

The Alternative Economic Strategy GOODBYE TO ALL THAT ?

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SOME OF US on the Left have learned to love the mystical initials AES, otherwise known as the alternative economic strategy. I propose that we abandon this label as confusing though there are important ideas and proposals we must hang on to.

There have been clear signals of the need for change. What was known as the alternative economic strategy, though prominent in Labour party documents, was swept aside in the 1979 general election, sunk almost without trace in the 1983 election and now barely discussed at the major conferences of the labour movement.

Interest in economic strategy is now reviving as the anti-Tory mood rises and the Tories look as though they can be beaten. With a general election possible in 1987 and certain in 1988, it is not before time.

What was the AES?

The Left which gave birth to it, recognised that Britain's place in the world had fundamentally changed; the post-Empire phase had begun. It also experienced the humiliation of the 1964-70 Labour government led by Wilson, which ended in confusion and defeat.

The AES was an attempt by the Left within the labour and trade union movement (in which the Communist party played an important part) to put together a credible and coherent perspective which could shift the British economy and society in a socialist direction. A Labour government committed to such a strategy would, it was believed, bring about 'an irreversible shift of power into the hands of working people'.

Though there were different versions of the AES, it had certain core ideas which can be summarised as follows.

First, to bring back full employment, improve living standards and encourage investment, the economy must grow at a faster rate. The key to this was a massive expansion in demand through increased wages, pensions and government spending.

Second, begin to move towards economic planning by way of extending nationalisation and securing planning agreements with the 200 largest firms.

Third, bringing about a major redistribution of income, attacking inherited wealth and tax evasion and reforming the tax system.

Fourth, move towards the control of foreign trade by using import controls (selective in most versions of the AES) to prevent economic growth from being blocked by balance of payments problems.

Fifth, refuse to accept any limitation on

So we need a strategy. But what kind?

Britain's right to determine its own economy policy imposed by membership of the Common Market, which meant, on the predominant view of the Left, withdrawal.

It must be added that for some sections of the Left (though not for all), the test of a 'genuine' AES was its rejection of any constraints on 'free collective bargaining' and certainly of any form of incomes policy.

The intention was to unite the labour movement around a strategy which could shape the economic and political agenda; a bid for hegemony in the field of economic policy was regarded as the key to a Labour victory which would not repeat the debacle of 1964-70. It became the benchmark therefore against which the Left judged the 1974-79 Labour government. For the Left, the disaster was indeed repeated and the AES became part of the battleground for changing the way Labour's leadership was elected and bringing the parliamentary Labour party to heel.

Does it belong to the past?

Some of us forget how long ago the AES was born. It flowered in the early and mid 70s but its roots and influences were in the 60s. Those who developed the AES did so therefore in a situation very different from that which now exists, as a few examples will show.

Though visibly weakening, the two-party system was intact; elections would yield either a Tory or Labour government. The real issue therefore was the policies and commitment of a Labour government.

The trade unions were growing in numbers and clout. Two of the most powerful unions (TGWU and AEU) had replaced right-wing with left-wing leaders. The shop stewards were becoming more powerful and militant. The movement had defeated Wilson's attempt to limit trade union rights, Heath's Industrial Relations Act in 1972 and his attempt to beat the miners into submission.

Although British capitalism was showing signs of the critical period it was moving into, there were fewer than half a million unemployed in the late 60s and not many more even by 1974. Up to then, full employment meant reducing unemployment from half a million to a quarter of a million. Not surprisingly, this seemed well within reach of an expansionist policy.

Given the power of the labour movement, there was a spirit of optimism that a

Labour government, if it had the will, could put things right.

But is that how matters look now?

How then have things changed?

Since the early 70s, economic crisis, sharpening international rivalry accompanied by a new kind of technological change, has shifted the structure of Britain's economy and increased the economic, social and political divisions in society.

One illustration is that at one and the same time, millions of people have improved their standard of living, their prospects and status whilst many millions also now suffer severe deprivation. Poverty has become a critical issue in Britain in a way quite different from the 60s and early 70s. Unemployment has risen from half a million then to well over 3m registered unemployed and more than 600,000 on special job creation schemes. The character of the problem has changed beyond all recognition.

Key sections of manufacturing have been restructured and parts destroyed. The domestic industrial base has been weakened and our place in the world economy damaged. For the first time, we have a deficit in manufacturing trade; and with the oil trade surplus dwindling, balance of payments crises could recur on a quite different scale to any experienced before.

The character of the workforce has changed considerably. The growth of employment in services as against manufacturing has accentuated. Employment of men is falling; employment of women is rising and they are being recruited into part-time jobs, poorly paid and with low status.

And these divisions have a regional dimension in the contrast between North and South. Many towns in the North are now dependent on state funding but the South, apart from inner city areas, captures what economic growth is going and the difference is shown graphically in soaring house prices in the South and stagnant or falling house prices in the North.

The AES was aware of the growing power of the multinationals; but since the mid-70s we have seen the build-up of a privatised international monetary system which threatens even more the autonomy of national economic policies. And in the field of state ownership, the massive privatisation programme now under way will present any new government with changes not previously envisaged.

These are major not minor changes. It would be amazing if an economic strategy constructed before these changes had taken place still kept its validity.

Not only have these economic changes struck at the traditional base of the unions but they have exacerbated and in part gone together with equally important shifts in the balance of political forces which must at least be noted even if they are not the main concern of this article.

The Labour party's traditional base has been weakened; under pressure, its internal divisions have sharpened. The SDP breakaway, its consequent alliance with the Liberal party and its electoral vitality has split the anti-Tory vote and threatens the possibility of a decisive Labour victory. We have also been compelled to recognise that though now increasingly on the defensive, Thatcherism (building on the failures of the preceding Labour government) has held the initiative and shifted the agenda for action. The political situation therefore, also has changed dramatically since the early 70s.

My argument however, goes further. Has our thinking not changed about the aims and priorities of a left economic strategy? Were the AES priorities correct even for that earlier period?

Four critiques of the AES

From the mid 70s there has been increasing criticism from progressive and left forces of some of the assumptions and priorities of the AES. I want briefly (even at the risk of caricature) to mention four of these critiques.

The anti-statist critique

The AES carried forward the strong centralising tradition in the labour movement: the people would elect a Labour government; that government would institute a system of central planning and control using the power of the state to make it work; state ownership in the form of nationalisation, would be a decisive instrument.

That approach has been increasingly challenged. Workers' and consumers' experience of nationalisation as so far practised, made it a dirty word and Thatcherism has had a field day as a result. What is being questioned is the 'top down' approach pervading the AES. How are workers, consumers and communities to decide what they need and how these needs are to be provided? How will they be involved in running their own affairs? This critique has been reinforced by the attempts of a number of left-wing councils to release local and enterprise initiatives.

Cooperatives, municipal enterprise, local enterprise boards are part of the search for other forms of social and public ownership and intervention.

The environmentalist critique

The AES was strong on the need for high rates of economic growth, but during the 70s an international movement began to develop, weaker in Britain than in countries like Germany, which argued that economic growth was being pursued at a high cost to the environment and to future generations; that the earth was being raped in pursuit of profit.

The internationalist critique

Though a caricature there was some truth in the widely held view that the AES, preoccupied with escaping from the pressures of the world capitalist economy, was really about import controls and withdrawal from the Common Market. But as industrial and financial capital increasingly operated globally and the interdependence of capitalist economies grew, the AES came under fire. The experience of the Mitterrand government since 1982 seemed to confirm the view that no second rank state could go it alone in implementing such a strategy; or, if it did, major sacrifices would be required from working people. And the result could well be politically destabilising.

The feminist critique

During the 70s also, the feminists pressed forward with their attempt to shift the very terrain itself of economic debate. They

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pointed out that the AES was drawn up by a group of (white) male activists reflecting the traditions of a male dominated movement. The priorities established by the AES appeared to concentrate on restoring full employment in the male 50s sense, to increase economic growth and so forth. In particular, it was concerned with paid work and did not recognise that capitalist society rests on a vast pool of unpaid labour, mainly by women who, in addition to any paid work they do, produce and reproduce the labour force itself.

Even if many of its proposals would have benefited women (as indeed they would), it did not see as a priority the need to deal with the needs of women as child rearers and as carers. Questions arise from the numbers of women doing two jobs (at home and in paid work); the growing number in low paid, low status, part time jobs experiencing systematic discrimination. The needs which arise from these changes such as child care provision are not marginal but central to a left strategy.

The feminist critique however raised an even more fundamental issue: what kind of changes in human and social relations was

the AES intended to bring about? What were its moral and human values?

A new strategy

So we need a new strategy. But what kind? The changes in the balance of political forces and in the economy which have weakened the labour movement have also greatly increased the constraints to a degree not conceived of a decade ago. Though the need for radical changes are objectively greater than they ever were, the Left's economic strategy must come to terms with where we are now and cannot have the 'grandeur' and ambition of the AES in its proposals for economic planning and large-scale extensions of public ownership.

However, it must take up, as a central issue, in a way hardly considered by the AES the position of women who constitute half the population and half the labour force and who face systematic discrimination. It must also confront two problems which have emerged on a scale not envisaged a decade ago: poverty and massive unemployment.

It must recognise not just the crucial importance of modernisation but consider new forms of influence and intervention, of social ownership and control which are rooted amongst the people and provide the popular base for national action. It must recognise that economic and social divisions have grown and devise policies which help the labour movement to intervene in such a way as to recognise the unity needed for democratic and socialist advance. And one further difference is that it must be far more outward looking and open: advancing a positive project for international economic relations including the EEC.

I have argued that the constraints are now far greater than before: the question of priorities as a consequence has become more acute. The selection of those priorities helps to focus on the main thrust of the strategy.

The new priorities

I would argue these priorities are:

First: adequate child care and provision; improvement in social services; the attack on poverty and low pay.

Second: modernisation and investment, revitalising British industry especially manufacturing, so that there are more resources to meet peoples' needs and allow the UK to negotiate its position in the world economy from some position of strength.

Third: education and training on a large scale based on equal opportunities policies.

Fourth: a programme for creating something

Bank of England... the privatised international monetary system threatens the autonomy of national economic policies.



like 2m jobs within a parliamentary session, but with special measures for the long-term unemployed, the hard-hit regions and inner city areas where young people and ethnic communities suffer from cumulative disadvantage and discrimination.

Fifth: international initiatives (especially within Europe) to encourage coordinated expansion, tighter supervision of industrial and financial transnational corporations; practical support for Third World development and a solution to the world debt problem.

The campaign for these priorities does not only challenge the main thrust of Tory and big business policies; it asserts a different morality. And it places the Left at the head of the movement for change and modernisation instead of lagging defensively behind it.

I do not propose to discuss every one of the priorities set out above but to raise questions about how the Left should approach some of them.

Modernisation and investment

Modernisation has been a slogan used before as, for instance, by the Tory government in the early 60s when the NEDC was created; by the Labour government under Wilson with its talk of the white heat of the technological revolution; by the 1974-79 Labour government with its industrial strategy; and by the Thatcher government with its policy of survival of the fittest. The slogan was used by each of these governments to try to capture the deep concern about Britain's continuing relative decline and to win agreement for the burden of any change to be born by the mass of the people and especially the poorest.

In fact, British owned capital has been engaged in an investment strike under both Tory and Labour governments (including the Thatcher governments).

Industrial estate... beginning to change the shape of the British economy.

none of this solves the problem of controlling the behaviour of the multinationals

There has not been enough investment overall to maintain the capital stock, still less expand it, while the plentiful money supply finds more attractive uses in financial and allied services and abroad.

A modernisation, high investment and high industrial output strategy is not an option but a necessity and the resources for it have to be found if all the other priorities are to be met. It has become more critical as the speed of change accelerates.

Most people understand this, at least in principle. The more difficult question is how a Labour government (though the question arises for any interventionist government) can pursue an active industrial policy which begins to change the shape of the British economy to meet the needs of the people into the 21st century.

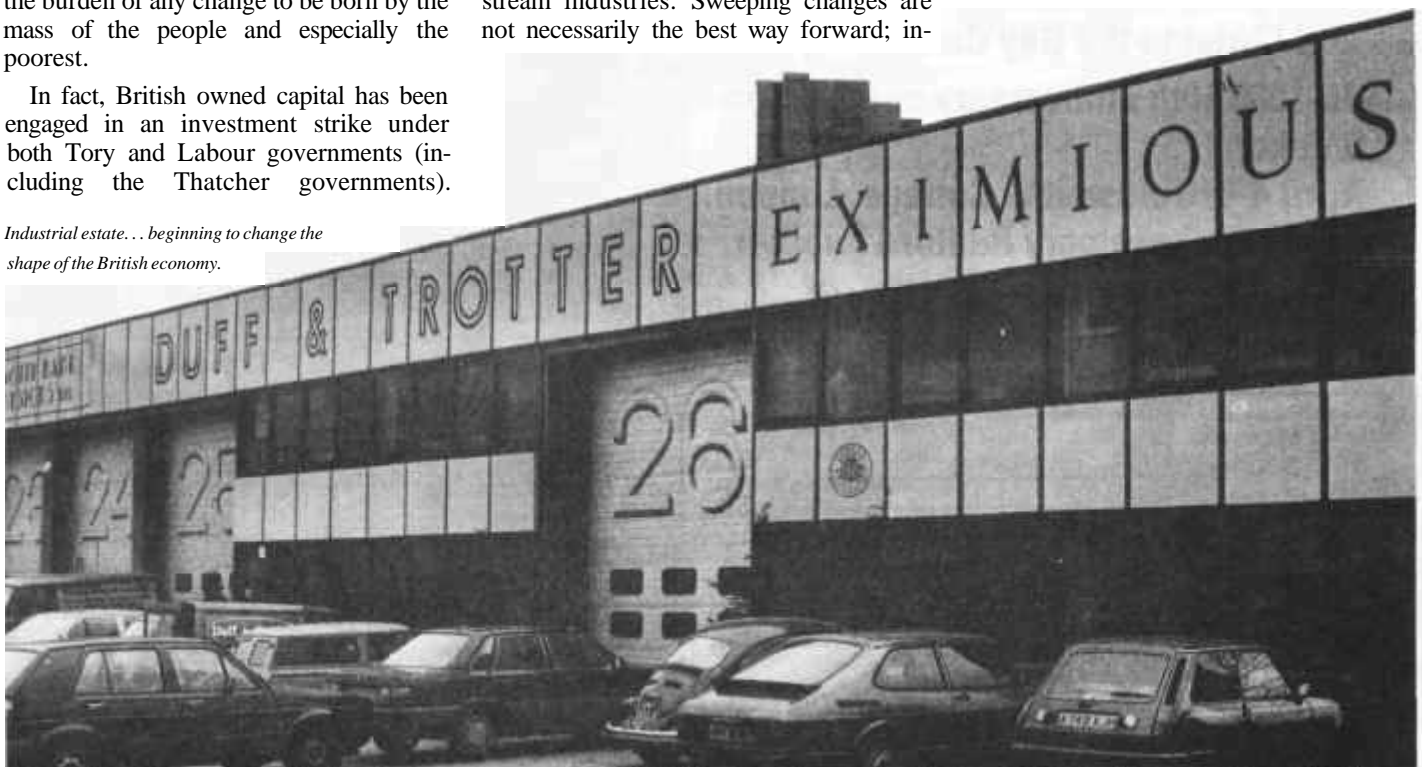
Flying in the face of evidence from other countries such as Japan, the Tories insist that governments cannot 'pick winners', but since big business in Britain has failed to do so, intervention into firms and sectors is the unavoidable requirement for modernisation. The difficulty is that whereas this appears relatively simple in obvious areas such as high technology, biotechnology, aerospace etc, it is much more complex when dealing with mainstream industries. Sweeping changes are not necessarily the best way forward; in-

fluencing and negotiating change, creating new agencies where needed may make more sense.

It is here that locally based interventions whether through Local Enterprise Boards or Regional Development Agencies, closely linked with elected and representative bodies, sensitive to the linkages in the local economy can be important. And both central and local government, in conjunction with other public services, have hardly begun to use the leverage available to them from their combined purchasing power.

The aims of increased investment and modernisation must be to raise the level of productivity and output. It may be controversial but I believe the number of new jobs created should not be the main criteria for the Left's policy on manufacturing. The task of a revitalised manufacturing industry is to provide the additional resources which allows jobs to be created and supported elsewhere in society as well as to reduce the hours spent at work.

None of this itself solves the problem of controlling the behaviour of the multinationals. But challenges, including successful ones, have been made by less powerful states; and for many multinationals, access to the British market is an important lever which governments can use. For example, the combined use of the threat of limiting access to the UK market and of the public sector's purchasing power could compel companies like Ford and General Motors to invest and produce more cars in Britain.



Distribution and redistribution

The main concern of socialists has been the distribution of wealth as between capitalists and workers based on the ownership of capital. Redistribution between the two main classes has also been the concern of those who simply want to reduce class inequality. However, the distribution and redistribution of wealth and income between classes has become much less straightforward than it was.

A vast system of contractual saving has been created through the insurance companies and pension funds which involves millions of workers as well as the wealthy. These institutions, which have also been granted useful tax concessions, with their funds often managed by merchant bankers and big city brokers, have become the biggest owners of equity capital and the main source of new funds for investment.

In addition, the growth of welfare and social security means that the state now operates a massive system of transfer of income between those who work and those who don't or can't. And the wages and salaries of millions now employed in the public sector are financed by taxes raised by the state (apart from those who work for nationalised industries which sell their products or services).

But changes in the last decade have made the issue of redistribution more critical. In the UK, output has grown more slowly; the trebling of unemployment has not only meant loss of output but increased state spending on unemployment pay, social security and special job creation measures. North Sea oil revenues have masked the situation, but with oil revenues soon to decline and if the economy fails to revive, the question of redistribution from more limited resources must become more acute.

Unfortunately, the problem of limited resources will face a Labour government even more acutely and cannot be speedily resolved. A government which sought to carry through the priorities listed earlier (expanding child care, welfare etc; tackling low pay and poverty; carrying through large-scale education and training programmes, implementing equal opportunity policies, funding large-scale investment programmes), will not find all the resources it needs by borrowing or by redistribution between capitalists and workers. Though it must attack the great inequalities of wealth through tax reform, it will be obliged to carry through substantial redistribution amongst working people.

There are other uncomfortable implications. A Labour government, in the condi-

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tions we can envisage in 1987/88, will pose acute problems to the trade union movement. Tory policy has been so oppressive for millions of workers, especially in the public sector and to millions on social security, that a Tory defeat will release an almost irresistible wave of expectations and militancy by all those who have been held down and from those who see new possibilities of advance; and they would be joined by many who could not care less about the fate of the government, and in fact, actively oppose it.

Any attempt to meet all these expectations must fail; it would provoke a new round of capitalist reorganisations and closures, attempts to pass on increased costs through higher prices, and intensify the pressure from international finance.

In the conditions of the UK a statutory incomes policy is unworkable but it is obvious that any government will have a policy with regard to its own wages bill: and a Labour government, concerned to reinvigorate the economy, will have regard to the distribution of income between consumption and investment.

It is becoming increasingly clear that the trade union movement now needs to formulate its own wages policy if it is not to become either an adjunct of government or concerned only with each union's bargaining groups. A new economic strategy calls for a wages policy which would be based on combatting low pay, achieving equal pay for work of equal value - in a word, solidaristic.

To some extent, these changes are beginning to happen. The support for a statutory minimum wage has gained ground in the movement; some unions have taken the first steps to give more than verbal support to equal pay for work of equal value. Many agreements are now 'bottom-loaded', giving a bigger percentage increase to those at the bottom of the pile. There are some signs of a solidaristic wages policy; but there is a long way to go; it needs to be travelled quickly and the rhetoric of 'free collective bargaining' has not helped.

Within the private sector, restructuring and mergers are creating new concentrations of capital led by aggressive tycoons, determined to break union strength whilst

the going is good. The unions will expect support from a Labour government in restoring their strength; they will benefit from expansionary policies but they need to work out their own industrial strategy if they are not to go down the blind alley of believing that the fight for wages *is* an industrial strategy.

Jobs in a new economic strategy

The changes in unemployment from the 50s to the 80s are of extraordinary size and so also are the changes in the composition of those at work. They have made the Left itself (and that includes the writer) uncertain and troubled about any possibility of returning to the kind of full employment that existed in the 20 years after the war. Whatever the rhetoric, opinion is growing that full employment in the 50s sense is not attainable; the economic and political conditions for achieving it are not in prospect whatever was done in the mid 30s or wartime Britain. I am not arguing that this is a law for all capitalist states; some of them have far lower numbers out of work such as Japan and Austria.

Even to cut unemployment in Britain to 2m would require, on some estimates, the creation of 1250 extra jobs each day for five years, taking into account the increased numbers of working age and the growing numbers of women entering the labour market. On present trends, without major changes in policy, unemployment will continue to rise. There will be fewer full-time jobs and more part-time jobs and since

Public ownership. . . Left-wing councils have set up local enterprise initiatives.



women take the part-time jobs, by 1990 the unemployment rate for men could be 18%, and 7% for women. The Left has to grapple with these changes and recognise what a new government in 1987/88 is likely to face. In spite of all the divisions that have arisen, there is a growing and widespread view that making drastic inroads into unemployment is a national priority; that the waste and degradation of human capacity is itself an obscenity.

If the priorities set out earlier are tackled boldly they will certainly create perhaps 2m jobs within three or four years. The major increases would come in the first place from employing more in the public services - childcare provision, welfare, health, education etc. In the second place from beginning to renovate the infrastructure. NEDO estimates suggest that £2 billion is needed to meet the maintenance backlog on hospitals; and £5 billion for housing construction and repairs. Maintenance programmes are extremely labour intensive.

If economic growth were sustained at even 3%, employment in private services would also grow, on some estimates by 160,000 per year. Nor is it just a question of increasing the number of jobs. The large scale education and training programme would remove considerable numbers from the labour market and in the longer run improve the capacity of the economy to grow.

More problematic is the extent to which increased demand will be translated into more jobs in UK manufacturing industries. Partly, this is because increased investment will improve productivity; unless output rises faster than that, there will be no increase in jobs, there could even be fewer. But this is the medium and longer term. More immediately, the destruction of manufacturing capacity in some sectors means that even if demand improved, the equipment would not be there for workers to use. There are strategems such as extra shift working and reduction in working hours which can help but the scale of the problem is not clear.

A new international position

Britain cannot opt out of the international economy; nor should it. But it does not control it either. It can influence it by using such bargaining power as it has (even debtors can be influential if they unite . . .) and make useful alliances.

The guiding principle behind left economic strategy must be that it wants the UK to play a positive role in the world economy, to develop mutually beneficial trade

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between countries, and enable the developing countries to grow and overcome hunger and famine. It cannot agree that the economy should be at the mercy of whatever private capital or other government decide. It insists on Britain negotiating its place in the world economy.

The AES, as suggested earlier, had too little to say about the kind of international economic policy to be fought for. In the framework of this article I shall not deal with such problems as exchange controls, world debt policy, the UK role in the IMF, World Bank etc. I want instead to confront one particular controversial issue: Britain's membership of the EEC. I suggest that those of us who have argued for withdrawal should have second thoughts.

Within the capitalist world, economic power is now concentrated around the USA, Japan and West Germany (itself deeply involved with the EEC).

The EEC has evolved from the original six to the present twelve. Although West Germany enjoys a pre-eminent position, new kinds of alliances are now possible within it. Taken as a whole, it represents a major economic and political force; and to a degree, it presents a common interface between the EEC and the other centres such as the USA, Japan, the Soviet Union, OPEC and other developing countries.

The UK, though a fourth rate power, still has wide international interests and concerns and must have alliances to protect them and to influence the world economy. It is not in the same position as Switzerland, Austria or Sweden for instance.

The dominant groups of British capital, and successive British governments, were, as is well known, initially hostile to the EEC; they sought to build up alliances which would provide them with an alternative power base in Britain's post-imperial phase - and failed. They were no more successful in establishing Britain as the favoured junior partner of the USA. Reluctantly, for political and economic reasons, British capitalism (to some degree also encouraged by the USA) recognised that it must enter the EEC or find itself relatively isolated and confronting far more powerful groupings.

Realistically, this is the only bloc within which the UK can hope to play an impor-

tant role. It would otherwise be at the mercy of EEC decisions, which would further limit Britain's bargaining position, or of the USA, not withstanding Mrs Thatcher's deep rooted Atlanticism. In the period of Britain's membership, a major redirection of our trade towards member countries has taken place; in the field of high technology, aerospace and weaponry, the significance of 'European' cooperation has clearly grown so as to match the competitive strength of the USA and Japan. The Westland affair is an obvious expression of this conflict.

The arguments against Britain's membership of the EEC are well-known. One is the cost of the Common Agricultural Policy; but other EEC governments also find this burdensome (though less so) and the effort to change it will continue. The costs, however, are not overwhelming in the more general context. The more fundamental argument is the loss of sovereignty involved in membership. But there are two points to consider. The first is that the EEC is itself an arena of struggle between states and capitalist groupings - supranationality is a long way off. National interests, including Britain's, still have a very powerful voice in the EEC. Nor is the Treaty of Rome a sacred text as we can see from the EEC's highly interventionist industrial policies and its inability to prevent a massive extension of nationalisation by the Mitterrand government. Secondly, the UK's sovereignty will be more constrained, if my argument is right, by being outside the EEC than within it.

Two of the options available are: first to go along with the EEC as it now is; the second is to withdraw as a condition of acting independently. The first is inadequate and unacceptable to the Left. The second is mistaken for the reasons I have given.

There is a third option: to accept fully the need for involvement in the EEC and to work with all the forces available to change its policies with regard to coordinated economic expansion, industrial collaboration, assistance to the developing countries, relations with the socialist world, coordinated approach to the control of multinationals and the supervision of banking and financial systems. It could foster workers solidarity across EEC boundaries. And of course it could seek alliances among the '12' to oppose cruise missiles and for nuclear disarmament. We cannot know how much ground would be gained but it is important to break out from the defensive position into which much of the Left is still bunkered. •