

# Funding the Future

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[Today we've learned that a private company](#) - either Serco or Virgin - is likely to take over the supply of children's services in Devon.

This is a situation I foresaw, discussed and contextualised in the foreword to my book, [The Courageous State](#), published last November. There I said (and I summarise, a bit):

*The economic crisis we are now facing is the legacy of Thatcher and Reagan because they introduced into government the neoliberal idea that whatever a politician does, however well-intentioned that action might be, they will always make matters worse in the economy. This is because government is never able, according to neoliberal thinking, to outperform the market, which will always, it says, allocate resources better and so increase human well-being more than government can.*

*That thinking is the reason why we have ended up with cowardly government. That is why in August 2011, when we had riots on streets of London we also had Conservative politicians on holiday, reluctant to return because they were quite sure that nothing they could do and no action they could take would make any difference to the outcome of the situation. What began as an economic idea has now swept across government as a whole: we have got a class of politicians who think that the only useful function for the power that they hold is to dismantle the state they have been elected to govern while transferring as many of its functions as possible to unelected businesses that have bankrolled their path to power.*

*This, it should be said, has not just been an issue within the Conservative party. Thatcher arrived in power with what was, in retrospect, a remarkably timid manifesto for change, and although she became bolder as her career as Prime Minister progressed she retained a strong belief in the power of government regulation over the businesses that she privatised. Her legacy was regulated capitalism: ownership in private hands, with some power to control those sold-off enterprises retained by state-appointed regulators that were one stage removed from the ministers who appointed them.*

*John Major oversaw a collapse in the credibility of government, and something more besides. It was on his watch that the Private Finance Initiative (PFI) began, and it was on his watch that some of the more absurd privatisations, such as that of the railways,*

were undertaken. It was John Major who began the process of outsourcing. A weak Prime Minister ran away from his responsibilities: the cowardly state was by now in full flow.

Tony Blair continued the process. It was he who promised the 'The Third Way', not that anyone knew what it was, any more than anybody now knows what David Cameron's 'Big Society' might be. Both, however, have a hallmark in common: they meant 'anyone but government', and that was the intention. These were prime ministers in common in that they believed that whatever one asked for it was not the state's role to supply it.

Based on this belief, Blair pursued outsourcing as if it was the solution to all the government's problems. Despite having opposed PFI when in opposition PFI became Labour's favoured form of government finance until we have ended up in the absurd situation that the building in which the Treasury is located is now owned by an offshore company. And everywhere the message was given that light touch regulation of finance was to be the Labour mantra, 'liberated' as it had been by Thatcher from the constraints that had previously made it responsible in her 'Big Bang' reforms in 1986. This was perhaps the most cowardly act of all, for from that 'liberation' and subsequent failure to regulate sprang a finance sector that has now dragged us to our knees. Gordon Brown may have saved the day in 2008 and had a moment of glory in the April 2009 G20 summit, but for his role in allowing finance to take over the UK economy he too takes his share of the blame for creating the cowardly state.

## **What the cowardly state represents**

- \* This is the state that now argues that in the face of mass unemployment the government's only choice is to sack more people.
  - \* And this is the state that says when there is no hope of the market generating new jobs, new investment, new innovation, new skills and new prospects then the government must cut its spending and so remove any prospect of recovery from the economy.
  - \* This is the state that says that those who never created this crisis must pay for it while the rich and powerful who did create it from within the banks must have tax cuts.
  - \* This is the state that failed to stand up to bullying and abuse from the media.
  - \* This is the state that is failing its young by putting them in debt for what may be the rest of their working lives to secure an education that previous generations enjoyed for nothing.
  - \* And this is a state that does not have the courage to provide its young people with jobs, its old people with secure care, its population with protection against unemployment and the unforeseen and its children with decent schools.
- This is a cowardly state: a state that sees responsibility and runs away from it. This is a state that now exists solely to facilitate the looting of its power to tax for the benefit of an elite who want to own its assets through the PFI scheme, and be guaranteed a high and risk-free income for doing so. It is a state that wants to privatise its education system through 'free schools' — free only because yet more tax goes to the private sector in the process. And it is a state that wants to hand control of one of the UK's

greatest achievements — the National Health Service — to the market so that we can copy the US healthcare model and double the cost of provision in exchange for worse healthcare outcomes — all so that a few can cream off from the tax revenues a wholly undeserved and excessive risk-free return for being in the right place at the right time, somewhere near their old school friends who might now be in power in Westminster.

No wonder we're in a mess. And no wonder the world's markets are teetering on the brink of collapse. After all, why invest in businesses when something so much more attractive — the outsourced tax income stream of a government as anxious as possible to give it away — is waiting to be claimed just around the corner?

The result is that private industry has discovered that rather than trying to innovate new products in an uncertain consumer marketplace it is much easier to make profits from the certain commodities that people are always going to need, such as health, education, local government services, the utilities and so on that were once the preserve of government. So not only are these services now more costly because a profit margin has been or is being added into their cost structure, it can also be argued that their transfer into the private sector via outsourcing actually weakens the incentive for companies to invest in new technologies which might be useful to meeting people's needs.

Clearly, there's a lot more in what follows that. But I owe it to the publisher to not reproduce it all here.