Beyond Feel-bad Britain

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Introduction

At the end of 2006, as part of a collaborative political project, I helped write *Feelbad Britain*.[i] In it we set out to understand why, just as Britain was supposed to be in a golden period of sustained economic growth, there was nevertheless a widespread feeling that British society was undergoing a social crisis. As well as becoming common currency on both the left and the right of British politics[ii], there was a substantial and growing volume of academic research[iii] which showed that, measured in a variety of ways, Britain had become a society with a serious social malaise which showed itself in various forms of anxiety, insecurity and depression. Now, little more than two years on, the period about which we wrote seems almost another world. Tony Blair and Gordon Brown were then pretty much at the height of their joint reign, lauded as prudent and caring masters of a dynamic economy in which all the social problems which we detailed could be pushed aside as side-issues to the triumph of market-based economics.

The depth of the fall from these heights needs little emphasis except as a reminder that even the severest of New Labour's critics, whether on the left or right, failed even one or two years ago to predict just how sudden and savage would be the economic crash. Warnings about personal debt-levels, housing bubbles and a growing trade deficit were both vague and carried with them the Cassandra-curse that 'you're always banging on about something'. Perhaps it just seemed too far-fetched to suggest that the neo-liberal takeover of the 1980s, achieved over so much pain, had reached the end of its time.

Whatever the reason, both the left and the right in British politics have been left flat-footed by the scale of the crisis and by Gordon Brown's response to it. The right, having initially offered a crude 'statesman-like' bipartisan approach then hastily withdrew when they saw just how large a punt Brown was prepared to make into a new-found Keynesian economics, offering instead a kind of New Age Thatcherism. It is possible they were justified in this, at least in their own terms, based upon any objective likelihood of the success of Brown's new zeal, but they came across as muddled children in contrast to Brown's authority figure. In a time of crisis, they have retreated to a muted version of the old clichés.

The left's response has been a rather baffled bemusement. Brown's shift to an almost manic Keynesian recipe to limit recession *feels* like a progressive shift. After all, as it was Keynes who was scornfully rejected by the acolytes of Thatcherism so his rehabilitation *has* to be a leftward move or at least feel like one. On the other hand, nothing in the Brown package put forward in November, 2008 or in subsequent statements suggests any recognition of an alternative to the neo-liberal Thatcherite agenda so profoundly advanced by New Labour since 1997. A temporary cut in sales tax, cutting interest rates, a small adjustment to income tax bands and advancing expenditure on infrastructure projects is in line with received Keynesian opinion but contains no hint of any shift in social or political thought. The objective of the programme seems to be to re-instate the *status quo ante* before the banks crashed when credit was available apparently without limit and a consumer boom was able to sustain economic growth. The most persistent plea from the Chancellor is that bank lending should return to 2007 levels, the year in which consumer borrowing reached new heights, whilst the most decisive government action has been to provide the banks with ever-increasing volumes of capital. The alternative proposed on the left barely moves beyond an even more extreme Keynesianism. The most complete package for an alternative society on offer, *A Green New Deal,*[iv] sets out its stall explicitly on Roosevelt's New Deal of 1933 and, despite some clear causal analysis, essentially moves very little beyond it in providing a view of an alternative to capitalism.

The intention of this pamphlet is to sketch out such an alternative. It is in three parts: analysis of the current crisis, an appraisal of the two key components of an alternative approach to resolving it. It is necessarily limited and almost certainly wrong on some things. It is intended simply as a contribution to debate, a debate which is urgently needed if the left is to play any part in setting the agenda for the next, crucial period.

Limits to the Crisis

Roots

There are many possible ways to approach the present crisis. The most superficial, and the one favoured by Gordon Brown, is to suggest that it all stems from some problems with the sub-prime mortgages in the USA which have, inexplicably, caused a global crisis. This category of debt, essentially unknown a few years ago, enables blame to be shifted on to various categories of trailer-trash in Florida and desperate house-wives in Ohio colluding with shady American mortgage salesmen; essentially the cast of an updated Arthur Miller play. An apparently deeper analysis lays great stress upon heightened greed in the entire international banking industry inventing more and more complex financial instruments which would conceal their increasingly risky nature behind a smokescreen of incomprehensible mathematics in order to pay themselves ever-larger bonuses.

As the basis for the screenplays which are undoubtedly being written at this moment, both explanations offer endless room for elaboration and they both offer partial truths. There clearly has been incompetent, possibly criminal, behaviour by financial institutions, the extent of which will probably become clearer as the huge amount of Jarndyce vs. Jarndyce litigation, which is inevitable in the US courts, gradually unwinds.[1] However in order to appreciate the fundamental reason for the current recession one has to dig deeper. In particular, it is necessary to appreciate that the recession derives from the working out of an underlying process in the kind of capitalism which has dominated the world economy for nearly thirty years.

It is usual to compare the present recession with that which followed the 1929 stock market crash in the USA. Certainly the comparison is better than with the recessions of more recent memory in the early 80s and 90s. These were, in effect, created deliberately by the Thatcher government to combat inflationary pressures in the economy and to stamp out the last remnants of the postwar settlement. The 1929 recession did have some common

[1] Though not in the UK as we don't do higher-echelon bank fraud. It just wouldn't be gentlemanly.

features with today, notably the collapse of a debt-fuelled speculative bubble in the USA with knock-on effects throughout the world economy. However, there are notable differences which render many comparisons dubious at best. Five are particularly important.

First, in 1929 the economic situation in the USA was very different to that in Europe where most countries had been bumping along in a fairly depressed state for much of the preceding decade. The USA, alone, had largely benefited economically from WW1 so that it was unique in having a significant consumer boom in the 1920s. Second, the huge trade deficits which have been run by the USA and the UK for many years, (the British deficit being quantitatively much smaller than the US but relative to its GNP even larger) were largely unknown in the 1920s with the consequence that there was no pileup of American and British financial debts in overseas treasuries. Third, the very high levels of personal debt seen in recent years particularly in the USA and UK and spreading throughout the industrial world were almost unknown. Buying goods on credit _ hire-purchase or the 'never-never' _ was in its infancy, credit cards did not exist, most people had no bank accounts and house-purchase, growing but not by any means common, was undertaken under rather stringent financing conditions by specialist agencies. Fourth, both economies had manufacturing sectors which produced most domestic needs from cars and domestic appliances to toys and hand-tools. In both countries, buying foreign goods, whether food or products, was a rare and often rather exotic experience.

Fifth, the political context was very different. Throughout Europe, two competing extreme ideologies, communism and fascism, fought over what was widely seen as a capitalist system in terminal decline. Even in the USA, in 1932, the White House was protected by machine-gun posts against any possible assault by the Bonus Army encamped in its thousands in tented-towns around Washington. In contrast, the past ten years have been the calmest of political decades in most of Europe when compared with almost all the twentieth century.

The Great Depression which began in 1929 was never really relieved in peacetime not by Keynes nor Roosevelt nor, for that matter, by Hitler. *The Grapes of Wrath*, often seen as the classic indictment of the period, was published in 1939 as essentially contemporary reportage whilst Keynes' *General Theory* came out in 1936. The most famous of several Jarrow Hunger Marches was also in 1936. Sporadic and localised economic revival occurred in most countries but it was only WWII which finally brought it to an end, particularly in the USA which benefited from 1939 onwards from a flood of orders from Britain and France for war materiél. Keynes' most notable personal success was in the economic management of the war in Britain which avoided most of the problems of inflation and profiteering which had accompanied WW1. He was also influential in negotiating the Bretton Woods agreement which set up the framework for the postwar international economic scene though its actual form was rather different from the one he originally pursued. Keynesian intervention has, in fact, never pulled any economy out of recession as such despite the rather grandiose claims now made for his policies.

The most important impact of Keynes' economic thought came after his death in shaping the way in which economic management to *prevent* recession was undertaken in national economies throughout Europe and, to a degree, in the USA. The three decades after 1945 are often referred to as a 'golden age' of capitalism in that a formula appeared to have been devised which ensured steady economic growth and full employment under capitalism.[v] The key point about this period is that it was a political settlement first with the economic tools of Keynesian demand management deployed to support this settlement. It fell apart in the 1970s because of problems which lay outside Keynesian economics _ inflationary pressures deriving from the three parties to the postwar settlement, capital, labour and government, each laying claim to national resources.[vi] In Britain, in particular, this inflationary crisis was accompanied by a steady fall in corporate profits to the point where British capitalism was essentially running on empty as the profit rate came close to zero. The British left failed to take advantage of the situation despite gaining political ascendancy in the Labour Party and became mired in a swamp of short-term 'workerism' with the prime objective an endless pursuit of money wage increases. A neoliberal government came in and managed through a turbulent decade to impose a new political settlement, one cemented by the New Labour government after 1997. This settlement pivoted around economic support for business by enlarging the share of profits in national income whilst enlisting the support of a large enough bloc of the electorate, re-badged as consumers, to ensure electoral majorities.

The Three Lives of Thatcherism

The three decades of this neoliberal settlement beginning in 1979, conveniently labelled Thatcherism, can be divided into three parts.

In the first period, it relied heavily on a divided and fractious political opposition fighting amongst itself and upon a ready deployment of physical repression to impose new rules upon the organised working class and to claw back at least parts of the welfare state. It was a period marked by severe economic recessions which impacted mainly on the industrial working class and which created what was effectively a new social class, people excluded from any long-term employment pool as the traditional industries of their towns disappeared, confined in a dwindling pool of social housing as house prices soared beyond their grasp, and lacking any agencies of mutual support as trade unions were sidelined.

The second period, roughly encompassing the last eight years of the 1990s, can be seen as the settlement's heyday when Thatcherism, as managed by Major and then Blair, established itself as the dominant principle of political life and could even begin to considered popular, something never for a moment true of the 1980s. This popularity was expressed in the fact that in 1992, John Major's administration received the highest popular vote ever recorded in a British general election. Political opposition to Thatcherism had been effectively crushed and the Labour Party was in the process of being taken over by a new authoritarian centralism master-minded by Mandelson, Brown and Blair. The third, possibly final stage, can be loosely dated to around 2001 when the economic machinery which underpinned the Thatcherite political settlement began to lose its wheels.

This collapse has been examined from all sides to the point of tedium and it is not proposed to add much to this cacophony.[vii] But some rehearsal of what has happened is needed.

Capitalism has always been beset by one overriding economic problem, that of cyclical crises of lack of consumer demand or, to use the mirror image, of over-investment. The capitalist imperative is to grow, to expand economically and, historically, it has achieved this aim in an unprecedented fashion. Its besetting weakness has always been that within the imperative to produce more and more at lower and lower cost there is a crippling flaw, a dearth of consumers to buy what is produced. So, at regular intervals, businesses crash, the banks which have financed their expansion fail, there is a good deal of misery for many and a banker or two commits suicide. Then, when supply has been reduced, new innovations brought to market or when new markets are found, the cycle starts again, enriching some and bringing modest prosperity to many. 'Creative destruction' Schumpeter termed it though others have found less complimentary terms.

In 1929, many believed that the Depression was the final crisis, the moment when this cycle could no longer go on and the world economy would be stuck in collapse until a new way forward was found. The names given to these diverse new ways were various forms of socialism, communism and fascism but it was a political Liberal who appeared to have found a way out of cyclical crisis, at least in most of western Europe, after the conflagration of WWII had destroyed fascism (outside of Spain and Portugal) and contained communism (apart from most of eastern Europe and China). Keynesian demand management seemed able to control economic fluctuations at least to the point where the problem was limited to movements in growth around some apparently normal trend. (It is an odd fact that that 1960s, seen at the time as being beset by recurrent economic crises[2] and now seen mostly as a time of social change, remain the decade with the highest average UK growth rate for all of the twentieth century). Economic manipulation was, however, only part of the story of the apparently golden postwar settlement. State-ownership of a very large part of the economy in the form of expanding education and health as well as various industrial sectors acted as a major stabilising force whilst strong trade unions with direct access to government prevented competitive pressures from depressing money wages.

In 1979, a different form of crisis engulfed Britain, one that was quite outside Keynesian remedies. At the same time, the USA

[2] 'Boom and bust' was then applied to fluctuations in growth around a 'normal' trend. Real busts only began to appear after the mid-1970s.

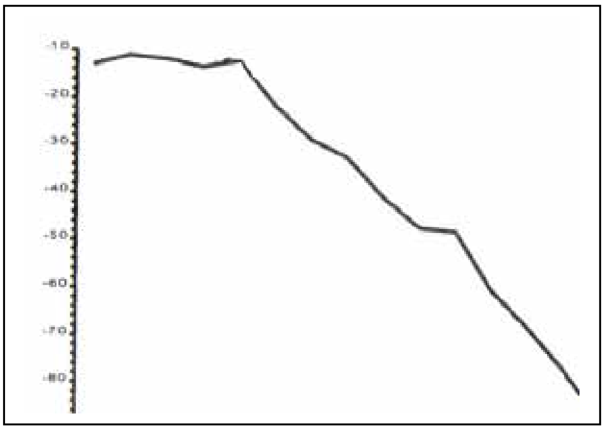
also abandoned its own form of the postwar settlement largely because it had brought effective stagnation to the US economy which was no longer competitive with global rivals, in particular Japan and Germany. Throughout the 1980s, Thatcherism progressively dismantled most of the three legs of the golden age by aggressive monetarism, privatisation and limitations on trade unions. And, in many ways, it succeeded at least in securing the capitalist economy.

The primary objective of Thatcherism, its necessary condition, was to restore business profits from the near-vanishing levels of the mid-1970s. This it did in quite startling fashion so that by the end of the 1980s, the average profit rate had been restored to around 15%, the 'normal' level of the 1950s, from below 5%[viii]. There were many victims of this process, seen in the huge pool of long-term unemployed created (though partially disguised by manipulation of the statistics) and in the long-term blasting of entire communities. However, it would not have been possible to carry through the project without rewarding a significant part of the electorate. This was done, essentially, in three ways. First, the new government had the fortuitous arrival of increasing oil revenues from the North Sea fields developed in the 1970s which enabled the ideologically necessary cuts in income tax to be passed through mainly to the middle-class. These shifts in taxation away from progressive taxes were the first signals of the growing inequality which became the defining social feature of Thatcherism. This new-found revenue was boosted by privatisation which provided a regular flow of funds to the government. These sales provided a twin boost to the sectional popularity of Thatcher by both enabling tax cuts and, as the sales were always made at cut-price levels, providing buyers with immediate capital gains. The asset-bubbles in both house and share prices so created, though small by recent standards, were pricked by the share-collapse of 1987 and the subsequent house-price recession. However, this made little difference to the social acceptance of neo-liberal ideology. Finally, it was also the case that freedoms given to business after 1979 did result in higher economic growth rates compared with the 1970s which, although largely directed towards bolstering profit rates, did allow for an improvement in living standards, at least for some.

One result of the hegemony achieved by Thatcherism was that the Labour Party leadership came to believe that it could only acquire electoral success by fully embracing the neo-liberal ideology though with a cover of providing it with a socially more generous face. There were, pragmatically, good reasons for this. The claims made about the unelectability of Labour if it turned back to the policies it had espoused in the early 1980s were well-founded. This was a period when the British left had conspicuously failed to oppose Thatcherism with any coherent alternative and had fallen to internal bickering. However, New Labour's capitulation to the full panoply of neo-liberal economics was to prove its ultimate downfall. Gordon Brown's decision to hand over power over central interest rates to the Bank of England meant that the legal obligation given to the Bank to focus on inflation to the exclusion of all else meant that interest rates were to remain too high as recessionary clouds gathered whilst his decision to hand over regulatory control of banks to a newly created Financial Services Authority would mean that its inept, not to say supine, activities guaranteed that London would become the centre for worldwide uncontrolled financial shenanigans over the following decade.

As overseas financial companies poured into London, Brown was able to claim credit for an ever-expanding services sector whilst the continuing demise of British manufacturing continued unremarked save by the ignored unions. By 2007, as many manufacturing jobs had been lost under New Labour as in either of the two recessions created by Thatcher and this in times of alleged economic expansion. In September, 2008 scarcely 2.86 people were employed in manufacturing, the lowest ever recorded at barely 13% of total employed, outstripped by the numbers employed in the public sector (5.77 million) and approached by those in construction (1.9 million). Meanwhile after 1997, the UK balance of payments plunged into the red. (See Fig. 1). The most obvious signal of an overheating economy was the extraordinary housing bubble which outstripped even that of the USA and became a national obsession. (Fig. 2) Again and again, concerns voiced over the level of household debt were brushed aside by Brown on the basis that, measured against the inflated levels of household wealth essentially house values, they were perfectly sustainable even though it soared to 180% of annual disposable income. (Fig. 3)

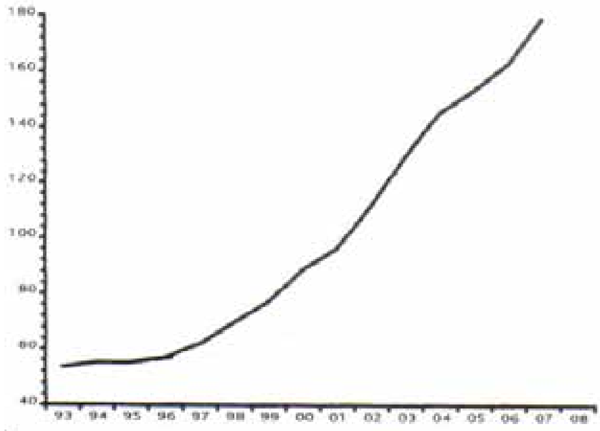
Britain was not the only country in which personal debt increased massively in this century. But in western Europe, it is notable that only Ireland and Spain, countries which also developed huge housing bubbles, saw greater increases.[ix] Each of these three factors showed decisive shifts that coincided precisely with Labour coming to power.



billion £

Source: Turner

Fig 1: UK balance of payments, 1993-2007



prices indexed to 2000

Fig 2: UK house prices, 1993-2008

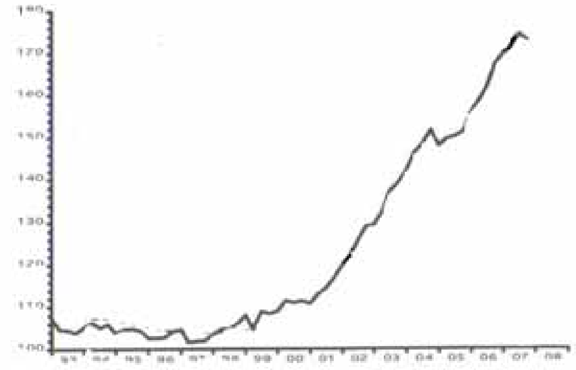


Fig 3: ... 2008

... n financial instru ... simple to expla ... detail.[x] It depen ... and British trade ... against these defici ... nts traded throu ... ne ultimate debto ...

... cture were clear ... ouble. The gener ... mies of SE Asia in 1997 was one as were the financial collapses of Russia (1997) and Argentina (2000). The collapse of Long Term Capital Management[xi] in 1998 was a marker that clever financial manipulation was often a mask for dodgy foundations. Most seriously, the collapse of the dot.com hysteria in 2000 suggested that the most-hyped asset bubble always come to an end. However, the apparent lesson of all these, swallowed by neo-liberal politicians, and their advisers, was that the market could always overcome its inevitable mistakes.

The difference between the various collapses in 1997-2000 and that which began in 2007 is again simple in structure if complex in detail. The neo-liberal resurgence had begun to run out of steam by the end of the 1990s as it ran up against the usual problems of expanding consumer demand to keep pace with rising production. Turner shows that without the stimulus of consumer debt after 2000, the global economy would have entered into a period of sluggish growth and, possibly, of recession. What kept things going was what Crouch, in an interesting analysis, has termed, privatised Keynesianism[xii] in which private consumers took on the role, assigned to governments by Keynes, of acquiring personal debt to keep the economy out of recession. This regime also contained its own demise for

> *…while all theories of market economics depend on the assumption that market actors are perfectly informed, privatised Keynesianism depended on what were presumed to be the very smartest actors concerned, the financial institutions, having highly defective knowledge. This is the Achilles' heel of this model, corresponding to the inflationary ratchet of original Keynesianism. Banks and other financial operators believed that each other had studied and calculated the risks in which they were trading. But during autumn 2008 it became clear that had they done so they would not have entered into many of the transactions they undertook. The only calculations made were that there was a good chance that someone else would buy a share in the risk. Bad debts were funding bad debts, and so on in an exponentially growing mountain.*
>
> *Some people became extremely wealthy in the process, but they continued to be the class whose particular interests represented the general interest, because we all benefited from the growing purchasing power that this system generated. Once privatised Keynesianism had become a model of general economic importance, it became a curious kind of collective good. Given that necessary to it, powering it, was irresponsible behaviour by banks in failing to examine their asset bundles, that very irresponsibility became a collective good. This in itself explains why governments had to bail out the firms involved, nationalising privatized Keynesianism.*
>
> *And so a second regime to reconcile stable mass consumption with the market economy ended. Both Keynesianism and its privatised mutant lasted 30 years. As regimes in a rapidly changing world go, that is probably as good as it can get. But the question arises: how are capitalism and democracy to be reconciled now? Also, how will the enormous moral hazard established by*

> *governments' recognition of financial irresponsibility as a collective good now be managed? The public policy response has not been 'now stop all this', but 'please carry on borrowing and lending, but a little bit more carefully'. It has to be so; otherwise there will be a danger of real systemic collapse.* [xiii]

After Privatised Keynesianism

In this passage, Crouch puts his finger on the central problem of the standard Keynesian solution to the current recession which has, suddenly, been adopted by governments throughout the world. Greater debt and low interest rates are the remedy with increased levels of government debt feeding out into the wider economy in various ways. It is clear that this is what occurred after 2000, particularly in the USA, but with the great difference that households took on the higher debt encouraged by the very low US interest rates in the early years of the decade. Both households and corporations in the USA and Britain are now overwhelmed by the burden of debt which they were encouraged on all sides to take on. Personal debt in Britain is around £1.5 trillion with personal unsecured debt, mainly credit cards, running at about 17% of national income well above the European norm of 7-13%.[xiv] Corporate debt is also excessive given the ability of private equity to gain access to the huge volumes of credit created in the last decade. The enduring symbol of this is Britain's sporting titan, Manchester United, bought by the Glazer brothers in 2005 for some £930 million of which £650 million was debt finance now loaded on to the club's accounts. This ability to buy large corporations with relatively little equity funds and large amounts of debt was the key to the apparent success of private equity operations. However, in both the personal and the corporate sector, expansion of debt is now largely frozen partly because of credit limits and partly because of fear. Doubts as to whether one will have a job in six months time are a spur not to spend but to reduce debt.

This pile of existing debt provides a real problem for the usefulness of a major plank of Keynesian reflation, reducing interest rates to induce greater borrowing which in turn might lead to greater spending. The abiding mantra of Alistair Darling, egged on it must be said by most commentators, particularly those most recently converted to neo-Keynesianism, is to pressure banks into restoring lending to 1997 levels. The best that is likely to come out of this is a greater willingness of banks to roll-over existing business debt facilities rather than calling them in.[3] This will be a necessary lifeline particularly for small businesses dependent upon overdraft facilities to continue trading. But the fate of Woolworths, which owed nearly £300 million, suggests that leniency with respect to larger corporate debt will be less forthcoming. In any event, the major creditors for such large corporate debt are not usually the high-street banks. In the case of Woolworths, the lead creditors were reported to be a subsidiary of the Bank of Ireland and GMAC Finance, an American-based finance house with a speciality in providing loans for private-equity buyouts. Meanwhile credit card interest rates are not noticeably going down following bank rate cuts nor is there any chance that mortgage providers will provide much in the way of the equity withdrawal, so popular as a way of financing big-ticket consumer purchases in the days when the spiral of house price rises seemed unending. This cutback was already underway by mid-2008. In the first-quarter of 2007, equity withdrawal totalled £13.9 billion which was over 6% of post-tax household income. In the third-quarter, £5.7 billion was paid off mortgages, that is equity withdrawal went into reverse to the tune of 2.4% of post-tax income. This means that although interest cuts may act to limit redundancies, they will have little impact in directly stimulating the economy as households, quite rationally, turn to saving rather than spending.

The same can be said for efforts to stimulate consumer spending by fiscal measures such as reducing VAT, altering tax rates or making direct payments like the winter fuel allowance. Some of these will certainly be valuable for groups such as pensioners struggling to pay higher fuel bills. But the lesson from the USA, where it several hundred dollars was returned directly to households in 2008 by immediate tax rebates, is that such money goes into reducing debt rather than into increased consumer spending. Why should it be otherwise? Capitalism, particularly in Britain and the USA, reached the end of a consumer-led growth

[3] One factor in this is that the banks are being asked to lend money at rates well below those at which either government or the private sector is prepared to lend *them* money _ 12% as the coupon for government preference shares and 14% for Barclays' injection from Abu Dhabi.

cycle in which personal debt was the major driver in 2007. It cannot now be kick-started by attempting to boost debt even further.

The main focus in this crisis has to be on the third leg of the Keynesian package, direct intervention in the market to create or maintain jobs as well as direct income support to the poorest. Of course, some of the issues noted in connection with the other two parts of the package also apply here. People in employment will seek to reduce their personal debt even when their jobs were created by state intervention, perhaps even more so. But there are two powerful arguments to recommend this route, neither of which have played much part, so far, in public debate let alone government policy.

The first concerns the social impact of recession. The social consequences of the two recessions created by the Thatcher government are still written large over British communities. The collapse of much manufacturing and mining meant that, in places where people had depended on such work as the staples of their working life, the fabric of social life virtually collapsed. In is from these periods that one can date the demonisation of 'the estate' as hotbeds of crime, drug abuse and social disorder. The characters in television's *Shameless* series effectively have Born in the Thatcher Recessions tattooed on their foreheads. These previous episodes created one of the most vicious class divides of the last century with an enduring presence now; the twenty per cent or so of Britons who live in a cycle of long-term unemployment, poor education and deprivation. A major aspect, indeed the single most important part, of policy to resist recession must be to prevent this situation worsening for those caught in it and stopping any further descent into it by any other groups.

Job creation is no simple thing. In the 1930s, when my grandfather, a craftsman jeweller, was directed into a job as part of his unemployment benefit, he was simply given a pick and shovel and told to go and work on helping build the A11, the Great Cambridge Road, near Enfield. Now it appears that further improvements to the A11 are the only piece of infrastructure in the government's immediate plans, work which now requires putting out complex contracts and the services of relatively few workers using massive capital equipment. Quite rightly, projects of this kind now need lengthy environmental and planning approvals and are often open to objection on just these grounds. The kind of unemployment which will develop during this recession will not be based on the large-scale closures of the 1980s when factories and mines employing thousands were run down. Now, the service sector will be shedding jobs almost everywhere alongside the redundancies from the smaller manufacturing units which are mostly what we have left of the once-giant enterprises. The central parts of any intervention in jobs have to focus on local action and training precisely because of the generalised nature of the problem.

The signs are not good as the government at present seems focussed almost wholly on the centralised policy initiatives which have always characterised New Labour. Local councils, which should be the spearhead of local job-creation efforts, are currently undergoing rigorous cost-cutting exercises forced on them by tightening government budget allocations which seem set to continue. Many are cutting back staff, some 17% by forced redundancy. Meanwhile, student grants are being reduced in order to recover a forecast £200 million over-spend for the 2009/10 academic year. It seems nothing short of bureaucratic lunacy to actually limit student numbers at a time when for trivial sums, compared with money used to bail out the banks, increased numbers of students could spend recession years being trained on modest maintenance grants.

The second reason why a focus on direct intervention in the job market is desirable relates to a very general view of this recession for if, unlike the Thatcherite recessions, this marks the end of a definite kind of capitalism, the question arises as to what kind of capitalism, if it to be capitalism at all, will emerge from it.

As Slavoj _i_ek has recently, rather pessimistically, put it:

> *It is unlikely that the financial meltdown of 2008 will function as a blessing in disguise, the awakening from a dream, the sobering reminder that we live in the reality of global capitalism. It all depends on how it will be symbolised, on what ideological interpretation or story will impose itself and determine the general perception of the crisis. When the normal run of things is traumatically interrupted, the field is open for a 'discursive' ideological competition. In Germany in the late 1920s, Hitler won the*

> *competition to determine which narrative would explain the reasons for the crisis of the Weimar Republic and the way out of it; in France in 1940 Maréchal Pétain's narrative won in the contest to find the reasons for the French defeat. Consequently, to put it in old-fashioned Marxist terms, the main task of the ruling ideology in the present crisis is to impose a narrative that will not put the blame for the meltdown on the global capitalist system as such, but on its deviations – lax regulation, the corruption of big financial institutions etc.*
>
> *Against this tendency, one should insist on the key question: which 'flaw' of the system as such opens up the possibility for such crises and collapses? The first thing to bear in mind here is that the origin of the crisis is a 'benevolent' one: after the dotcom bubble burst in 2001, the decision reached across party lines was to facilitate real estate investments in order to keep the economy going and prevent recession – today's meltdown is the price for the US having avoided a recession seven years ago.*[xv]

The 'narrative' which is imposed on the crisis depends in good measure on the kind of efforts made to recover from it. Clearly, an emphasis of re-capitalising the banks so they can continue previous lending, however unlikely such an outcome, will only reinforce the idea that it was only errors in regulation and suchlike which precipitated their problems. Any bank collapse is presented as a catastrophe with phrases like 'looking into the abyss' or 'going over a precipice' being bandied about. In practice, provided depositors are protected, a few bank collapses would probably be no bad thing. Setting up banks, despite mystification to the contrary, does not involve rocket science On the other hand, positive intervention in the labour market including training as well as job creation can tell a different story as well as providing at least a glimmer of an alternative to debt-driven capitalism if the job creation is not just handing out contracts to the private sector to build more roads and airports. So far, Gordon Brown seems wholly devoid of any intention to do this probably because he possesses no vision other than the market-based structures he helped create. Whether not others will be able to focus enough political will to create alternatives which will gain purchase on public imagination remains to be seen.

In the next two chapters, the key elements of such an alternative will be outlined _ the urgent need to limit greenhouse emissions to prevent an even greater catastrophe than the present recession and the ways in which a fairer and more equal society could emerge from the recession. It is from these two that an alternative narrative for Britain can begin to emerge.

Climate Change and Social Choice

There can be no doubt that action to avert climate change must be the key priority for policy even in times of economic recession. There is an overwhelming scientific consensus that if the present level of greenhouse gas emissions continues, let alone rises, there will be major changes in the world's climate. The only controversy is just how catastrophic for human life these changes will be and how soon the shifts will happen. The first signs are already apparent as are the first deaths. The human misery in Darfur is, in part, a consequence of increasing aridity in central Africa, which is believed to derive from climate change as are the increasing number of unusual and often devastating weather-related disturbances. The scale of the latter was illustrated in the *Human Development Report 2007/08* from the U.N. which received less publicity than it deserved. This estimated that in developing countries, annually, between 1980-84, about 80 million people were impacted by some kind of meteorological disaster, a figure which had risen by 2000-04 to 260 million, about 1 in 19 people.[xvi] That climate change will hurt the poor most of all is demonstrated by the same report's estimate that only 1 person in 1500 is similarly affected in wealthy countries. All of us are responsible for the emissions which cause these; our personal fingerprints are on the death and destruction and there are any number of calculation tools available on the internet which enable us to measure our own level of responsibility.

There is also, in principle, almost complete political agreement in Britain about the nature of the problem and about the ultimate required response _ that we must reduce greenhouse gas emissions by at least 80% within the next twenty or thirty years. This political unity is joined by an apparently similar unity from business leaders who almost queue up to express their concerns about global warming though they are usually more circumspect about the exact levels and time-scales over which emission reductions should be required. It is hardly possible to open a newspaper or magazine without being exhorted to buy the latest 'green' innovation whilst almost every air-trip made by a celebrity is accompanied by a press-release that the emissions from the flight are being 'offset', a process not usually detailed with much transparency. This exuberant unity over the generality conceals, however, massive differences in the various paths which, it is claimed, will lead to a future low-carbon future.

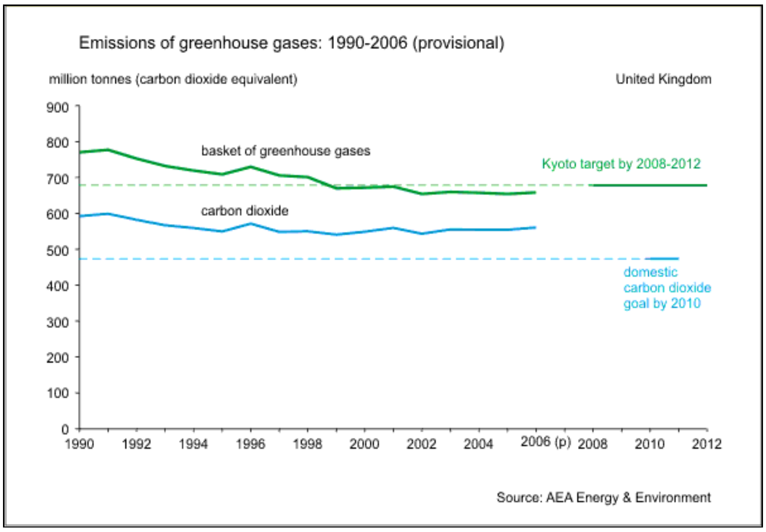
The Labour government together with the serried ranks of business are clear that the market provides the appropriate mechanism; that various combinations of carbon trading, ‘green consumerism’ and new technology developed with large subsidies can provide a mechanism whereby a low-carbon future can be achieved without any essential changes in personal lifestyles or social activity. Individual consumers will have the choice of reducing their carbon footprint or buying carbon credits from others. New ‘eco-towns’ will house an expanding population and the sale of inefficient appliances will be eliminated. Business will have the same choice of reducing carbon emissions or buying them from overseas. Many enterprises will find, according to the U.K. Department of Environment, that these reductions will actually benefit them as such energy efficiency measures will lower their costs and pay for themselves in 2-3 years, an annual rate of return on investment of over 30% thus “*saving business money, and enabling green growth.*”[xvii] Government policy with respect to household and transport emissions is a good deal vaguer but also emphasises measures relating to consumer action such as enhanced insulation, fuel-efficient cars and the like whilst holding out the possibility of the personal carbon-credit cards allowing the same options for buying and selling carbon as will be provided for commercial enterprises.

Some necessary statistics

It may be uncharitable to interrupt this Panglossian view of how the transition to a low-carbon life will disturb neither economic growth nor personal consumption but the government’s record to date hardly supports such optimism.

Fig. 4 shows how British greenhouse gas (GHG) emissions have changed since 1990, a crucial date as it is the baseline date from which the Kyoto treaty obligations are measured. It shows that although the U.K. is just on track to meet its obligations virtually all the decline came before 1997, the year Labour was first elected. Since then carbon dioxide emissions have actually increased, balanced only by small reductions on other GHG, notably methane. The main reason for the decline in the first part of the 1990s was a switch from domestic coal into gas, mainly in power generation but also in industry. There has since been something of a resurgence on coal-use in power generation as gas prices have soared but using imported coal rather than domestic. Methane[4] emissions from U.K. coalmines have declined steadily from 870 thousand tonnes in 1990 to only 181 thousand in 2005 thus providing a further boost from the disappearing British coal industry. The overall summary is that on Labour's watch _ which precisely matches the time since Kyoto was signed _ less than nothing has been achieved to avert climate change. There have been plenty of targets but no substantive action.

Fig 4. U.K. greenhouse gas emissions, 1990 - 2005



In its own way, these statistics tell a story to which we will return: that it is the social impacts of carbon reduction strategies which are important and that their international aspects have to be interwoven with the domestic. The blasted communities of the coal-producing regions may be glad to know that their sacrifice was necessary so that the nation could meet its international Kyoto obligations but they could also suggest that some compensation might be in order. Just how much money would flow to such former pit-villages as Hatfield and Kiveton Park based on a carbon-price

[4] Methane is important as it is a much more powerful GHG than CO_2
[5] Methane is important as it is a much more powerful GHG than CO_2

mechanism is uncertain but using the Stern Report estimates of the damage caused by GHG emissions, £25 million a year would not be unreasonable for closing a 1 million tonne/year mine prematurely. Of course, that is not how things were seen in 1990 but the social consequences remain. Internationally, our use now of imported rather than domestic coal means that the allied methane emissions from mining coal are now counted under another country's tally. But they still count towards climate disaster.

The overall message for the future is that the Labour government's blithe optimism about how market forces will produce the changes necessary to avert climate change has no basis in Britain's record since 1997. Britain has, in fact, the worst record in the EU (apart from Malta and Luxembourg) for installing the renewable energy sources which all agree are a key component of any action to reduce GHG emissions. In 2007, for example, just 270 photovoltaic systems were installed on houses compared with 130,000 in Germany whilst, overall, just 2% of our energy came from renewables leaving a modest target of 15% by 2020 as only a vague dream.

This is not to suggest that Europe as a whole has been particularly successful in reducing GHG. The U.K. has been saved by mine closures. Elsewhere in Europe, where such an option has been unavailable, the Kyoto targets have, in the main, been ignored. As Fig. 5 shows EU15[6] emissions in 2005 were almost the same as in 1990 with only the U.K. and Sweden showing any sign of meeting their Kyoto obligations inside their territory. The fact that Canada and Japan outside Europe are also missing their obligations does nothing to mitigate the EU15 failure. Happily for the green reputations of these countries, a mechanism is at hand to rescue them.

[6] Recent entrants to the EU such as Poland are not included as the collapse in energy consumption in most of these countries immediately after 1990 means that their Kyoto targets are secure.

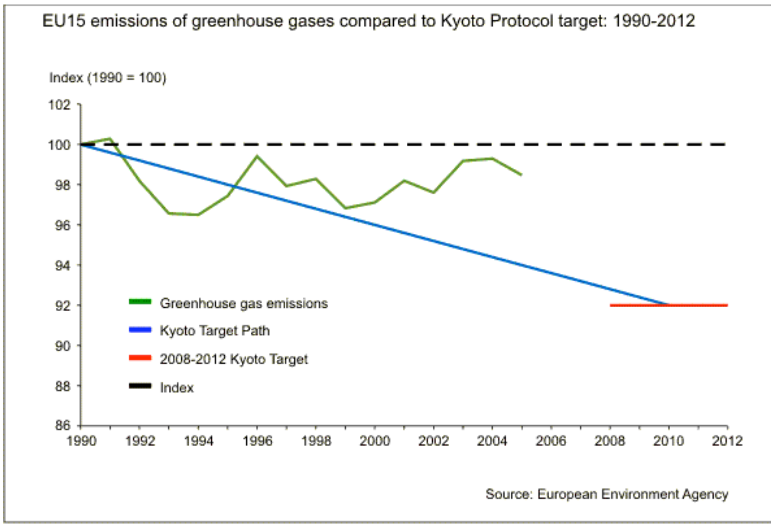


Fig 5: GHG emissions of EU-15 countries, 1990-2012

The baseline date of 1990 is exactly the high-point of energy use in then-Communist countries. Economic decline and the associated drop in fuel consumption began immediately afterwards as communist system collapsed. Thus these countries, all Annex-I Kyoto signatories[7], are meeting their Kyoto targets, some by large margins. In particular, Russia and Ukraine have Kyoto surpluses which exceed the combined deficits of all other Annex I countries. These surpluses will be available from 2008[8] to be traded to deficit countries.

Thus in the EU, as in the UK on a smaller scale, environmental blushes will be saved by social pain, in this case the massive chaos created by the collapse of communism; a transfer of any social hardship from the rich to the poor. The U.K. could itself sell the nation's surplus (though it almost certainly will not) thus achieving the market's apotheosis _ the monetisation of Kiveton's social pain and its packaging into neat units for international sale. Putin and Medvedev will have fewer scruples.

[7] Annex I to Kyoto is a list of those countries assigned mandatory emission targets.
[8] The period in which Kyoto targets are legally binding is 2008-2012 after which a new treaty is required.

Judged by this standard, the Kyoto Treaty has proved something of a fiasco even leaving aside the refusal by the USA to ratify its provisions. Since 1997, the wealthy nations of the world have, as shown in Fig. 5, done virtually nothing to reduce carbon emissions with the introduction of some renewable energy technologies being more than balanced by growing consumption particularly in transport. Meanwhile, the developing countries, notably China and India, have undergone a period of rapid economic growth fuelled largely by coal-based energy economies. There has been considerable hand-wringing over this, about the impossibility of making any major inroads on carbon emissions unless these two countries reduce their growth in emissions. Politicians make put less emphasis on the fact that it has been the failure of the wealthy nations over the past ten years to make any impact on their own emissions which has left so little room for manoeuvre in negotiating new reduction targets. They also place little emphasis on the fact that a significant element of China's growth in GHG emissions comes from provision of manufactured products to the developed world, products which once they made themselves. The outcome of the international process begun in Bali at the end of 1997 is unclear though most environmentalists believe that the conference produced little agreement other than to continue talking. The outcome of the EU conference in Poznan in December, 2008, provided little room for optimism. However, one thing is clear. This time there will be no repeat of the localised economic collapse which has so fortuitously saved the face of the wealthy nations after Kyoto, no convenient mechanism to transfer the social pain. Recession may cause some global stagnation in emissions but it is more likely to provide an excuse for inaction rather than any automatic consumption regulator.

Socially-based action

The New Labour government, despite extensive rhetoric, has been a disaster for any action to stop climate change. The overall picture, that CO_2 emissions have actually increased on their watch, has already been illustrated but the situation is actually worse when seen in detail for there is no sign that any active policy in place to reverse the trend. Despite having the largest potential wind, tidal and wave resource in the EU, Britain lags well behind all large EU countries in the installation of devices to utilise these. The first commercial wave-power farm in the world will soon be operational _ off Portugal even though it uses Scottish technology. The pace of installations of wind-farms is actually slowing in part because of the actions of the Ministry of Defence which now routinely objects to proposals on the grounds that they will interfere with their radars _ you know, the ones which protect us from incoming Russian missiles. The schemes to promote household energy efficiency have largely collapsed even from their previously under-funded situation. Why is this? After all, other EU governments have hardly covered themselves in glory in preventing CHG missions. The nub of our argument is that the market-based policies for CHG reduction to which the Labour government appears wedded are not only ineffectual but can be actually counter-productive. There are essentially three reasons for this.

The first is that in many situations, direct state intervention is simply more effective than any market-based alternative. An immediate example of this is the imposition of so-called 'feed-in tariffs' (FIT) for renewable electricity sources as against incentives based upon emissions-trading. The generation of electricity is a crucial part of any CHG reduction programme. The issue on which we want to focus here is that there is now almost universal acceptance that FIT, under which government-set guaranteed tariffs for electricity from renewable sources are paid to producers by electricity suppliers, work much better than the current U.K. market-based scheme whereby electricity suppliers are give tradeable quotas for renewable electricity production. The most-often quoted comparison is between the U.K. where 4% of total supply comes from renewables, mostly in-place hydro, compared with Germany where 13% and rising comes from renewable sources. This is despite the much greater potential resource-base in the U.K. from winds and waves. Even the Stern Report, which generally favoured market-based solutions, stated that "*comparisons between deployment support through tradeable quotas and feed-in tariff price support suggest that feed-in mechanisms achieve larger deployment at lower costs*" Yet in its 2007 Energy White Paper, the government treated FIT almost contemptuously, stating that it is "*…hard to draw firm conclusions as to the effectiveness of these mechanisms…*" in the face of overwhelming contradictory evidence. The government has recently drawn back from outright opposition to FIT but only for very small installations which will limit their effectiveness.

The second reason is that the development of market-based policies often requires hugely-complex or bureaucratic mechanisms which take years to design and which are always susceptible to insider lobbying. An historical example of this is the US sulphur-emissions trading scheme which took years to negotiate and implement as compared with the European route of simply requiring that all installations above a certain size fit sulphur-removal kit. There is no evidence that the US approach ultimately saved any money in terms of investment whilst it prolonged by years the physical damage caused by acid rain. The personal carbon-trading 'credit card', much promoted by David Miliband when environment minister, is a good example of how the market approach still dominates British government thinking. Apparently based on his perception of a Tesco loyalty card, the ramifications of this scheme, both technically and socially, almost defy belief. It would involve all purchases of, at least, petrol and rail, bus and air tickets as well as household gas and electricity plus any other energy-consuming commodities to be logged via a swipe card on a central registry and counted against an individual's (or possibly a family's) carbon allowance which, if unused, could be traded for cash with individuals whose desire for fuel-use was matched by the size of their wallets. That this demented scheme was not immediately laughed out of existence says much about the overall hold which market ideology has on academic institutions and think-tanks as well as the extent to which they are funded by government research and consultancy grants. Interest in carbon credit-cards has declined since Miliband moved on to excusing the wars in Iraq and Afghanistan as examples of international tough-love, presumably because some saner civil-servants spelled out the scale of the IT system required as well as the social implications of personal carbon-allowance. Nevertheless, it has had the effect of effectively stalling other policy routes which could be pursued with immediate impact.

This problem can be also illustrated by the scheme for building ten eco-towns by 2020 adding up to two hundred-thousand or so houses to England's stock. These projects will be overseen by a new regulatory agency entitled Communities England and will be based around the criterion that they should be, overall, be zero-carbon, that is they should put back at least as much energy to external sources as they take. It is difficult to be against this kind of proposal but closer examination of the scheme[xviii] suggests that the ‘eco-towns’ will, in practice, be more like large private-sector housing estates with considerable parts of their infrastructure paid for by the state and some unspecified proportion of their houses built for lower-cost social housing. In the present climate, interest by private developers in the scheme has waned rapidly but the bottom line is that the success of the proposal depends on houses being built for the market by the private sector, something totally dependent upon views as to whether a profit can be turned from them. When house prices were sky-rocketing this probably seemed plausible. Now, with the housing market in freefall it is very doubtful whether the profitability is so obvious and much more complex inducements are going to be required. It is also so clear that with about 23 million households in the U.K., a proposal to build houses for at most 0.8% of these in twelve years will do little to affect overall carbon emission particularly as it is forecast that British households will number over 25 million by 2021.

This is not to suggest that the huge reductions in GHG emissions required to avert climate change can be achieved simply by government intervention nor are we suggesting that all market instruments should be rejected. There is a strong case, for example, for raising the price of transport fuels to reflect the real external damage caused by GHG. What is needed is a range of measures designed to achieve a fundamental shift in how we perceive the use of fossil fuels. The third reason for not relying on market-based policies is that a 90% reduction in GHG emissions can only be attained by altering the social basis of our lives, a shift that requires developing a social consensus about the need for such change. The simple political fact is that governments will not push policies that will be rejected by the electorate if they do not accept the need for such change and which can be changed by any new regime. At present, the Labour government appears to believe that a kind of ‘green’ consumerism by individual households will be enough to shift how we live to the extent required to achieve the necessary change. The facts of carbon emissions in the last 10 years should be enough to show that this will not work; CO_2 emissions have increased not dropped even whilst genuine concern about climate change has increased. One simple reason for this is that individual consumers can hardly be expected to understand all the complex factors which go into reducing their own carbon emissions in any meaningful way. An example of this, one amongst many, is the debate about eating ‘locally’ in which nutrition, support of local enterprise, international development, agricultural practice, transportation modes, shopping practice and political rhetoric become intertwined in a knot which any individual consumer can be forgiven for finding impossible to undo.

However, information is only a small part of the problem. The society we live in alters our lifestyles in many different ways, many of which are almost impossible to resist and most of which are geared to increase consumption. The social changes required to reduce GHG emissions run counter to many of the pressures of a market-based consumer society and it is only by achieving a different social consensus that they will be achieved. There are numerous examples of such consensual shifts though possibly none as complex and far-reaching as those required to combat climate change. Attitudes towards drink-driving and smoking are recent examples. It is now almost impossible to imagine a Britain in which it was normal social practice to enter a house and automatically light a cigarette with the expectation that there would either be an ash-tray in sight or that one would be provided. Nor is it easy to re-create a Britain in which drinking several pints of beer before driving was quite normal. Although state intervention in various forms has been initiated to emphasise the shift away from such presumptions, the key factor in both cases was a social shift towards regarding both as socially undesirable. Although relatively muted, in both cases there was also opposition to the changes based upon grumbles that it was limiting human freedom, that the alleged damage was over-stated and that it was all got-up by interfering do-gooders and busy-bodies. It is already possible to see the same complaints emerging over action to limit carbon emissions and with much greater effect given the diffuse nature of the problem lacking any obvious and immediate personal impact. It is much more difficult to personalise the issue of climate change whilst the necessary changes in social life are going to be much more far-reaching than not smoking in pubs. However, this only serves to emphasise the fact that the required policy has to be socially led rather than based on individual consumer preferences.

There have been suggestions that the recession means that action to cut GHG emissions will have to be given a lower priority. In fact, the necessary abandonment of many aspects of the consumer society can give such action, provided it is socially based, the point of departure.

The clearest example of this is the transport sector which, directly or indirectly, consumes 30% of total UK fossil fuel use[9] including 82% of oil consumption. The importance of transport fuel use can be seen in Fig 6. This shows that over nearly forty years, household fuel use has grown very little and actually peaked in 1996.[10] The use of fossil fuels in transport has increased dramatically by 112% since 1970, an increase which shows no signs of stopping. As Fig 6 only includes domestic air travel, if our voracious appetite for international travel were to be included the rise in importance of transport emissions of GHG would be even more apparent.

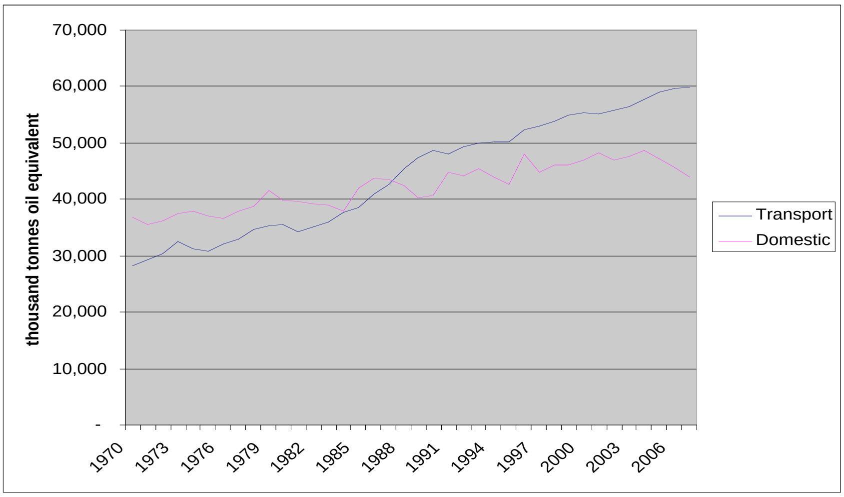


Fig 6: UK domestic and transport fuel use

It is quite easy to map out a path for the removal of carbon at least from surface transport. The vast majority of emissions come from road vehicles and there exist well-known technologies both for

[9] Households also consume about 30% with industry accounting for around 24%.
[10] The greater use of electricity in households complicates the accounting but this conclusion remains true.

substantial improvements in the efficiency of internal-combustion engines and for their replacement by electrical vehicles either battery powered or the less-developed hydrogen-powered units. Both depend upon the replacement of carbon-emitting power generation with non-carbon alternatives. In addition, there exists room for substantial substitution of cars and lorries by various modes of public transport and for the immediate improvement of emission factors by such simple methods as driving more slowly. There is also a backup technology available in the form of biofuels though recent experience with these has shown that their impact of other activities, particularly global food production means that their deployment will have to be limited to a few vehicles with specific priorities.

It is clear just by stating these possibilities that, although the road-map for a non-carbon transport sector is relatively simple to outline, its implementation will be complex and require a mix of initiatives. First by the state, for example in developing the infrastructure needed for electric vehicles, in shifting power generation away from fossil fuels and in improving public transport, but also market incentives by increasing the tax on fuel to reflect its true cost and various kinds of incentive to change vehicle purchasing patterns, and, overall, changes in consumer habits both to use public transport rather than private cars and to purchase non-carbon emitting cars.

However, overshadowing all these is a simple but, socially, very explosive issue _ a shift in public attitudes towards car use. The private car has become one of the keystones of a modern lifestyle with most families becoming used to the undoubted conveniences of driving further, faster and in greater comfort. Yet it is fundamental to any plan of de-carbonising surface transport that this will have to change. No government can force people to use buses, trains and bicycles and to give up cars. Nor will it be easy to require that car-owners become used to driving at much lower speeds on trunk roads and motorways. Electric cars will always have lower speeds and acceleration than petrol vehicles. This is a simple consequence of the weight/energy differences between the modes. Any integration of the two types of motive power will require that in any transition period the users of high-powered cars will have to drive more slowly if only for safety reasons.[11] In towns, there will be have to be much greater attention paid to giving priority to public transport and bicycles and reducing the use of cars. Large amounts of money will have to be spent on extending and electrifying the rail network, an area particularly in electrification where Britain has lagged woefully behind continental Europe. This is all going to require a massive social shift to develop a consensus behind such changes, a process which will meet with massive and well-publicised hostility from what can loosely be called the Jeremy Clarkson-lobby who believe in their god-given right to drive very large cars very fast.

The government seems largely ignorant of this need whilst the government-appointed Committee on Climate Change chooses largely to ignore the issue focussing instead on possible technology change and complex economic modelling.[xix] Extraordinarily, this Committee, charged with the legal responsibility for overseeing climate change responses, effectively ignores public transport in its 479-page first report, claiming that it "*did not have the time or resources*" to consider changes in rail transport whilst buses are just not mentioned. Essentially what is happening here is that whilst the government is happy to announce ambitious targets for dates well beyond its term of office, it does little in the way of first steps to achieve these targets except to set out a set of technologies which it hopes will be adopted in some appropriate market-based future. That it could actually announce immediate measures to push these technologies seems to be too difficult to contemplate.

A possible set of policies which are in line with the necessary response to the recession might be as follows. Local transport authorities would be asked to prepare plans for improvement of public transport in their area. These might be similar to those proposed by the Greater Manchester Passenger Transport Executive as part of its recent transport financing initiative. However rather than relying on central government funds matched by complicated congestion charging schemes, these local initiatives would be financed by local authority bond issues similar

[11] This problem is briefly mentioned but not discussed by the technology-fixated report on **Building a Low-Carbon Economy** issued by the Committee on Climate Change in December, 2008.

to those by which Transport for London has raised £600 million pounds. These bond issues would be part of the overall debt package announced in November, 2008 but would have the key advantage of being directly linked to local construction projects with consequent job creation. At the same time the ludicrous structure of Railtrack would be taken into full state-ownership and a programme to electrify the national rail network would be developed. Congestion charging schemes would be put in place in major cities with the clear purpose of reducing car use in urban areas and a progressive tightening of speed limits on all roads would be announced. The infrastructure for use of electric cars would be gradually introduced and subsidies for the purchase of electric vehicles put in place. There would be direct state investment in production facilities for such vehicles probably using one or more of the car factories whose closure is likely to be announced in 2009. The duty paid on fuel and the level of road tax for conventional cars would be raised to levels in line with the price established for their CHG emissions.

None of this poses any significant technological problems nor is financing any bond issues given the huge budget deficits already proposed plus the additional finance raised by the various taxes. The objectives of the programme would meet both the long-term objectives of CHG emission targets and the short-term needs of countering the recession by job-creation and investing in green manufacture. And yet… The difficulty of government to take on such a programme is clear; it would raise a monumental chorus of opposition from the car-lobby, not just the manufacturers whose lobbying is currently scuttling the EU's plans for low emission standards for conventional cars, but from the car-enthusiasts who would claim that their freedom to pollute as they saw fit was being infringed. The simplest measure of all, the steady reduction and enforcement of lower speed limits, something that would by itself produce big drops in GHG emissions as well as saving hundreds of lives, would produce loud squeals which only a socially-based counter-blast could combat. Certainly a government obsessed by its ratings in the *Daily Mail* could never carry even this through.

Similar, and in some ways even more complex, issues surround the problem of reducing emissions from domestic households. One cautionary tale from the past illustrates this.

In 1980, the government, mindful of the huge rises in oil-prices and of predictions that these would continue into the future, started a programme of encouraging loft insulation by a small £50 grant as well as a widespread PR campaign. The subsidy was taken up rather enthusiastically and there was a spate of accidents associated with falling through the ceiling between joists. Despite this, home insulation standards increased significantly. A later audit of the programme revealed, however, that very little reduction had subsequently occurred in household fuel consumption as many households had simply allowed the temperature in unheated bedrooms to rise. Winceyette pyjamas and frost on the windows were banished and British sex life improved no end. It was the start in a rise in average temperatures in British homes from 12 to 18^{o}C and illustrates just how entwined are social habits and energy use.

The challenge of radical energy efficiency is much greater than simple loft insulation extending over various kinds of high-level insulation to shifts in heat and electricity supply mechanism. Some of these will relate to substantial investment inside and outside houses, others will relate to shared facilities for heat and electricity production such as photovoltaic and wind-generators and biomass CHP units. There will be issues relating to equity. The occupants of older houses lacking, for example cavity walls, will have to invest far more than those in newer houses whilst apartments will usually be less costly than houses to achieve the same standards. Should some form of cost equalisation be introduced? After all the preservation of older houses is now legislatively enshrined in various conservation laws and the owners of such protected houses will have to pay far more to insulate their property within the terms of such protection. And how should standards be applied? 90% reduction for everyone? Less or more for easily insulated properties? And how should the installation of shared facilities be handled?

The resolution of these and other issues will require extensive local cooperation and social agreement of a kind that will be impossible based upon centralised authority. It will require the involvement of local authorities prepared to work with local residents in a truly democratic way to develop these programmes. It is obvious that the place to start is with social housing as these have often been some of the worst insulated structures as well as with all the buildings operated by various branches of councils and the health service. The reduction in heating and power bills which will come from radical insulation and local power generation will thus benefit the poorest first and will serve to diminish the huge gap which has developed between social housing and owner-occupation.

Action to reduce, ultimately to effectively eliminate, carbon emissions needs to begin now, not just with minor changes but immediately with radical measures. The severity of the danger requires no less. There have been suggestions that the recession will reduce interest in climate-change measures. In fact the reverse should be the case. The need to reduce the impact of unemployment by direct job creation provides opportunities for just such radical changes. What is required is political will.

Possibilities of Fairness and Equality

The Great Depression of the 1930s was widely seen as marking the end of capitalism as two competing ideologies, fascism and socialism fought over who was going to inherit its remains. In the end, capitalism mostly defied its premature obituaries though it took a bloody war to defeat most fascism and part of Europe came under the domination of a form of socialism. It also proved necessary in Europe, though much less so in the USA, to adopt several parts of the socialist agenda in order to subdue the political demands of the organised working class. As well as Keynesian demand management and elements of central planning[12] as tools of managing the economy, these included taking large parts of the industrial and financial sectors into state-ownership and introducing various forms of free health provision and enhanced welfare payments.

As discussed above, this package proved to be extraordinarily successful in both satisfying political demands and in maintaining effective demand and full employment for three decades after 1945. Its Achilles heel was the persistent inflationary pressure which eventually proved its downfall and led to the resurgence of neo-liberal economic management in which an obsessive concern with inflation was regarded as almost the only useful economic task of both government and central banks. We are now faced with the apparent demise of this system. The difference between this obituary and the one posted in the 1930s lies not so much in the depth of the coma in which the patient lies as in the lack of any obvious alternatives proposed by the doctors crowded round the patient's bed. No one is preaching the virtues of either socialism or of fascism with any degree of conviction but neither are there many remaining advocates of the great gurus of only yesterday such as Milton Friedman, who died as recently as 2006 with praise of Alan Greenspan, then head of the US Federal Bank, on his lips. In October, 2008, Greenspan admitted before the US Congress that his model of financial control had, unfortunately, something of a flaw in it and omitted any mention of Friedman.

[12] One of the elements of the postwar economic success of most European countries which has been conveniently forgotten is what was termed 'indicative' planning, that is state-directed investment in key industrial sectors.

Essentially there are two alternatives currently on offer in Britain with the ghost of third hovering in the background. The first is that proposed by David Cameron which seems, essentially, to be a return to the old system but with much firmer control over banks. In the immediate future he seems to believe that it is necessary to take the pain of economic mismanagement by the Labour government and by Gordon Brown in particular. Whilst he accepts the need to refinance the banks with loans from the central bank, he firmly rejects much in the way of further Keynesian reflation, in particular any further increase in the national debt beyond that necessary for such refinance. One the other side, the government has placed its bets firmly on the side of large increases in national debt, big reductions in central bank interest rates and arm-twisting, amounting almost to state direction, forcing the banks to keep lending to business and individuals at the same level as in 2007. Both packages see the same ultimate destination, a restoration of the past, though they favour different routes.

It is difficult to place much confidence in the success of either of these packages with the critiques offered by each side of the other's proposals being much more soundly based than the defence of their own. The Conservatives do seem genuinely at a loss as to how to cope and are offering little more than the hope that, if they throw enough mud at Brown's record plus promise tax cuts then they will reap enough electoral benefit to win the next general election. Labour's resort to a frantic neo-Keynesian reflation is, at least superficially, a more active response but, for reasons outlined above, largely avoids the central problem, that of the excessive levels of both corporate and private debt which sustained Anglo-American capitalism after 2000, what Crouch has called privatised Keynesianism. The crux of the dilemma faced by Labour is that their current actions will, effectively, just transfer these huge private and corporate debts on to the national debt and, in the process, do little more than recapitalise the commercial banks. The increase in consumer demand, which is the fundamental rationale of Keynesian policies going into a recession, will not occur until enough debt has been removed from private and corporate balance sheets to allow consumer confidence to recover and corporate investment to increase. In the process of such a recovery, Britain will go through an appalling slump with huge unemployment and social misery. Ultimately Britain would emerge with an economy based upon partly-nationalised banks and a significant degree of state-directed investment centred around large corporations. The name which might be given to such an economy is a matter of choice but it does bear a strong resemblance to Germany in the 1930s, a kind of fascism-lite.

The only alternative attempt to address these issues in any fundamental way has been put forward as the **Green New Deal** already referenced. Much of this is standard Keynesianism though with a strong bias towards emphasis upon investment in ‘green’ measures. The truly radical proposal is one that has been amplified by one of the **Green New Deal**’s authors, Ann Pettifor,[xx] that of widespread debt cancellation, what she terms a policy “*to grant debtors with unpayable debts a Grand Jubilee _ the cancellation of all debts, and the promise of a fresh start.*”

This is certainly not an idea born out of Keynes. It would have deeply shocked an economist who steered very clear of any such radical social thinking. Historically, it dates back to an even earlier age, that of William Jennings Bryan and his populist crusade in the USA at the end of the nineteenth century that ‘mankind should not be crucified on a cross of gold’. Bryan, however, had a much more limited constituency, that of small farmers in the mid-West going under with the weight of mortgages and their inability to obtain bank credit. Pettifor’s appeal is much wider _ to save all individuals and (small) businesses which have acquired debts which in a recession will be come unpayable.

Now, of course, this proposal is so wild and unspecific as to be totally impractical. After all, if implemented it would offer an inducement for all those with large mortgages and huge credit card debts to be made redundant just so these debts could be cancelled whilst those who remained in work with lower debt would just be left to struggle along. The fact is that just as income disparities have widened under New Labour so has debt disparity. It is difficult to conceive of a more unfair policy than to reward the heavily indebted at the expense of those with little or no debt. There are plenty of families in social housing who would welcome the burden of a £500,000 mortgage on a property worth a million pounds even after recent falls in property prices. Sell up, move out and end up in rented property with half a million in the bank would not seem quite the desperate deprivation that it apparently appears to some families in Islington. At the core of Pettifor's argument is the claim that individuals have been forced to acquire debt and that they are not to blame, it is the fault of the banks who have forced debt on them.[xxi]

However, just because an idea is barmy does not mean that it is without a core of insight. The proposal does have merit in that it goes to the heart of the current crisis, just how to unwind the tangled skein of private debt in a way which is fair and equitable. If there is to be any vision of an alternative society which might emerge from this recession then it is of one in which fairness and equality would be the cornerstones of the new structure. These are words which have been bandied about so freely by all politicians that they have, to a degree, lost some of their meaning. But it remains true that one of the strongest popular sentiments to come out of the past couple of years has been that Britain is neither fair nor equal and that this is wrong, wrong in ways that are not primarily economic but are connected with the fundamental moral basis of our society. Nor is this a negligible thing because of its lack of specific meaning. It has been a fundamental misconstruing of the past three decades to believe that the neo-liberal revolution that has become the hegemonic practice of Anglo-American capitalism is primarily economic. The basis of neo-liberalism is a moral perception. Friedrich Hayek, its founding guru, railed against what he called "*the fundamental immorality of all egalitarianism*" and his economic ideas were essentially a pursuit of the unequal society which he saw as the best that could be done for humanity.[xxii] Peter Mandelson's famous claim in 1998 that "*New Labour is intensely relaxed about people becoming filthy rich*"[xxiii] was another, more casual, way of expressing the same position and it is apparent that this has remained the moral underpinning of New Labour throughout its time in power.

How can we put a practical face on this shift in popular sentiment? The first thing to assert is that there is a strong, perhaps overriding, international dimension which has to be given prominence, a dimension which has two faces. The first of these is that poor countries are going to suffer unequally in this recession. Aid flows are going to diminish, trade terms will worsen and the commercial debts faced by these countries are going to sharpen. Ecuador, one of the poorest South American countries, has already declared a default on some of its debt and will be punished for this by the international financial institutions. The massive response to the Make Poverty History demonstration at Gleneagles shows that asserting that the poorest in the world need help more than ever can meet with popular support even if it means subjugating our own short-term national interests. Cancelling the debt of these countries is probably the one area where a comprehensive programme of debt cancellation is both morally and politically desirable.

The second face is that of the plan to combat global warming which is supposed to be worked out in Copenhagen this year. This plan has to be globally comprehensive and it has to take on board the position that the rich, developed world has to shoulder the major burden of reducing carbon emissions. The fact that China is said now to have overtaken the USA in volume of carbon emitted cannot be used as any argument to the contrary. The huge amount of carbon emitted in the course of laying down the concrete, steel, aluminium and other energy-intensive products which are now embedded in our infrastructure form the historic legacy of the CO_2 now circulating in the atmosphere. Of course, all those countries which lack such necessary infrastructure need investment in modern technology to reduce the GHG emitted per unit of such products but there are limits to what can be done. The elbow-room required to give them the chance to catch up has to be provided by reducing the volume of GHG emissions from our own soil and resulting from our own activity. Already there are strong signals that a large component of reductions which will be claimed by the industrialised world will in fact come from the dubious practice of carbon trading.[xxiv] The outright scams associated with the Clean Development Mechanism (CDM) allowed under the Kyoto treaties have been widely exposed but continue apace. In effect, a chunk of the claimed (inadequate) reductions in GHG emissions by Annex 1 countries are fraudulent. But the frauds which inevitably accompany such international trading schemes are really the lesser of the arguments against marketising GHG reduction programmes. If a truly comprehensive and global treaty is to be put in place then it will require that reduction targets of some form, even those which allow for temporary increases, will have to be put in place. In such circumstances, any removal of GHG allowances from one country to be claimed by another makes the ultimate burden of meeting reduction targets harder for the country which sells its carbon credits.

Of course, insisting that carbon reductions to meet national commitments have to be made by changes in the physical activities of the citizens of those countries will place an additional burden on those citizens. It will be a hard sell. It will need faith that insisting on the basic fairness of such an approach will meet with popular support even in tough times. Just one personal anecdote. My mother was fond of telling how in the darkest time of WWII she watched with a group of working people as boxes of tomatoes and oranges were carried into a state nursery, people who never saw fresh fruit on their own rations. “Well, they need it more than us”, one man said. So be it.

The difficulties of approaching the problem of how to meet the challenge of fairness and equality internationally are mirrored in any attempt to frame such an agenda domestically. Yet, ironically, the present deep recession may provide a better opportunity than existed in the past decade of economic growth. Although this slump does not have the background of ideological conflict that existed in 1930, there is still widespread recognition that it marks some kind of turning point, that the old social form cannot continue. As Gramsci put it, the old is dying and the new is yet struggling to be born. The blatant inequality and unfairness of the past three decades is the central focus of that struggle providing space for the introduction of radical policies which previously have had no chance of popular support. This pamphlet is not intended to provide a detailed exposition of such policies but some sense of the scope is needed.

The twin financial inequalities which have to be addressed are those of income and debt, linked issues which are sometimes, mistakenly, separated. Broadly, those individuals with higher incomes also have higher debts. Despite appearances to the contrary, bankers are not entirely fools and they were able to see a rough linkage between the size of a person’s income and the amount of credit they should be offered whether as a mortgage, multiple credit cards with high limits or unsecured loans. The consequence of this provides an acute policy dilemma which goes to the heart of just how an agenda of fairness and equality can play out. One very immediate example of this is how relief on mortgage arrears can be framed. Gordon Brown has set the upper limit for the size of mortgages at £400,000, a loan which will carry an interest repayment alone of roughly the national average wage. This means that the mortgagee will be, at the very least, prosperous if not rich. Just how they have become unable to repay their mortgage is not really relevant; perhaps their bank has made them redundant, perhaps the school fees are just too much, perhaps the last loan to finance purchase of a second home was the final straw. So how should such people be treated? Should they be required to move out to a smaller house, possibly rented, and their home repossessed? Should their creditors be made to roll over their debts by extending more credit as favoured by Darling and Brown? Or should the state back a moratorium on their debts, a period in which they can get back to their pre-existing income levels? Or should, as Pettifor suggests, the state simply cancel their debt entirely?

In case this seems unduly biased towards the limited plight of London, consider another scenario, a family living in social housing which, by taking advantage of interest-free transfers and untrue income figures to lax credit agencies, has managed to acquire £30,000 debt on multiple cards on a family income of £20,000. How should we regard the arrival of the bailiffs? On what moral grounds can they be refused the interest-payment holiday granted to those richer than themselves, the only difference being the use of equity withdrawal from a house to finance personal consumption? Should their unpayable debts also be cancelled?

There is an argument put forward on the left that all of these folk, including the majority who lie at various intermediate positions in terms of their debts, are in some sense dupes, that they have been fooled into taking up overloaded debts by financial interests and that it is not they who have been greedy but the bankers who have lured them onwards. Moreover, this trap has been laid not just for the personal advance of these villains but because this ‘privatised Keynesianism’ was, objectively, needed to stave off recession after the collapse of the dotcom bubble. In other words, we are back to the Arthur Miller play scenario of trailer-trash and crooked realtors but on a global scale with crooked bankers and hard-pressed British households as the cast. Its quasi-Marxist overtones suggests that it should be best written be a new Brecht.

It is also the case that for much more prosaic reasons, Brown has been keen to sustain debt finance of all kinds at the levels seen in 1997. In this perspective, maintenance of debt finance means maintenance of the debt-based consumption which is the mainstay of the neo-Keynesian policies to which the government has become converts. It has been argued above that this emphasis is likely to be unsuccessful as personal debt reduction has become a financial objective for many families rather than maintaining consumption. However, it is also a wrong emphasis in the context of the kind of society which ought to be born from within this crisis, a society in which consumption is based upon sustainable income spread more equitably across society.

It would be wrong not to offer some form of support for those thrown on hard times and burdened with excessive debt. In the housing sector there are a number of ways in which this could be done, for example the imposition of non-recourse mortgages rather than recourse-funding for all existing and future loans. In the former, used in the USA, debt attachment only applies to the specific property and not to all other assets owned by the mortgagee. This would at a stroke remove the often crippling problem of negative equity when foreclosed families are pursued for the difference between their mortgage and the sale-value of their house. It would also be beneficial to introduce a state-backed fund whereby families unable to pay their mortgages would sell the house to a local authority and then remain in residence under long-term rental agreements. However, overall, it has to be recognised that any long-term perspective for a sustainable economy in Britain requires a return to much lower levels of personal debt. This clearly cannot be achieved by any government programme which centres on trying to keep lending, either on mortgages, credit cards or other forms of debt finance, to 2007 levels.

The twin foci of state policy have to be income support to the poorest together with a shift in taxation towards the richest and in direct job creation.

The most obvious short-term measures in the latter category would be to raise both pensions and unemployment benefit to levels which allow for a modest standard of living without resort to other benefits. This could be done immediately and offer the clear Keynesian impact of sustaining demand. It is the poorest who spend such increases in income rather than saving it. The immediate impact of this would need to be balanced by a clear restatement of future taxation policy including the raising of the personal allowance, the re-introduction of the lower rate tax band plus the introduction of a higher rate band at, say, 60% for incomes over around £75,000. In addition, council taxes should either be revalued with new bands for houses, reflecting the fact that the existing banding no longer reflects the huge increase in house prices, alternatively a completely new local income tax could be introduced to fund councils. A new land tax is also an option worth considering. The Conservatives charge that today's deficit funding will result in higher taxes in the future has to be faced.[xxvi] The point is to use this necessity to lay out the basis for future taxation policy not to deny it in the hope it can be concealed until the next election.

The use of direct job creation funded by the state has been mentioned by the government as one of the ways to combat recession but so far has had very little flesh put on the bones. The reason for this reflects in part the schizophrenic basis of New Labour ideology, which remains wedded to market forces, but it also reflects the lack of any clear methods as to how it can be achieved. It is ironic that the USA retains a number of mechanisms, such as the US Corps of Engineers, which enables large-scale public works to be implemented quite quickly. In Britain, the destruction of public agencies in roads, transport and housing and the introduction of the pernicious PFI mechanism, responsible in no small measure for the poor state of public finances, means that it is difficult to implement new public works with any speed. Putting more money in the white-elephant of the Olympics, to compensate for the withdrawal of promised private finance, and the widening of the A11 hardly constitutes a new green turn for British infrastructure. There are two obvious areas which can be developed with some speed provided the government is prepared to ditch some of its basic market-based principles.

The first is local transport. British public transport is in a dire state and some of the larger scale programmes will need time to develop in particular in the neglected railways, the vital sector which the governments Committee on Climate Change had "*neither the time nor resources*" to consider. The whole Byzantine structure of the rail system will have to be altered before such obvious matters as full electrification of the system can be implemented. As discussed above, introduction of the necessary infrastructure for widespread use of electric cars will also need time and a considerable shift in social attitudes to be widely adopted. However local public transport is a different matter.

The case of Greater Manchester is instructive in this respect. Here, a massive billion-pound investment in improvements ranging from extensions to the existing tram network to small-scale bicycle routes and bus-interchanges has been designed. The government was prepared to allow this plan to go ahead provided the financing basis of the projects included a complex road-congestion charge and full privatisation of the whole enterprise. Much of the money would have come from central government with no local finance at all apart from the controversial congestion charge. The population of Greater Manchester decisively rejected the plan in a referendum and entire investment plan, which would have created 10,000 jobs, appears to have been dropped. It appears that several other city-wide transport plans, which had been required to base their financing and implementation on the Manchester scheme, have also been shelved.

The people of Manchester did not reject improvements in a public transport system which is both chaotic and expensive. They rejected a complicated and centralised financing scheme proposed by politicians who they fundamentally distrusted. Congestion charging is a tax which has a sound economic and environmental base. However, presenting it as a way of financing necessary improvements in public transport struck many as both inherently contradictory, insofar as it would advantage the local authority to actually encourage increases in car use to raise more revenue, and also suspiciously complex. The way forward now is simply to abandon Plan A and go for the Plan B which should always have been the preferred solution _ to implement the scheme, possibly even accelerate it, based upon the smaller-scale measures to improve bus and bicycle use and the extension of the tram-system. The transport system would be returned to public ownership so that a properly integrated system could be put place which corresponded to public needs particularly for the poorer parts of Manchester. Finally, much of the programme would be financed by local bond issues similar to those issued by Transport for London which have raised £600 million for investment following the collapse of the deranged PFI financing championed by Gordon Brown. An immediate start in Manchester would be followed by all the city transport authorities who have similar plans awaiting implementation.

This specific example goes to the heart of the problems faced by the present government in seeking for direct job creation measures; it is incapable of giving up the use of private finance even when such finance if barely available and it cannot contemplate returning power of raising money and directing investment to local councils even when they represent the most obvious, indeed the only, agencies capable of carrying the job through.

This applies even more directly to the second, obvious area for direct job creation, a crash programme to improve energy efficiency in British housing and to stimulate the use of renewable energy particularly at the local level. The necessary complexity of such a programme has already been discussed. It requires local engagement both in terms of planning and also of finance, both of which mean providing local councils with powers and finance as well as ensuring that they do genuinely involve communities in the process. The chain of job creation which a national programme of this kind could stimulate is long. It would provide jobs at the local level but would also need central government investment in production facilities for many different products from simple building and insulation materials to complex photovoltaic panels and aero-generators. There are bottlenecks is the supply of many of the latter, mostly because Britain lags far behind in their manufacture compared with Germany, Denmark and Japan. In one of the great Keynesian programmes of the past, it was the US government's Reconstruction Finance Corporation that built many of the armaments factories which supplied the US army in WWII. These were operated by private companies in return for a state equity stake. An appropriate measure in our 'war' on climate change would be for a British Environmental Finance Agency to instigate a crash programme to manufacture the necessary products for a radical high-tech energy conservation programme. Three decades ago, workers at Lucas Aerospace published plans for converting their failing defence-orientated company into one making peaceful and sustainable products. Many of these, such as heat-pumps, remain very relevant to today's environmental concerns. They were ignored and the company is now part of a US arms company. There are many lessons which the Labour government could learn from the Keynesian past apart from a scramble to protect the finance sector.

The importance of income support and job creation lies not just in the immediate short-term impact that they will have on reducing the impact of the recession on those who most need support but on their long-term effect, that they can provide a route to a different kind of society in which equality and fairness are genuinely the key foundations. It can, of course, be said that these are rather vague concepts and that they lack the apparent certainty of a political concepts like socialism. But the fact is that the left lacks any such clear concept. Socialism has become a very misty idea indeed, one subject to many conflicting interpretations and one, it has to be recognised, with very little popular appeal. It remains to be seen whether a form of socialism can be developed which will regain the mass support which it once had. But for the moment, it has to be recognised that what the left needs are signposts to a better society rather than any detailed vision of what that society should be.

The same can be said of the political formation which can provide the leadership for such a society. The Labour Party has become an electoral machine controlled by those neo-liberals who took it over in the 1990s. The chances of repeating the left takeover of the 1970s are now vanishingly small and, in any case, the dismal outcome of that coup provides no happy precedent. But outside the Labour Party, the left still consists of a disparate set of groups with little contact between themselves and, at best, a finger-hold on electoral politics. It is clear that some kind alliance between these groups including those on the left who hang on in the Labour Party, *faute de mieux*, is needed. Perhaps the basis for such alliances can best be found regionally in local efforts to counter the recession. Hard times may provide the answer to hard political questions. It is important to keep looking.

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[44] This accounting wheeze was to some extent busted from an unlikely source when the Office of National Statistics in a burst of professional energy refused to accept the wilder excesses of PFI as outside the National Debt.
[45] www.civilservice.gov.uk/reform/capability_reviews/index.asp
[46] Linguistic habits and social practices feed each other. In a minor, but telling enactment of New Labour's rhetoric, the Office of National Statistics has published an on-line facility that enables each individual to calculate their own personal rate of inflation.
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[48] Quasi-commodities, not real commodities, as long as services continue to be financed by taxation and are provided free of charge at the point of use. In practice, various hybrid arrangements are emerging. Take, for example, the education of undergraduate university students domiciled in England. This is now financed partly from general taxation and partly from "variable, top-up" tuition fees. The fees must be paid up-front, but students may borrow the requisite funds at a zero real interest rate, repaying the debt incurred in instalments after they have graduated and are earning more than £15,000 per annum.
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[52] At Bali, the USA agreed only to participate in discussions about possible *future* targets.
[53] If it were not, the richest countries would face the prospect of a long-term decline in per capita income. Falling incomes, as measured by GDP per head, would presumably be even harder to accommodate than zero growth, but this does not alter the nature of the problem to be solved. Of course, the problem would be easier to deal with to the extent that an increasing emphasis on quality rather than quantity resulted, as we would expect it to, in people experiencing a better quality of life.
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