

Labour's John McDonnell embraces Blairite "new economy" plan

By Laura Tiernan
19 September 2018

A report by the Blairite Institute for Public Policy Research (IPPR) calls for sweeping economic reform to "post-Brexit Britain," demanding "the most significant change in economic policy in a generation."

"Prosperity and Justice: A plan for the new economy" was published by the group's Commission on Economic Justice and is loaded with high-minded calls for "securing good jobs, good pay and good lives" and "spreading wealth and ownership across the economy."

Its authors present a damning picture of falling living standards, stagnating wages, a wealth divide between London and the regions, and 40 years of declining investment in the real economy while financial wealth and CEO pay has soared.

However, the claims made that the plan marks a historic "paradigm shift" that would overturn decades of "neo-liberalism" and free-market reform are ludicrous.

The IPPR commissioners write: "Fundamental reform has happened twice before in the last century following periods of crisis—with the Attlee government's Keynesian reforms in the 1940s and the Thatcher government's free-market reforms in the 1980s. Ten years after the financial crash, change of this magnitude is needed again."

The changes advocated by the IPPR are in reality a continuation and deepening of the pro-capitalist offensive against the working class ushered in by the Thatcher government.

Founded in 1996, the IPPR think tank championed pro-market policies under the New Labour governments of 1997-2010 and has worked closely with Labour ever since. A 2001 IPPR report on Public Private Partnerships, chaired by former Goldman Sachs banker Martin Taylor, supported wholesale privatisation, demanding an end to "the taboo" on private sector involvement in "core" public services including health, education and local government.

Other IPPR proposals have included the slashing of welfare and tax credits. A 2014 report, "The Condition of Britain: Strategies for Social Renewal," saw then Director Nick Pearce argue for "painful choices," including a child benefits "cash freeze" and the elimination of jobless benefits to young people not in education or training (a policy taken up by Ed Miliband in the run-up to the 2015 general election). In each case, the IPPR's vicious pro-market measures are dressed-up in Blairite invocations of "expanded opportunity" and "making people and places responsible for their own destiny."

That is why the IPPR's latest report has been warmly received by the financial press, including the *Financial Times* and *Business Insider*. Its 22 commissioners comprise a roll call of corporate and financial interests, hi-tech entrepreneurs, "third sector" organisations and trade union bureaucrats.

Commissioners include Dominic Barton, global managing partner, McKinsey and Company; Dame Helena Morrissey DBE, head of personal investing, Legal and General Investment Management; Charlie Cornish, group chief executive, Manchester Airports Group plc; Lord John Eatwell, president, Queens College, University of Cambridge; and John Mills, founder, chairman and majority shareholder of JML. TUC General Secretary Frances O'Grady and University and College Union (UCU) official Mary Senior were commissioners as well, alongside Justin Welby, the Archbishop of Canterbury.

The embrace of the Blairite think tank's report by Labour's Shadow Chancellor John McDonnell, who is variously described by the media (and self-described) as the "Red Chancellor," a "Marxist" and "left-wing firebrand" must serve as a warning about the real agenda of a Labour government.

During an interview with the *Huffington Post* on September 6, McDonnell said he was delighted with the IPPR's report. "It's huge, it's massive," he said. "The analysis keys in with everything we've been saying about injustice, inequality, short-termism. If you look at it as a package, what it says about trade unions and a real living wage, redistribution. It's the sort of stuff that we'd want to take into government with us."

According to the *Huffington Post*, McDonnell compared the IPPR report to the 1942 Beveridge Report, which provided the blueprint for Labour's introduction of the post-war welfare state, including the National Health Service. "It's not hyperbole," McDonnell said, "the Beveridge argument changed the weather in terms of the debate, I think this will change the economic debate. With [Archbishop] Welby and the others, if you look at that Commission you couldn't get a much broader range."

The IPPR's report makes no such recommendation for a welfare state. Its chief remit post-Brexit was to "examine the challenges facing the UK economy and to make recommendations for its reform." This consists of an "activist role" for government, but only in order to reverse low productivity and boost industrial competitiveness as part of placing the UK economy on a trade war footing.

The ruthless anti-working-class agenda of the IPPR

commissioners is barely concealed by the report's anodyne language. Their frustration is palpable: "Despite a decade of unprecedented policy interventions, including fiscal austerity, near-zero interest rates and £445 billion of monetary stimulus ('quantitative easing'), the UK's current growth prospects remain weak."

"Productivity in the UK is 13 percent below the G7 average" and "performs worse than most of our European neighbours," the commissioners write, making clear the scale of what they are proposing. "Change is urgent" and will not be achieved "incrementally" or by "trying to 'muddle through.'" Instead, productivity must be "hard-wired" into the "processes of production and consumption."

This will be done, they instruct, via a process of "managed automation" that will "require new social partnerships between employers and trade unions, at both firm and sectoral level." The 2020s will be a "decade of disruption" they predict, caused by Brexit, further globalisation and technological change. The automation they envisage means vastly increased levels of exploitation and job destruction, which is why a "social partnership" with the trade unions is needed. The commissioners point repeatedly to the economic disenfranchisement felt by masses of people and "the political consequences ... being felt across society."

In its chapter on Partnership and Power, the IPPR calls for a "reimagining of the state," arguing that the next stage of pro-market reform cannot be achieved without a corporatist partnership between government, employers and the trade unions. This will centre on a "new industrialisation" strategy that will see trade unions officially partner with business and government in a "National Economic Council" to ramp up productivity and create "export-oriented industries, located right across the country," thereby policing the demands of business against the working class.

The IPPR notes with alarm that "trade union membership in the UK is at an historic low" and proposes "new measures to strengthen trade unions." It calls for workers to have "greater bargaining power, making it easier for trade unions to negotiate on their behalf to achieve greater productivity." They set out a raft of measures to realise this aim, including a doubling of union membership by 2030 to 50 percent of the workforce ("with a focus on the lowest paid sectors"), "auto-enrolment" for workers in the gig economy and "a WorkerTech Innovation Fund to support unions to use digital technology to recruit and organise."

The trade union bureaucracy is being offered an enormous fillip, which McDonnell made the centre of his speech to the TUC Congress on September 11 outlining Labour's new industrial strategy. Key elements of this, he stressed, were being developed with employer groups, including the Confederation of British Industry (CBI).

"Our productivity gap is 16 percent between the UK and the rest of the G7," he told the Congress. He called for worker representation on company boards, the introduction of "collective sectoral bargaining" and a new Secretary of State for Employment "to drive through a transformation of the workplace environment."

The "trade unions already are, and will be throughout our period

of office, at the heart, at the very heart, of developing and implementing our industrial strategy," he pledged. Making clear the pro-business axis of this strategy, McDonnell described Labour's proposal for a Strategic Investment Board (SIB), "bringing together the Bank of England, the Treasury, the Business Department, business but also representatives of the trade union movement."

The outcome for the working class will be the opposite of democratic. A *New Statesman* article by Paul Mason, an advisor to McDonnell and Labour leader Jeremy Corbyn, makes this clear. A regular *Guardian* columnist, Mason is a noted anti-Russian warmonger and advocate of regime change in Syria, the retention of Trident nuclear weapons, the overturn of Brexit in favour of ongoing EU membership, etc. A former member of the state capitalist group, Workers Power, he has previously called for a "left alliance" with the "liberal elite" (including bond traders from Canary Wharf) and supported the election of Emmanuel Macron as French president in 2017.

Relishing the prospect of trade war, Mason praises the IPPR for recognising "the need for more aggressive state intervention than traditional social democrats and liberals could ever countenance. ... If they worked, these proposals, alongside a new remit for the Bank of England would not put the UK in the same league as South Korea, Japan and Germany overnight. But they would at least give us the chance to start playing the same game."

The "state intervention advocated by the IPPR," he continues, "might be necessary simply to defend the UK's national interest in a world where major economies begin to compete viciously for what growth, jobs and trading opportunities remain."

Mason welcomes this vastly accelerated offensive against the working class so British capital can compete "viciously" under conditions of global slump and trade war. The IPPR report "is a precious gift to the left. It validates John McDonnell's political impulse to make industrial strategy and the national investment bank the flagship policies of the next Labour government." Its adoption would make Labour "allied with the progressive nationalist parties—the natural party of government for the next decade."

Mason's sole caveat is that Britain's reindustrialisation needs export markets, and so "to fulfil the vision the IPPR report outlines you would need to be either in the single market or so close to it that you cannot tell the difference."

This embrace of the IPPR report speaks volumes. Behind all of the talk about governing "for the many, not the few," Corbyn and his closest allies are preparing an economic programme that is lifted straight from the Blairites and dictated by the Bank of England, McKinsey and Company and the City of London.

To contact the WSW and the
Socialist Equality Party visit:

<http://www.wsws.org>