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The lives of others

Jon Cruddas and Jonathan Rutherford

Philip Collins & Richard Reeves, *The Liberal Republic*, Demos 2009

In the current political turmoil, the political fault-lines of a new era are taking shape. On one side are those who continue to believe that the market and individual choice are the most effective means of maximising individual freedom. On the other side are those who believe that individual freedom is based in social relationships and the democracy of public action. This fault-line cuts across party lines and divides them from within: Thatcherite politics versus Compassionate Conservatism and Red Toryism; market Liberal Democrats versus social Liberal Democrats; neoliberal New Labour versus social democratic Labour.

The fault-line inside the Labour Party has been defined by two groupings: Progress represents the right of centre New Labour establishment, while Compass speaks for an insurgent centre left. But recently a third intervention has been making itself heard. It comes from the think tank Demos, which has been promoting a liberal republican politics. In May it celebrated its sixteenth birthday with the launch of *The Liberal Republic*, co-authored by its chair, Philip Collins, and Director, Richard Reeves (available on www.demos.co.uk).

The authors want to revitalise the liberalism that shaped the New Labour project in its early, idealistic years. Their key themes are the autonomous individual; the radical devolution of power; the value of market choice in distributing freedom; and welfare and public service reform that encourages personal independence. In their brief introduction they outline their conviction that individuals must have the power to determine and create their own version of a good life. ‘The good society’,

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they argue, 'is one composed of independent, capable people charting their own course, rather than a perfect shape to be carved by the elite, out of the crooked timber of humanity'. They cite the nineteenth-century liberals Leonard Hobhouse and Thomas Green, and this signals their broader intent: both Hobhouse and Green were involved in the debates between social liberalism and ethical socialism that forged the spirit of the modern left. The pamphlet is an intervention that evokes these earlier debates. It is an overture to the centre left in the form of an invitation to travel back in time to conduct an argument over its conflicting traditions of radical liberalism and socialism.

This invitation comes at a crucial moment for the left, both inside and outside the Labour Party. The Labour Party is teetering on the edge of oblivion and the left is struggling to make a political impact. It lacks a coherent identity, is organisationally and numerically weak, and is unclear about its values. It has no story that defines what it stands for. It has yet to strike a popular chord and transform the centre ground of politics. The self-inflicted crisis of capitalism is serving only to highlight the weakness of the social democratic and liberal left.

If a new progressive politics is to emerge out of this conjuncture of disasters, discussion and new ideas are essential, and this includes re-engaging with earlier traditions and old debates. It is telling that during the last three decades of resurgent capitalism, social democracy in Britain has failed to produce a significant theoretical work to replace Anthony Crosland's *The Future of Socialism*. Crosland's revisionist answer to Marxism, however flawed, at one time provided an intellectual cornerstone for the centre left. Crosland was always out there on the horizon, keeping alive the language of class, capitalism and equality, a beacon of hope that social democracy would one day pay off. But Crosland's model of social democracy was dealt a near fatal blow in 1976 when the Labour government abandoned the post-war welfare consensus and was forced cap in hand to the IMF. Any flames of the beacon left flickering after the rise of the Third Way were finally extinguished by the post-crash budget of April 2009. The left needs to forge a new politics and develop theoretical ideas for these changed times. Has liberal republicanism something to offer?

The social individual

The authors of *The Liberal Republic* are confident that the future lies in the historical

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legacy of liberalism and its modern kindred spirits. The work of Amartya Sen plays a central role in their social policy ideas. As they acknowledge, the conditions for a self-directed life do not emerge out of thin air: 'independence requires a set of what Amartya Sen labels capabilities - especially financial resources, education and skills and health. Without them the goal of independence is a pipe dream'. They recognise that to ensure these capabilities a correction must be made in the current extremely low level of benefits, and the unequal distribution of wealth and assets. They also acknowledge that the low pay of a large proportion of the working population is insufficient to support an autonomous life. Similarly, there is a need to increase taxes on unearned financial resources and inherited wealth, because this will promote independence. They also support electoral reform and the devolution of power into the hands of the people. Liberalism means individuals becoming the authors of their own lives, 'but republicanism demands that we are also co-authors of our collective lives' (p57).

These views belong to a centre left politics - Hobhouse and Green would not dissent from them. But the problems begin when the nature of this co-authorship is probed: their ideas on how to achieve a good society are not convincing. Their liberalism dominates their republicanism and they have little to say about a collective politics of change. Their call for power to the people is limited, and mirrors David Cameron's vague idea of a post-bureaucratic society: 'The best way of describing what we are suggesting is that it is a revolutionary transfer of power from one class, the bureaucracy, to another, the people' (p47). There is no mention of making the power of employers accountable, or of dispersing power in economic institutions. They are not concerned by the 'gap between the affluent and the "super-rich"'. They do not think that wealth inequality threatens political equality and do not see why the 'mega-incomes of a handful of people' should 'prevent the rest of us leading a good life' (p35). Unlike the social liberals, they offer no conception of the common good (or of society, or of community) that recognises the interdependency of individuals. They have nothing to say about the role of culture in binding people together and creating identity out of shared meanings. What holds their liberal social order together? Friedrich von Hayek would argue that it is the economic relations of the market. Philip and Richard insist that their liberal economics is not the same as neoliberal economics - but they do not explain why. At the heart of their political philosophy is the absence of the social realm. And this is the fundamental weakness in their argument.

'The beginning of a liberal politics is the individual', they write. But what is their

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definition of an individual? Richard and Philip take this question for granted, and treat the individual as a discrete, historically unchanging unit, governed by rational thinking. But as Marx pointed out many years ago, liberal political economists are mistaken in seeing the individual as history's point of departure rather than its historic result. As he argued, the modern epoch that produces the isolated individual is also the epoch of the most developed social relations. The individual is a sociological category, made in a complexity of emotional, cultural and economic relations. But Richard and Philip's liberal philosophy ignores this complexity. They comment that not everyone will be successful in life: 'Our lives may be wracked with tragedy and failure - but they are our own tragedies and failures' (p9). But they do not recognise that, though as individuals we may often be the architects of our own downfall, we do not control the broader conditions that give rise to our tragedies and failures.

We have no choice about the class, family, race and gender we are born into - and which will define our life chances. We do not decide the inequalities which determine the prospects of our longevity, the statistical likelihood of our succumbing to poverty, poor housing, unemployment, murder, prison, disease, mental illness, obesity, educational failure. Very few of us can influence the hierarchies of status which trigger the social emotions of shame and humiliation that impact on our well-being from the beginning of our lives. These are socially produced problems of class and economic power and they require collective action to change. Challenging them cannot be the responsibility of individuals alone - as has been the pernicious message of market fundamentalists. But the authors mobilise Sen's concept of capability as a means of disconnecting the social from their argument, and in their zealous advocacy of individual 'independence' they end up perpetuating the anti-politics of neoliberalism.

This is particularly evident in their uncritical promotion of the government's welfare reforms, and its personalisation agenda in social care. They make unsubstantiated claims such as: 'individual budgets give *control* to the citizen'; and 'recipients are happier, results are better and costs lower' (p49). For them welfare reform is defined by the problem of recipients who are 'unable to do without state handouts'. They consider this inability an immoral condition, that demands correction through conditionality in the benefits system: after one year recipients should work full time for their benefits. John Stuart Mill is called on to endorse this 'liberation welfare'. They quote his comment that welfare assistance 'should be a tonic, not a sedative' (p17). But they get the quote wrong. Mill said 'assistance is a

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tonic, not a sedative' - for people who are discouraged.

Politics and sympathy

Why are the authors concerned with the lives of others? What compels them to worry about the independence of strangers? Their take on liberal philosophy offers us no clues - but their politics is not driven by sympathy, or any sense of ethical obligation. Though they cite Hobhouse, they do not share his social liberalism. For Hobhouse, progress is 'the development of that rational organization of life in which men freely recognise their interdependence, and the best life for each is understood to be that which is best for those around him' (*The Ethical Basis of Collectivism*, p150). But the notion of freedom espoused in this pamphlet carries with it an element of moral coercion. Its liberalism slips its social moorings as the authors assert a series of absolutes: 'people should not be dependent on anyone else for their income'; 'there can never be agreement about the values and purposes of life' (p21). There is an underlying moral imperative that individuals must maximise their independence from the state, must free themselves from conditions of dependency and must follow that 'most human attribute', the ability to choose.

Despite its claim to a social liberalism, *The Liberal Republic* is about creating market actors capable of functioning in a market society governed by individual rational choice. Its frame of reference can best be understood as consonant with the kind of liberal form of governance analysed by Michel Foucault - one that uses indirect techniques for controlling individuals without at the same time being responsible for them. In this form of governance a coercive and interventionist state creates the institutions the market needs, and attempts to shape the character of individuals.

In their advocacy of welfare reform, Richard and Philip echo the utilitarian liberalism of Jeremy Bentham, who, in respect of welfare, was a believer in firm government: for him the influence of legislation was 'as nothing' in comparison with the 'minister of police'. Mill described Bentham as a man who had no sympathy. There is a callousness in Benthamite and economic liberalism, and it is present in *The Liberal Republic*. (Mill himself struggled with the absence of empathy in his own life: he discovered it in the romantic poetry of Coleridge, and in the person of his wife, Harriet Taylor. But he could not make it a part of his own self, and was unable to synthesise the emotional and rational in his liberal philosophy.) Phillip

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and Richard allow their liberal rationalism to dominate over any kind of emotional identification that embraces others in a mutual recognition. Nothing holds their social order together except the moral imperative to maximise personal autonomy.

Ethical socialism also begins with the individual, but it is with the social individual relating to others and producing in society. The central value of socialism, alongside liberty, is equality, because, as Hobhouse writes, 'it stands for the truth that there is a common humanity deeper than all our superficial distinctions' (p141). Socialism is about the structure of relations between individuals, which shape both our psyche and our place in the world. It does not pitch the individual against society, but sees individuals as constituted in society. Society has its own kind of regularity, but it is nothing more than the relationships of individuals. There is no 'I' without first a 'we' that is historical and forged out of culture and society.

Unlike liberalism, ethical socialism is based on a mutual recognition between individuals: 'your freedom is equal to my own'. It asserts an 'ethical intention' in the sphere of politics. Paul Ricoeur describes this as 'the desire to live well with and for others in just institutions'. The scandal of MPs' expenses and the public fury it has unleashed suggests a society that has forgotten this concept of politics. Ethical values have given way to a culture of individual self-interest in which those who have feel entitled to take more. Power is unaccountable, and the political elites are divorced from the people. The enterprise culture, the flexible labour market and welfare reform have all generated anxiety and isolation rather than 'independence'. The state of dependency that is the precondition for self-reliance has been held in contempt by tabloids and politicians alike. Those on benefits have been demonised. In public service, kindness, care, generosity and reciprocity are out of keeping with the dominant market culture and are micro-managed out of existence. A public culture of distrust and resentment is the legacy of decades of neoliberalism and the inequalities and erosion of social bonds that it has caused.

The liberal individualism of *The Liberal Republic* is unlikely to remedy this condition. Two institutions have dominated the life of this country for the last thirty years: the state and the market. How shall we reform them, in order to confront the massive systemic problems we face? The progressive future belongs to those who find a credible answer to this question, and who are able to achieve a popular balance between individual self-realisation and social solidarity. The politics of the future needs to revisit the old arguments between liberalism and socialism,

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and incorporate into them the issues of gender inequality, cultural difference and ecological sustainability. This will involve alliances between old and new political actors. What shape it takes, and what it might be called, are not yet clear - but *The Liberal Republic* seems to have placed itself outside this epoch-defining debate.

No small undertaking

Sofi Charlstan

Pat Devine, Andrew Pearmain and David Purdy (eds) *Feelbad Britain: How to make it better*, Lawrence & Wishart 2009

Feelbad Britain is a revision of an essay of the same name originally published in February 2007, complemented this time around with a series of additional essays which further develop some of the main strands of the argument. The authors of the main essay describe themselves as people who have each been involved in left-wing politics for upwards of forty years; their objective is to bring an historical understanding and a Gramscian perspective to bear on the analysis of what has gone wrong with British society and what we need to do to fix it. Given the disintegration of left-wing politics in this country, our petty floundering in the face of climate change, and the growing social and economic polarisation of our society, if there was ever a time for wisdoms and historical insights to inform the task ahead, it is probably now.

Our social recession

The book begins with a few cold hard facts and a summary of the evidence of the pretty dire state of Britain's social fabric. Firstly, as widely argued in recent years, despite increasing wealth and material prosperity, people are on average no happier than they were twenty to thirty years ago. Far more concerning though, is the widespread incidence of clinical depression and anxiety, and the steep rise in the incidence of

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depression in children since the 1970s. Added to that is the increase in inequality, begun under Thatcher and unhalted by New Labour, which means that Britain is now more unequal in terms of income than in any year since 1961, when statistics were first published. And then there's the reduction of social mobility, with a contraction in opportunities for working-class kids whilst 'old boys' style middle-class networks have consolidated in growth industries like banking and new media. We have more people in prison than ever, including the highest population of children in prison in the western world, and the highest rate of premature birth in Europe. And last but not least, there's our unprecedented levels of anxiety-inducing personal indebtedness, driven by the irresponsible lending of the banks and contributing to the current economic crisis.

As well as looking at the ways in which market forces and values have corroded our well-being and social relations, the authors also, perhaps more interestingly, look at other tendencies and impulses inherited by New Labour from Thatcherism. Two of these are New Labour's growing authoritarianism and centralisation of power; and its singling out of groups within British society as scapegoats for the hardships and unhappiness neoliberalism has inflicted on the masses. After some initial toying with devolution, New Labour adopted the same approach to centres of power outside of central government as Thatcher had done: it focused on weakening and undermining every main source of political legitimacy and involvement outside of central government - from local councils to trade unions to professional bodies - and on the consolidation of that power centrally. From undermining teachers, to extending financial control over local authorities, New Labour has sought to delegitimise and corrode what remained of the nexuses of public participation in the governance and reproduction of our society. This has undermined what the authors describe as our 'system of social citizenship', turning many people who were once more active in governing or operating their local social infrastructure into passive consumers, and recipients of services controlled by bureaucrats who are both physically and socially remote.

New Labour has also wholeheartedly adopted Thatcherism's invocation of rhetorical enemies of the state to divert attention away from the real forces and agents corroding our social and economic wellbeing. Muslims, hoodies and immigrants have joined the classic and ubiquitous Thatcherite character of the 'scrounger' as the principal targets of poisonous rhetoric espoused by government. And while British society has been busy hating immigrants and scroungers, the process of elite self-enrichment has continued, with ever bigger bonuses not just for big business fat cats

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but also for the newly installed quango and public sector elite. And on top of this the delegitimisation of professionals and weakening of local authorities and other centres of power has smoothed the way for the further privatisation of public services and the replacement of the ethos of public service with market principles.

Policy-itis and insights from Gramsci

From the point of view of the authors, Gramsci is key to understanding why the above-described processes have continued under New Labour: specifically through his concepts of hegemony and 'transformism'. In Gramscian theory, politics takes the form of a struggle for hegemony, in which different classes seek to present their interests as the interest of all and thereby establish their claim to leadership over a whole society (p33). Successful hegemony requires the building of alliances, with the objective of constructing a 'historic bloc' of social forces, gathered around a dominant class and held together by that class's hegemonic ideology, which then becomes 'the common sense of the age' (p34). On this approach, the ascendancy of the neoliberal right in the 1970s was not merely opportunism but rather a political project aimed at achieving social, political and economic change in the long run, and underpinned by a coherent ideological basis. However, its project eventually unravelled, with the social breakdown of the 1980s leading to outright civil disorder and necessitating a tweaking and rebranding. Enter New Labour.

In contrast to Thatcherism, it is argued that New Labour has never had a long-term project. Rather, New Labour government is seen as afflicted by 'a kind of policy-itis, an epidemic of proposals and targets and executive summaries'. It assumes 'a kind of Attention Deficit Disorder on the part of the British public' (p70). This focus on superficiality, spin and the rapid deployment of new policies is a necessary cover for the absence of any underlying strategy or set of values beyond the continuation of the Thatcherite drive to extend the reach and rule of the market whatever the cost.

Some political grounding for a new generation?

Feelbad Britain definitely fills a big gap. The fact that the authors felt the need to write it also begs some interesting questions, including why so many new political activists are so out of touch with political history and theory, and the experiences and learnings

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of the movements that have gone before them. Are we experiencing a low-point in political consciousness, itself a product of thirty years of neoliberal capitalism and the degradation of our social fabric?

What is also very interesting is that the authors broach certain ‘no go areas’ which we need to face up to if the democratic left is to have even the remotest chance of launching a truly transformational project of its own. The critique of the militant labourism of the trade unions in the 1970s is one such discussion. Similarly, *Feelbad Britain* refreshingly acknowledges the big problems with the state-owned enterprises of the post-war era, which were not subject to democratic control any more than private-owned enterprises are. They also offer an interesting and poignant critique of green politics, touching on the long-standing philosophical gulf that exists within the environmental movement between those who are motivated by what they believe to be the intrinsic value of nature and those who are primarily concerned about protecting the environment *for* people. They assert the need for the green movement to get over its privileging of the traditional and the rural and to get to grips with the modern age:

Green politics needs to focus on the social as well as the environmental, and on ways of involving as well as alarming people, two political techniques that do not always sit comfortably together. It also needs to celebrate rather than oppose the modern and the urban, to engage with the popular mainstream as well as the variously disaffected, and to demonstrate that a sustainable society and lifestyle would offer a better, not worse, quality of life (p73).

There is a risk that a book like this might take a rose-tinted view of the past, a bit like your grandma harking back to the good old days - a golden age when you spoke to your neighbours and didn't lock your back door - whilst conveniently forgetting the suffocating nature of community life in post-war Britain and the stigmas and prejudices that cast many to the edges of society. Fortunately *Feelbad Britain* resists any such romanticisation; their point is that neoliberalism has brought out the worst in us, and that New Labour hasn't done very much to make things better.

The editors of *Feelbad Britain* hold out little hope for the transformation of the Labour Party as the solution to the current void on the democratic left, asserting that

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as an institution it is now geared entirely to the support of career politicians backed by special interests and that the central control exerted within it make prospects for successful political change from the inside pretty bleak.

They also seek to manage our expectations about the immensity of the task ahead, however, arguing that the kind of transformation that is needed in the social, political and economic spheres is unlikely to be achieved straightforwardly, or in our lifetimes, because of the fundamental cultural change needed first; namely the growth of desire for more participatory forms of democracy in the first place. They helpfully point to a few ideas to start us off, and these are elaborated in the essays that follow. One of the most interesting proposals is the one simply stated in the main essay - that the project which drives forward the campaigns for these solutions must be a diverse one, undertaken by a 'rainbow alliance' comprising all the various components of the left outside of the Parliamentary Labour Party. Some guidance from the authors on how to construct such an alliance wouldn't go amiss, though, given the current tendency for many organisations in this space to compete against one another, and the clamouring amongst them to become the banner under which the democratic left unites. Perhaps the authors are leaving that one for the next political generation to work out.

Better on symptoms than remedies

David Purdy

Jesse Norman, *Compassionate Economics*, Policy Exchange and the University of Buckingham Press Ltd, 2008

Jesse Norman is a Senior Fellow and former Executive Director of Policy Exchange. He is also the Conservative Party candidate for Hereford and South Herefordshire. This short book is the second part of a larger project aimed at providing a coherent

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intellectual and practical basis for the New Conservatism (available on-line at www.ubpl.co.uk). The first part, published in 2006 under the title *Compassionate Conservatism*, traces the historical roots of this project and develops the concept of the 'connected society', a term intended to shift attention away from the 'vertical' relations between individuals and the state which have preoccupied political thinkers since Hobbes, towards a 'horizontal' concern with social institutions and human relationships

It would be a mistake to dismiss compassionate conservatism simply because the badge was once worn by George W. Bush. Neither 'Red Tories' such as Phillip Blond nor 'Tory Whigs' such as Jesse Norman have anything in common with the US neo-cons. Rather, at a time when the New Labour project lies in ruins and the temple of neoliberalism is badly damaged (though far from destroyed), these New Conservatives are openly critical of certain aspects of the Thatcher revolution, seriously concerned about Britain's 'broken society', and eager to remind their fellow Conservatives of their party's intellectual heritage, from Burke's organic view of society to Carlyle's polemics against laissez-faire capitalism and Ruskin's critique of liberal political economy. Not surprisingly, given this provenance, many of the criticisms that 'red' or 'compassionate' Tories level at New Labour and mainstream economics echo those made by the democratic left, certainly as regards the symptoms of Britain's social crisis and even in terms of basic values, though as I argue later, they misdiagnose the state we are in and their proposed remedies are unconvincing, not least because if the Conservatives win next year's general election and take an axe to public spending at a time when GDP has stopped falling but recovery is by no means assured, the resulting economic hardship is likely to damage social cohesion still further.

The argument of *Compassionate Economics* is that even before the onset of the great recession in the autumn of 2008, the UK's economic performance since 1993 had flattered to deceive. It looked good compared with the crisis-torn 1970s, the recession-wracked 1980s and the sclerosis that afflicted the eurozone in the 1990s. But in fact, the UK grew more slowly than other rich, free-market, Anglophone economies and its growth was driven by simultaneous booms in government spending, immigration, house price inflation and personal debt, against a backdrop of low interest rates and easy credit, all ephemeral factors that did nothing to strengthen the underlying foundations of prosperity: productivity, social institutions

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and the education system. Indeed, the multiple social disorders that accompanied Britain's debt-fuelled spending spree, manifested in levels of drug abuse, binge drinking, teenage pregnancy, family breakdown and child mental illness that are far worse than those found in other affluent countries, suggest a society which is deeply troubled and dysfunctional.

Norman attributes both the flawed economic boom and the unfolding social crisis to the malign influence of what he calls the standard economic model, sometimes known as 'rigor mortis economics', a body of ideas about markets and government which over the past forty years has not only dominated the teaching of economics and the conduct of public policy, but has even taken root in everyday life. The model, a sophisticated mathematical construct based on the assumption that all economic agents - individual persons, commercial firms and public agencies alike - are self-interested rational maximisers, describes the operation of an idealised competitive market economy in abstraction from any specific form of social life and uses deductive reasoning to demonstrate that, if it existed, such a system would satisfy people's wants and preferences to the maximum extent and at the lowest cost possible, given available resources and technology. Questions of distribution - who owns what, who gets what and whether the rules of the game are fair - are a separate matter on which economists qua economists make no comment. They do, however, concede that wherever actual markets deviate from the ideal conditions assumed in the model, the resulting 'market failure' creates a prima facie case for government intervention to produce an outcome closer to the optimum, as if the fault lies in reality, not the model.

There is, as Norman notes, abundant evidence that people do not behave as rational economic maximisers: they are, for example, biased towards the present and the status quo, even in the face of incentives to change; they do not systematically evaluate alternatives; they are influenced by the way choices are framed; and their motivations are not reducible to the lure of gain or the fear of loss. Neither does the standard model do justice to the dynamic, liquid character of real markets, understood as historically evolved and culturally embedded forms of social interaction; while the concept of market failure is so elastic as to give government almost unlimited licence to intervene. And the effect of ignoring social institutions and relationships is to establish a presumption in favour of centralisation and the command-and-control mentality which, when applied to the public services, has done untold harm, lowering professional morale, undermining public trust,

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and creating a whole new layer of officialdom to monitor, inspect and audit the performance of public agencies.

Norman singles out the tax credit system devised by Gordon Brown and administered by the Treasury as a particularly egregious instance of centralised, over-complex and wasteful micro-management, which few people understand and which, far from enhancing income security, causes anxiety and hardship whenever (as happens all too frequently) claimants are overpaid and the authorities subsequently demand repayment. This said, he fails to explain why the government opted for this particular anti-poverty policy rather than any other, and offers no preferred alternative of his own. It is also worth noting that tax-credits are descended from the idea of a Negative Income Tax, proposed by Milton Friedman in 1962, with cavalier disregard for the problems of implementation that always arise in connection with plans for reforming social security.

Much of what is wrong with received economic theory stems from its impoverished conception of the person. Stripped of their social characteristics and abstracted from the cultural settings that give shape and meaning to their lives, human individuals become atomised bearers of wants and preferences, mere vessels for transient experiences of pleasure and pain. In place of this solitary, passive and hedonistic conception of the self, Norman commends a view of the person as an active, autonomous acquirer and exerciser of capabilities, changing and developing over time, involved in a variety of social relationships and constantly seeking outlets for self-expression.

The active self is one aspect of compassionate economics, with far-reaching implications for the education system. The other is what Norman calls the social foundations of economic prosperity: a flourishing civil society; a judicious blend of competition and co-operation; and a vigorous entrepreneurial spirit, broadly understood in terms of open-minded inquiry and creative thinking, not simply as having an eye for the main chance. The financial crash of 2008 forces us to rethink economic theory and policy from the ground up. Compassionate economics is not a new set of policies, but a new paradigm, a set of guidelines for producing policies. Norman claims that if this paradigm becomes established in public discourse and institutional reform, it holds out the promise of replacing the kind of casino capitalism that has evolved in Britain over the past thirty years with a more solid, stable and civilised variety.

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As indicated earlier, the democratic left can happily endorse much of this argument. Critics of neo-classical economics have long complained that it treats human individuals as asocial atoms and that its understanding of the market is ludicrously mechanistic. And the concept of the active, developing self should commend itself to anyone who subscribes to the ideals of personal autonomy and participatory democracy, for only people who are capable of thinking for themselves and making their own reflective choices and decisions will have the capacity and desire to participate in the business of governing, including the governing of business.

Neoclassical economics undoubtedly helped to shape the mindset and policies that have brought Western capitalism in general, and Britain in particular, to their present parlous condition. The prime culprit, however, is not the standard economic model, but rather the neoliberal political project which it helped to inspire and legitimise.

Neoliberalism - a term, incidentally, which is conspicuous by its absence from Norman's account - was forged in opposition to Keynesian social democracy, the fusion of social democratic politics and Keynesian economics that governed public policy during the 'golden age' of post-war capitalism from 1945 to 1975. But neoliberalism was always more than a recipe for quelling inflation, corraling the public sector, replenishing corporate profits and restoring the primacy of market forces in economic life. Behind its harsh remedies for the economic failings of the old regime, lay the idea that the good society is one in which individuals enjoy maximum (and, in principle, equal) freedom to seek their own salvation in their own way so long as they do no harm to others. According to neoliberals, the form of society that best enshrines this ideal is one based on private ownership of productive assets, free contracts, competitive markets, commercial money and generalised commodity production. The only legitimate role of government is to establish (or re-establish) the institutions and norms that underpin these conditions.

Neoclassical economics was only one of the sources and component parts of the neoliberal project. The others, in no particular order of importance, were Hayek's restatement of classical liberalism and the Austrian tradition of economic thought; Chicago monetarism, as expounded by Milton Friedman; and the theory of public choice developed in the 1960s by writers such as James Buchanan, who sought to apply the model of *homo economicus* to the behaviour of governments, bureaucracies and voters. To be sure, these diverse schools of thought are not altogether compatible. There is, in particular, a major theoretical disagreement

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between neo-classical economists, who equate uncertainty with risk and seek to show how market forces steer the economy towards a state of general equilibrium (a concept borrowed from Newtonian physics), and their Austrian rivals, who see the market as a framework for trial, error, discovery and innovation and have no time for the concept of equilibrium. But political projects, unlike logical arguments or scientific theories, do not need to be totally free from inconsistency: indeed, up to a point, internal tensions are a source of strength. At the end of the second world war, for example, the policy paradigm we now call Keynesian social democracy appealed to liberal collectivists and one-nation conservatives, as well as to social democrats. Similarly, when this paradigm proved incapable of resolving the organic crisis of the 1970s, neoliberalism provided a rallying point for all those who wanted to dismantle the post-war settlement and found a new kind of state.

Now that the neoliberal project in turn is in crisis, the challenge is to promote economic recovery, rebuild social cohesion and combat global warming, all at the same time. Norman has nothing to say about environmental issues, and although he recognises the gravity of Britain's social problems, he appears to share the Tory leadership's view that our best hope of escaping from recession is to reduce the scale of public borrowing by cutting public expenditure, a policy which could easily cut short any incipient economic upturn and plunge us into a 1930s-style depression. This is not to deny that Keynesian reflation poses difficult problems of public finance. Nevertheless, in a situation where capitalism has come to the end of a long consumer boom and cannot be revived by efforts to get the private sector to take on yet more debt, it is better for government to act as 'spender of last resort' than to wait for market forces to engender a 'spontaneous recovery', a process that could take many years and would do nothing to combat climate change, but would almost certainly exacerbate Britain's social decline.

From this standpoint, our best hope lies in a green new deal, focusing on projects which are centrally sponsored and financed, but locally planned and implemented, and which bring together central government, local authorities and civil society in a concerted effort to cut carbon emissions, conserve energy and increase energy efficiency. Indeed, the revival of social hope and the emulation of Obama's 'can do' politics could rekindle what Keynes called the 'animal spirits' of enterprise - the will to act and create without knowing for certain whether the venture will succeed - thereby re-stimulating private investment and reducing the need for deficit-financed public spending.

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