

The Scary Warnings and the 21st Century Unlikely Moderniser: Part 2

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The main focus of Part 1 is to unpick assertions made regarding Jeremy Corbyn, whereas Part 2 is a wee jaunt through the economic, social and political changes of the last 35 years, as it is important to remember where we came from, in order to understand where we ought to go.

Saying Bye Bye to the Keynesians: The Neoliberal Steamroller

The setting up of the welfare state by the Attlee government from 1945 - 1951 signalled solidarity by sharing risk (*Baldwin, 1999*).

By providing a comprehensive safety net, it created cohesion and stability by enriching 'the concrete substance of civilised life', reducing 'risk and insecurity', and improving the 'equalisation between the more and the less fortunate at all levels' (*Marshall, 1950*).

The adoption of Keynesian economics of full employment and nationalisation also strengthened these bonds.

Consecutive Labour and Conservative governments up to 1979 recognised the benefits of this social-democratic welfare state (*Harrison and Boyd, 2003:177*) and strengthen it for the benefit of all sections of society.

Thatcher's Conservative victory in 1979 led to the mainstreaming of neoliberal policies.

These policies transformed British attitudes to ownership and economic responsibility (*Moore, 1992*); started the erosion of this cohesion; and, promoted individualism where society is little more than a system of economic relations.

Thus, individuals rely on their own abilities for success (*Macpherson, 1962*) and successes derive from the individual, not society.

Winners are celebrated and the less successful are over-looked.

Saying Buy Buy to Voters: Politics in the Age of Materialism

The political traction for the neoliberal steamroller was the growth of a new middle class, the 'affluent worker', who did not adhere to any political allegiances; their voting behaviour was determined by maximising their own material interests (*Haseler, 1989:32*).

Traditional voting patterns associated with class were largely disregarded, although, this may have been over-estimated (*Miliband, 1983*)

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Thatcherism targeted middle class voters as well as 'ambitious sections of the working classes with her ideas of popular capitalism and 'traditional' values (*Harrison and Boyd, 2003:178*).

Neoliberal – economic liberalism – ideas of competition, entrepreneurship, individual freedoms, minimum government intervention, the reduction of public expenditure, are based on the assumption that individuals are motivated by self-interest (*Harvey, 2009*).

Thatcher designed policies which were attractive to prosperous middle class households as well as the ambitious working class, such as Right to Buy and people's capitalism (*Perlo, 1959*) with the opportunity to buy shares in the privatising of the nationalised industries.

To ensure the majority of the country would support the desired outcome economic incentives would need to be designed, such as selling off the nationalised companies below their value.

Thus, by purchasing shares in British Telecom or British Gas below their value, the share price would increase once open market trading began.

Consequently, these policies brought commodification and consumerism to the centre of government policy (*Forrest and Murie, 1986*).

The pinnacle of the neoliberal roll-out was the deregulation of the financial sector, which generated a massive credit boom and this coupled with the income tax cuts caused 'personal consumption to grow by 6% per annum for three consecutive years' (*Hutton, 1996:13*).

The UK's financial sector helped to reshape the housing market and created an environment for household debt to grow.

This deregulation led to increased borrowing, choice in the mortgage market (*Smith and Searle, 2010:339*) and low risk households found cheaper rates.

This expansion in the mortgage market allowed thousands of public sector tenants the opportunity to buy their home.

Thus, without the deregulation of the financial sector Right to Buy would not have been possible.

From the 1980s onwards, more capital was invested in the mortgage market.

Mortgages are an unproductive use of capital as these investments do not create wealth for the economy, as mortgagors are not exploiting the capital for return – they are simply buying a house.

Additionally, the funds lent cannot be used again.

By the late 1990s, the mortgage market had matured with an average growth rate of 5% in comparison to 15% in the 1980s (*McLaughlin and Fenton, 2000:3*).

Banks and buildings societies facing limited future profits – especially as the rate of first time buyers had dropped – needed to innovate to make sure the stock market was confident in their future rate of return.

Therefore we see how the financial sector had become inextricably linked to the housing market and underpinned the economic performance of the country.

Coupled with these changes, the British economy underwent a dramatic restructuring from having a solid manufacturing base employing 7.26 million in 1979 to 2.8 million by 1992 (*Hine and Wright, 1998:1500*).

With this reduction and the increase in imports, British citizens were encouraged to think of themselves as consumers rather than producers (*Forrest and Williams, 1984:1164*).

Thatcher's emphasis on individual choice and freedoms came to be seen as the origin of the 'atomised society' (*Minogue, 2006*) and the eroding of collective identities.

Policies aimed at shifting away from collectivism may have stemmed from the desire to reduce trade union power and increase flexibility in the labour market, but an unintended consequence was the decrease in community cohesion.

Following the depressions in the 1930s, many economists rejected free markets philosophies due to the massive inequalities (*Stiglitz, 2002*).

Thatcher's radical policies were 'regressive, taking British social cohesion for granted while recreating the conditions that in the early part of the [last] century had endangered the very social order she purported to admire' (*Hutton, 1996:54*).

Collectivism notes that neoliberalism undervalues the benefits of community (*Buchanan, 1989*); especially, communities in which there is a high level of solidarity.

Solidarity derives from the collective identity and the commitment to shared ideals (*Gamson, 1991:45*).

Moreover, trust is also created and strengthened by working together for common goals (*Putnam, 2000*).

Where solidarity exists, individuals are expected to support each other (*Hofstede and Hofstede, 2005*).

This interdependency connects individuals and creates social capital.

During the 1980s and early 90s, the Labour Party faced defeat after defeat at the ballot box.

There were calls for structural reforms within the Party, which began under Neil Kinnock's leadership.

In 1987 and 1992, Labour's share of the vote and number of seats won both increased.

Correspondingly, the Tories share of the vote declined from the 1979 level. John Smith never bought the invulnerability of Thatcher's 'misguided philosophy' and thought that the political tide would eventually turn towards Labour (*Stuart, 2005:142*).

Under Smith's leadership, the New Labour modernisers were concerned that unless the pace of change did not increase, Labour risked being out of government again (*Stuart, 2005:290*).

Accelerated change occurred following John Smith's death.

The End of History: New Labour's Acceptance of Neoliberalism

Politics is values and vision.

Political visions are shaped by key influencers, such as Francis Fukuyama (1989), who celebrated the victory of neoliberalism following the end of communism.

Moreover, he and others believed the only significant ideological challenge had been overcome.

This conceit perhaps became most obvious with John Major's assertion – at the 1991 Tory Conference – that the UK was moving towards being a 'classless society', which neoliberals believed demonstrated Marx's exploitation of labour could be resolved.

By 1998, over 60% of people considered themselves middle class (*Gould, 1998:396*), perhaps, the general population bought into the idea also.

It was within this context under Tony Blair's leadership, the Labour Party re-positioned itself to appeal to this middle class.

The revised task of the Party was 'to equip people for change, to shape its impact, to make sense of it, to embrace it in order that we make it work for us' (*Blair, 1998 as cited in Gould, 1998:395*).

Thus, the shift was from proactively managing the economy, to an acceptance of the dominance of the market and government's role in supporting the individual.

In other words, the Labour Party moved away from setting the weather to helping people survive the storm.

The culture of consumerism and materialism was encouraged by Thatcherism and New Labour continued this theme.

There is an acceptance that individualism has led to a decrease in strong social networks and support.

This reduction caused the social tapestry to unravel and become more atomised.

However, to minimise the impacts of this social fragmentation from 1997 the Labour government expanded formal support (e.g. anti-social behaviour teams) and networks to strengthen fragile communities.

To ensure that the economy was not fragile, New Labour supported the financial sector, the Bank of England was made independent of government and there was light touch regulation of the sector allowing it to innovate to keep the economy growing.

Innovations provided the liquidity for banks and building societies to offer more diverse products such as re-mortgages, this vehicle provided householders with a method for unlocking their housing equity; higher loan to value mortgages; and, buy to let mortgages.

Therefore up until late 2007, it had become easier to acquire credit from lenders and inexpensive for low risk borrowers, whether it was a mortgage to buy a house, an unsecured loan, or a credit card.

But the bubble burst, following the US subprime mortgage crisis.

‘From the autumn of 2007 to the spring of 2009, the media in Britain were full of alarming reports about the western world’s financial system and the dangers facing British banks, culminating in the news that some of these banks had been saved from imminent collapse at enormous public expense’ (*Alford, 2010:2*).

New Labour won three elections and during its 13 years in government, child and pensioner poverty radically reduced; large numbers of schools, hospitals and GP practices were built; peace in Northern Ireland was secured; Scotland, Wales and Northern Ireland established devolved legislative bodies; and, transparency increased with the introduction of the Freedom of Information Act and the Data Protection Act.

However, growing inequality, globalization, market failures especially in the newly privatized sectors and housing were not sufficiently addressed.

Moreover, many were disappointed that New Labour did not achieve much more given the size of the majorities they won in 1997, 2001 and 2005 (*Hutton, 2011:283*).

Sadly, voters started questioning Labour's values.

Money for Nothing: Housing Wealth

During the 1970s, inheritance became a middle class issue as the first wave of owner occupiers from the 1930s started passing on their wealth.

Wealth accumulates in two ways: interest-induced wealth and price-induced wealth (*Speight, 1990:63*).

Price-induced wealth results from price changes.

So, a home-owner may become wealthier if their home increases in value but this can only be realised in full if the property is sold.

Wealth increases the GDP of a country; however, price-induced wealth from housing does not increase wealth as it is a transfer of resources from one generation to another.

Rising house prices mean that new home owners need to borrow absolutely and relatively more than previous generations.

Consequently, younger households are transferring a higher proportion of their income to older generations.

Thus, it is inequitable.

The Wealth in Great Britain Survey 2006/08 notes that 38% of individuals expect their home to fund their retirement and a further 10% expect a future inheritance (i.e. the sale of a parental home) to provide the income for retirement (*Daffin, 2009:xxvi*).

This equates to nearly half of the respondents being dependent on the housing market for their future income.

In other words, older generations are assuming that younger owner occupiers will become overly indebted and fund the older generations' retirement.

This shift in attitudes is significant, and this explains why there has been a growth in financial assets and debt accumulation.

In the last five and to ten years, this has resulted in a situation whereby there are transfers from older to younger generations, with respect to housing.

Owner occupier parents are increasingly releasing equity in their home to provide a substantial deposit for their children to be able to buy a property, as this is the only way in which the younger generation can get on the housing ladder.

Thus, once the next generation buys in to the housing market, this continues the complicit cycle of owner occupiers wanting high house price inflation at the expense of the next generation.

It is an unsustainable model.

The real losers of house price inflation are renters, the children of renters and future generations.

The Right to Buy policy extended home ownership and allowed renters to jump on to this housing market escalator.

But those tenants who did not, or could not, buy have been left behind. Renters have no housing wealth and significantly lower values of private pensions than owner occupiers (*Daffin, 2009:57*).

Their children, therefore, find it difficult to become a new household as the social housing stock has decline and owner occupation has become more unaffordable.

Thus, inequality deepens.

Increasing Inequality: Increasing Despair

Inequality can arise from income and wealth. Inequalities of wealth between individuals fell considerably between the 1920s and the 1970s (*Hills, 2013*).

However, it started to rise again from the 1970s but internationally the speed of this growth varies, which indicates political and institutional differences (*Piketty, 2014:237*).

Thus, political choices are influencing this inequality. 'In 1974, the top one percent of families [in USA] took home nine percent of GDP; by 2007, that share had increased to 23.5 percent' (*Fukuyama, 2012*).

The UK is the fourth most unequal with respect to the income equality, out of the 30 OECD countries (*The Equality Trust, 2015*).

This is a result of political decisions.

New Labour was concerned with 'not to cap the top but to raise the bottom' (*Hutton, 2011:282*).

Between 1997 and 2007, income inequalities caused during the Tory years 'were almost perfectly preserved' (*Dorling, 2011:139*). Inequality is an issue for society.

There are negative societal effects associated with inequality, such as it can increase distrust (*Gustavsson & Jordahl, 2008*); reduce voter turnout (*Solt, 2008*), reduced participation in cultural activities (*Szlendak & Karwacki, 2012*), and ill-health (*Pickett & Wilkinson, 2015, Rowlingson, 2011*).

Fairness is central to a decent society.

Thus, inequality must be reduced.

In order to reduce inequality, it is vital to recognise that some people and groups have more influence and access to power than others, including lobbyists.

Organisations that engage lobbyists gain a competitive advantage (*Schuler & Cramer, 2002*).

Or as Fukuyama states, 'elites in all societies use their superior access to the political system to protect their interests, absent a countervailing democratic mobilization to rectify the situation' (*2012*).

Thus, the domination of corporate and elite interest groups in politics needs to be addressed if more redistribution and a significant reduction in inequality is to be achieved.

A mobilised movement is needed too, to ensure democracy.

Challenging the Acceptance of Austerity

When New Labour entered government in 1997, it inherited a debt of 42% of GDP from the Tories, at the start of the banking crisis this had fallen to 35%, and having bailed-out the banks, it increased to 60% (ONS, 2011).

Following Labour's defeat in 2010, the Tory-Lib Dem coalition government embarked on austerity programme, its aim was to reduce the deficit, which is the gap between the government's spending and its income.

However, these cuts contracted demand in the economy.

It is important to remember that the UK is the sixth richest in the world.

When the economy contracts, economic theory suggests the solution is fiscal expansion: increase government spending both to create jobs directly and to put money in consumers' pockets; cut taxes to put more money in those pockets.

But based on ideology, the Tories opted to continue the fiscal cuts.

The impact of these cuts has been devastating from job losses in the public sector; the additional stress and personal debt from the introduction of the bedroom tax; street lighting being switched off after midnight; increased charges for social services; to the cruel sanctions by DWP; and now child tax credits will be cut.

Jeremy Corbyn recognises that it is low income families, disabled people, young people, public sector workers, and our public services that are bearing the brunt of the Tories' political choices, not economic necessities.

This is why he voted against the Welfare Bill.

Jeremy's paper 'An Economy for 2020' highlights the Tory's political choices including to cut inheritance tax changes, which will lose the government over £2.5 billion in revenue between now and 2020.

It is a political choice to have a corporation tax that is half of the United States' rate.

Inequality is deepening due to the extreme Tory neoliberalism.

This has to be robustly challenged.

The reason Jeremy is standing for leader is because 'Labour shouldn't be swallowing the story that austerity is anything other than a new facade for the same Tory plans'.

The Way Forward: Building a Social Movement

Jeremy Corbyn recognises that 'Britain is not working well for most people' and that 'more of the same won't work'.

He, with members and supporters, will build a new social movement to bring about real change in our country.

Thus, his candidacy is not about simply being an oppositionist but gaining power and changing society.

Jeremy Corbyn aims to modernise the Labour Party in order for it to adapt to the contemporary times.

'The tragedy of New Labour was that it offered no serious intellectual challenge' to neoliberalism (*Hutton, 2011:397*).

The only way to move on is to recognise that the 'classless society' is a fallacy and neoliberalism does not address this conflict that the system is dependent on exploiting workers.

The Party needs to move from this ideological vacuum.

Over the last 35 years, risk shifted from the state to individuals.

Vulnerability and insecurity has increased.

Neoliberalism with its culture of consumerism and materialism has boosted the economy but reduced our well-being (*Kasser, 2002*).

Jeremy's vision for free university education inspires our young people.

Jeremy understands the issues facing women.

Jeremy's plan for a fairer economy is 'focused on hi-tech and innovation and the infrastructure to support that, rebuilding supply chains to stimulate private sector demand'.

Thus, the economy will be boosted and private sector will benefit.

Jeremy also plans to rebalance the economy 'away from finance towards the high-growth, sustainable sectors of the future'.

Thus, diversifying the economy will make it less vulnerable to financial shocks.

People across the whole of the UK are feeling a large degree of discontent with the Westminster system.

There is a real sense that their own involvement in politics will have little effect on the way the country is run and supports the view that they have very little influence on decision making: only 26% feel they have at least 'some' influence locally and only 14% nationally (*Hansard, 2014*).

I see Jeremy leading reform of Westminster, such as "a citizen led politics of everyday democracy not just a vote once every five years" (Lawson, 2014).

People are hungry for the changes that Jeremy has spoken of and, are joining the Labour Party or are registering as supporters in their tens of thousands.

His campaign is building momentum. His campaign is engaging the next generation of Labour voters.

His campaign is building a social movement to create change.

"Optimism is the faith that leads to achievement; nothing can be done without hope" (*Keller, 1903*).

I strongly believe that beacons of hope must have a realistic chance of being delivered.

Progressive change is needed within the UK. Progressive change is achievable within the UK.

Progressive change is within touching distance for the whole UK by voting for Jeremy Corbyn as leader of the Labour Party.

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