

John McDonnell is right to challenge the corrupted and ...

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John McDonnell presented a radical view of the Britain he wanted yesterday. It was genuinely left wing. It was genuine. It has not gone down well with the right wing press, which is the surest evidence that Labour has stopped its failed attempts to appease those who will never find merit in anything it says. But will it work?

In my opinion the speech was classic opposition. Apart from the demand that companies work to Fair Tax Mark standards (which, I admit, I knew was coming) where John McDonnell has appointed churches, trade unions and pension funds to be his tanks on the lawn in the process of demanding change now, almost everything that has been said is about positioning and not detail. That is wise for a number of reasons.

First, shadow chancellors can't deliver on their plans. Their job is to position themselves in the public mind. The purpose of what John McDonnell said was to do just that. So he has made clear PFI is to be brought back into the public fold (which is a role for People's QE, as I predicted as long ago as 2010). And he made clear that those industries that were nationalised that were wholly unsuited for private ownership because they are natural monopolies on which we all rely will be brought back into public ownership. There will be no effective cost to doing so: saved payments of dividends will more than cover the cost of compensation. And with workers on the board and share ownership funds he made clear that business is to become accountable to all its stakeholders again.

I have reservations about some aspects of the shared ownership fund, but am not greatly concerned: this one will develop and change before it becomes a reality and I am quite sure rough edges will be polished off it. As I have already noted, this is a positioning statement at present.

In that case those obsessing about the detail have wholly missed what I see to be the point of it. This scheme is not, and very deliberately is not, a scheme to create a new shareholder economy of the sort Thatcher tried to create. The absence of direct shareholding is, in that case, not an accident, but quite deliberate. The chosen structure is not about becoming 'mini-me' capitalists. It is about the merit of collective

ownership.

I have suggested requiring that for the ownership to be transferred by share payment of additional higher rate tax charges makes sense to me as this would immediately bring non-UK owned larger companies into the fold: their UK subsidiaries can then partake and the idea that such entities might have a minority holding within them is no challenge at all to any known concept of capitalism since such things are common.

Such an arrangement would also bring a healthy and welcome focus to corporation tax liabilities: this would be no bad thing, especially if coupled with an Alternative Minimum Corporation Tax which is an idea of mine that transferred to the IPPR report to which John McDonnell gave much praise in his speech.

Workers on boards is about the same issue of collective participation. And the suggestion that unions nominate such directors is also made for a reason: the great decline in the labour share in GDP can be directly linked to the decline in union participation in the workforce. Encouraging people back into collective bargaining helps redress the massive imbalance in society in favour of capital.

The suggestion that wages will be set by sector based collective bargaining is also right, and something I called for in my book *The Courageous State*. Pay rates should not be negotiated in relationships of asymmetric power where the employer has many, if not most, of the advantages. There is an urgent, even desperate, need for a restoration of the labour share in our economy. This little commented on policy proposal, which might set minimum wages by sector, would address this issue.

So would it work? My answer is that it would. And for good reason. This is not Marx: 90% at least of the ownership of companies is left as it is in this plan, albeit with the requirement that the interests of all workers be taken into account. Rather this is the pragmatic co-operative movement at work coupled with the economic incite of Henry Ford, which was that workers not paid enough can never create demand in an economy.

And it is precisely because this model might increase wages and so demand that this model will work.

In fact, it could more than work. It could save capitalism from itself. The reason should be obvious. Through its own excesses capitalism is eating its own heart out. No one but a naive ideologue can really now believe that the model of capitalism in use in our economy is working, or about free markets. Rather it is about power, wealth and income concentration for a few. John McDonnell is tackling that head on. And whilst I could definitely offer suggestions for improving the detail (and no doubt will) I reiterate that is not the point now. That point now is that John McDonnell has signalled that the game would be over for this corrupted, corrupting and simply corrupt form of capitalism if Labour comes to power. And that was the right thing for him to do yesterday,