World Economics Association

Conferences, 2016

Capital Accumulation, Production and Employment: Can We Bend the Arc of Global Capital Toward Justice?

2016, n. 1: 15th May – 15th July, 2016

Title of paper: The British Labour Party and the 'New Economics'

Author: Lyn Eynon

Abstract

The election in September 2015 of the socialist MP Jeremy Corbyn as leader of the Labour Party came as a profound shock to the British political establishment. Few dreamed it possible just a few months earlier. Corbyn's campaign platform was overtly left-wing in its economic proposals, including condemnation of austerity, increased public investment, targeted public ownership, and tax justice against avoidance by corporations and rich individuals. Since his election, Corbyn and his Shadow Chancellor John McDonnell have continued to develop the ideas sketched in the campaign towards a coherent programme for the party's next election manifesto. Central to that will be an alternative approach for managing public finances to the austerity of the Conservative government aiming at fiscal surpluses, but the discussion on the 'New Economics' goes well beyond macroeconomic policy into questions such as innovation, inequality and the labour market. Reviews of key institutions such as the Bank of England and Treasury are promised. This paper explains the background to Labour's electoral defeat and Corbyn's subsequent victory, then discusses economic policy before briefly considering what we should learn for campaigning and narratives. It investigates the underpinnings of the emerging programme and its potential to 'bend the arc of global capital towards justice' on issues such as investment, taxation or wages, discussing the UK in the international context of the aftermath of the financial crash. At issue here is not an exercise in criticising capitalism, but the practical problem of defining a realistic programme offering genuine progress in contemporary Britain, with sufficient credibility to attract both electoral backing and active support against hostility from global elites. There are lessons and questions here that go beyond the British Labour Party. I give an overview of the issues and during the Conference discussion will offer more detail on areas that attract interest.

Keywords

Austerity, macroeconomics, investment, institutions, labour, campaigning

Author details

Lyn Eynon (lyn.eynon@btinternet.com), Labour Party member and Momentum activist.

British Labour and the 'New Economics'

1. How did we get here?

From 'New Jerusalem' to 'New Labour'

Many issues facing the UK economy pre-date the financial crisis, even back to the late 19th century transition from industrial pre-eminence towards managing global capital flows. The UK's post-war settlement has been challenged ever since the election of Margaret Thatcher in 1979. The achievements of the 1945 Labour government were remarkable, including a National Health Service, enhanced social insurance, nationalisation of the Bank of England and core industries, and near-full employment after demobilisation. But despite steady improvement in living standards for a generation, UK growth fell behind other European countries, a slippage expressed, under Bretton Woods fixed rates, through balance of payments crises and sterling devaluations.

In the 1970s, the tensions within the post-war settlement exploded. Union power peaked under the Heath government of 1970-74: anti-union legislation was pushed back, shipbuilders occupied yards, and miners won historic victories. The British labour movement was strong enough to protect its gains but was unable to impose an alternative vision. Labour would struggle in government from 1974-79 in a new world of floating currencies and commodity price rises, turning to the IMF for help. Union leaders cooperated but their members would not tolerate falling living standards as wages lagged inflation. Rising unemployment and a 'winter of discontent' in public services opened the way for Thatcher.

Thatcher and her neoliberal advisers had studied the experience of Heath and planned for confrontation[1]. Monetarism devastated British industry, reducing older cities to wastelands, tripling unemployment and weakening unions. Labour tore itself apart in recriminations and a right-wing split guaranteed Thatcher's re-election in 1983. The miners were defeated in an epic strike, utilities were privatised and the City of London freed from stabilising regulations to participate eagerly in the accelerating global circulation of capital. Inequality soared but fiscal and monetary loosening, lubricated by oil, allowed wages to rise, with discounted sales of council houses a seductive lure. Thatcher was re-elected in 1987 but removed in 1990 by MPs worried her opposition to further political integration would hinder open markets in Europe.

Thatcher's successor, John Major, won the 1992 election but was soon confronted by the consequences of earlier policies. Thatcher had reluctantly conceded sterling should join the Exchange-Rate Mechanism to restrain resurgent inflation but German expenditure to meet the costs of reunification pushed the Deutschmark to an intolerable level for sterling, forcing Major to withdraw. Growth resumed but the Conservative reputation for economic competence had been destroyed and the party descended into sleaze and disputes on Europe.

New Labour from victory through crisis to defeat

Against the convictions of many members but desperate for government, the Labour Party had chosen Tony Blair, who duly delivered in 1997. Convincing marginal voters that he could soften Thatcher's legacy without threatening their personal gains, he won a landslide of seats. Blair had persuaded the party to drop its historic goal of "common ownership of the means of production, distribution and exchange", although New Labour was not just

[1] See Ridley, 1977.

Thatcherism in smarter clothes but hoped to use the prosperity of capitalism to fund a benevolent state[2].

Gordon Brown as Chancellor set out to convince the City that Labour could be trusted. He proclaimed the Bank of England independent, granting its Monetary Policy Committee (MPC) control of interest rates. In his first budget, he declared a 'golden rule' that over the economic cycle the government would borrow only to invest and not to fund current spending. Tight control of public finances followed, presented to Labour voters as "prudence for a purpose" and reassuring markets. Labour easily won the 2001 election but the campaign exposed discontent over public services. In Labour's second term, Brown would use the fiscal space and credibility won through "prudence" to increase spending to the benefit of the NHS, schools and infrastructure. The expenditure was well-timed, providing macroeconomic succour after the dotcom crash. Enough was done to win Labour a third term in 2005 and, with Blair damaged by Iraq, Brown became Prime Minister in June 2007.

As Chancellor, Brown had stressed stability but his "no more boom and bust" hubris would be shattered. Deregulating financial speculation and spurring property prices had not been prudent. London was again a serious competitor to Wall Street but exposed to global perils while domestic private debt rose sharply. In September 2007, Northern Rock suffered the first run on a British bank for 150 years. Bank nationalisation was anathema but unavoidable and would be followed by stakes in RSB and Lloyds. In the deep 2009 recession Brown allowed the public deficit to rise and the Bank of England reduced interest rates to an unprecedented low of 0.5%. By 2010 the initial shock was passing but government debt became contentious in the election and Brown grudgingly acknowledged action was required. Defeat could not be averted[3] and the Conservatives under David Cameron forged a coalition with the Liberal Democrats. New Labour's years in office were over.

Tory austerity and Labour's response

Cameron and his Chancellor George Osborne had put deficit reduction at the centre of their manifesto, with a narrative blaming Labour spending. Now Britain would have to "live within its means" but would revive under the "long-term economic plan". As most macroeconomists predicted, fiscal consolidation delayed recovery then, with Osborne easing austerity as the election approached, growth hesitantly returned The recession had been difficult but by 2015 employment and median real wages were slowly rising, giving the Conservatives a healing narrative while still blaming Labour spending for the pain of debt.

Heavy electoral defeat came as a profound shock to Labour whose leader Ed Miliband immediately resigned. In Labour's internal election, prospects for the left looked hopeless and Jeremy Corbyn only just made it onto the ballot. Believing Labour had to rebuild trust with voters on debt, interim leader Harriett Harman supported then abstained on a government proposal to cut tax credits, introduced by Brown and providing vital income assistance to millions of working families. Of the candidates, only Corbyn voted against. In renouncing one of its own flagship policies, the old leadership had confessed its impotence but outside Westminster the party would not accept this. Labour had undeniably lost but the

[2] Expressed by Blair's close associate Peter Mandelson as being "intensely relaxed about people getting filthy rich as long as they paid their taxes".

[3] 18.9% of the total electorate voted Labour, down from 30.8% in 1997 and the lowest in any post-war election.

coalition vote had fallen heavily[4] and Cameron's Commons majority was not an endorsement of austerity. Corbyn who was decisively elected, although many MPs are still unreconciled[5].

Corbyn's success rested on a desire for change and the confidence he inspired. He opposed austerity and inequality but what would that mean? Corbyn (2015a) accepted the current budget deficit should be closed but fairly and through growth rather than cuts. His call for more public investment was widely endorsed[6] but other proposals were controversial[7]: extending public ownership, tax justice and People's Quantitative Easing. At Labour's Conference, Shadow Chancellor John McDonnell (2015) criticised Osborne's Fiscal Charter legislating surpluses by 2020 but surprised by endorsing it, then reversed that prior to the Parliamentary vote[8] so that Labour opposed. Second term cuts threaten popular benefits and Cameron has retreated on both tax credits and some disability payments. Taxation is sensitive and both corporate deals and offshore accounts are unpopular. Labour is now defining its programme, with McDonnell establishing an Economic Advisory Council[9] and opening up discussion.

2. Fiscal and Monetary Policy

Crisis, recession and debt

The core Conservative narrative is that Labour caused the crisis by spending too much and that the government now has to cut back but the accusation of profligacy is misjudged. From 1997 to 2007 the government deficit averaged just 1.3% and by 2008 the debt to GDP ratio stood at 37% compared to 42% in 1997 (Wren-Lewis, 2015b), although this excludes expensive private finance initiatives substituting future liabilities for immediate public investment[10], a Conservative idea enthusiastically taken up by New Labour. An alternative explanation of the crisis highlights the excesses of global financial institutions in private debt[11], bank leverage[12], asset inflation[13], scale and complexity[14], international flows and imbalances[15], and graft[16]. The true criticism of New Labour is that it indulged these. London's central role in global transactions carries high risks, with foreign assets accounting

[4] In 2010, the Conservatives obtained 36.1% of the vote and the Liberal Democrats 23.0%; in 2015, the Conservative vote rose to 36.9% but the Liberal Democrats fell to 7.9%, a fall across the coalition of 14.3% (3.9 million votes).
[5] Foreign policy, security and defence are more divisive than economic and social policy.
[6] See economists' letter 'Jeremy Corbyn's opposition to austerity is actually mainstream economics', *Guardian* 23/08/2015.
[7] See economists' letter 'Corbynomics has not been thought through seriously', *Financial Times* 02/09/2016.
[8] McDonnell admitted embarrassment (Hansard, 14/10/2015).
[9] David Blanchflower, Mariana Mazzucato, Anastasia Nesvetailova, Ann Pettifor, Thomas Piketty, Joseph Stiglitz and Simon Wren-Lewis. Yanis Varoufakis and Paul Mason are also joining McDonnell's 'New Economics' tour.
[10] Owen and Brady (2010) estimated that since 1997 PFI and similar contracts worth £262bn had been signed for programmes with a capital value of £55bn. With 2008 GDP of £1.66 trillion (ONS), Brown could have kept close to his 40% target if he had borrowed but including discounted future liabilities adds several additional percentage points to the debt/GDP ratio. The expenditure was not profligate but the financing was.
[11] UK domestic credit to the private sector rose from 110.3% in 1998 to 200.5% in 2008 (World Bank).
[12] The median equity-to-asset ratio for major UK banks fell from just under 5% in 2000 to around 3% in 2008 (Turner, 2009: 19).
[13] House prices in England and Wales tripled from late 1996 to late 2007 (Land Registry).
[14] UK securitised credit issue rose from £20bn in 2000 to £180bn in 2007 (Turner, 2009: 14).
[15] Between 2003 and 2007 UK FDI flows rose from £38bn to £159bn outward, from £10bn to £93bn inward (ONS).
[16] A few examples for UK-based banks: HSBC has settled with the SEC on money laundering and assisting tax evasion and is under investigation for corrupt hiring; Barclays was the first big bank implicated in Libor market-fixing; Standard Chartered has confessed "wilful criminal conduct" in violating sanctions.

for most UK bank losses in the crash[17]. The banking crisis caused a sharp contraction in credit[18] and this demand shock turned a slowdown into the Great Recession.

The impact on public finances can be grasped through a simple closed income-expenditure model, relating government deficit to private sector saving and investment, (G-T) = (S-I)[19]. Banks' reluctance to lend as they reduced risk and rebuilt capital combined with firm and household deleveraging to raise savings[20] and reduce investment[21], thereby increasing Public Sector Net Borrowing[22], which must be understood not as cause but as consequence of the recession, which reduced tax revenues and forced up spending. The international dimension also matters. In an open model, (G-T) = (S-I) – (X-M)[23], so current account and public deficits are directly related[24]. The UK's balance of payments deficit reached a record 5.2% GDP in 2015, due not to a deteriorating trade balance but to falling investment income[25], so from this perspective too, globalised finance helps explain why reducing the government deficit has been arduous[26] despite the fall in net private saving[27]. But the narrative of 'Labour spending' is deeply embedded in public consciousness.

Among economists, the crisis shook the complacency of rational expectations and efficient markets, but resurrected Keynesian demand management justifying emergency government expenditure was challenged by claims[28] that fiscal contraction could be expansionary. Yet under austerity the UK recovery has been weak with real per capita GDP not returning to pre-crisis levels until 2015[29]. The slow recuperation has shown that the UK has not lost its habitual imbalances, resting on private debt[30], consumption[31] and house prices[32], without increased manufacturing[33] or merchandise exports[34]. Falling public investment offsets rising private investment[35] and growth is regionally skewed[36]. The cycle shows signs of turning[37]

---

[17] Broadbent (2012) estimates ¾ of aggregate losses were non-UK.
[18] UK domestic credit to the private sector fell from 200.6% in 2009 to 138.9% in 2014 (World Bank).
[19] G: government expenditure, T: taxation, S: saving, I: investment.
[20] The household savings ratio rose from 5.8% in 2008 to 11.6% in 2010.
[21] Business investment fell from £158bn in 2007 to £132bn in 2009.
[22] PSBN (excluding financial interventions) rose from 2.7% GDP Q1 2008 to 10.3% GDP Q1 2010.
[23] X: exports, M: imports, but (X-M) must here be understood as the current account surplus, including investment income and transfers.
[24] For any given level of private net saving.
[25] Net investment income from FDI fell from 3.3% GDP in 2011 to - 0.2% in 2015, a similar magnitude to the growth in the current deficit (ONS).
[26] By Q1 2016, PSBN (excluding financial interventions) had fallen to 3.9% (ONS) against a 2010 projection for 2015-16 of 1.1% (OBR).
[27] The figures for public and current account deficits imply private sector net saving is now negative, down from around 7% in 2009.
[28] Alesina and Ardagna, 2009.
[29] Total GDP fell 6.1% from Q1 2008 to Q2 2009 with real GDP per capita returning to 2008 levels by early 2015 (ONS).
[30] The household savings ratio fell from 11.6% in 2010 to 4.2% in 2015 (ONS); at January 2016, consumer credit was growing at 9.1% annually although mortgage growth was only 2.8%, but both have risen (BoE).
[31] From 2010 to 2013, consumption lagged GDP but consumption volume grew 3.9% in 2014 and 2.8% in 2015 while real GDP rose 2.9%, in 2014 and 2.3% in 2015 (ONS).
[32] From end-2012 to end-2015, average house prices rose across England and Wales rose 17.6% (Land Registry) while UK per capita NGDP rose 9.6% (ONS).
[33] Osborne promised a "march of the makers" but by February 2016, manufacturing output was no higher than two years earlier and 8.2% below its pre-crisis peak (ONS).
[34] UK exports of goods (excluding oil and erratics) were unchanged at £248bn in 2011 and 2015, although service exports rose (ONS).
[35] Business investment has returned to pre-crisis levels (ONS) but Public Sector Net Investment (PSNI) has fallen from 3.4% 2009-10 to 1.8% 2015-16 (OBR).
[36] In 2014, London accounted for 22.5% of UK Gross Value Added, up from 21.0% in 2010 (ONS).
[37] ONS preliminary estimates for Q1 2016 show declines in all sectors except services.

and Osborne (2016) himself warns of a "cocktail of threats". Austerity offered an opportunity to shrink the welfare state in the interest of private accumulation, with reduced working age benefits intensifying competition for jobs. Wren-Lewis (2015a) estimates it has cost the UK at least £100 billion, and cuts have hit hardest the disadvantaged, the disabled and women[38].

Managing fiscal balances

Public finance has never been easy ground for Labour from the split of Ramsay MacDonald's cabinet in 1931 over unemployment pay to today's narratives. For McDonnell (2016c) "sound finances are the foundations on which everything else is possible". Is his commitment to "responsible financing" misjudged?

Kalecki (1943) observed that by making employment dependent on confidence the doctrine of 'sound finance' gives indirect control over government policy to owners of capital, and today the financial sector wants reassurance of the state's fiscal capacity to assist again when needed (Obstfeld, 2013). Justifying austerity in his first budget, Osborne (2010) contended credibility in international markets demanded emergency measures to reduce debt, as Kalecki might have predicted. In fact, the UK had no difficulty borrowing long-term at low and stable rates[39] and the "confidence fairy"[40] would subsequently appear only fleetingly[41]. UK experience confirms that fiscal contraction in pursuit of arbitrary targets is not only damaging but self-defeating[42]. During a recession, high fiscal multipliers[43] reduce output, so that debt and deficit ratios to GDP remain high while the economy spirals downwards in pursuit of a receding goal.

Challenging the obsession with deficits, Krugman (2015a) argues that "debt is money we owe ourselves", so cannot be stealing from the next generation. But debtors and creditors are different people, most obviously when foreign investors own much of a country's debt[44], and even for domestic debt, the inheritors of gilts will be a wealthy subset of the next generation, the rest of whom will be net contributors to repayment and interest[45]. Debt is not neutral. High dependency on capital markets exposes a country to speculation or conspiracy[46] and even for sterling loans under English law there could be treaty or other legal perils[47]. A Labour government serious about redistributing wealth will be treated as hostile by plutocratic interests, so averting such hazards is wise. There are good reasons to be wary of excessive debt without succumbing to exaggerated fears. Hence we need a balanced and flexible approach.

Labour promised in its 2015 manifesto to cut the deficit every year but was not believed. In rejecting Osborne's Fiscal Charter, Labour freed itself from the Conservative agenda but then needed to define its own approach. McDonnell's (2016c) Fiscal Credibility Rule would aim

---

[38] The Women's Budget Group (2016) estimates women will bear the burden of 86% of projected budget cuts.
[39] End-quarter post-crisis rates on conventional gilts peaked at 3.34% end-Q4 2009 and were 1.75% end-Q4 2015, at which time the average maturity was 16.56 years (DMO).
[40] A favourite phrase of Paul Krugman, e.g. 2010.
[41] The OECD UK Business Confidence Index rose from early 2009 but then slipped during 2011 and did not recover until 2013, wobbled through 2014 and then fell again during 2015; consumer confidence looks similar.
[42] Osborne inherited public sector (excluding banks) net debt equal to 67.2% GDP in May 2010; after 5 years of coalition austerity, it had reached 84.6% by the May 2015 election (ONS).
[43] The IMF now accepts that it initially underestimated these (Blanchard and Leigh, 2013).
[44] £427bn (25.9%) of UK gilts were owned overseas in Q3 2015 (DMO); UK investors own large quantities of debt issued by foreign governments but these are not offsetting obligations.
[45] This is invisible in a standard overlapping generations model using representative agent modelling.
[46] Either from market participants or through international institutions.
[47] Elliott Management exploited Argentina's vulnerability on dollar-denominated loans but the stance of Judge Griesa in backing Elliott until Macri's election "changed everything" ('At last', *The Economist*, 05/03/2016) is a salutary reminder that law is not always above politics; English judges are not immune.

for balance on current spending over a target five-year period but allow borrowing for public investment, limited by an objective of lowering the debt/GDP ratio in each Parliament[48]. This can be seen as a promise to restrain spending without starving the economy through austerity. Monetary policy, with shorter and more predictable lags, has long been preferred for managing demand over fiscal policy, with its presumed deficit bias driven by the electoral cycle. This has now been thrown into question, with low interest rates and quantitative easing boosting asset prices more than stimulating the real economy, so McDonnell reserves the right to suspend the balance target when monetary policy becomes ineffective around the lower bound for interest rates, so that fiscal measures can also promote recovery. This seeks to avoid the rigidity trap.

Restoring growth through increased demand and productive investment would improve fiscal balances through higher tax receipts and reduced benefits but secular upward pressures on spending on health, education, pensions and social insurance require structural increases to the tax base. Restoring tax cuts on capital gains, corporation, inheritance and high incomes will help, as would a financial transaction tax, but retaining revenue lost today through avoidance, evasion and back taxes will be vital. During his campaign Corbyn (2015a) suggested this lost revenue could amount to £120 billion a year, an estimate widely criticised for implying this sum was recoverable. Corbyn did not claim that and McDonnell (2016b) has suggested a target of £30 billion. Radical simplification of the tax code[49] to remove unjustifiable exemptions will be needed, plus assertive collection and international cooperation on accounting rules, multinationals and offshore havens. There are also opportunities to cancel expenditure, such as renewing the Trident nuclear armament[50].

People's Quantitative Easing (PQE)?

An alternative to financing government spending through tax or bonds is to use the power of the state to create fiat money. A government with monetary sovereignty can always afford to purchase whatever is for sale in its own currency[51], but exercising that power is not always wise. Government expenditure through money creation adds demand without reducing the claims of the private sector either permanently through taxation or temporarily through loans. When an economy is working well below capacity, with elastic supply, the effect would be felt mainly on output and employment rather than prices, but nearing capacity resource competition would become inflationary and crowd out private demand. As the UK can borrow in its own currency it need never default[52], unlike Eurozone countries without monetary authority, but excessive money creation to repay debt would depreciate sterling and ultimately undermine the ability to borrow in it. If we recognise these limits, then alongside taxation and debt there is a role for cautious and carefully managed monetary financing.

Corbyn (2015a) suggested "quantitative easing for people instead of banks" as an option to rebalance the economy away from finance towards high-growth sustainable sectors, mandating the Bank of England to upgrade the economy. This was denounced as jeopardising the Bank's independence, with politicians distrusted on inflation (Yates, 2015). Yet the immediate risk is deflation, which Krugman (2015b) advocates fighting with money-financed budget deficits: "When you print money, don't use it to buy assets; use it to buy stuff." The need for fiscal expansion to pull economies out of stagnation (Summers, 2015) is widely

[48] See below on how constraining this might be.
[49] Tolley's 2015-16 edition of its handbooks for tax lawyers runs to 21,602 pages.
[50] The government estimates £31bn plus £10bn contingency but the Conservative chair of the Foreign Affairs Select Committee believes the full cost could be £167bn (Reuters, 25/10/2015).
[51] This observation is central to Modern Monetary Theory, as advocated by economists such as Bill Mitchell, Warren Mosler or Randall Wray, but is also understood outside MMT.
[52] This is also a core MMT proposition but widely recognised beyond that.

recognised, and with conventional monetary policy exhausted, dropping 'helicopter money' (Turner, 2015) is just one of many proposals to combat the next recession[53]. Against this background, PQE appears less outlandish although Labour's leadership now seems to accept the argument of Wren-Lewis (2015c) that the case for long term investment should not depend on a cyclical case for QE. In recession both should come into play.[54]

That loans create deposits, making the money supply endogenous, is now understood by practitioners[55]. Monetary expansion involves both public and private money creation, hence increasing reserves via QE while banks cut loans did not expand broad money supply[56]. Policy makers assume that raising interest rates will suffice to control monetary expansion but the pre-crisis experience raises doubt. The ability of banks to attract savings then amplify those through derivatives and interbank borrowing[57] sustained rapid increases in the supply of loans, demand for which was encouraged by rising asset prices. The lesson here is that more direct control of private money creation will be needed, even if we do not go as far as Wolf (2014) in stopping it entirely. This could also recover for the public sector some of the seigniorage appropriated today by private finance. Osborne is rowing back on restraining finance[58] but regulating and dismantling systemically dangerous institutions must be a priority to curb the threat they pose and to rein in the cost of implicit subsidies. The UK must reduce its dependence on the City.

3. Productivity, Labour Market, Investment and Inequality

Does the UK have a productivity problem?

'Supply side economics', emphasising tax cuts and deregulation to stimulate production and claiming the resulting growth would benefit all and even raise government revenues, has been a staple of right-wing views ever since Reagan adopted it, while progressive economists have focused on demand. But this is not territory we should abandon, as McDonnell (2016c) has recognised. Stagnant investment and productivity will not be reversed by yet more neoliberal medicine. Higher productivity will allow us to produce more or better outputs from lower inputs, whether natural resources limited by the environment or labour power constrained by demographic change. Technological advance expands our options without implying unlimited growth or unrestrained consumption.

Measured labour productivity[59] in the UK dipped sharply in the immediate aftermath of the crash and has yet to return to continuous growth[60], a worse performance than most countries have experienced[61]. Associated with this prolonged stagnation was a fall in real wages[62], also unprecedented in the post-war economy. Many reasons have been advanced for this alleged 'productivity puzzle' which needs to be considered from both supply and demand sides.

---

[53] See 'Out of Ammo?' and the associated briefing in *The Economist* 20/02/2016.
[54] At a 'New Economics' meeting in Bristol on 7 April (not recorded) McDonnell referred to PQE as still an option in recession.
[55] See the short Bank of England video at https://www.youtube.com/watch?v=CvRAqR2pAgw.
[56] From end-2008 to end-2015, UK M0 quadrupled but M4 rose by just 1% (BoE).
[57] It was the difficulty that Northern Rock experienced in renewing loans on the wholesale capital markets as credit tightened in 2007 that led to the run on the bank.
[58] See 'A vintage year: 12 gifts for the City in 2015', *Financial Times*, 22/12/2015.
[59] Measuring productivity is fraught with issues, particularly in finance.
[60] Gross Value Added per hour worked was no higher by 2014 than it had been in 2007 and subsequent growth has recently slipped again, with productivity at end 2015 estimated at 14% below an extrapolation of the pre-crisis trend (ONS).
[61] By end 2014 compared there had been average growth of 4.7% across the OECD (OECD).
[62] UK average real hourly earnings fell by 8.5% from 2009 to 2013 (ONS) and would not return to pre-crisis levels until 2015.

Barnett *et al* (2014) use a supply focused accounting framework[63], decomposing labour productivity growth into capital growth, technical efficiency and capacity utilisation, to argue that low productivity is not primarily cyclical as capacity tightened during the recession. Instead, they see impaired resource allocation and low investment as the main explanatory elements, with pay following productivity downwards.

Tilly (2015) reverses this, arguing that reduced demand resulting from austerity has lowered total labour income, which in the UK has been experienced as a fall or slow growth in real wages, with lower rises in unemployment than many other countries. Statistically, output growing less rapidly than employment appears as falling productivity, so there is no puzzle, just the impact of a demand shock on the labour market[64]. The employment rate does not adequately measure capacity when resources are not used to their full potential, although over time skills not updated and plant left unmodernised will become a supply constraint. Higher demand would put upward pressure on wages, stimulating investment and reallocation to higher quality work, as rising wages squeeze out low productivity[65], but without demand pressure any pay rise, such as Osborne's increase to the minimum wage[66], risks jobs. Austerity is the immediate barrier to growth.

The market for labour power in the 21st century

The UK labour market remains segmented by gender[67], ethnicity[68], education[69], age[70] and geography[71] while working patterns have become much more varied, with a decline in long-term full-time roles with regular shifts[72]. For some, this has opened opportunities but often it has led to work with low employment protection[73] and precarious income. This trend pre-dates the crash but accelerated as employers facing uncertain demand became less willing to offer secure posts, while technology makes it easier to manage a malleable workforce. The minimum wage provides a floor but does not protect those paid per task or self-employed, nor guarantee income to those with uncertain hours. A benefits squeeze and pension worries have pushed those on the margins into taking whatever work is available[74] and employers have been able to exploit migrant workers[75]. These labour market features explain why real

---

[63] A Solow-type model with y = A.f(k,u) where y: output per hour worked, A: technological efficiency level, k: capital per hour worked, u: degree of capacity utilisation; here capital is understood as non-labour input (physical or intangible) and assumed to be measurable by volume rather than value.

[64] See below for discussion of UK labour market characteristics.

[65] See Armstrong, Glyn and Harrison (1984: 174-75) on how rising wages during the post-war boom drove scrapping and modernisation.

[66] Osborne was cynical enough to adopt the campaigning phrase 'Living Wage' but the measure in his post-election budget was designed as cover for benefit cuts.

[67] The male-female pay gap for full-time employees has slowly declined by 2015 to 9.4% but 41% of women work part-time compared to 11% of men, giving a gap of 19.2% across all employees (ONS).

[68] In 2014, 74.7 of white people between 16 and 64 were employed, while the rate for other ethnic groups ranged from 56.7% to 63.4% (ONS).

[69] In 2013, 87% of graduates were in employment but only 47% of those without qualifications (ONS).

[70] For the 3 months ending January 2016, unemployment was 5.1% but 13.7% for those 16-24 (ONS).

[71] For year ending September 2015, unemployment varied from 2.0% in Stratford-on-Avon to 11.0% in Middlesbrough, while gross median weekly earnings (April 2015) vary from £389 in North-east Derbyshire to £921 in the City of London (ONS).

[72] As of January 2016, there are 19.6 million full-time employees, 7.0 million part-time employees (800,000 on zero-hour contracts) and 4.6 million self-employed (1.4 million of whom are part-time); 1.1 million people have a second job (ONS).

[73] The 2015 OECD Employment Protection Indicators rank the UK as having weaker employment protection for permanent and temporary workers or against individual dismissal than any other OECD European country.

[74] From end 2008 to end 2015, the 65+ employment rate for men rose from 10.2% to 14.3% end 2015 and that for women from 4.7% to 7.4% (ONS).

[75] See below on the EU and beyond.

incomes stagnated while employment fell less than in earlier recessions[76] and is now at a historic high[77].

The government claims[78] that the strength of UK employment is evidence of the positive effect of labour market reform, but while variable patterns can sometimes benefit workers, insecure work and irregular income now blight millions of lives. Running a high demand economy will assure confidence while abuses[79] should be curbed through specific measures. Investment is needed to equip people with digital and other skills needed for future work. As the population ages, pressure on pension schemes lengthens working lives[80], while radical advances in automation and artificial intelligence threaten a wide range of professions[81]. Juxtaposing these prognoses of demography and technology obliges us to rethink work: a future in which half the population toils until they drop while the other half is excluded from employment would be untenable. A genuinely flexible labour market should enable much more choice over when we work and for how long, so that robots work for people rather than people working for robots' owners.

This entails breaking the tight linkage between work and income endured by everyone without adequate private capital. McDonnell (2016b) is sympathetic to the idea of a universal basic income[82] and its viability should be investigated. Mian (2016) argues this would not optimise the welfare budget but social insurance as of right[83] would remove the humiliation of means-testing[84], with taxation retrieving income from the rich. A Job Guarantee[85], as some propose[86], is attractive at first sight but running a large scheme offering meaningful work would be daunting in its practical challenges and could veer towards workfare[87], although if investment and training restore high employment then a limited programme to smooth irregular income might be feasible. For any of this, active unions and workplace or community organisation are vital. Shrinking the reserve army of the unemployed and loosening the threat to income would shift the balance of power from capital and be resisted. A Labour government will only be able to improve working life with active engagement from workers themselves.

Investment and innovation

The cuts in taxes on capital gains, inheritance and high incomes have not brought about a surge in investment. With growth slowing, UK infrastructure lagging[88] and the Treasury able to issue bonds at very low rates, Osborne's refusal to borrow to invest looks perverse[89]. As regards the public balance sheet, investment adds to the asset side as well as to debt. It must be well targeted, planned and managed to contribute to long-term growth, not just provide a

---

[76] Recorded post-crisis unemployment peaked at 8.4% from August to December 2011 but had reached 11.9% in February-June 1984 and 10.7% at the start of 1993.
[77] 31.41 million at start-2016 with the 16-64 employment rate at a joint record 74.1%.
[78] Osborne regularly implies this in his Budget and other statements; for an explicit argument, see Nelson, 2014.
[79] Such as contracts which do not guarantee work but prohibit other employment.
[80] Under the Pensions Act 2007, the state pension age will rise to 68 by 2048 and is expected to rise further; defined benefit occupational pensions are vanishing.
[81] The Bank of England estimates that up to 15 million jobs could be at risk (Haldane, 2015).
[82] This is already UK Green Party policy.
[83] This was the aspiration of the 1945 government after the degradation of 1930s.
[84] For sanctions horror stories, see sixteen-of-the-most-senseless-benefit-sanction-decisions-known-to-man.
[85] Also known as employer of last resort.
[86] See Mitchell (2013) for an Australian proposal.
[87] This is not its advocates' intention, but it would make it harder politically to justify other payments.
[88] Ranked 24th in the world by the World Economic Forum
[89] Both the IMF (2016) and the OECD (2016) have called for more public investment.

short-term boost to demand. With UK public investment low and falling[90], there are plenty of opportunities for this, such as infrastructure or green energy. A forward-looking view would also prioritise research and development, new technology and skills enhancement.

Stagnation in productivity has encouraged a more positive view of the state as innovative through high-risk projects and market creation, as shown by Mazzucato (2013) who argues that the benefits should be socialised. There should be direct state investment, including equity stakes, but also easier access for small job-creating enterprises to funding and workspaces[91]. Barnett *et al* (2014) argue that a high survival rate of firms has hampered resource allocation to more productive enterprises but without adequate demand, finance and policy, Schumpeter's (1942) "creative destruction" leaves industrial deserts like those still visible in Britain's former mining districts. A National Investment Bank (NIB) as proposed by Corbyn (2015a), funded by long-term low interest loans, could finance infrastructure, environment, research and skills to grow the economy. McDonnell's Fiscal Credibility Rule should allow public investment funded by borrowing to be raised back to or above the levels it reached prior to the crash[92].

Housing is a major issue, especially for young people[93], with a significant housing gap, visible, particularly in London, in high rents and house prices also boosted by low interest rates. The shortage has grown since the state abandoned large-scale house building in the 1980s, with the private sector failing to fill the gap[94] in a market where planning rules sustain existing property values and housing law provides little security to tenants. With interest rates at historic lows, an opportunity exists for a public building programme through the NIB that could be self-financing in providing homes at well below market rents or mortgage rates.

Towards a more equal society

Income inequality rose sharply during the Thatcher years and has remained high[95]. Data on household wealth are less reliable than on income[96] which makes identifying trends more contentious[97] but inequality has risen in the UK over the past 40 years, if not to the levels prior to the First World War (Piketty, 2013) with concentration at the very top partly offset by the spread of residential property ownership[98]. While some variation in outcomes can offer incentives, excessive inequality is economically and socially damaging[99], especially when derived from unequal access to opportunities, resources, economic rents or inheritance. The distribution of rewards matters, not just that of chances. In modern economies, financial transactions, intellectual property and network effects create scope for large rents that are

---

[90] PSNI is projected to fall from 3.4% GDP in 2009-10 to 1.5% GDP in 2019-20.
[91] McDonnell proposes Strategic Entrepreneurial Hubs offering shared facilities (*Labour List*, 08/04/2016).
[92] If Labour inherits public sector net debt of 80%, then with nominal GDP growth of 5% the rule would permit PSNI borrowing of up to 4%, more than double Osborne's projection but only if depreciation of around 2% is covered elsewhere.
[93] The proportion of 25-34 year olds who are owner occupiers fell from 67% in 1991 to 36% in 2014 (DCLG).
[94] The 1974-79 Labour government built on average 156,000 social housing units a year out of a total of 308,000. Social housing then fell year after year until the Major government averaged only 36,000 units out of an annual total of 190,000, private housing barely growing. New Labour did no better and with a sharp fall in private housing since the crisis, the coalition averaged only 141,000 total units, of which 32,000 social (DCLG).
[95] The Gini coefficient for UK household disposable income rose from 27.4 in 1979 to 36.8 in 1990, since when it has occupied a range between 32 and 36 (ONS).
[96] Tax authorities are only interested in taxable wealth such as residential property or legacies and rich individuals often deliberately store wealth out of view.
[97] Reed (2014) argues that the critique by Giles (2104) of Piketty (2013) fails to allow for data discontinuities.
[98] The owner occupation rate rose from 23% in 1918 to 69% in 2001 but has since fallen to 64% (ONS).
[99] As Piketty and Wilkinson (2010) demonstrate.

unacceptable whoever obtains them. The labour market is central as post-war experience shows that sustained high employment, and hence wages, curtails inequality.

Progressive taxation addresses inequality as well as public budgets[100]. The 'Panama papers' are just the latest revelation of how the elite avoid tax and Corbyn (2016a) has demanded investigation and action against crown tax havens at the heart of a network of fraud and secrecy[101]. Rising urban land values have amplified inequality (Stiglitz, 2015a), so Labour should restructure and increase property taxes as steps towards a land value tax[102]. We also need to tackle inequalities in pre-tax incomes, including a true living wage plus limits on bonuses and CEO packages. Stiglitz (2015b) argues for rewriting the rules to make markets competitive, fix finance, incentivise growth, rebalance tax and transfers, boost employment, empower workers, and expand economic security and access to labour markets. Miliband (2012) had recognised this but the ugly neologism 'predistribution' (Hacker, 2011) blurred the message. Inequality is a big agenda and Labour will need to prioritise issues, develop workable proposals and package them attractively.

4. DEMOCRACY AND ECONOMICS

Democratising the economic institutions of the state

In the political arena, a defining characteristic of neoliberalism has been a hollowing-out of the democratic state. We elect our representatives but critical decisions are taken behind sealed doors, at both a national and international level. McDonnell (2015) has called for reviews of the role of the Treasury, the performance of HMRC[103] and the mandate of the Bank of England. The Treasury has become overwhelmingly powerful within government, imposing its own short-term budget targets at the expense of other objectives and there is a case for separating long-term policy from fiscal management. HMRC is as both under-resourced and too ready to connive at avoidance, preferring to make cosy deals on owed taxes. The independence of the Office of Budget Responsibility would be enhanced by reporting directly to Parliament[104].

Debate has been most intense around the Bank, with most economists, even if sympathetic to Labour, keen to preserve its perceived independence. Arguments for this vary, from a belief that professionals know best, through concerns about institutional separation, to fears monetary powers will be abused by governments, particularly left-wing ones, exploiting short-term trade-offs between growth and stability. A mandate defining an inflationary target that the MPC then manipulates interest rates or money supply to achieve has been seen as best practice, despite its failure to prevent financial implosion or to restore steady growth. The MPC's independence is conditional, as its powers are delegated from Parliament and can be extended[105] or suspended[106] by the Treasury, but nonetheless is real within its boundaries. Rescinding these powers is an option but an alternative could be more frequent adjustments

[100] See section 2 for the tax gap.
[101] Over half the shell companies set up by Mossack Fonseca were registered in the British Virgin Islands.
[102] McDonnell has long been a member of the Labour Land Campaign who advocate LVT.
[103] Her Majesty's Revenue and Customs, the UK's tax collection agency.
[104] Under the Budget Responsibility & National Audit Act 2011, the OBR reports via the Treasury and is prohibited from considering alternatives to government policies; a case for the OBR becoming a Parliamentary body has been acknowledged by the Treasury Committee (21/09/2010).
[105] QE was approved by Labour Chancellor Alastair Darling in 2009 and Osborne expanded its scope in 2011.
[106] Under the reserve powers defined by section 19 of the Bank Act 1998.

to the mandate[107] and enhanced accountability, reinforcing political responsibility for defining goals though not operational decisions.

Ownership and management

During his election campaign, Corbyn (2015b) proposed taking rail franchises back into public ownership[108]. This met predictable opposition from those wedded to the superiority of private markets or who recalled the long decline of earlier nationalised industries. The current steel crisis has shown the urgency for state engagement[109] but this should not be posed only as a solution for failing enterprises. As Mazzucato (2014) argues, policy should be directed towards critical missions in areas such as environment or health, with public investment both funding those objectives and providing a portfolio return to society[110]. There is also the challenge presented by mega-corporations in sectors like pharmaceuticals or technology, often exercising near-monopoly power in their own niche. These are the commanding heights of the modern economy but policy has evolved little beyond concerns about the concentration of wealth, power or data, and a desire to encourage innovation and competition.

McDonnell (2016a) has also argued that employees should have a Right to Own within the companies they work for. This is attractive from the perspectives of both equality and democracy, although it risks leaving workers with both wages and savings dependent on a single firm. Minority ownership can create divided interests while global supply chains and casual work mean that employee equity in a privileged node of a chain[111] could reinforce inequalities across it. Nonetheless, broadening ownership is important, as are opportunities for workers to run or co-direct organisations. Britain originated the cooperative movement and workers have successfully managed businesses[112]. Labour also recognises the importance of small and micro businesses in a technology-enabled economy and will encourage collaboration. At stake in all of this is a radical break from the top-down model of managerial dominance in the public as well as the private sphere, encouraging instead bottom-up initiative and decisions.

National and regional policies

The UK state was long highly centralised but this has changed with devolved authorities in Scotland, Wales and Northern Ireland, and tentative moves to decentralise power in England towards some city-regions, such as Manchester. It is no longer acceptable for decision making to be concentrated in Westminster, which must be recognised in developing and implementing economic policy, with implications for proposals such as an NIB, which should devolve financing decisions to an appropriate level. Decentralisation also raises questions for existing institutions, such as the Bank of England. Monetary policy was a notable weakness in the Scottish National Party's campaign in the 2014 referendum. The Euro was no longer attractive and there was little backing for an independent currency, forcing the SNP to acknowledge that Scotland would retain sterling, surrendering control of monetary policy. A

---

[107] Options include raising the inflation target, replacing it with an NGDP objective or targeting employment as well as inflation.

[108] Many 'privatised' UK utilities are actually run by French or German companies with large state participation.

[109] Even the Business Secretary, Sajid Javid, a devotee of Ayn Rand, has had to accept this, politically if not ideologically.

[110] This should be calculated across the full breadth of public equity, not each individual element; even hard-nosed venture capitalists accept that many investments will bring losses.

[111] Some technology companies with few employees but many sub-contractors illustrate this.

[112] In 1995 miners bought Tower Colliery with redundancy payments after the NCB had closed it, then ran it successfully for 13 years until extending mining became uneconomic.

better solution would be devolved authority representation, such as a right to nominate members of the MPC and influence on other UK-wide bodies.

Caution is needed over financial decentralisation given large differences in economic output across regions[113] as poorer areas would be badly exposed without the redistributive effects of managing taxation and benefits at a UK level. This is not a serious issue for Scotland[114] but would be for Wales, Northern Ireland and much of the north of England. We need a balance between autonomy and solidarity that empowers local choices without reinforcing regional inequalities. But permanent dependence on geographic redistribution would be unhealthy, so we must improve productive capacity and diversity in the regions, which continue to rely on industries such as steel that suffer from global over-capacity. This will require renewed active regional and industrial policy, with development banks supporting local businesses.

The European Union and beyond

The June referendum on whether the UK should leave the EU ('Brexit') is likely to be close. Attitudes to the EU in the British labour movement vary but the issue is far less divisive than for the Conservatives. Most unions now see the EU as guaranteeing basic rights for workers, pensioners and consumers, and worry about the impact of leaving on jobs dependent on exports or inward investment. Cooperation across Europe is seen as essential on matters from climate change or terrorism to corporate tax. These considerations have persuaded Corbyn (2016b) to back remaining in the EU despite the reservations that he and many on the left still have. The EU's institutions are undemocratic and imbued with neoliberalism, mandating austerity and opposing state aid[115], even though in retaining sterling the UK has preserved monetary independence. 'Brexit' would today boost the right in British politics but the EU could become an obstacle for a future left government. Remain must also mean reform, working with other progressive parties in Europe.

Leave campaigners often[116] highlight net migration to the UK from the EU through its free movement of people, the economic impact of which is contentious[117]. Most studies show a small positive fiscal benefit but this result is sensitive to assumptions (Vargas-Silva, 2015) and wider gains are not evenly distributed, with Nickell and Saleheen (2015) finding a small negative correlation between the 'immigrant-to-native ratio' and average wages. Diversity brings vibrancy but population growth adds pressure to stretched services. Cuts intensify competition for jobs, housing, services and benefits, generating resentment often directed at migrants rather than at the policies that heighten contention, while EU disarray over refugees adds to a sense of chaos. In the 2015 election, Labour's manifesto included measures to control labour abuses and commitments on refugees but the party lacked courage to challenge the prevailing mood on immigration. Defining a progressive policy that could gain wide support has eluded us.

---

[113] In 2014, London had GVA of 173.3% of the UK average with Camden and the City of London at 1212.7%, while Wales had GVA of 71.4% of the UK average with the Isle of Anglesey just 53.5%.
[114] Scotland's GVA is 93.7% of the UK average (ONS).
[115] Banks are an exception: from 2007 to 2014 approval was given for €671 billion in capital and repayable loans and €1,288 billion in guarantees to financial institutions (European Commission).
[116] I exclude those on the left who are both anti-EU and anti-racist.
[117] The Oxford University Migration Observatory (http://www.migrationobservatory.ox.ac.uk) claims "impartial, independent, authoritative, evidence-based analysis of data" and is one of the most balanced sources; there is little analysis anywhere of the impact of migration from the UK to other EU countries.

Migration is wider than the EU[118], driven by demography, economic disparities and conflict. Governments find resisting pressures these is difficult[119], resorting to barbarous methods of exclusion[120]. We should learn to manage the flows of people rather than struggling to block them. That will require measures that spread the benefits, prevent wage-cutting and expand services, while addressing concerns such as integration or security. There is also a challenge for foreign and development policy to address the forces driving migration, not just through aid but more openness to trade with poor or troubled countries, while renouncing military interventions that aggravate political and civil disorder. None of this is easy but it needs serious attention. We need a better world, not higher walls.

5. Towards a Left Government in the UK?

A coherent and credible programme?

It is frequently alleged[121] that the new Labour leadership looks backward but neither 1945 nor 1997 is thought to offer adequate responses to contemporary problems, such as diverse and flexible labour markets. McDonnell's 'New Economics' deliberately explores current and future issues. The main themes of Labour's approach were outlined by Corbyn in his response to Osborne's recent Budget (Hansard, 16/03/2016): Failure, Fairness, Future. The Chancellor's failures, even against his own declared objectives, are ever more apparent; tax arrangements which only a privileged few can access and cuts to core social insurance are widely seen as unfair; young people know they face a precarious future. These define a direction for policy. No economic programme will ever be complete but it should indicate clear objectives, tackling major problems with feasible proposals backed by rigorous accounting. Then those must be translated into succinct and repeatable messages that both inspire activists and resonate with a wide public. How well does the emerging programme meet these tests?

Discussion is still embryonic on many topics but the approach on the priority questions of austerity and fiscal policy is now mature enough to assess. Would it work? The focus on investment, with willingness to borrow, addresses both macroeconomic demand and serious shortfalls in infrastructure, housing and environment, while emphasising technology, skills and innovation. As such, it has potential both to raise the quality of employment and to promote future growth and productivity. The challenge will be to implement it effectively, which goes beyond macroeconomic and monetary aggregates into competent planning, managing and delivery. The economic environment might well be difficult so McDonnell's Fiscal Credibility Rule provides space to act.

A radical left government in a major economy would threaten powerful interests and success will ultimately rest on how much active engagement it can win. This is the real question of confidence: can Labour define a narrative convincing enough for its own supporters to back it against the resistance of the global elite?

Campaigning for change

The success of Corbyn's leadership campaign showed that it is possible to win against the animosity of both the political establishment and media. Like Sanders in the US, he attracted many young people aware of their own diminishing life chances, looking for a new politics and organised through social media. He was also able to draw on the experience of older

[118] ONS estimates for 2015 suggest net migration of around 170,000 EU citizens and 190,000 non-EU citizens with minus 40,000 for UK citizens.
[119] The Conservatives have never come close to their promise of net migration in "tens of thousands".
[120] Barbed wire in eastern Europe and insalubrious camps at Calais for migrants blocked from entering the UK.
[121] 'Backwards, comrades!', *The Economist* 19/09/2015.

militants formed in the campaign against the Iraq war or earlier industrial and political struggles. But Corbyn's leadership victory does not guarantee future success against an elite determined to preserve its power and privilege. He is also at risk from some of his own MPs despite his continuing popularity in the party[122].

There are serious questions of organisation and culture. Trade unions have shrunk while workplaces and localities are less cohesive, with bodies from choirs to miners' institutes having decayed in working-class districts[123], although determined groups can still sometimes beat the establishment[124]. The movement that won Corbyn's election needs to be sustained, turning the surge of new party members into activists, linking with campaigns, and spreading into communities where years of defeat and the daily grind of survival have left deep residues of apathy and distrust. That is why we are building Momentum, within and beyond the Labour Party.

REFERENCES

Alesina, A. and Ardagna, S., 2009, 'Large changes in fiscal policy: taxes versus spending', paper for Tax Policy and the Economy conference, http://scholar.harvard.edu/files/alesina/files/largechangesinfiscalpolicy_october_2009.pdf

Armstrong, P., Glyn, A. and Harrison, J., 1984, 'Capitalism since World War II', London: Fontana.

Barnett, A., Batten, S., Chiu, A., Franklin, J., Sebastiá-Barriel, M., 2014, 'The UK productivity puzzle', Bank of England Quarterly Bulletin 2014 Q2 http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q201.pdf

Blanchard, O. and Leigh, D., 2013, 'Growth forecast errors and fiscal multipliers', IMF working paper https://www.imf.org/external/pubs/ft/wp/2013/wp1301.pdf

Broadbent, B., 2012, 'Deleveraging', speech to Market News International, 15/03/2012 http://www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2012/speech553.pdf

Corbyn, J., 2015a, 'The Economy in 2020', Jeremy for Labour campaign policy document http://www.jeremyforlabour.com/investment_growth_and_tax_justice

Corbyn, J., 2015b, 'A People's Railway', Jeremy for Labour campaign policy document http://www.jeremyforlabour.com/jeremy_for_public_railways

Corbyn, J., 2016a, Speech launching local elections campaign, 05/04/2016 http://jeremycorbyn.org.uk/articles/jeremys-corbyns-speech-at-the-local-elections-campaign-launch/

Corbyn, J., 2016b, Speech to Senate House, 14/04/2016 http://press.labour.org.uk/post/142784902569/jeremy-corbyn-leader-of-the-labour-party-speech-to

Giles, C., 2014, 'Piketty findings undercut by errors', *Financial Times* 23/05/2014 http://www.ft.com/cms/s/2/e1f343ca-e281-11e3-89fd-00144feabdc0.html#axzz3LIE84ypu

Hacker, J., 2011, 'The institutional foundations of middle class democracy', Policy Network 06/05/2011 http://www.policy-network.net/pno_detail.aspx?ID=3998&title=The+institutional+foundations+of+middle-class+democracy

Haldane, A., 2015, 'Labour's share', speech to Trades Union Congress, 12/11/2015 http://www.bankofengland.co.uk/publications/Documents/speeches/2015/speech864.pdf

Hansard, The official report of all Parliamentary debates, https://hansard.parliament.uk/

IMF, 2016, 'United Kingdom 2015 Article IV consultation', IMF February 2016 http://www.imf.org/external/pubs/ft/scr/2016/cr1657.pdf

Kalecki, M., 1943, 'The political economy of full employment', Political Quarterly 1943 http://economie.politique.free.fr/liens/Kalecki_1943.pdf

Krugman, P., 2010, 'Myths of austerity', Conscience of a Liberal blog, 01/07/2010 http://www.nytimes.com/2010/07/02/opinion/02krugman.html

Krugman, P., 2015a, 'Debt is money we owe to ourselves', Conscience of a Liberal blog, 06/02/2015 http://krugman.blogs.nytimes.com/2015/02/06/debt-is-money-we-owe-to-ourselves/

[122] The results of Scottish, Welsh and local authority elections on 5 May could affect Corbyn's standing.
[123] Britain's ethnic and religious minorities are often cohesive but that can bring its own separation.
[124] Most recently, the Liverpool families who have won recognition that those who died at the Hillsborough stadium were unlawfully killed, long covered up by senior police.

Krugman, P., 2015b, 'Japan's economy, crippled by caution', Conscience of a Liberal blog, 11/09/2015
http://www.nytimes.com/2015/09/11/opinion/paul-krugman-japans-economy-crippled-by-caution.html

Mazzucato, M., 2013, The Entrepreneurial State, London: Anthem

Mazzucato, M, 2014, 'Building the entrepreneurial state: a new framework for envisioning and evaluating mission oriented public investments', Mission-Oriented Finance for Innovation Conference 22-24/07/2014
http://marianamazzucato.com/wp-content/uploads/2014/09/MOFI-2014-PB-01-Mazzucato.pdf

McDonnell, J., 2015, Speech to Labour Party annual conference, 28/09/2015
http://press.labour.org.uk/post/130055656854/speech-by-john-mcdonnell-to-labour-party-annual

McDonnell, J, 2016a, Speech to the Cooperative conference, 21/01/2016
http://press.labour.org.uk/post/137744360189/john-mcdonnell-speech-to-the-co-operative

McDonnell, J., 2016b, Speech and Q&A at the London School of Economics, 19/02/2016
https://www.youtube.com/watch?v=FdwAyIyb-58

McDonnell, J., 2016c, Speech to the RSA, 11/03/2016
http://press.labour.org.uk/post/140850181484/check-against-delivery-john-mcdonnell-mp

Mian, E., 2016, 'Don't fall for universal basic income', *Independent* 22/03/2016
don-t-fall-for-universal-basic-income-it-s-a-utopian-fiction-that-wastes-public-money-on-the-rich

Miliband, E., 2012, Speech to the Stock Exchange, 06/09/2012
http://www.politics.co.uk/comment-analysis/2012/09/06/ed-miliband-s-redistribution-speech-in-full

Mitchell, B., 2013, 'What is a job guarantee?', Billy blog 04/05/13
http://bilbo.economicoutlook.net/blog/?p=23719

Nelson, F., 2014, 'What's the secret behind our jobs miracle? Welfare reform', *The Telegraph*, 18/07/14
http://www.telegraph.co.uk/news/politics/10973875/Whats-the-secret-behind-our-jobs-miracle-Welfare-reform.html

Nickell, S. and Saleheen, J., 2015, 'The impact of immigration on occupational wages: evidence from Britain', Bank of England Staff Working Paper no. 574
http://www.bankofengland.co.uk/research/Documents/workingpapers/2015/swp574.pdf

Obstfeld, M., 2013, 'On keeping your powder dry: fiscal foundations of financial and price stability', Monetary and Economic Studies, vol.31, November 2013
http://www.imes.boj.or.jp/research/abstracts/english/me31-3.html

OECD, 2016, 'Interim Economic Outlook', 18/02/2016
https://www.oecd.org/eco/outlook/OECD-Interim-Economic-Outlook-February-2016.pdf

Osborne, G., 2010, 'Emergency Budget speech', Hansard 22/06/2010

Osborne, G., 2016, Speech to Cardiff Business Club, 07/01/2016
https://www.gov.uk/government/speeches/chancellor-on-challenges-facing-uk-economy-in-2016

Owen, J. and Brady, B., 2010, 'How government squanders billions', *Independent*, 24/01/2010
http://www.independent.co.uk/news/uk/politics/ios-special-investigation-how-government-squanders-billions-1877276.html

Pickett, K. and Wilkinson, R., 2010, The Spirit Level: why equality is better for everyone, London: Penguin

Piketty, T., 2013, Le capital au XXIe siècle, Paris : Seuil

Reed, H., 2014, 'Piketty, Chris Giles and wealth inequality: it's all about the discontinuities', *Guardian* Datablog 29/05/2014
http://www.theguardian.com/news/datablog/2014/may/29/piketty-chris-giles-and-wealth-inequality-its-all-about-the-discontinuities

Ridley, N., 1977, Nationalised Industries Policy Group Report, Conservative Research Department
http://fc95d419f4478b3b6e5f-3f71d0fe2b653c4f00f32175760e96e7.r87.cf1.rackcdn.com/FABEA1F4BFA64CB398DFA20D8B8B6C98.pdf

Schumpeter, J.A., 1942, Capitalism, Socialism and Democracy (2010 edition), Abingdon: Routledge

Stiglitz, J., 2015a, 'The origins of inequality, and policies to contain it', National Tax Journal, June 2015, 68 (2), 425–448 http://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/2015%20Origins%20of%20Inequality.pdf

Stiglitz, J., 2015b, Rewriting the Rules of the American Economy, New York: Norton

Summers, L., 2015, 'Global economy: the case for expansion', Financial Times 07/10/2015
http://www.ft.com/cms/s/0/1e912316-6b88-11e5-8171-ba1968cf791a.html#axzz45aNorsIu

Tilly, G., 2015. 'Productivity: no puzzle about it', London: TUC
https://www.tuc.org.uk/sites/default/files/productivitypuzzle.pdf

Turner, A., 2009, 'The Turner Review: A regulatory response to the global banking crisis', Financial Services Authority http://www.fsa.gov.uk/pubs/other/turner_review.pdf

Turner, A., 2015, 'The case for monetary finance – an essentially political issue', IMF seminar
https://www.imf.org/external/np/res/seminars/2015/arc/pdf/adair.pdf

Vargas-Silva, C., 2015, 'The fiscal impact of immigration in the UK', Oxford University
http://www.migrationobservatory.ox.ac.uk/sites/files/migobs/briefing%20-%20Fiscal%20Impacts_0.pdf

Wolf, M., 2014, 'Strip private banks of their power to create money', *Financial Times* 24/04/2014
http://www.ft.com/cms/s/0/7f000b18-ca44-11e3-bb92-00144feabdc0.html#axzz46gMhrxxb

Women's Budget Group, 2016, 'The impact on women of the 2016 Budget'
http://wbg.org.uk/wp-content/uploads/2016/03/WBG_2016Budget_Response_PDF.pdf

Wren-Lewis, S., 2015a, 'The austerity con', London Review of Books, vol.37 no.4, 19/02/2015
http://www.lrb.co.uk/v37/n04/simon-wren-lewis/the-austerity-con

Wren-Lewis, S., 2015b, 'Mediamacro myths: summing up' with links, MainlyMacro blog, 29/04/2015
http://mainlymacro.blogspot.co.uk/2015/04/mediamacro-myths-summing-up.html

Wren-Lewis, S., 2015c, 'People's QE and Corbyn's QE', MainlyMacro blog, 16/08/2015
http://mainlymacro.blogspot.co.uk/2015/08/peoples-qe-and-corbyns-qe.html

Yates, T., 2015, 'Corbynistas need reminding what central bank independence is and why it is good', longandvariable blog, 14/08/2015
https://longandvariable.wordpress.com/2015/08/14/corbynmaniacs-need-reminding-what-central-bank-independence-is-and-why-its-good/

Statistical sources

Bank of England (BoE)
UK Office of Budget Responsibility (OBR)
Organisation of Economic Cooperation and Development (OECD)
UK Government Department of Communities and Local Government (DCLG)
UK Office of National Statistics (ONS)
UK Treasury Debt Management Office (DMO)
UK Land Registry