Searching for an alternative economic model

Responses to the IPPR Commission on Economic Justice

Dani Rodrik, Carlota Perez, Anastasia Nesvetailova, Donald J Harris, Laurie Macfarlane and **Diane Perrons**

TAKE CONTROL, FOR WHAT?

Dani Rodrik

Assuming Brexit becomes a reality, what are the implications for the overall direction of economic policy in Britain? What kind of economic model should the country espouse? Admittedly, I watch the discussion from afar. Yet it does not look like this important question has been adequately discussed.

There is of course lots of chatter about the implications for trade and trade agreements. But the focus on the trade consequences can miss the point. Trade is a means and not an end. What ultimately matters is economic wellbeing (or what economists call, somewhat misleadingly, 'welfare'). Unless Britain remains in the single market, which would defeat the whole purpose of 'taking back control', it is a safe guess that Britain's trade will face increased barriers in Europe (and possibly other countries with which the EU has trade agreements). What that means for Britain's economic wellbeing, however, is not that clear cut.

> **"The volume of trade matters, but only so much. What is critical is what Britain will do with its new freedom"**

In one scenario, which many economists have emphasized, the effect would be to disrupt automotive and other supply chains, causing manufacturing to face higher costs and move elsewhere in Europe. The consequences for British living standards would be significantly negative. But that is not the only possibility. Trade could take a big hit with very little impact on living standards. Imagine the French have a *slight* preference for British-built cars and the British have a *slight* preference for French auto brands. Under the single market, there is huge two-way trade in cars between the two countries. With Brexit, this trade collapses completely, but the implications for consumers and producers will be barely perceptible (since what creates trade is, by assumption, a very small preference for the other country's cars).

My point is not to downplay the economic significance of Brexit, but to draw attention to the real issues at stake. The volume of trade matters, but only so much. What is critical is what Britain will do with its new freedom. What kind of economy and society does Britain want to be? How will 'national sovereignty' be deployed to achieve those goals?

"Britain's great strength is that it is a financial center. But excessive focus on finance also distorts the economy"

The question is not for me to answer. But let me suggest the outlines of an alternative economic model, to underscore the points that alternatives exist and thinking their implications through matters.

Britain's great strength is that it is a financial center. But excessive focus on finance also distorts the economy. It renders the City overly powerful, the pound overvalued, economic activity overly concentrated in London, and inequality higher.

An alternative, more inclusive model of prosperity would focus on the productive side of the economy – advanced services and manufacturing that generate good jobs for workers in the British economy. The purpose of this model would be to disseminate high-value production away from finance to real economic activities, and out from London into other parts of the country.

Such a model would have to be supported by both macro and micro policy tools. At the macro level, the country would need a permanently more competitive pound. This in turn requires saving policies and macroprudential measures to stabilize the value of the currency at a lower level.

At the micro level, local and national government agencies would need to get their hands dirty with a modern industrial policy. This entails the government collaborating closely with firms to help them become more productive and grow – especially in employment - and to encourage them to disseminate their technologies to their suppliers and other firms. Some features of such an approach have been outlined in the government's November 2017 industrial strategy. But pushing the country onto a different growth path would require an effort more ambitious than what has been so far articulated. It also would need to have a greater focus on generating employment – and not just productivity.

Such a model would be quite a departure for Britain. To be honest, I am not sure if it is feasible or that it even makes sense. But if not this model, what other model? The reality of Brexit necessitates some hard thinking about the future of the British economy. In brief, to what end will national sovereignty be put? Even those who were against Brexit need to have an answer now.

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TURNING ENVIRONMENTAL PROBLEMS INTO OPPORTUNITIES FOR GROWTH AND JOBS

Carlota Perez

After decades of awareness of our planet's environmental limits, we should already be strongly moving in the direction of a sustainable economy. We are not.

In my view, this is not only due to business interests who lobby against what they see as the economic 'constraints' brought about by environmental legislation. Informing their actions, as well as the (in)action of policymakers and the public, is a lack of understanding of how the direction of growth is determined – and how it is changed – in the market system.

> **"The key to economic growth is the nature of demand – and the combination of the information revolution and the pressing need for sustainability is the key to shaping it"**

Key to this is the assumption that environmental damage and economic growth inevitably go together. Following this reasoning, sustainability requires less growth; even 'de-growth'. The consequence is a discourse of guilt: 'Up to now, we have been destroying the planet, so we must henceforth do penance. As individuals, we have to give up our comfort and wellbeing; as a society, we must accept a shrinking economy'. This does us a double disservice: we are passing up a huge opportunity for innovation and economic growth, while failing to prevent further environmental damage. Change will not occur through fear or guilt, but by desire and aspiration. The key to economic growth is the nature of demand – and the combination of the information revolution and the pressing need for sustainability is the key to shaping it.

"With each new surge of technology and innovation, business changes its practices, processes and products. This is followed by the rich, the educated and the young adopting the new products as well as new practices and ways of living"

What is needed is not to convince people to give up anything, but rather to move towards an even better idea of 'the good life' through what can be called 'smart green growth'. Although already rapidly changing, our existing notions of 'the good life' are still rooted in the post-war heyday of the last industrial revolution. The 'American way of life' – a suburban home, a car in the driveway, multiple electrical appliances and waste as comfort – was the aspirational dream of the mass production era. That 'good life' replaced the cosmopolitan lifestyle of the Belle Époque of the previous, engineering-based revolution at the turn of the 20th century, which had in turn replaced the Victorian way of life of the mid-19th century, in the age of steam and railways. This has been the case with each technological revolution. With each new surge of technology and innovation, business changes its practices, processes and products. This is followed by the rich, the educated and the young adopting the new products as well as new practices and ways of living. The new lifestyle then gradually spreads across society, eventually becoming the aspiration of all classes and of people of all ages.

The power of information and communication technology (ICT) combined with converging environmental pressure has already seen those early adopters shifting towards what we see as the new 'smart green' aspirational lifestyle. Where economies of scale once relied upon standardisation of both supply and demand, we now see variety, specificity and adaptability being easily handled with ICT. Both local and remote small-scale production is flourishing, as the microchip shakes up everything from the extraction of natural resources to manufacturing, distribution and logistics. Organic, fresh and 'artisan' foods are rising in popularity, along with an emphasis on increasingly personalised health and fitness. At the same time, the proliferation of computers and smartphones have seen consumer preferences move towards the intangible: from how we listen to music, watch movies and read to a preference for the experiential over the material. No longer the potent symbol of adulthood, cars are leased, or shared, or passed over in favour of a bike; rental, not ownership, is becoming normal; reuse and recycling are on the rise. These shifts are still occurring among the young, the wealthy and the most educated. It takes time for imitation to take hold and is more likely to happen if helped by a supportive context.

"Today's pro-growth lobbyists are correct about one thing: there are many people still to be lifted out of poverty in the world"

What could such support look like? In the post-war golden age, television and film strongly promoted the two-child family in the suburban home, with the wife (no longer needed by the war effort) doing the housework and the husband in a life-time job. The government provided backing for mortgages, in addition to unemployment insurance so monthly payments could continue. It also assured pensions, so consumers could spend their full monthly salaries with the security of income in old age. Subsidies, regulation, taxation and welfare measures fostered both supply and demand sides, so that this vision of the 'good life' was rapidly adopted by the majorities. And while the generative force behind many of those new products and processes were the new technologies of that age, in fact most jobs came from the industries and services supporting the new lifestyle. Manufacturing created wealth with high productivity, and that lifted the average salaries of the low-productivity complementary activities that created the majority of employment. That is how the context supported mass consumption and mass production.

Such socio-industrial shaping must now be consciously done again in the 'smart green' direction. Today's pro-growth lobbyists are correct about one thing: there are many people still to be lifted out of poverty in the world. Those lives cannot be improved without development and growth. The problem is not the rate or quantity of growth but its quality. 'Smart green growth' is far more than an emphasis on sustainable energy and products; it aims at a significant increase in the proportion of intangibles in GDP, in international trade and in consumption patterns. It means shifting the accent from the productivity of labour to that of energy and resources.

> **"The planet cannot sustain the mass production model of consumption, but the transition needs to be presented as a desirable future without sacrifices"**

That will depend on policies that manage to change relative prices and incentives in a clear direction, involving radical changes in taxes and regulation. It is a tilting of the playing field so that greater demand and profitability go to those who move towards 'smart green growth'. It means favouring innovations that move from products to services; that reduce the amount of materials per product while shifting to biological or recyclable ones; that diminish the energy consumed per unit of product and per unit of consumption; that engage in the circular economy, minimise waste and make durable products truly durable, while shifting from possession to access (rental or sharing) and significantly increasing maintenance. Sustainability and growth can be achieved together with employment and higher quality of life for all.

The planet cannot sustain the mass production model of consumption, but the transition needs to be presented as a desirable future without sacrifices, equally comfortable and full of new sorts of satisfactions. Easy and affordable ways to enjoy nutritious food and avoid obesity; enjoyable experiences involving healthy exercise and creative activities; affordable rental of truly durable appliances with full maintenance services (including 3D printing of parts); multi-purpose upgradeable digital devices; lifelong education for both work and enjoyment; intense community links both live and over internet and so on. Essentially, we need to accelerate the spread of what is already happening in niches through assisting, promoting, rewarding and multiplying it by presenting it as the 'better life' and making it the most successful direction for business.

We must succeed in building a prosperous economy by working *with* the environment, respecting its limits and shaping our technologies and ways of living with environmentally-friendly creativity. We need to turn the problem into the solution and call it the 'environmental opportunity', a win-win game for a socially and environmentally sustainable economy across the planet. If we shift the range of opportunities, so as to promote massive innovation and investment in the new smart green directions, we can achieve growth, productivity, good lives and jobs, all at the same time.

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FRAGMENTED, BUT NOT DIMINISHED? FINANCE, THE CITY OF LONDON, AND THE FALSE HOPES OF BREXIT

Anastasia Nesvetailova

The relationship between finance and the non-financial sector (often referred to as the 'real economy') has long been a vexing one. On the one hand, the size and vibrancy of the high-earning financial sector appears to be clearly out of sync with the weaker-growing broad economy. On the other, for decades, academics and politicians have grappled with possible ways to bring finance 'down to size', proposing a variety of restrictive and punitive measures, only to see new financial innovations and institutional changes in the industry spur financialisation further.

The City of London encapsulates many of these dilemmas. The success of the City of London – historically, a mirror opposite trend to the decline of the British 'real economy' – has been due to a unique combination of the economies and geographies of scale, as well as targeted regulatory exceptionalism. These two conditions have enabled a complex financial ecosystem to evolve. Today London is a global hub for several segments of capital markets. And while each can, and has been, easily dismissed by critics as a speculative activity – they are essential for the real economy of today and increasingly, of tomorrow.

> **"Despite the tightening of regulations post-2009, financial institutions continue to exploit regulatory loopholes, arbitraging between jurisdictions; non-transparent and often abusive practices do continue"**

Global investment banking, where London has advantages of scale and expertise, helps raise funds for investment in the 'real economy'. The repurchase (repo) market helps fund the daily liquidity needs of banks and other financial institutions. The foreign exchange and derivatives markets help companies and investors to anticipate and manage the economic risks of the global economy. Finally, the asset management sector, while also catering for the super-rich, is essential to institutional investors that guarantee people's pensions and savings.

That is not to say that all is well with the financially driven success of London as a global economic hub. In many of these areas London's supremacy has been based on a vast network of British offshore financial havens. Despite the tightening of regulations post-2009, financial institutions continue to exploit regulatory loopholes, arbitraging between jurisdictions; non-transparent and often abusive practices do continue. But the structure of finance today, and our participation in the financial system, means that this complex system cannot be reformed by one-size fits all measures; and that the disciplining regulatory methods proposed some 50 to 60 years ago, such as the financial transaction tax, may not be appropriate and are in fact counterproductive today.

"Brexit casts doubts over the continuity of London's reign as a global capital hub, raising hopes for a re-orientation of the economy"

Brexit casts doubts over the continuity of London's reign as a global capital hub, raising hopes for a re-orientation of the economy. Some, mostly on the political left, view the departure from the EU as a trigger that can herald a wider rebalancing of the economy, away from finance and towards production. But a fragmentation and a diminished size of the City of London should not be mistaken for a weaker political power of the sector.

At present, the contours of the ultimate form of Brexit remain vague, and serious dialogue between the City and Westminster barely seems to have begun. Yet it is already clear that the promises of a rebalancing of the UK economy and de-financialisation post-Brexit are unlikely to materialise. The shift of some of the financial activities away from London to other parts of Europe is most likely to *fragment*, but not *diminish,* the financial sector and its political power. Similarly, a possible departure of financial institutions from London does not herald a return of manufacturing to deindustrialised areas of UK: many manufacturing giants with sizeable presence in the UK, like Nestle or Airbus, consider relocating some of the jobs to Europe if the UK leaves the single market. (Incidentally, the prospect of a Singapore-style deregulated paradise favoured by some Brexiters is also a delusion, since even outside the EU, the UK will have to abide by global rules set by major international players, such as the US, the EU, China and international organisations).

"it is vital for those on the progressive side of politics to develop a set of nuanced policies towards finance which would reflect the complex functions of the sector today"

Whatever the ultimate shape of Brexit, it seems that the UK's withdrawal from the single market may well diminish UK's gains from the financial industry, while not necessarily making the sector more accountable or structurally balanced. In other words, the structural and political problems associated with the dominance of the City over the past few decades are likely to persist in the near future, even if London's position as the premier financial centre in the world is diminished by Brexit.

In this context, it is vital for those on the progressive side of politics to develop a set of nuanced policies towards finance which would reflect the complex functions of the sector today. The ultimate aim of this approach should be preserving London's competiveness in the global capital markets. It should be founded on the understanding of finance not merely as a service industry, but as a highly complex and interconnected system enabling us to invest in the future today, and navigate the risks associated with such investment.

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GIVING SUBSTANCE TO ECONOMIC JUSTICE

Donald J Harris

The IPPR Commission on Economic Justice lays out, in strong terms, the case for fundamental reform of Britain's economy and a vision of the path for change. This is a timely intervention, coming as it does at the end of Britain's long-drawn-out experiment with joining the European Union and facing now the imperative to define a new way forward consistent with the needs and aspirations of the British people. It also follows in a long post-second world war tradition of charting and implementing different 'ways' for Britain: the middle way (a la Macmillan), the third way (a la Blair), and others in-between or to the right (a la Thatcher). This current effort holds out the prospect of offering something new and different.

The way I read the argument laid out is as follows. At the core of the economic model/muddle that the British economy faces at this time is a contradiction between what the argument describes (and documents through detailed empirical analysis) as a 'disorganized economy' and the underlying structural interdependence and functional interconnectedness inherent in the economy. To use a much-abused term, this is the 'primary contradiction' that the argument exposes.

> **"there is an opportunity here to refine and give substantive content and meaning to the much beleaguered and maligned idea of industrial policy"**

This contradiction was deepened, I would add, by the experiment of joining the EU which caused further fractioning of both economic and political control.

And, in a sense, the ongoing process of the digital and automation revolution in technology is having a similar consequence – increased concentration of economic power in large corporations benefiting from scale economies, weakening of workers' rights, job insecurity and stress, loss of privacy, increased technical connectivity joined with social fragmentation through social media, and so on.

In this context, the broad aim of economic policy, it is argued, is to rebalance and reposition the economy, and the central strategic focus of policy is on industrial strategy.

This strategic focus is the key point of departure from both Thatcherism and New Labour. It also goes significantly beyond the traditional Keynesian framework of macroeconomic management through fiscal and monetary policy.

I think there is an opportunity here to refine and give substantive content and meaning to the much beleaguered and maligned idea of industrial policy (especially by pundits in the USA, about 'picking winners' and such supposed departures from optimality).

Viewed analytically, the basic aim of industrial policy is to remedy the lack of coordination (in formal economic terms, the 'coordination failure') which arises not just from the disorganized economy as described but, more fundamentally (as shown in a well-established literature in modern economics), from intrinsic market failure in the context of oligopolistic competition and investment uncertainty.

It is this coordination problem which underpins and gives meaning to the argument's insistence on the need for cooperation and collaboration throughout all sectors of the economy.

Industrial policy, construed in this way, is fully consistent with maintaining and enhancing conditions of competitiveness in the economy through government intervention by regulatory policy and appropriate mechanisms of control.

There is a need for institutional forms that would embody the strategy and execute the policy initiatives involved. It is framed here in rather tentative terms as 'the partnership economy'. Across the Channel, the Germans have developed 'co-determination' as their version.

> **"[Industrial policy] is a way of mobilising and unleashing through coordination and regulatory controls the productive capabilities of individuals"**

Finally, the report has an opportunity to redefine and give substance to the idea of economic justice, not as a vague wish for greater equality in the distribution of income and wealth that rests on notions of redistribution and the 'welfare state', but as firmly rooted in economic and social conditions for strengthening and expanding human capabilities for creativity and innovation in ways that advance income, wealth and wellbeing.

This implies that, in a sense, industrial policy as construed here is a necessary condition for economic justice. It is a way of mobilising and unleashing through coordination and regulatory controls the productive capabilities of individuals (in their capacity as individual actors or as organized firms) that otherwise get locked up behind barriers to entry, social immobility, and restricted access to the means for exercise of self-agency (finance, education and training, information, etc).

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OWNING THE FUTURE

Laurie Macfarlane

The final report of the IPPR Commission on Economic Justice (CEJ) contains many worthwhile proposals. But perhaps the most significant are those which seek to put ownership back on the political agenda. Proposals such as a new Citizens' Wealth Fund and an expansion of employee ownership are important steps towards rebalancing power and reward in society. Equally, the measures aimed at opening access to data are an important step towards reining in the power of the tech giants.

But in an age of secular stagnation, patrimonial wealth and impending ecological crises, we must not let the discussion around ownership stop there. If we are to successfully tackle the key challenges of the 21st century, the proposals in the CEJ must only be the beginning of a much wider debate about ownership in our economy.

> **"the financialisation of land and property has destroyed the social fabric of communities across Britain"**

Let's start with our communities: during Margaret Thatcher's time in office 1.5 million publicly owned properties were forcibly transferred into private hands under the Right to Buy policy. Since then, the financialisation of land and property has destroyed the social fabric of communities across Britain. For those who own property, skyrocketing land prices have generated vast windfall gains, while those without any property are struggling to make ends meet in the face of eye-watering rents. Private developers, meanwhile, have been left to shape our communities according to shareholder whims rather than human needs.

Thatcher described Right to Buy as "one of the most important revolutions of the century". She was right – Right to Buy not only transformed housing provision, it fundamentally shifted the ideological outlook of millions of people. It shattered the spirit of collective solidarity, and allowed the ideology of individualism, selfishness and private property to take root in communities. This was no accident: the policy was deliberately conceived by Tory leaders as a way of eroding socialist sentiment by giving more people a direct stake in the system of private property and unearned wealth.

> **"the decline of genuine public space poses a serious threat to democracy"**

Since then, the privatisation of physical space has taken on new forms. Recent years have seen the rise of 'POPS' (Privately Owned Public Space).

These are squares and parks that appear to be public but are actually owned and controlled by private companies. The Royal Institution of Chartered Surveyors has described the growing private ownership and management of spaces that appeared to be in the public realm as a "quiet revolution in land ownership". The problems with this are not merely economic – the decline of genuine public space poses a serious threat to democracy.

The task for the political left is therefore to reclaim the physical space that we all rely on – to live, work and play – by taking it back into the collective sphere. This means setting out an ambitious programme to take land and assets out of the market and into community ownership. As with Right to Buy, this would require legislative and financial support from the state, but it should be designed to empower communities to take control of local assets and tailor them to the needs of the community – whether that is housing, leisure centres or other recreational amenities. By doing so, we would also start to rebuild the sense of community spirit that has been destroyed by four decades of neoliberalism.

"without urgent action we are staring into a future of environmental collapse"

The second area relates to ownership of our natural resources. For centuries economic growth has been realised by plundering the planet's natural resources at a rate that far exceeds its capacity to reproduce them. From our atmosphere to our oceans, capitalism has sustained itself by destroying the resources which sustain life on our planet. The cost of this is now clear: without urgent action we are staring into a future of environmental collapse.

If we are to come close to averting ecological disaster, we must urgently transform the relations that govern the stewardship of our natural resources. There are many possible approaches here that should be widely debated. But one route would be to place our most important natural resources into 'Commons Trusts' – legal entities with statutory responsibilities to manage specific assets for the benefit of future generations. Such an approach would involve imposing strict limits on resource extraction and pollution in line with our planetary boundaries, and selling permits for the right to extract or pollute within these limits. This would provide a valuable revenue stream that could be used to promote environmental renewal, for example by investing in climate mitigation and adaptation, and providing compensation to populations most affected by climate change. Such an approach could be an effective means of shifting patterns of production and consumption towards a more sustainable path.

> **"In the Information Age, access to and control over knowledge and ideas has become a potent new source of power"**

The final area relates to knowledge. It is now common to hear commentators on the left describe how technological advances such as automation, 3D printing and renewable energy mean that a post-scarcity society is now within reach. But whether or not these technologies end up emancipating humanity or enslaving us further depends not only on who owns the physical means of production, it also depends on who owns the rights to the underlying knowledge and ideas. In the Information Age, access to and control over knowledge and ideas has become a potent new source of power.

Like nature, existing knowledge is a commons that has been built up over millennia. Its opportunity cost is zero, which means that its price should in theory also be zero. But in modern economies a complex web of intellectual property rights ensure that artificial scarcity is imposed and profits are protected – just as the floodgates of abundance should be being pried open.

Here the task for the left is to develop a serious alternative to contemporary intellectual property regimes. It is a fantasy to think that the present system of intellectual property rights can be easily dismantled. Aside from anything else, they are deeply ingrained in domestic and international legal systems. Much work therefore remains to be done to determine what a more progressive intellectual property framework looks like, and how a left-wing government can work with international partners to create it.

Underpinning all of these proposals is a recognition that property rights are not neutral or fixed. Property relations invariably reflect power and class relations in society. Margaret Thatcher understood this – it is essential that future left-wing governments do too.

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WORK AND SOCIAL JUSTICE

Diane Perrons

The IPPR Commission on Economic Justice highlights how the UK's economic policies have generated a host of economic and social problems resulting in low productivity, regional imbalances, stagnating incomes and increasing numbers of people – especially women and BME groups – on poverty wages. These problems have been intensified as a consequence of the pursuit of austerity policies in the aftermath of the 2008 financial crisis, which, as the Commission points out, are counter-productive in both economic and social terms. Like Keynes, they recognise that the "boom, not the slump is the right time for austerity at the Treasury",[1] and, like the OECD,[2] also recognise that the prevailing low interest rates make this an ideal moment for the state to invest in physical and social infrastructure in order boost employment and raise the long-term productive potential of the economy. This commentary focusses on the problems of the labour market, as well as the Commission's recommendations to resolve these problems in the context of their industrial strategy and broader recommendations to create a more sustainable and inclusive economy.

In common with many countries, the Commission points out that in the UK labour's share of national income has been falling since the 1970s, a situation likely to deteriorate further with increasing automation. Moreover, average real wages are lower than before the crisis, making people worse off than they were in 2008. This not only makes life extremely precarious for people on low incomes, but also has a negative impact on economic growth, owing to the lack of effective demand.

> **"In the fifth largest economy in the world, working people have had to turn to food banks for survival"**

Work has become increasing 'flexible' and insecure with increases in temporary work and zero hours contracts, such that, even with the 'new living wage' introduced in 2016 (significantly less than the level

1 Keynes J M (1937) *The Collected Writing Volume XXI*, 'Activities 1931-39, World Crises and Polices in Britain and America' (edited Donald Moggridge), Cambridge: Macmillan and Cambridge University Press

2 OECD (2016) Economic Outlook, Paris, [Comments by the General Secretary]. http://www.oecd.org/economy/launch-of-the-oecd-economic-outlook-november-2016.htm

recommended by the Living Wage Foundation), people will not necessarily get a living income as their working hours are too short. This applies especially to women who continue to do the major share of unpaid care and domestic work. Employers are, in effect, passing on risks to workers and in turn to the state, the only other source of funding. Yet, with the austerity policies and especially with the introduction of universal credit, the degree of state support has fallen and people are finding it much harder to claim the benefits to which they are entitled.[3] In the fifth largest economy in the world, working people have had to turn to food banks for survival.[4]

The new employment conditions are in turn linked to globalisation, technological change, outsourcing and the restructuring of the UK economy away from manufacturing, where relatively low-qualified people were able to earn good and, most importantly, regular and reliable, wages in what were generally unionised work places, towards services where wages are polarised and work more fragmented. As the Commission highlights, people increasingly work from home and via digital platforms, yet labour markets are more concentrated (characterised by monopsony) and employers often have multiple sources of supply which limits the bargaining power of workers. The current situation is very different from 1968, when, by striking, a small number of women in Dagenham were able to bring Ford's car production to a standstill. Even in relatively large workplaces – such as the growing number of warehouses – unionisation has proved to be difficult owing to the temporary or self-employed contracts on which many people are employed, though the GMB has been trying to unionise these workforces nonetheless.[5]

To redress this situation, the Commission makes five recommendations. First: "labour market regulation", including raising the minimum wage to a real living level, improving workers' rights and ensuring that workplace laws are implemented with the help of proactive labour inspectorates. Second: strengthening "trade unions and collective bargaining", which includes support for union recruitment and organisation via the use of

3 National Audit commission (2018) *Rolling out Universal Credit.* https://www.nao.org.uk/report/rolling-out-universal-credit/

4 The Trussell Trust reported a 52 per cent increase in the use of food banks in areas where universal credit had been introduced – one of the main reasons being the decline in the real value of benefits. See Trussell Trust (2018) *Left Behind. Is universal credit truly universal?.* https://s3-eu-west-1.amazonaws.com/trusselltrust-documents/Trussell-Trust-Left-Behind-2018.pdf

5 GMB (2018) 'Amazon Firms Face Legal Action'. http://www.gmb.org.uk/newsroom/amazon-firms-legal-action

social media. Third: “widening work opportunities by gender, region, class, disability, and ethnicity”, including extending gender pay gap reporting to ethnicity and disability and requiring pay to be made transparent within organisations. Fourth: “transforming work and time” by enhancing employee-led flexible working and enhancing paternity pay and provision along Scandinavian lines to allow men to participate in caring. And, finally, “changing the clock”, which relates to introducing policies to reduce overall working time and to share work more evenly to offset the anticipated impact of digitalisation on the economy.

“The IPPR Commission… are advocating a radical shift in economic policy in order to move towards a more inclusive and sustainable society, to make the economy work for people rather than have people working for the economy and effectively the interests of a small elite”

One way of joining some of these ideas together would be to highlight the potential of social infrastructure – where employment is intrinsically and, for good reasons, labour intensive – so that investment would boost employment overall, narrow the gender employment gap, and contribute to economic growth as highlighted in the 2016 ITUC report.[6]

The IPPR Commission – together with a wide range of institutions and organisations at different levels, ranging from international organisations, such as the United Nations Trade and Development Organisation (2017), to the UK’s Women’s Budget Group – are advocating a radical shift in economic policy in order to move towards a more inclusive and sustainable society, to make the economy work for people rather than have people working for the economy and effectively the interests of a small elite.

The case is made on sound economic reasoning backed by evidence. The critical problem is to bring about the political will and support for change. To do so is very difficult. As the Commission points out, trade unions are no longer as powerful as they once were, and the high level of inequality in society means that – while real wages have fallen for the majority of working people – many people, depending on social identity and

6 ITUC (2016) *Investing in social care.* https://www.ituc-csi.org/investing-in-the-care-economy?lang=fr

geography, still have secure, comparatively well-paid jobs they enjoy. With the increasingly fragmented world of the media, they are perhaps unaware of the extreme suffering experienced by others.[7] Moreover, most of the progressive changes identified by the Commission relating to labour market regulation, trade unions, working time, widening opportunities and the gender pay gap have come as a result of belonging to the European Union. Likewise, the proposals for greater cooperation between the social partners reflect the European Social Model which has been resisted in the UK. By contrast, the free market utopia promised by the hard line Brexiters promises to be a very stark one, in which the implementation of the IPPR's transformative recommendations sadly seems highly unlikely.

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7 The 1966 BBC Play for Today, *Cathy Come Home*, seen by a large TV audience, had a profound impact on the way homelessness was understood. The contemporary parallel is perhaps *I, Daniel Blake*, but this would have been seen by a much smaller audience.