

---

# ‘Without hope, without despair’

Jane Lethbridge and Patrick Ainley

We need to take a long perspective: the last 40 years have inflicted marketisation, corporatisation and financialisation upon the UK state and economy and the damage cannot be restored immediately. The most important process has been financialisation, defined by Ewa Karwowski as ‘the changed relationship between the state, understood as sovereign with duties and accountable towards its citizens, and financial markets and practices, in ways that diminish those duties and reduce accountability’ (Karwowski, 2019).

This has resulted in turning the social and physical infrastructure into financial assets. For example, roads, bridges or water provision have been redefined by risk and return. The results can be seen in the way that public services are now defined by the needs of investors and shareholders, so that the priority is to minimise risk to investments rather than to meet social needs. This can be seen in the reluctance of water companies to fix sewage leaks, or as housing associations try to reduce the number of ‘risky’ tenants in social housing.

A process of de-financialisation has started to become a focus of research (IPPR, 2014). IPPR’s main recommendation is to create democratic and publicly accountable institutions to guide the amount and type of credit created to be invested in the productive capacity of the economy. At the moment, 95-97 per cent of the credit in the economy is created by private institutions. IPPR argues that the public interest has to play a more dominant role in the financial system. This could be achieved by setting up a Commission to investigate the UK’s monetary system, setting new equity ratio requirements for banks so that the public subsidy since the global financial crisis is reduced, creating a Financial Product Board to approve new UK-traded financial products, plus a creation of a British Future Fund operating like a sovereign wealth fund supported by taxing financialised operations. All these suggestions will take time to establish, but the changes in the role of the state which would result would allow many of the public policies for education, health, transport, social care, housing, climate/environment to be implemented.

Doubts that a new Labour government can make such changes while ‘getting Brexit done’ will fade following a decisive election victory. Public attitudes to Brexit have already changed since 2016 and this will continue. The more important issue for a new Labour government is whether it can put a de-financialisation policy in place and renew the role of the state in the

economy and society. Rethinking democratic institutions is central to these changes. They will have to re-invigorate the capacity of local government but could also include new regional structures, e.g. for social care and climate/environmental concerns. To achieve this there will have to be new constitutional arrangements with the devolved governments.

Whether Labour is committed to these and other changes advocated within and outwith the Party is by no means certain. Both Starmer and Streeking have recently talked of ‘the private sector having a role in the NHS’, whereas de-financialisation would aim to take the private sector out of public services.

Labour is already under pressure to do this from strikes by public and private sector workers. Even though these have not yet created a politicised mass movement, they are part of a process which could stimulate new political alliances. Especially as the millions involved perceive themselves in the working majority, mixing the traditional working and middle classes in a new class alignment. This is seen in university students become more supportive of UCU action taken by their lecturers because of a perceived shared experience of the cost of living crisis. All disputes include job security, pensions and reduction of precarious work as well as pay demands.

On Friday 17th March 2023, the NEU and other education unions started talks with the Government about teacher pay, working conditions and workload reduction. Strike days will be paused for two weeks. The Government and employers have made pay offers in industrial disputes covering several public services. In the NHS, six unions are recommending their members accept the offer although one union, Unite, will not recommend the offer because it is unclear whether there is ‘new’ money to fund the pay increases or whether the money will come from the existing NHS budget. The question of where the money comes from will also affect the willingness of other public sector unions to accept pay deals, for example the NEU. Under the current trade union law, several unions have to re-ballot to continue strike action, with many voting to continue industrial action. Junior doctors have just started their own campaign.

For UCU this dispute has built on strike action taken in the last five years and has created a stronger political awareness among members. The sense of solidarity with other trade unions in the public sector also taking industrial action has contributed to this. However, there are fundamental issues of democracy

---

and transparency which need to be addressed within UCU if member support is to continue. Local branches have called for the creation of local strike committees so that they have more control over a national campaign.

'The old left' inside or outside the Labour Party cannot be trusted to take a lead since they have disgraced themselves with 'an alliance of self-styled "anti-imperialists" and Putin fans around Stop the War', as Paul Mason puts it in *Byline Times*. He adds that 'for anyone who's been associated with the radical left, it's been a sickening experience'.

Like Brexit, all questions cannot thus be resolved through an educational process of rational argument drawing upon evidence, though this might be a starting point, but we also need imagination and innovation. There was no evidence in 1948 that the NHS would work, for instance, although there was evidence that

the previous system of payments for healthcare did not create a healthy population.

So back to the long perspective - not that we have the time for it in the current catastrophe of climate collapse and war!

### References

- IPPR (2014) *Definancialisation, A democratic reformation of finance*. London.
- Karwowski, E. (2019) 'Towards (de-)financialisation: the role of the state', *Cambridge Journal of Economics*, Volume 43, Issue 4, July 2019, pp1001-1027.
- Mason, P. (2023) 'Six ways Ukraine is winning: how the European left marginalised a transatlantic red-brown coalition', *Kyiv Post* and *Byline Times*, February 2023.

