CONCEPT
THE JOURNAL OF CONTEMPORARY COMMUNITY EDUCATION PRACTICE THEORY

Vol. 9 No. 2, Summer, 2018

The Global Financial Crisis and Some Potential Solutions for Communities

Richard Leonard

In 2008/9 Richard Leonard, then Scotland Political Officer for the GMB Union, was asked by Concept to reflect on the implications of the wider economic context for Scottish communities. Ten years on, we are reproducing that article, with a new introduction by the author, now Leader of the Scottish Labour Party.

Introduction

When I was asked to write a short piece for *Concept* in 2008/9, the global banking financial crisis was at the centre of political debate. There was a sense that the advanced capitalist world order was at a crossroads, that the arteries of economic democracy could be opened up, many for the first time, and as a result popular pressure could mould the economy into a different shape. It appeared that new forms of accountability might even be possible. In fact, a decade later many of the old concentrations of power still exist. It is true that bank chiefs have occasionally been subject to greater interrogation by Parliamentary Committees, but when RBS announced a further round of branch closures in 2017 – in many instances resulting in the closure of the last commercial bank in town – there was a point bank refusal by the Conservative Government to intervene, even though that bank, rescued by the state, is over 70 per cent taxpayer owned. Too little has changed.

Back in 2009 I was privileged to be working for the GMB union. For almost two decades I had gained an unrivalled education representing working people and, in so doing, getting a close-up view of some of the biggest businesses and public service providers in Scotland. I always knew that industrial organisation and action could advance the interests of working people so far, but that the real breakthroughs almost always come politically.

http://concept.lib.ed.ac.uk/ Online ISSN 2042-6 968

In 2016 I was elected as a Member of the Scottish Parliament for the Scottish Labour Party for Central Scotland. And in November 2017 I was elected as the Leader of the Scottish Labour Party, standing on a distinctive political platform which, looking back, is reflected in the ideas which are aired in the *Concept* article. It is a platform built on the pillars of a redistribution of not just wealth but power, of opposing austerity with practical alternative proposals, and of promoting new forms of common ownership. Already this has led to a line being drawn under the era of PFI/PPP and NPD and renewed resolve to use pension funds more creatively. It has meant the advocacy of a Scottish style 'Marcora Law' and the promotion of a co-operative economy. It has drawn too on the longstanding and compelling argument for a Scottish Investment Bank worthy of the name, and a new role for trade unions as agents of change and planners of the economy of the future.

Above all, it is a political manifesto for real and radical social and economic change, understanding the need for a 'new emphasis on the regeneration of communities rather than capitalism' for 'state intervention to secure popular control rather than popular intervention to secure state control', and recognising that 'without change there may be respite for some but the scourge of inequality, not just of wealth, but the devastating inequality in the distribution of power in this country will make any economic revival very narrow, uneven and corrosive'.

These are principles articulated a decade ago by the Scottish labour and trade union movement, and they are the same principles which still motivate me a decade later as the leader of the Scottish Labour Party.

The following text is the article as published in CONCEPT Vol. 10, No. 1, Summer 2009

In contemplation of the economic troubles faced by the last Labour Government, Tony Benn famously declared that the very scale of crisis was the 'occasion for making the fundamental changes and not (the) excuse for postponing them' (1989). So it is today. The real economic challenge is how to secure not just short-term economic management again, but long-term fundamental economic change.

One of the great myths of recent times was the claim that the business cycle was history. Nothing could be further from the truth. In 2008, in the words of the old American union organising song from the last Great Depression, 'Boom went the boom' (Wheeler, 2002). We are witnessing, globally, not just the collapse of banks but entire banking systems. The so-called dynamism and entrepreneurial spirit of finance capital is now exposed for what it is: grasping avarice and unchecked adventurism. The real story of the Bradford and Bingley and Northern Rock bank collapses is not just that they were facing bankruptcy, but the scale of bankruptcy they faced.

In times past, British financial institutions were highly compartmentalised and specialised. The Big Bang deregulation of the City of London in 1986 changed all that. It ushered in the birth of new vertically integrated financial conglomerates, and the whirlwind takeover of the entire British investment banking industry by giant overseas institutions, essentially rendering the City little more than an offshore branch of Wall Street.

Only at times of major crises is there any authentic public scrutiny of these leviathans of the corporate economy and the powerful people who run them. This power without accountability must end. Long term public intervention and planning is necessary, when appropriate by the state, but what we need is an economy run by the people for the people. So, to use Hilary Wainwright's expression, we need to 'reclaim the state' (2003) but we need to reclaim the market too. We need an economy shaped by investment decisions which meet wider social and ecological priorities, rather than ones driven by the perverse logic of share price-fixated financial institutions.

We are not talking here of a great jump to what Nye Bevan once depicted as 'an imminent and immaculate conception of socialism' (in Campbell, 1987). The nationalisation of financial institutions in Britain has been to conserve the *status quo,* not to transform it. But we are living in a period where the tide of history has changed, and is, for the time being at least, flowing in the direction of greater democracy and a new redistribution of not just economic wealth, but economic power.

It is clear that what is needed is something beyond the blank cartridges of regulation and the blank cheques of government. We need a change in ownership, a shift in power and a new balance between the City and financial services and the industrial economy. The approach must be internationalist not nationalistic.

People are looking for audacity not timidity, and not just anti-capitalism but a working democratic alternative. Part of that working democratic alternative must be a renewal in community development brought about by the experience of participation and education.

Over a century ago the pioneering socialist and ecologist William Morris dreamed of an 'intelligent revolution' led by 'an educated movement' (in Thompson, 1955). That noble cause can be served by trade unions and community organisations today. Trade unions, after all, are not just a collection of mutual benefit societies or law clubs representing individuals with grievances, but form a movement with a cause - with members rather than clients. Good trade unionism has never been reduced to getting the highest wages from the system, pure and simple. Neither has its strategy rested on industrial struggle alone. It has always at its best, challenged the existing order, questioned the logic of the market, raised social and political consciousness and so built pressure for radical long term economic and social change. So today, a progressive trade union agenda embraces not only workplace reform but fundamental economic, social and environmental change as well. That means trade unions need to be part of a wider democratic citizens movement as well as a workers' movement, and leading the debate on economic alternatives

Those links between work and community are important. For example, whilst the proportion of institutional shareholdings in the UK held by pension and insurance funds has declined, as overseas ownership of the shares of listed companies has rocketed, they still constitute a substantial bloc of 28 per cent (Office for National Statistics, 2007). These funds represent working people's deferred earnings and personal savings.

So large parts of the commanding heights of the economy are already popularly owned, but herds little popular control and accountability. Back in 2001 the new City Minister, Sir (now

Lord) Paul Myners, was commissioned by Gordon Brown, then the Chancellor of the Exchequer to review institutional investment arrangements. What he discovered was that 49 per cent of all UK Pension Funds are run by just five investment fund managers in the City of London. This represents a huge concentration of power.

Democratising these funds would provide the means to socialise the ownership and control of capital. But to make the difference at a local level it would need to be accompanied by radical reforms of UK Trust Laws. At the moment, short term speculative profiteering takes precedence over wider community and worker interest. Were this subordination to be ended then sustainable direct primary investment would become a more likely outcome. Left Labour MP Alan Simpson and others, for example, have argued for direct occupational pension fund investment in local capital projects as an alternative to PFI/PPP, and it is reasonable to conclude, the failing Scottish Futures Trust, for renewing local infrastructure (Simpson, Murphy and Hines, 2003).

Local authority pension schemes in Scotland alone were valued last year at around £16 billion. Just one scheme, the Strathclyde Local Government Pension Fund, has net assets of £9.47 billion. And yet little of this is invested directly back into the regional and local economies from whence it came. This, of course, requires not just the re-awakening of interest in pension funds which we are witnessing, but a re-awakening of interest in pension fund democracy. By the same token, the global financial collapse demands as a matter of urgency a new institutional framework for investment: internationally and nationally. It means also rediscovering the central importance of ownership in understanding where power lies.

The trade union movement has long advocated the creation of a constellation of publicly owned regional investment banks along the lines of the German reconstruction banks *(landesbanken)* at Lander level. Respected economic commentators like Will Hutton have renewed calls for this new institutional architecture in the wake of the banking crisis. Such a structure would facilitate popular planning and direction to economic investment, provide

http://concept.lib.ed.ac.uk/ Online ISSN 2042-6 968

patient capital, and allow for wider goals of sustainability, alternative ownership structures and socially useful production to be met.

One of the most radical - and popular - measures introduced by the last Scottish administration was the programme of land reform. From the virtual abolition of feudalism to the statutory right of local communities to buy local land when it is up for sale, with the aid of a Scottish Land Fund, this represents a modest but very real power for change. What goes for land reform should go for economic reform too. Employees and communities should have a legal right to convert an enterprise into a community/commonly or employee/co-operatively owned one whenever there is a take- over bid, a proposed transfer of production, or asset stripping. A more limited version of this right has existed in Italy since 1985. Far from being a charter for lame ducks, the Marcora Law has spawned phoenix worker co- operatives with a 90 per cent success rate. In Scotland, this would counter the long-term drift into a branch plant economy and start to socialise ownership from the roots up.

As well as supporting new forms of ownership, an investment bank could also assist in the just transition needed to move from a toxic and high carbon economy to a low carbon sustainable society. Not only how our goods and services are produced, but what we produce needs to change. Already we are witnessing a major contraction in the automotive industry as a result of the steep recession and the burst of the debt bubble. What this demands is planned and supported diversification into greener production whilst at the same time providing income security for the workers affected.

And that is the point. Unless we start doing things differently, reviewing our values and revising our course, as a society, not just as individual consumers, then little will really change. Without change, there may be respite for some, but the scourge of inequality, not just of wealth, but the devastating inequality in the distribution of power in this country willmake any economic revival very narrow, uneven and corrosive.

Too many communities have never recovered from the economic barbarism of the 1980s. The legacy of inter- generational damage as inequality is replicated and entrenched is well

http://concept.lib.ed.ac.uk/ Online ISSN 2042-6 968

documented, but not widely enough known. To cite but one example: according to the 2001 Census of Population 51 per cent of households in Govan with at least one person of working age not working had no-one of working age working. The Glasgow Centre for Population Health showcased some ground- breaking research in 2005 which concluded that high levels of chronic ill-health in the city may be linked to a heightened response to stress which, in turn, results from feelings of powerlessness and hopelessness (Steptoe, 2005). That is, there is more to ill-health and low life expectancy than financial deprivation pure and simple.

As we enter 2009, hard- pressed communities are being identified as prospective ghost towns, because of the high number of already empty premises. Some of Scotland's most rundown town centers like Clydebank, Kilmarnock and Paisley will get considerably worse as local economies slump and a severe depression hits the retail and retail banking sector particularly hard. It is a bleak picture unless we change it.

Vested interests in the old ways of working and living will not readily cede power even in the face of this abject market failure. That's why there will be a need for state intervention. But the emphasis in the new economics must be on state intervention to secure popular control rather than popular intervention to secure state control. The local ownership of local initiatives is important, and a new emphasis on the regeneration of communities rather than the regeneration of capitalism is essential. Depression hits the retail and retail banking sector particularly hard. It is a bleak picture unless we change.

As citizens, we need to recall some of our power which has been for too long delegated to investment fund managers and to corporate boardrooms but even some of the power which has been delegated to the boardrooms of the public sector and to politicians too. There is after all plenty of historical evidence that Parliaments respond much more to pressure from without than to argument from within.

Trade unions have a pivotal role to play in this. Founded to help liberate people inside the workplace, unions increasingly have a role in people's self-realisation outside the workplace. Founded to unite the weak with the strong, not only to negotiate the best deal from the current economic and social system but to campaign for and promote a vision of its fundamental change. Linking up with other social movements, acting politically as well as industrially, unifying thought with action, educating as well as agitating and organising, that is the challenge for today's trade unions. In the face of this economic crisis it is time in the vocabulary of that great educator of the early socialist movement in Scotland, John Maclean, to square our conscience with our intellect, because now is the day, now is the hour for that radical change.

http://concept.lib.ed.ac.uk/ Online ISSN 2042-6968

References

Benn, T (1989) *Against the Tide, Diaries 1973-76,* London: Hutchinson.
Campbell, J (1987) *Nye Bevan,* London: Hodder & Stoughton. Maclean, J(1978) *In the Rapids of Revolution,* London: Alison & Busby.

Office for National Statistics (2007) *Share Ownership, A Report on Ownership of Shares as at 31 December 2006,* London: ONS.

Simpson, A, Murphy, R & Hines, C (2003) *Peoples' Pensions,* London: New Economics Foundation. Steptoe, A (2005) *How Stress Gets Under Your Skin,* Glasgow Centre For Population Health Seminar Series 2.

Thompson, E. P. (1955) *William Mon-is, Romantic to Revolutionary,* London: Lawrence & Wishart. Wainwright, H. (2003) *Reclaim the State,* London: Verso.

Wheeler, H. (2002) *The Future of the American Labour Movement,* Cambridge: Cambridge University Press.

Useful Further Reading

Gall, G. (ed) (2007) *Is There a Scottish Road to Socialism?* Glasgow: Scottish Left Review Press.

Mills, V. (ed) (2005) *The Red Paper on Scotland,* Research Collections @ Glasgow Caledonian University.

Scandrett, E. (ed) (2003) *Scot/ands of the Future,* Edinburgh: Luath Press.