

**AN ECONOMY
FOR THE PEOPLE,
BY THE PEOPLE**



NEW
ECONOMICS
FOUNDATION



ECONOMIC CHANGE FOR PEOPLE CAN ONLY BE ACHIEVED BY PEOPLE

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Ten years ago we watched with disbelief as Lehman brothers collapsed and the economy as we knew it teetered on the brink of meltdown. Many millions of words have been written about what has happened since, but three clear facts stand out from this lost decade.

The first is that people who did not cause the crisis and who had no say in the risks taken in financial markets on their behalf have paid the highest price. Taxpayers' money bailed out the banks; that was unavoidable. But the subsequent retrenchment of fiscal policy has had a profound impact on people's lives – especially those for whom public services are a lifeline. This is directly related to the crash, but also to the policy choices made in its wake. It did not have to be this way.

Second, economic policy since the crash has strangled investment and done almost nothing to change the direction of financial flows – which are mostly upwards and outwards from the neighbourhoods and communities in which most people live – or the massive regional imbalances that were

stark before the crisis and are now starker still.

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For the first time in modern records, 'economic growth' - a hollow and moribund concept - has ceased to deliver pay rises for many. As a consequence, the past decade of wage stagnation is forecast to continue until deep into the 2020s, making this the longest period in which people have

not seen their quality of life improve for more than 150 years .

Wealth has continued to be concentrated at the top, with the richest 10% now owning 45% of the country's wealth while the poorest half of households own just 9% . A typical company chief executive now earns 120 times the average wage , and recent data from the CIPD showed that average CEO pay rose by 11% in the past year, vastly outstripping the wages of most workers . And lurking behind the much-trumpeted data on unemployment is an explosion of insecure work.

Third, the crisis, the bailout and policy since has set back significantly our efforts to tackle climate change and the destruction of our environment. Government investments in fundamental changes to the structure of our economy, made in the past ten years, would by now have crowded-in private sector finance and given an immutable signal about the carbon-free direction of the economy.

Facing a multitude of extreme climatic events – all of which cost lives and money – policymakers are beginning to awake to the risks we are taking. It is not too late to act, but a largely wasted decade has reduced to a handful of years the size of our window of opportunity to keep climate harm to within broadly manageable parameters and reverse our devastating impact on species and habitats.

It is hard to ignore and easy to understand the build-up of rancor in the places most affected by austerity and an economic system that is failing them. In cities and towns often termed 'left behind', it looks as though the perpetrators of the crisis and the political class that created the crash conditions have escaped scot-free whilst their communities have paid the price. And through the vote for Brexit, many in these areas showed their discontent and demanded change.

But Brexit is the very last thing we need – in fact, all signs suggest it can only make things worse. We are now locked into a zero sum Brexit game at the very time we should be transforming our economy. We should be focusing on urgent environmental action, improving people's livelihoods, providing new affordable homes, comprehensive health and social care, and building technology and infrastructure that is fit for the future and able to bring human existence back within environmental limits. Instead, we are arguing over how to conduct a withdrawal from Europe that will only make these goals recede further into the distance.

As it becomes increasingly clear that Brexit is not the panacea that many hoped for, the clamor for change will grow louder. How we respond will be the challenge that defines the next decade.

The four-decade-old neoliberal

model is exhausted; what is needed now is a new economics in which government rediscovers its role in pursuit of an economy that works for people and planet. An economy rooted in a thriving and healthy environment; one with better and more equal living standards in which the basics for a

the receiving end having an effective voice in how the economy is run. Economic democracy is therefore an indispensable early step on the road to a new economy. And the seed of this democratic renewal are taking root. From the inspiring Occupy movement, to protests against austerity and climate



WE NEED POLICY THAT IS MADE AND IMPLEMENTED DIFFERENTLY, WITH THOSE WHOSE LIVES ARE SPENT ON THE RECEIVING END HAVING AN EFFECTIVE VOICE IN HOW THE ECONOMY IS RUN.



decent quality of life is guaranteed for all. An economy that seeks to build the space for progressive business to thrive, whilst curbing the practices of business which works against our collective interest. But perhaps above all, an economy that genuinely empowers people. This means encouraging greater common and co-operative ownership, building a decentralised and active state, and driving powers down to the level of communities where people know best.

To get here we don't just need different policy. We need policy that is made and implemented differently, with those whose lives are spent on

change; from resistance to fracking, coal and oil, to the new, democratic citizen platforms (powering En Comú to a famous win in Barcelona); there is a growing sense that the economy is not something that should be done to people, but rather with and by them. Add to this the constantly accelerating pace of digital innovation – both a profound threat and a real opportunity – and the outline of a world in which policymaking and economics is never going to be the same again is discernable.

THE NEW ECONOMICS FOUNDATION

The New Economics Foundation has always been a home for radical thinking and dissent. From wellbeing economics to shorter working weeks, many of the ideas we have championed in the past are now increasingly mainstream. And like the movements that have simmered and grown since the finance crisis, our time has come.

Doing economics as if people and planet mattered - and fashioning the economy to serve us and the thriving and healthy natural world on which we depend - is now the most important project of our time. And while there are some dark and dangerous forces in our politics that threaten to take us away from this mission, change is flourishing in communities up and down the UK, driven by local practitioners, community organisations and innovators and by a younger and more radical cohort of political activists.

NEF is here to provide the new thinking that our economy needs. But unlike other think tanks, we are rooted in places across the UK where, among the partners and practitioners with whom we work, there is a growing desire to do things differently, as well as think different thoughts. We believe how things are done is as important as what is done and that therefore a new economics of people and planet must be led by those who experience the old economy's ill effects most acutely.

We work alongside and nurture citizen platforms in places in the UK, either on specific issues such as housing and social care or in order to seize the initiative on economic policy. Building on our pioneering Community Economic Development (CED) methodology, we are working with partners in some of the places most disenfranchised by neo-liberalism to support their development of a new vision of an economy in which more of the added value they create stays in their communities.

Using our range of economist, policy, community organising and co-production skills, we will help enable the places in which we work to become a beacon of hope and to help policymakers understand how best they can unleash people-powered economics.

It is this – thinking and doing – that has always set NEF apart from many in the Whitehall and Westminster bubble. Rootedness is where change must begin and end, but all local attempts to build a new economy in practice hit the buffers of the existing system sooner or later. This is why we must simultaneously work to build the new economy in practice and to change the system, harnessing the energy and momentum that comes out of local innovation to drive policy and systemic change, which will in turn free the innovators.

CASE STUDIES

SUPPORTING RENTERS' UNIONS

As housing has become more expensive, and social housing privatised, more and more people reside in the insecure, often unaffordable, private rented sector. Renters have no national body and very few local or regional bodies to represent them. But this is beginning to change. In cities across the UK, renters have begun getting organised and demanding an end to insecure, indecent, unaffordable housing. NEF is supporting groups like the London Renters Union to do this, providing training and coaching on

community organising to local renter unions and supporting the national renters movement to come together and increase its power and influence.

At the same time we are devising the innovative policy overhaul needed to improve conditions in the private rented sector, including long term tenancies with regulated rents linked to local incomes, and new measures which combat the housing market downsides of landlords selling up.

SAVING SMALL BUSINESSES

The New Economics Foundation was instrumental in the founding of Guardians of the Arches, a network of small businesses based in railway arches who were opposed to the sale of the arches by Network Rail. This has led to the creation of a new institution representing thousands of

small businesses at the heart of their communities.

But this work goes beyond the railway arches. We are drawing lessons from our small business partners to underpin our proposals for putting public assets to public use and for renewing our high streets.

COOPERATIVE NURSERIES

The UK's childcare model is bad for parents struggling to make ends meet; it's bad for the wider economy which misses out on contributions of parents making huge sacrifices; and it's bad for those working in childcare where pay and conditions are often poor. Our work with co-operative nurseries such as Childspace and Grasshoppers in the Park has shown us that parent-led childcare can combine good jobs for staff with empowerment

and affordability for parents.

And it's our experience of working directly with parents and carers which informs our proposal for a National Childcare Service (see below), which would not only give parents access to genuinely affordable and high-quality childcare but also give them the opportunity to shape the services provided to their children.

A NEW ECONOMY

We believe there are six systemic changes that we must achieve over the next decade to create the stepping stones for a new economy. Across each of these, NEF has and will continue to develop radical solutions for how we respond.

1. A PURPOSEFUL ECONOMY

A purposeful economy in which the government boldly occupies all of its fiscal space to transform the economy and directs the financial system through active monetary policy

HOW WE CAN GET THERE

- New fiscal rules that shifts the focus from managing public debt to using up fiscal space to steer and drive structural change in the economy;
- Mandate the Bank of England to direct a proportion of

quantitative easing into the real economy through a network of public investment banks;

[See Strategic Quantitative Easing: Stimulating Investment to Rebalance the Economy, NEF 2013]

- Bank of England issues credit guidance polices that require a minimum ratio of lending to the real economy (non real estate) and apply quotas on lending to low carbon goods and services *[See Central Banks, Climate Change & The Transition to a Low-Carbon Economy , NEF 2017]*

2. URGENT GREEN TRANSITION

An urgent green transition in which ending the fossil fuel age and restoring nature is a central mission for Government, with those most affected by this transformation having a significant role and voice in determining a new, green future for their communities.

HOW WE CAN GET THERE

- Green industrial policy, backed by a national investment bank, delivered through local place-based industrial strategies; [See

Good Jobs Plan, A new Approach to Industrial Strategy, NEF 2011]

- End fossil fuel subsidies and redirect investment into local green industries and energy efficiency;
- Launch 10 Local Green Futures Centres in places most exposed to climate transition to bring local communities, workers and businesses together to develop and implement plans to green their local economy.

3. MORE WORKER POWER

A massive shift of power and reward from capital to workers brought about by new models of private ownership, greater collective workplace rights and the opportunity to work less and earn and engage more.

HOW WE CAN GET THERE

- Legislate for all shareholder or privately owned businesses to deposit a small share of annual profits as equity into Inclusive Ownership Funds controlled by workers which would pay a

dividend and give them voting rights over the purpose and strategy of the business; [See *Co-operatives Unleashed*, NEF 201]

- Create a Working Hours Commission, alongside the Low Pay Commission, to set out a framework for achieving shorter and more flexible hours of paid work for all; [See *21 hours*, NEF 2010]
- Strengthen collective bargaining powers to ensure outsourced and self-employed workers are covered by collective agreements.

4. HOMES FOR ALL

A guarantee of affordable and secure homes for all, delivered through a massive social housebuilding programme, the acquisition of affordable land for public good, and a secure and affordable private rented sector.

HOW WE CAN GET THERE

- Investment in a massive, genuinely affordable, green social housebuilding programme, with local development dictated by community need. Investment in publicly funded and democratically owned homes pays for itself through rents and a
- reduced housing benefit bill;
- End the sale of public sector land and pool into a People's Land Bank along with land acquired by local authorities through renewed powers to compulsory purchase at existing use value for affordable housing [See *What Lies Beneath*, NEF 2018]
- Legislate for long-term tenancies with regulated rents linked to local incomes. Fund renters' unions to strengthen the collective power of tenants, enforce and improve rights and have influence in local, regional and national housing policy.

5. DECENT QUALITY OF LIFE

A guarantee of basic goods and services for all, in which a basic income and universal public services, such as childcare, health, and social care, are combined with common or co-operative ownership of essentials like energy, water and transport to ensure a decent quality of life.

HOW WE CAN GET THERE

- Replace the personal allowance of income tax for people of working age with an equivalent cash payment for all, providing
- a non-conditional financial buffer for people whether they are in or out of work;
- Create a National Childcare service providing universal access to decent childcare, delivered through public and co-operative services; [See *Co-produced childcare: an alternative route to affordable, high quality provision in the UK?*, NEF 2015]
- Remove the 'upper earnings limit' on national insurance to raise £11.1 billion per year by 2023/24 to invest in preventative and community care.

6. A DIGITAL REVOLUTION

A people first digital revolution in which the benefits from technology and big data are more fairly spread through collective structures and action, while ensuring that privacy remains a right for all.

HOW WE CAN GET THERE

- Use investment, public procurement, regulation and licensing power to support the

growth of co-operative and public platforms to challenge the dominance of tech monopolies.

- Create a data commons by requiring tech companies to progressively share an increasing percentage of their data based on market share or value and combining with appropriate public sector data.

WE NEED

...truly radical thinking for truly radical times and we present this pamphlet not as the last word, but as the beginning of a conversation about how we can ensure the next decade brings better lives for the many, lived within the limits of our planet.

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