities to educate and care for one another, and to develop. These, Miliband argues, are the consequences of more than three decades of neoliberal policies (privatisations and marketisation). However, when it comes to new ideas and new policies, Miliband seems as bereft of new thinking as other political leaders.

At the annual Labour party conference in Liverpool, Miliband reckoned that British voters are ready to break from what he calls 'the old settlement' established by Margaret Thatcher and largely continued by Tony Blair and Gordon Brown: 'I think there is a new centre ground in politics. And this is where I am moving on from New Labour. The old centre ground said you would demand responsibility at the bottom, but you do not talk about it at the top because there are vested interests that are too powerful to take on. (…) There's a new centre ground about saying inequality is not just a problem because of the gap between the rich and the poor, but between the rich and everybody else.. (Rawnsley, Helm, 2011: 24)

Miliband blamed the ‘economic system’, and called for a ‘new economy’ that rewarded ‘producers’ and not ‘predators’, or ‘wealth creators’ instead of ‘asset strippers’. The Labour leader hinted at the direction he might like to take: government intervention to reshape the corporate sector, as well as employee representation on top paying committees.

Miliband and Balls have promised to use the proceeds from selling RBS and Llyods to pay down debt. It remains a very modest contribution to solving the credit crisis. It, for instance, ignores the case for turning the part-nationalised banks into public investment banks to drive recovery. This is an idea which has been floated by Adam Posen, a member on the Bank of England's Monetary Policy Committee, or the *Financial Times* journalist, Samuel Brittan. (Brittan, 2011: 18)

Interestingly, these comments were accompanied by others more in line with the New Labour legacy. Miliband reminded the audience in Liverpool that a ‘generation ago a Labour leader came to the Conference to condemn the behaviour of a Labour Council in Liverpool’. (The Militant tendency, the ‘Hard Left’ of the Labour party, played a leading role in the Liverpool City Council between 1983 and 1987). He warned that a future Labour government will not be able to reverse ‘many of the cuts this government is making’, adding that if the Coalition in office ‘fails to deal with the deficit in this Parliament, we are determined to do so.’ Miliband also underlined important elements of continuity with Thatcherism and Blairism: he argued that Margaret Thatcher was ‘right to change the rule on the closed shop, on strikes before ballots’. Furthermore, Ed Miliband denounced the public sector workers’ strike at a union rally in London in June 2011 against the cuts in public services. (Wintour, 2011: 7) He reiterated his anti-strike stance before the delegates at the TUC annual congress’ and he went on to back the Hutton report on pensions (Mulholland, Milmo, 2011: 6) which angered the unions for increasing the amount of pension contributions and for further delaying the retirement age. (TUC, 2010)

Miliband asserted that Labour remains ‘a party that understood wealth creation as well as its distribution, that we needed for economic prosperity as well as social justice, and that solving our society’s problems could not be done without a partnership between government and business.’ (Miliband, 2010) These are words which could have directly come from the New Labour playbook. Critics have also stressed that it is virtually impossible for the current Labour leadership – notably Ed Balls – to be critical of the current economic situation, as it was complicit in the regulatory failures of the 2000s. (Cohen, 2011: 37)

All these things considered, one may point out notable rhetorical differences between the Labour party and the Coalition government. Ed Miliband, for instance, supported – albeit cautiously – the Occupy movement at St Paul's cathedral in London, arguing that it represented a 'challenge to the Church, to business and also to politics.' (miliband, 2011c) He has also insisted that the deficit 'had to be reduced, but in a steady and balanced way.' (Miliband, 2012b)

This being said, it is rather hard to find major policy disagreements between the Labour party and the Coalition. For instance, Labour has accepted every spending cut being imposed by the Coalition and has endorsed George Osborne's public sector pay freeze. Ed Balls has even admitted that it might need to continue beyond the end of the current parliament. (Batty, 2012: 8) Len McCluskey, the general secretary of Unite union, declared on that occasion that this was 'the last gasp of New Labour's neoliberalism which led to 2008.' He added that 'Ed Balls's sudden embrace of austerity and the public sector pay squeeze represents a victory for discredited Blairism at the expense of the party's core supporters.' McCluskey also condemned Balls's 'fallacy that increasing the wages of the low-paid risks unemployment' and reminded that 'the view that deficit reduction through spending cuts must be a priority in order to keep the financial speculators onside has been the road to ruin for Labour chancellors from Philip Snowden to Denis Healey.' (McCluskey, 2012)

**Conclusion**

In the end, did the 2008 crisis bring about a paradigmatic shift from monetarist policies to Keynesian style policies? In other words, is the blind belief in TINA being eroded in Labour ranks?

As we have seen, the Brown response to the crisis fell short of real economic re-alignment. There was indeed an increase in government borrowing and the fiscal rules were suspended. This constitutes an unorthodox move from monetarist orthodoxy. That said, it does not represent an ideational or even a paradigmatic shift away from monetarism. There is little if no evidence at all to suggest that the Labour government's intentions were to permanently revert to a more Keynesian style paradigm based on expenditures on goods and services or increasing transfer payments. The expenditures incurred by the government were an *ad hoc* reaction in order to revive the supply of credit and to prevent the complete collapse of the banking sector. The injection of cash did not directly help raise household income or to boost the demand for goods and services.

Ed Miliband's personal handling of the crisis has so far been patchy and vague. He has made a number of harsh comments on the 'bankers' greed' or on the free markets in a number of speeches. The Labour leader has also committed his party to somewhat restricting the power of 'unfettered markets' (tax on bankers' bonuses or on financial transactions), but these words have not yet translated into party policy. Furthermore, they seem very moderate in scope, and do not mount a comprehensive challenge against the neoliberal world and the TINA narrative.

Under 'Red Ed', the Labour party does not seem intent on challenging the economic ideology and the political narrative which have so dramatically wrecked the world economies and impoverished entire populations. Yet even proponents of neoliberalism acknowledge that people have had enough with free market ideology. As a leader of the *Financial Times* put it in October 2011: 'A month ago the disparate band of protestors who set up camp in downtown Manhattan's Zuccotti Park to decry the excesses of capitalism were seen as little more than idealistic youth, doing what youth tend to do. Today only the foolhardy would dismiss a movement reflecting the anger and frustration of ordinary citizens from all walks of life across the world.' (Financial Times, 2011: 12)

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