

THE MILE END INSTITUTE

EDITED BY COLM MURPHY AND FARAH HUSSAIN



GOVERNING IN HARD TIMES

URGENT QUESTIONS FOR THE CENTRE LEFT

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CONTRIBUTORS

Patrick Diamond

Patrick Diamond is Director of the Mile End Institute and Professor in Public Policy at Queen Mary University of London. He is the author of *The British Labour Party in Opposition and Power 1979-2019* (Manchester, 2021).

Alan Finlayson

Alan Finlayson is Professor of Political and Social Theory at the University of East Anglia and Chair of the Editorial Board of *Renewal: A Journal of Social Democracy*.

Eunice Goes

Eunice Goes is Professor of Politics at Richmond University. She is the author of *The Labour Party Under Ed Miliband: Trying but Failing to Renew Social Democracy* (Manchester, 2016) and is writing a book about European social democracy.

Farah Hussain

Farah Hussain is a PhD researcher at Queen Mary University of London, and a former councillor in the London Borough of Redbridge. Her research focuses on intersectionality and Muslim women in the Labour Party. She is a Research Fellow at the Mile End Institute.

Ryan Jude

Ryan Jude is Programme Director of the Green Taxonomy at the Green Finance Institute and a councillor on Westminster City Council. He is the council's Deputy Cabinet Member for Climate Action and Biodiversity.

Clare McNeil

Clare McNeil is an Associate Fellow of the Institute for Public Policy Research (IPPR), Director of Timewise Foundation and Chair and Co-founder of Workwhile. She is also a former adviser to the Cabinet Office and a former Associate Director of the IPPR.

Colm Murphy

Colm Murphy is Deputy Director of the Mile End Institute and Lecturer in British Politics at Queen Mary University of London. He is the author of *Futures of Socialism: "Modernisation", the Labour Party, and the British Left, 1973-1997* (Cambridge, 2023).

INTRODUCTION

After a particularly difficult decade, the centre-left is once again seen as a plausible governing force across much of Europe and the Americas. Britain is no exception. Following nearly two years of consecutive polling leads over the Conservatives, with the current average margin ranging between 15 and 20 points, Keir Starmer's Labour Party is now taken deeply seriously across the spectrum as the likely governing party after 2024.

Of course, as any grizzled veteran of UK politics would say, nothing is guaranteed – particularly in an age of economic turmoil, cultural polarisation, and volatile electoral behaviour. The unanticipated Uxbridge by-election victory for the Conservatives reminded everyone of this uncertainty. Nonetheless, given the solid performances in a succession of local and by-elections, which broadly confirm the polls, the smart money is currently on a Labour majority or Labour-led coalition after the next general election. The Conservative Party's ongoing woes in office – strikes, crumbling schools, bubbling internecine rancour – do nothing to challenge that assessment. Nor do their dire polling numbers.

However, political power brings with it considerable dangers for its wielders. Just ask Joe Biden, Olaf Scholz, Pedro Sanchez, and Lula da Silva – or, indeed,

Sanna Marin and Magdalena Andersson. Whatever its partisan flavour, the next government will likely confront a dizzying array of formidable challenges. These include the climate emergency and the increasing politicisation of net zero, the economic fall-out from Brexit, growing fiscal pressures, constitutional dysfunction, inequalities in wealth, generation, gender, and race, the fraught politics of migration, chronically underfunded public services, childcare and social care, and stagnating real wages. In a moment of geopolitical transition and upheaval, it may also be forced to grapple with new global shocks from Ukraine to Taiwan.

In addition, any centre-left government would need to overcome its longstanding Achilles heel: entrenched negative perceptions of its economic and electoral 'credibility'. It might well need to navigate the fraught dynamics of coalition government. Even a Labour majority government would have to manage internal dissent across a factionalised left without sparking a backlash in the party. To make matters even trickier, some of the challenges it would face imply competing solutions: for example, fiscal pressures, electoral plausibility, and public service collapse.

Keir Starmer's Labour Party should treat charting a plausible course through these

choppy waters as a matter of considerable urgency. It's fair to say, though, that these charts are works in progress. It is striking that despite its growing list of policy agendas - enhancing workers' rights, 'securonomics', NHS reform, housebuilding, and tackling serious crime - the Labour Party is criticised frequently for lacking a transformative 'vision'. This is not just because of Starmer's (infamous) leadership election pledges from 2020, many of which have fallen by the wayside. There are still gaping holes in the party's current prospectus. Its agenda is unclear or underdeveloped in critical areas such as public sector investment and wages, the social care crisis, and school-age, further and higher education.

It has also been clear for some time that the party has been consciously trimming its sails. Shadow Chancellor Rachel Reeves has watered down some of Labour's flagship policies. Having pledged £28bn a year for a climate transition fund in 2021, for instance, Reeves and Ed Miliband now say that the sum will only be reached by the middle of the next parliament. Similarly, pledges to equalise income and capital gains taxation have also been ditched. Though pushed by some anonymous Labour briefers and prompted by concerns over the worsened gilt market context, electoral credibility, and state capacity, these changes have clearly rankled with others in Labour, and not just longstanding critics of Starmer.

There has thus never been a better moment for sober, informed, and clear-eyed assessment of the challenges confronting the British centre left, and the resources and opportunities it has at its disposal. To this end, the Mile End Institute organised a one-day conference

on Thursday 15 June. Bringing together a host of influential politicians, policymakers, think-tank researchers and academics, this conference assessed the current state of thinking on the UK centre left and identified the key questions that it has yet to fully confront.

A product of that conference, this pamphlet features analysis and prescription from leading speakers, from politics, policymaking, and academia. Together they provide Starmer and his team with not only questions that they must address ahead of next year's likely election, but also some potential answers.

In a reflective opener, Professor **Alan Finlayson** considers how Labour could and should build a broad coalition of support across the public, private and third sectors. He advocates using the power of poetry to show the country what it could look like under a transformational government.

Eunice Goes, professor of politics at Richmond, examines the recent, if potentially vulnerable, resurgence of other social democratic parties in Europe and the lessons they offer Labour. She shows how economic competence and progressive policies together have won support in Germany, Portugal, Spain and Denmark.

After this, public policy expert **Clare McNeil** makes the case for a more ambitious economic programme. She stresses that Labour's transformational agenda requires investment in public

services and infrastructure, and institutional change at the centre of government.

Ryan Jude, a Labour councillor and green finance specialist, offers a roadmap for delivering Labour's Green Prosperity Plan. He discusses how to harness and scrutinise private investment, makes the fiscal case (as well as moral) for the green economy and considers how to engage the public on the need to move away from fossil fuels.

Lastly, **Patrick Diamond**, the Director of the Mile End Institute and a former head of the No 10 Policy Unit, responds to the pieces and offers his advice to a potential next Labour government.

If the polls are to be believed, the Labour Party is about to make history. The pamphlet's contributors offer a range of credible ideas of not only how Labour can win but what it could do once it gains power. The party would be wise to take notice.

**COLM MURPHY AND
FARAH HUSSAIN**
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LABOUR NEEDS LESS PROSE AND MORE POETRY

BY ALAN FINLAYSON

Like most clichés the adage that ‘you campaign in poetry and govern in prose’ is superficially appealing yet fatally misleading. The word ‘poetry’ comes from the Ancient Greek *poiesis* which meant creation: of representations, moods, ideas; of ways of seeing, feeling and thinking. The political kind of poetry is called rhetoric. It is an essential and unavoidable part of politics be it on the stump or in office. Politicians must give people reasons – ideas, ways of seeing and feeling – which move them not only to assent to this or that policy but to support it, to be part of implementing it, to

participate in changing their workplace, their town, their country. That is the only way change can happen.

When it comes to power, Labour will find that despite its large Parliamentary majority its government, just like any other, is a coalition. That will include the civil service, from Whitehall advisers to every front-line state employee: be they on the cancer wards, at border control or in front of a class of unruly school kids. But it will also include those who wield other kinds of power: judges and the legal profession; the media – of course; varied kinds of business and financial interests. And it will be in coalition with members of the key social and economic groups it needs to keep on board if it is to survive the unexpected events that will confront it.

Refusal to sustain such a coalition is one of the reasons the policies of Conservative governments since 2010

have so often failed. They thought that all they had to do was speak to 'the people' (in reality a small proportion of us) while they alienated police, nurses and civil servants. Giving those who work for the state no reason to commit to policy change, it has found itself unable to make and implement policy that works, adrift and at the mercy of events.

New Labour came to power backed by great enthusiasm because it had a lot of these coalitions in place. It had won over think-tanks, campaign and charity groups. It had appealed very explicitly to a new generation that did not want to be confined by the dead hands of the 'forces of conservatism'. Where it maintained these, it succeeded most as with Sure Start and NHS reform. Labour is not now part of such a coalition but, rather, of a loose alliance formed by default out of all those who just want to get the Tories out. The risk is that when in power it will be the tool of the competing interests in that alliance, not their leader. To lead it needs poetic and persuasive arguments – well-painted pictures of where we are and where we can be – adapted to the interests of those it needs to be in its coalition.

The constraints on developing such a rhetoric are obvious. The culture of legacy media is antithetical to politics as such, and especially to a politics which tries to speak with any sort of depth or power about the longer term. The national culture is fragmented and resentful. It is easier to push the buttons of targeted electoral segments than to win an argument.

There are opportunities.

Contemporary political parties see their memberships as a liability and want to keep them passive. Labour has chosen – with regard to its own membership – a strategy of coercion rather than winning consent. But members and supporters can be key parts of the wider governing coalition – bearers of ideas and arguments. As a member I get regular emails from Keir Starmer and Angela Rayner asking me to 'chip in a quid'. But I am better informed of the policy positions of my milk delivery company, streaming service and local pub because they email me and tell me what they are doing about the climate, racism, food poverty.



Even a small paragraph in an email can equip members with the ideas, facts and arguments to represent their party in their workplace, sports club or residents association. The Facebook groups run by every constituency party are criminally ignored when they could very easily be the means of powerful political education laying some of the ground work for the next government.

Once in office, government must not forsake the poetry for prose. It will have won one argument but there will be more to make. The siren voices of self-declared realists will say that poetry is an indulgence to be put aside in favour of 'a resolute focus on the hard graft of delivery'. But Labour will have inherited a legacy of mistrust of politicians and government that is in part the outcome of years of bad political poetry.

It will be vital for political leaders to speak directly to those affected by policy and to those who implement it at the front line, to keep them in the coalition and motivated to implement policy change.

Ministers need to understand that speaking to professional and trade associations is not a dull formality to be crossed off the to-do list but a precious encounter at which ministers represent not only themselves and their government but politics as such. They should do it equipped with proper poetry.

I am currently working with a theatre company, running workshops all over the country teaching people who aren't involved in politics how to write and deliver political speeches: from youth groups in Cornwall to women in a prison near Manchester. It's been interesting. It's been rather moving. Most strikingly, though people often lack experience, they often spontaneously speak in powerful images, using memorable repetitions, their words reaching out to others in hopes that they will understand an experience or a situation, and come to share a commitment to make something better.

They speak from places of belief (that the right decisions can be taken and implemented), aspiration (that this country can be better), and of care, drawing on what they know, thinking of the places and people around them and to which they are committed. These are basic orientations to the world which, it so often seems, politicians have forgotten, are somehow embarrassed to acknowledge or, perhaps, think is beneath them.

The Ancient Greek teacher of rhetoric, Isocrates, believed that 'people can become better and worthier if they conceive an ambition to speak well, if they become possessed of the desire to be able to persuade their hearers'. The question is, can our politicians – in search of the skills of good governance – be as worthy of it as the people they desire to govern?

COMPETENCE AND SOCIAL DEMOCRATIC VALUES ARE THE RECIPE FOR THE REVIVAL OF EUROPEAN SOCIAL DEMOCRACY

BY EUNICE GOES

As the Labour Party starts preparing for next year's general election it is worth exploring the different paths to electoral success taken by social democratic parties in Europe since 2015. Obviously, learning lessons from sister parties is not a straightforward process. Different electoral systems and historical trajectories mean that the patterns of electoral competition change from country to country.

But despite these limitations it is possible to identify some potential lessons. After all, Labour has faced similar challenges to those experienced by its European sister parties. The last 13 years or so have shown us that the first-past-the-post electoral system has not insulated the United Kingdom from the party system fragmentation, political polarisation and turbulence that has affected most, if not all, European countries. Similarly, Labour's

long spell in opposition was caused by the same factors that explain the ongoing crisis of European social democracy, namely losing the reputation for economic competence following the 2008 global financial crisis and the era of austerity that followed.

The faint electoral revival of social democracy in Germany, Portugal, Spain, Denmark (and for a short while in Finland and Sweden), which started in 2015, suggests that these successful social democratic parties have learnt key lessons about how to respond to party fragmentation and political turbulence.

The first lesson is that these parties accepted that the era of winning big parliamentary majorities is over. They can still happen - the Portuguese socialists won a landslide in 2022 - but they are a rarity. This means, of course, that in



fragmented party systems, catch-all electoral strategies that focus on the median voter are not always successful, especially under proportional representation systems. Indeed, for each centre-right voter that a centrist strategy might deliver it can result in the loss of more than one voter to left-wing parties.

The road to power may involve developing an electoral strategy that targets the specific groups of voters that can potentially give them a majority or plurality at legislative elections.

To start with, they should try to mobilise some of the demobilised supporters. As the political scientists Björn Bremer and Line Rennwald have argued, the number of demobilised supporters is not huge, but “appealing to these voters could be one easy way to slow down the electoral decline of social democracy”.

The path to electoral success involves too understanding the heterogeneity of voters within broad categories and focusing on a range of policies that command support amongst different groups of voters and avoiding divisive issues. For example, the political preferences of working-class voters are largely shaped by their position in the labour market (as insiders or outsiders), whether they work in industry or in services, and whether they are unionised.

Similarly, urban and university-educated graduates in middle class occupations are not a homogenous voting group. Some can turn against redistributive policies, especially if they are combined with authoritarian/nationalist positions.

For these reasons, social democratic parties have an interest in developing an electoral coalition that includes the growing groups of socio-cultural professionals, working-class outsiders and the unionised working-class by focusing on a left-wing economic agenda. It is worth remembering that it was the ideological convergence between social democrats and the centre-right on economic policy that moved political competition to issues like immigration and authoritarian values where there are still significant differences between left and right parties.

This understanding of electoral competition has resulted in a considerable movement leftwards in the programmes of social democratic parties since 2010. They have promoted free universal childcare, affordable housing, minimum wage rises, labour market reforms to tackle insecurity and casualisation, economic regulation, the green transition, and the defence of public services, but at the same time they have promised to be responsible managers of the economy. In short, their return to power has been predicated on a dual promise: demonstrating economic competence and implementing social democratic policies.

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SQUARING THE CIRCLE

CLARE MCNEIL

Labour faces a formidable set of constraints if it wins power at the next election. A daunting inheritance of economic stagnation and rising destitution is inevitable, as are the risks posed by the cluster of geopolitical and climate crises which have come to be known as the 'polycrisis'. But less well understood is how critical the condition of the British state itself will be for a centre-left government after over a decade of under-investment. How would a Labour-led government square the circle of a crumbling welfare state with tight fiscal rules and more spending on public services all but ruled out? How would it deliver on its five key missions with a depleted civil service and a public sector which cannot recruit and retain enough staff?

Ahead of the election, we can increasingly expect the Labour party to be challenged on how its fiscal policy will measure up against the reality of thirteen years of austerity and the lingering effects of the pandemic. Dilapidated schools, bankrupt councils and ongoing industrial disputes are the most visible signs of collapsing public sector net worth today. By 2025 it could be a breakdown in local government provision of essential services like adult social care and neighbourhood services or ungovernable prisons. Yet if it forms the next government, Labour will have even less fiscal room to respond to unforeseen crises than the current government if it sticks to Conservative spending plans for 2025/2026 as pledged.

Aside from signature tax reforms on private schools and the 'non-dom' tax regime, Labour currently has no plans to invest in public services,

instead prioritising economic growth as 'the only way we are going to be able to give the NHS and other public services the investment they need', in the words of one shadow cabinet minister. This risks overlooking the extent to which failing public services hold back growth (such as the links between NHS waiting times and rising economic inactivity, with one third of those who are long-term sick now waiting for NHS treatment). It also neglects the role well-functioning public services play in helping facilitate growth, by catalysing the sources of economic prosperity necessary to sustain it. And a 'growth first' strategy for public services creates uncertainty, with doubts about how soon sustained growth can be achieved against a backdrop of high inflation, constrained energy supply and geopolitical instability.

Given the multi-faceted nature of the challenges it would inherit, Labour has to craft a governing agenda that can both grasp and stabilise the most urgent crises – namely public sector pay, recruitment & retention and the worst impacts of under-investment in health, education, policing & local government – while moving forward with the policies and institutional changes needed for reform and a longer-term transformation of the country. To do this it needs a powerful unifying agenda that can bring common purpose and coherence across three key governing priorities, firstly re-wiring Whitehall around Labour's mission-based approach to government, secondly introducing the cross-departmental priorities that will underpin this and finally delivering the institutional reforms Labour aims to push through in government.

A major opportunity for a unifying agenda of this kind is offered by Labour's emerging 'productivist' economic model. Shadow Chancellor Rachel Reeves describes this as aiming to expand the nation's productive capacity: its ability to 'make, do and sell more'. It draws its inspiration from the Biden administration in the US, which has revitalised industrial policy through large-scale public investment to 'crowd-in' private investment as part of a renewed focus on national manufacturing and supply chains.' However, 'Bidenomics' is not just focused on achieving growth. It is challenging neoliberal orthodoxy by putting climate, good jobs, and place at the centre of economic policy, including by tying corporate subsidies to investment in workforce training, education and childcare and through a concern with the 'foundational' as well as 'frontier' sectors of the economy.



On the first governing priority, 'mission-based' government is how Labour aims to re-orient policymaking in government away from short-termism to embed long-term goals for policymaking. Previous attempts at central government reform have

shown however that shared vision and common purpose will be needed if mission-based government is not to replicate the same departmental silos it aims to overcome.

Expanding the nation's 'productive capacity' is a mission that could unite Labour's economic, social and environmental missions and provide the rationale for the 'boldest devolution project in a generation' Labour has promised to deliver in government.

In policy terms this would call for a new focus on the 'productive sphere' of the economy (industry, employers and the labour market) for the welfare state as well as economic policy. For example, one of the key proponents of productivism, Harvard economist Dani Rodrik, argues that governments in modern capitalist societies must prioritise an increase in the supply of secure jobs offering family-sustaining wages to avoid an 'existential' further breakdown in social inclusion.

A missions-based approach could also foster a wide set of cross-cutting policy priorities (the second governing priority) from increasing innovation to restoring economic security, with non-spend policy levers such as market protections, worker rights and better regulation at the forefront. In a productivist paradigm, public services are a critical engine for growth, not the drain on the economy suggested by a 'growth first' approach to investment. Improving the quality of jobs in low-paying public sectors such as health, care and education would

therefore emerge as a priority, both as a public good and as a means for delivering on wider health and education missions in government. This strengthens the rationale for the investment that will be unavoidable, not least for easing the public sector recruitment & retention crises to stabilise public services.

Finally, it could also provide a platform for the institutional changes Labour aims to advance in government, including to devolve more powers to regional and local government and out to communities and reform Whitehall. An early priority here should be an overhaul of an overly-centralised and rigid Treasury orthodoxy. Also critical will be reviewing fiscal rules that take little account of the difference between investment and day-to-day spending and allow public investment to be used as little more than a tool for fiscal consolidation.

Labour's social and economic missions are profoundly inter-dependent and a programme for government that embraces this will be stronger as a result, providing a more holistic and ambitious account of what Labour will do in government to expand the nation's ability to 'make, do and sell more'.



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LABOUR'S SUCCESS RESTS ON ITS CLIMATE OFFER TO THE ELECTORATE

BY RYAN JUDE

Ambitious climate policy is central to Labour's existing policy platform ahead of the election, and to Labour's chances of winning a second term.

Not only is the climate crisis a top concern for voters, but it is also intrinsically linked to the other areas of main concern, which climate policy can help deliver progress on: the cost of living crisis, the NHS and the economy. Yet so far, Labour has struggled to successfully link its key climate spending pledge to these outcomes.

As Ed Miliband has repeatedly said, this is the economic opportunity of the 21st Century. It is economically and morally the right thing to do, and popular with voters and businesses. So Labour needs to more effectively communicate its central climate policy, the Green Prosperity Plan (GPP), in three ways: anticipating political criticism, explaining the need to mobilise private investment for green outcomes, and more strongly setting out its link to voters' lives and other portfolios.

Proactively combatting criticism

Labour's GPP sets out the intention to increase borrowing by £28bn a year, to invest into green industries, by the middle of the next parliament. This is potentially revolutionary, and is the single largest spending commitment set out so far by Starmer's Labour Party.

Opposition parties will attack the GPP's spending commitment as being economically irresponsible, but the evidence says the opposite. The irresponsible approach would be to not invest in the green economy. The Office for Budget Responsibility predicts that the cost of inadequate climate change mitigation could contribute to debt-to-GDP tripling to reach 300% by the 2070s.

It is critical that Labour show that climate investment is fiscally, as well as morally, responsible. Labour's climate policy provides the opportunity to prove their



credibility with the electorate on economic and financial policy, making it central to winning a second term in office.

There has also been criticism on the level of funding, from both directions. The Committee on Climate Change (CCC) estimates that meeting net zero targets requires £50-60 billion of climate investment every year from 2030. But they assume that only £9-12 billion needs to come from public investment. Labour's £28 billion every year is more than enough to meet the CCC's estimates.

Mobilising private investment

Labour must be open about the fact that advancing the UK towards a net-zero and nature-friendly future will require substantial private investment alongside public investment.

Analysis suggests that there is greater than a 1:1 leverage ratio of public to private investment in green investments, where public investment "crowds-in" private capital. This means that Labour's £28 billion should leverage more than £28 billion in private investment each year. It could be higher: one report from 2022 estimated that the GPP's £60bn commitment to housing insulation could generate £164bn private investment, a leverage ratio of almost 1:3.

This will help combat accusations that such high levels of public investment will "crowd out" private investment. Indeed, polling suggests that most international green energy investors back Labour's GPP. By leaning into one of the UK's comparative strengths (green finance in the City of London), the GPP also helps Britain find its post-Brexit role.

The biggest risk for Labour is of "greenwashing" accusations against its central climate pledge. Luckily, regulatory tools in development, like the UK Green Taxonomy – a science-based dictionary for sustainable economic activities – can help prevent this, by providing an objective assessment of the green credentials of potential investments. Labour could align the GPP to this, to avoid greenwashing risk, and to enable tracking of financial flows against the CCC's £50-60 billion annual investment target. Regulatory regimes like this also play a role in positioning the UK as a leader in the global transition.

Making the £28bn an election winning topic

Climate policies are already popular with the electorate, but Labour needs to be clear on the broader benefits.

The number and pledge of the GPP means nothing in the abstract. But the pledge's co-benefits will be visible in daily life through: lower energy bills; generating good green jobs; lower pollution; and reducing pressure on the NHS.

Almost every major concern that voters are grappling with can be alleviated in part by the GPP – this case needs to be made clearer and doing so will improve Labour’s electability.

Labour must also discuss the practicalities of the £28bn climate pledge. This includes being clear on what the ramp up means in practice, more details on the sectors that the investment will support, and how the investments will be delivered.

Every aspect of the economy will be touched by the plan, and benefit either through direct investment or co-benefits. The timing of this and messaging about how the GPP complements other priorities can further enable campaigners to link the pledge to people’s everyday lives. For example, housing will receive support to insulate homes, improving quality of housing and reducing energy bill. The healthcare brief will benefit from this – it is estimated that every £1 spent on insulating fuel-poor homes can lead to a 42p saving in NHS costs. Detail about how this money will involve local authorities, which have influence over 82% of the UK’s emissions, will be crucial, as they know their area best, they know where to target investment and they know the priorities of local people.

The new institutions that Labour has proposed, GB Energy and the National Wealth Fund, which will exist alongside the existing UK Infrastructure Bank, need to also have their remit and purpose further fleshed out.

These various institutions will all need to invest in different types of projects, at different stages of sector maturity, and Labour needs to have this planned out before an election, so they can hit the ground running if they win.

Failure to commit will mean we all lose out

Climate must underpin Labour’s offer to the electorate. It currently does – as the biggest single investment pledge – and is in fact quite transformational, more so than it is really being given credit for (in relative terms, it is even more ambitious than the much-praised Inflation Reduction Act championed by Joe Biden). But if Labour fails to truly own it, communicate it well, and plan for the details of how to deliver it, then the party and the UK will lose out.

The Labour Party loses out, as it will find bad faith actors seeking to criticise the pledges – which may lead to rowing back on what is a genuinely popular policy, and the correct thing to do. The UK loses out on a fantastic economic opportunity – to capture our share of the emerging industries of the future.

And we all lose out, because we fail to do what needs to be done to stop irreversible climate collapse. There is no economy, financial system, or political debate and election in a world that does not truly grasp this issue and have governments that take it seriously. And there is certainly no second term.



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A GOVERNING AGENDA FOR HARD TIMES

PATRICK DIAMOND

Throughout the western world, centre-left parties have been governing in hard times. Many commentators now predict that the British Labour party will enjoy a decisive victory at the next election, epitomising the global revival of social democracy. Under the leadership of Sir Keir Starmer, the party is perceived as economically competent, patriotic, and broadly united. As a result, lost ground has been recovered in the traditional 'heartlands' of Scotland and the so-called 'Red Wall' of Northern England. With the tangible prospect of Labour's return to power, it is necessary to examine the constraints that a Starmer administration will face in office, and to consider the political strategies required to overcome them.

Past Labour administrations in Britain were decried for not achieving more in office, for their timidity, their caution, their lack of radicalism, and their adherence to constitutional orthodoxy. The Left in the Parliamentary Labour Party was dismayed at the refusal of Attlee's Ministers to nationalise key sectors of industry. The Wilson Governments in the 1960s were vilified for not pursuing a more far-reaching modernisation of the British economy, prioritising the defence of the exchange rate over economic growth and working-class living standards. Similarly, the Blair and Brown era is viewed as a missed opportunity given the scale of the parliamentary majority Labour enjoyed, combined with the benign economic and social headwinds that prevailed in the UK.

There is nonetheless a striking tendency to overestimate the political agency of Labour governments, and to underestimate the barriers to radical economic and social reform. We need to consider what the political historian David Coates has termed 'the pattern of constraints likely to beset a Labour Government'.

It is vital to assess not only the, 'aspirations of incoming governments', but 'the barriers likely to be erected in their path'. After all, even if the party secures an outright parliamentary majority at the next election, Ministers will confront major obstacles in enacting their programme. Some of these barriers are contingent features of UK politics, notably the harsh economic and fiscal climate. Others are structural characteristics of the UK state and the institutional framework of British politics.

The first constraint relates to the capacity of the British state itself. The capabilities of government in the UK have been eroded over the last decade. The process of hollowing-out not only relates to the impact of austerity and long-term cost reduction, but the implications of outsourcing service delivery in the public sector which has produced significant fragmentation. It is quite possible that within months of gaining office, Labour will inherit a catastrophic breakdown in a key public service, either a collapsing prison, a failing rail company, or another bankrupt local authority, throwing the existing policy framework into question.

Yet the ability to react to crises and reformulate policy in central government has rarely been weaker. The civil service in Whitehall was repeatedly cut back, reaching its lowest headcount since the Second World War in 2016; numbers began to rise again following the Brexit referendum, but are still low by historical standards. Relations between Ministers and officials have deteriorated, marked by the dismissal of a succession of Whitehall permanent secretaries alongside the marginalisation of the civil service in policy formulation in favour of think-tanks and management consultants.

The culture of central government policymaking is increasingly outdated, invariably dismissive of complexity and disinterested in the practicalities of implementation. As **Alan Finlayson** highlights in his contribution to this volume, governing necessitates mobilising a coalition involving multiple stakeholders whose actions Ministers do not directly control. Even those working directly for the state need compelling reasons, 'to commit to policy change'. The growing reliance on consultants underlines the erosion of internal capabilities required to devise policies that respond to deep-rooted economic and social problems. Meanwhile, the relationship between central and local government in England has declined markedly. This trust deficit makes it more difficult to achieve outcomes for citizens while addressing enduring policy challenges.



The second constraint is the nature of the economic inheritance bequeathed to an incoming government. The UK has been afflicted by major shocks over the last decade, notably Brexit and Covid, which have interacted with long-standing pathologies to undermine economic performance. The economy entered recent crises already crippled by the long-term legacy of stubbornly low productivity, weak innovation, and regional inequality combined with systemic public and private under-investment.

The British economy is able to deliver neither the dynamism prioritised by the United States, nor the equity characteristic of the Northern European countries. Crises and mismanagement have undermined the productive capacity of the UK economy, while exacerbating long-running inequalities.

Meanwhile, persistent inflation is eroding household living standards and threatening to escalate industrial conflict, as workers fight to maintain real wages. The problems posed for a Labour government are especially acute given the party's institutional link to the trade unions. More significantly, Labour's desire to maintain the confidence of debt markets and its continuing support for the relative mobility of capital and finance threatens to circumscribe its key commitment to green and social investment. As **Ryan Jude** demonstrates in his chapter, ambitious green policies will help to achieve progress across Labour's policy agenda, affording opportunities for economic growth, relieving the cost of living crisis by reducing energy bills, and addressing the underlying causes of unhealthy lifestyles. Jude reminds us that it is the decision not to invest in the green transition that is economically irresponsible: the climate change impacts would help triple the UK's debt to GDP ratio by 2070, according to the Office for Budget Responsibility (OBR).

The third constraint facing an incoming Labour Government is the nature of politics itself, in particular how to secure consent for contested policies. In part, this is a question of what voters are prepared to accept, and how far Labour is willing to challenge them. Having experienced four successive electoral defeats in the 1980s and 1990s, the party became increasingly pessimistic about the willingness of voters to pay more tax. The prevailing view was that citizens wanted European-quality public services combined with American levels of taxation. More recently, defeats since 2010 and the loss of the so-called 'Red Wall' in Northern England convinced many Labour politicians that the party had limited room for manoeuvre on Europe. This outlook stems from a deeper underlying pessimism: a belief that Britain is, deep down, an unremittingly Conservative country and that Labour's occasional electoral success is merely a reflection of short-lived Tory unpopularity, rather than an expression of any fundamental adherence to social democracy on the part of the electorate. Yet the problems of politics not only concern tax resistance and attitudes to Europe. Modern politics is inherently doomed to disappoint and requires politicians to navigate tortuous trade-offs.



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Labour will, as Finlayson rightly suggests, be compelled to govern in an environment marked by 'a legacy of mistrust of politicians and government' no doubt exacerbated by the perceived failures of the Brexit process.

The fourth constraint on the next Labour Government is 'path dependency', namely the sheer 'stickiness' of public institutions which make it so much harder to achieve reforms, in particular driving improved outcomes in sectors such as health and education. For decades, policymakers have emphasised the importance of preventative healthcare. Yet most health services are still designed to alleviate disease and remedy ill-health after it has taken hold. The barriers to instilling a preventive approach are enforced by the centralised nature of health service delivery. NHS England remains a bureaucratic organisation in an era of ever more complex healthcare needs that cannot be effectively managed from the centre. The education service has generally witnessed more innovation, yet still remains wedded to a traditional model of curriculum design and pedagogy. The potential gains from technology, if at times overstated, have yet to be realised. Achieving change in public services remains exceptionally challenging.



The focus on constraints may create the impression that Labour governments have few real choices, that they are compelled to govern in the shadow of their Conservative predecessors and the global financial markets. Yet there is a compelling argument that the barriers confronting Labour governments are poorly understood, such they serve to diminish the possibilities of political action. We need neither to deny the reality of constraints nor overstate their effects. Such barriers are by no means insurmountable. Instead, subtly formulated political and statecraft strategies are required to overcome them.

In relation to state capacity, Labour Ministers will have to strengthen the capabilities of the state as soon as they enter government. In her contribution, **Clare McNeil** highlights that Labour will struggle to deliver the five core missions at the heart of its manifesto given the depleted and demoralised public sector. Addressing this situation isn't merely a question of employing more civil servants or temporary political advisers. Hiring political appointees often makes Ministers feel more empowered, but does little to create a culture of effectiveness in government. That necessitates overhauling Whitehall's core systems and institutions, transforming the culture of policymaking to embrace complexity, breaking down silos, while focusing the whole of government on core priorities. And it means substantive devolution away from the centre in England that tries to do and control too much.

On the economy, Labour's long-term plans need to create fiscal headroom for much greater public investment in social infrastructure and the transition to net zero. The party's central fiscal rule is to have UK debt falling as a share of national income after five years. That commitment must not become a fiscal straitjacket in cases where the main purpose of borrowing is not day to day spending, but investment in the UK economy's long-term productive potential. McNeil's contribution highlights that well-functioning public services are necessary for economic growth. They are a source of national competitiveness instead of a drain on the state's resources. A Labour government should harness the scrutiny of independent institutions such as the Office for Budget Responsibility to build the confidence of market actors in its long-term plan for capital, social and climate investment. There is, moreover, a strong case for recategorizing spending in areas such as education and skills within the public accounts.

Labour's nascent economic strategy is heavily influenced by 'Bidenomics', or what the US economist Dani Rodrik calls 'productivism'. Productivism refers to extending economic opportunities to all sectors of the workforce and all regions of the national economy. The goals of productivism are achieved by placing less faith in market forces, extending the boundaries of state responsibility, and increasing the role of civil society in economic governance. Rodrik stresses that policies should emphasise productive investment over consumption and finance, while challenging the power of large corporations and protecting local communities from the threats posed by 'hyper-globalisation'.

As such, productivism poses a challenge to the traditional Keynesian paradigm, stressing the importance of using supply-side measures to improve the quantity and quality of secure, well-paid jobs instead of relying on redistribution and demand management to protect the 'losers' from economic change.

The key pillars of productivism - or what is referred to elsewhere as 'modern supply-side economics' - were summarised by Rachel Reeves in her pamphlet, *A New Business Model for Britain*:

It involves the state taking on a more strategic role to expand a nation's productive capacity: its ability to make, do and sell more. It necessitates a new focus on improving the resilience of an economy to external shocks. And it places the government in partnership with the private sector, with the state creating the foundations on which a dynamic market can build. It means using the power of government to do what only government can do, while allowing business to do what it does best: innovating, competing and generating wealth.

On the question of politics, policymaking relies more than ever on skilful narrative and framing through storytelling. Voters may be willing to accept tax rises if it can be demonstrated that higher government revenues will lead to improved outcomes for citizens, helping to manage life-course risks they do not want to face alone.

Labour needs to consider how its social and economic policies can help to build new electoral constituencies while securing the allegiance of key voter groups, as the Conservatives did so effectively in the Thatcher era. Statecraft means being prepared to work with other parties and political traditions. It is a fantasy to pretend that the radical transformation of Britain will be achieved merely by a hegemonic centre-left party securing a majority in the House of Commons, then wielding the machinery of the central British state to impose socialist or social democratic reforms. **Eunice Goes** warns in her chapter that the era of political parties winning large majorities may be coming to an end, regardless of the electoral system. Centre-left parties have to offer both economic competence and traditional social democratic programmes that provide security and protection in order to create enduring electoral coalitions that allow them to regain power.

Finally, on the question of institutional reform, Labour must not postpone crucial debates about public services until after it enters government. It has little alternative but to provide as much clarity as possible about its plans. The centre-left has to avoid wishful thinking, making a realistic assessment of the incentives and structures that are required to achieve improvements in public service performance. That will invariably involve combinations of state and market instead of assuming that the public sector will necessarily always perform best as a monopolistic provider. It should not be afraid of radical experiments, in particular involving civil society and the community sector more systematically in service delivery.

Reforms are often viewed as a technocratic exercise, yet they are always deeply political: success depends on building sustained coalitions of support, as Finlayson reminds us, while spelling out clear guidelines that provide consistency for public services rather than sudden lurches of direction in a climate of 'hyper-innovation'.

While economic circumstances may temper Labour's radicalism as it enters power, the party requires a governing strategy through which it can ratchet up the transformative ambition of its programme. The party needs a clear vision based on responding to the challenges facing Britain's economy and society. The fundamental issue is long-term direction. In the Attlee years, Labour triumphantly delivered the commitments in its manifesto, *Let Us Face the Future*. Yet by 1951, the party's trajectory was unclear and vision uninspiring. Starmer's party will face a similar dilemma: they may achieve the five missions at the heart of Labour's next manifesto.

But what comes next? What is Labour's long-term vision of the British economy and society? How can the UK prosper outside the European Union? Do we need a more radical transformation of British capitalism, particularly in the light of the climate crisis? How does a party of the Left combat rising inequality in an age of insecurity?

The Labour party is, to be sure, confronted by a paradox. Voters want the party to be responsible, united and disciplined. Yet if the leadership seeks to suppress internal debate quashing the free flow of political ideas, the danger is the next Labour government will be devoid of fundamental purpose, confused as to its long-term aims and ideological direction, without a meaningful public policy project for the future. And that, history shows us, is a position from which electoral defeat will almost certainly follow.

FURTHER READING

Rachel Reeves, *A New Business Model for Britain* (London: Labour Together, 2023).

