

# **AFTER THE MARKET?**

**Capitalism and Social  
Democracy in the 2020s**

**Victor Anderson**

Published July 2021 by Compass

By Victor Anderson

**About the author:**

Victor Anderson is a long-standing member of Compass. He was a Green Party London Assembly Member and Environment Advisor to Ken Livingstone, and before that worked in the House of Commons as a researcher for the Plaid Cymru MPs. He has worked as an economist for the Sustainable Development Commission, World Wildlife Fund, and New Economics Foundation. He is the author of 'Alternative Economic Indicators' and 'Energy Efficiency Policies', and co-author of 'Debating Nature's Value'.

[@vicanderso](#)

[victoranderson.org.uk](http://victoranderson.org.uk)

[victoranderson7@aol.com](mailto:victoranderson7@aol.com)



© Compass

All rights reserved. Except for the quotation of short passages for the purpose of criticism or review, no part of this publication may be reproduced, stored in a retrievable system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of Compass.

**Please get in touch, join,  
support and work with us.**

Write to us at Freepost Compass

Email us at [info@compassonline.org.uk](mailto:info@compassonline.org.uk)

You can follow us on Twitter

[@CompassOffice](https://twitter.com/CompassOffice)

To find out more about Compass,  
please visit our website:

[www.compassonline.org.uk/join](http://www.compassonline.org.uk/join)

### **About Compass and this project**

Compass is a platform for a good society, a world that is much more equal, sustainable and democratic. We build networks of ideas, parties and organisations to help make systemic change happen. Our strategic focus is to understand, build, support and accelerate new forms of democratic practice and collaborative action that are taking place in civil society and the economy, and to link that up with state reforms and policy. The meeting point of emerging horizontal participation and vertical resources and policy we call **45° Change**. Our practical focus is a Progressive Alliance, the coalition of values, policies, parties, activists and voters that can form a new government to break the log jam of old politics and usher in a new politics for a new society.

## Acknowledgements

I am grateful to colleagues in the Green House think tank for their comments on the predecessor pamphlet to this one, 'The Fall of Neoliberalism', published on the Green House website in October 2015. This 2021 pamphlet has used that as a first draft on which to base an update more than 5 years on. I am grateful to Neal Lawson for his comments on this new version, written for Compass.

## Abstract

The hold of market ideology has weakened over the past few years. This pamphlet explores the weaknesses of market ideology in practice, how these help explain the main political developments of the past five years or so – including the rise of right-wing populism and environmentalist movements – and what they imply for the scope for progressive social change in the future.

## Contents

1. Where Are We Now? 7

2. The Weaknesses of Market Society 8

3. Capitalism Doesn't Have to Have Market Ideology in Command 10

4. Market Ideology Undermines Safety and Security 12

- Financial instability
- Ecological instability
- The market undermining society
- Market ideology stands back from technological possibilities

5. The Politics of the Growth Imperative 17

6. Right-Wing Populism Is a Response to Failings of Market Ideology 18

7. A New Lease of Life for Social Democracy 20

8. The Politics of Alliance 22

# 1. Where Are We Now?

Western societies such as the United Kingdom are historically fairly exceptional. There is a very high degree of cultural diversity, with religious, ethnic and sexual minorities all openly forming part of society. There is a low level of loyalty and trust towards political leaders and institutions. Although economic inequality is extreme, there is little shared belief in any attempted justification for it.

What holds societies like this together? Principally, along with the absence of an attractive and powerful alternative way of organising things, they are held together by economic transactions, organised through the capitalist market. Society is divided culturally but held together economically and financially. In that sense, it works.

Within this context of social connection provided by market transactions rather than by political, cultural, or religious agreement or belief, we can, however, see that there is one political ideology above all which currently stands out as dominant. It has guided government policies and set the agenda for the mainstream media, and it also meshes very well with the dominance of financial transactions. This is the ideology of 'the market knows best'.

Sometimes this is referred to as 'neoliberalism', sometimes as 'conventional economic theory' or as 'free market ideas', but those terms are ambiguous and so in this pamphlet I will use the (possibly clearer) term 'market ideology'.

Market ideology has very important limitations and weaknesses, and it is essential to understand these if we are to find out where the opportunities are for making social change and why we are already seeing some moves away from market ideology. Scope for positive change has not disappeared, but it now has to be discovered in different places from those where it previously existed, which implies movement that cannot simply be summed up as 'Left' or even '[progressive](#)'.

My interest here is principally in the UK, partly because market ideology as a set of ideas derives largely from thoughts which were developed by writers and politicians in this country. My argument applies elsewhere too, but more so to some countries than to others. Although market ideology is now an important influence throughout the world, it is far stronger in the UK than it is, for example, in Germany or France. Market ideology has not fared well during the Covid-19 crisis, but many politicians and commentators are now itching to get back to the '[normal](#)' situation in which it is dominant.

## 2. The Weaknesses of Market Society

Market ideology is stronger within the Conservative Party than anything that could reasonably be described as ‘Conservatism’, and in fact in many ways is profoundly anti-conservative. Although the Liberal Democrats have moved away from market ideology, it is influential within their thinking too, and helped to shape their contribution to the 2010–15 coalition with the Tories. In the Labour Party, especially under Tony Blair, market ideology has been an enormous influence, particularly in the party’s approach to economic policy but also the ownership and management of public services.

By ‘market ideology’ I mean a set of ideas which gives an extremely high priority to the operation of market forces, seeing the market as providing the principal answer for almost every question in politics, economics, environment and society. It links philosophically back to a view of human life which prioritises ‘the individual’, and in practice to a series of government policies associated particularly with Ronald Reagan and Margaret Thatcher, but which have been continued and taken further since their periods in office.

Over the past five years, market ideology has become less important in British politics. The Conservative Party has shifted to a more English nationalist position, the Liberal Democrats have moved to distance themselves from their record in government and the Labour Party has shifted to the left and then part of the way back again.

This doesn’t mean that market ideology has gone away: it remains very influential because it has been in power for so long. It is only by examining that ideology, its weaknesses and now its partial breakdown that it becomes possible to understand the main political trends at work today, and to formulate realistic ideas about possibilities for change.

Market ideology coheres not only as a set of ideas but also as a deliberate political project. Its weaknesses as an ideology derive mainly from its stubborn unwillingness to correct its own errors. It generates what economists describe as ‘external costs’ and then generally fails to correct or eliminate them, leading to severe instability for the economic system as a whole. It does this in four main ways, which I will discuss in detail later.

However, it is useful at the outset to see the overall pattern. The main areas of limitation and weakness in market ideology are as follows:

1. The system is vulnerable to the costs it imposes on the climate, ecosystems and finance.
2. Its emphasis on labour and capital mobility, cultural pluralism, and economic inequality clash with the loyalty most people feel towards forms of ‘social capital’.

3. Its standing back from proactive government intervention leaves it failing to engage with the potential of new technological developments, both good and bad.
4. Its relatively weak ideological hold on the population as a whole leaves it vulnerable to any failure to deliver to people higher material living standards and 'economic success'. It is therefore particularly resistant to both any challenge to the prioritisation of economic growth and any inability to deliver it.

**The significant scope for social change, both in the recent past and in the near future, derives or has derived mainly from these weaknesses in market ideology and the vulnerabilities they create.**

It is ironic that the Conservative attack on Jeremy Corbyn's election as Labour leader was to allege that he posed a threat to economic and national security, when insecurity in global finance, the global climate, and individual employment and work patterns were major features of the market policies the Tories were promoting at the time.

### 3. Capitalism Doesn't Have to Have Market Ideology in Command

Capitalism has historically taken a variety of different forms. Market ideology has simply helped to create one variety of capitalism: capitalism has the capacity to move beyond it and take other forms. A transition of this sort took place during the 1970s. Up to that point, since about 1945, the Western world (and to some extent some other parts of the world too) had lived with a form of capitalism known as the 'Keynesian Welfare State' (KWS). Although there was basically a market economy, there was a political consensus in favour of various forms of government intervention (e.g., regional policy), government ownership (e.g., nationalised railways), welfare benefits (e.g., unemployment benefit), employment and trade union rights, and universal public services (e.g., health services). A willingness to intervene in the economy led to low rates of unemployment, which in turn boosted the bargaining power of labour, with wage rises helping to maintain rising levels of consumption and production.

The ideology of the market emerged as particularly influential due to a variety of problems with the KWS. Funding government spending through budget deficits proved dangerously inflationary when combined with the 1973 quadrupling of oil prices and the breakdown of the international system of fixed exchange rates. Some government-owned firms, geared towards routine forms of mass production, failed to be flexible enough to adapt to changes in technology and consumer demand. Trade union activism often appeared obstructive and damaging to the economy as a whole. There was a general mood of discontent with excessive bureaucracy and overcentralisation.

When market ideology and 'free market economics' 'came to the rescue', they did so on the basis of the following key features: (i) a rejection of Keynesian demand-management policies and the priority which Keynesianism had given to full employment; (ii) a desire to reduce the role, size and cost of the public sector; and (iii) a wish to expand the scope for market forces to operate, including internationally in the global financial system and internally through the use of market mechanisms in the remaining public sector.

This change was not inevitable. It was only one of the options at the time. It is conceivable that the Left might have come up with a version of socialism or social democracy that met the needs of the time and provided a way of fixing the problems with the KWS. There was a particularly important debate about the fall of the KWS and the coming of the next, 'post-Fordist', era in the magazine *Marxism Today*. Various proposals were made and campaigned for, but the Right won the battle to determine what came next.

It has been winning another battle more recently: the battle for what

will replace market ideology. The partial replacement which has been created is a set of variants on the idea of 'nationalist populism'. This builds very effectively on some of the weaknesses of market ideology, in ways I will discuss below.

However, this victory is only partial and unstable. Plenty of scope remains for moving on from the weaknesses and failures of market ideology in a different direction.

## 4. Market Ideology Undermines Safety and Security

An 'external cost' is defined in economics as something which results from economic activity but is neither paid nor compensated for. A classic example is pollution: a factory produces goods, from which it receives revenue for selling; at the same time, it pollutes air and water, which it pays nothing for, effectively pushing some of the costs of its production on to the local community and its environment.

The opposite to this is 'external benefits', benefits which come without having to pay for them. Both of these, costs and benefits, are described as forms of 'externality'. In theory, market economics has a rule of thumb for devising policies to eliminate external costs: 'polluter pays', under which compensation is provided and/or the pollution is taxed. The whole sub-discipline of environmental economics is based on this line of thought.

However, in practice, most political advocates of market ideology are happy to maintain external costs in existence on a very large scale, with no compensation or taxation to correct them. Market ideology then goes particularly horribly wrong.

There are three main types of external costs in societies governed by market ideology. These are: financial costs, ecological costs and social costs.

### **Financial instability**

The financial crisis of 2008 was an example of colossal external costs. Each private-sector decision-maker in the finance system pursued their own interests, and in that sense generally behaved 'rationally'. The outcome, given weak regulation (which financial institutions and neoliberals had lobbied for), was a general crisis in the finance system, with severe consequences for the rest of the world economy. The penalties applied in response to this have been weak, on nothing like the scale implied by any theory of 'polluter pays'. Nor, despite some limited reforms, has there been any thorough redesign of the global finance system, and so there is no good reason why something like 2008 shouldn't happen all over again.

The implication of this is that market ideology cannot provide financial stability and security. It has a tendency to undermine the rest of the economy – generally not sufficiently to bring the whole system down, but certainly enough to be a major source of nuisance and damage for most businesses and households. Deregulated global finance is dysfunctional for the productive parts of the capitalist economy. In that respect, finance could fairly be described as 'anti-business'.

## **Ecological instability**

Along with finance, the other massive dysfunctional economic sector is the fossil fuel industry: oil, coal and gas. This is steadily bringing crisis and instability of a different sort through disrupting the global climate system, and is already having awful and expensive consequences throughout much of the world. While some theoretically consistent neoliberal economists argue for the problem to be tackled through market-based mechanisms such as emissions-trading systems, in practice the most 'free market' governments and political parties are those that are the most opposed to intervention to restrain the fossil fuel sector, and some have even resorted to denial of climate science in order to maintain their political opinions.

As with the re-regulation of finance, intervention by government is often argued to be 'anti-business'. In fact, most businesses need both a stable financial environment and a stable global atmosphere and climate. In both respects, the rhetoric and ideas of market ideology militate against running capitalism as a whole system in a more sensible way.

Ecological instability affects far more than the climate: there is a general undermining of ecosystems. The environmental destruction currently taking place is not only a loss from the point of view of anyone who cares about the natural world, but also represents an undermining of many of the basic resources which the capitalist economy depends on in order to survive.

A classic example is overfishing. Each person who fishes – and each giant fishery business – behaves 'rationally', thinking that their own extraction of fish won't make much difference to overall stocks. But the consequence can be, and in some cases has been, catastrophic collapses. Similarly, the destruction of rainforests may seem to make sense hectare by hectare, but the overall consequence is a massive reduction in the capacity of the biosphere to absorb carbon, maintain biological diversity and regulate the water cycle. Destruction of ecosystems can also disturb viruses and other pathogens, threatening human health and economic activity, as has been seen with the recent coronavirus pandemic.

Ecosystems are the foundation of the whole economy and most businesses have a vested interest in seeing them maintained, even if they don't want to pay for that themselves.

## **The market undermining society**

The form of capitalism in which market ideology is dominant exacerbates destructive tendencies already present within capitalism, but in other versions of capitalism these tendencies are often moderated or counteracted, for example through state intervention or strong community or social norms. However the problem with market

ideology goes a stage further than this. Market ideology is actively undermining the basis for any such counteracting mechanisms.

By promoting on the one hand 'the individual' and on the other the global market, market ideology undermines all the social institutions and connections that stand in-between, including the sense of national identity. This causes ideological problems for parties of the Right. The British Conservative Party, for example, is divided between those who prioritise nationhood and those who are happy for UK firms and privatised industries to be taken over by overseas owners. While some saw the relaxation of Sunday trading laws as a threat to family and religion, others viewed it as simply another step in setting the market free. This tension continues to be played out in the Tory Party today.

The free market requires geographical mobility of labour, so that people can relatively easily change jobs in response to changing economic conditions, but, past a certain point, that may undermine any sense of community or connectedness to place. The market has an implicit preference for cultural pluralism, because there is more money to be made from a 'postmodern' plurality of styles than from sticking to just one, and yet arguably that also reduces social cohesion and trust.

There are difficult issues here, and balances to be struck, for example between social cohesion and personal self-expression. Yet market ideology is a dogma not in the business of striking balances: it is in the business of seeking to expand the scope of the market and the opportunities for making profit. There is a massive social price to be paid for pushing that approach to extremes. It is a price equally alarming from socialist, social liberal, feminist, green and traditional conservative perspectives.

Traditional conservatives, however, tend to be less aware than others of the scope for developing 'new social capital' through internet and social media connections. Debate has tended to polarise between advocates of 'new' and 'old' forms of social capital, when there is benefit in both new networking and old communities, and a need for an analysis and style of politics which puts the two together.

Of particular concern on the Left (but not for traditional conservatives) is the undermining of social capital through increasing inequality. People bring very different types of skills and knowledge into the labour market, with many jobs disappearing through technological change.

It has been argued that we are on our way to a society in which there are two types of paid jobs – highly skilled creative or organisational jobs, and personal service jobs such as nursing and social work (which are hard to automate) – plus a vast mass of unemployment. The social consequences of this would be disastrous yet, left to itself, this is what the free market is going to produce.

Inequality is also being created, as always, through the unequal ownership of assets. As the board game *Monopoly* illustrates extremely well, it is much easier to make money if you already own property. Wealth in the form of land, property and capital is distributed very unequally, and this tends to lead – at least in the absence of corrective action by government or trade unions – to increasing inequality in incomes too.

Can a society like this hold together? As with the resources of nature, it is possible to take from the underpinnings of our lives a little bit of social capital and in effect turn it into money, and then a bit more – for a while. We can sell off bits of nationhood, bits of community, bits of family life, bits of shared cultural values. Yet a point comes at which this process is seen to come at a very high price. We are somewhere around that point in Britain now.

### **Market ideology stands back from technological possibilities**

Advocates of the profit motive are keen to point out its role in stimulating technological development, and there is some truth in this. It is not entirely true, however, because much development has depended on state investment, for example through military, space, health service, university research and transport infrastructure spending. At the same time, there is a strong tendency to resist new developments where considerable amounts of investment are already tied up in the old technologies – as for example at the moment with solar energy versus fossil fuels.

However, even more significant here is the question of the impacts of new technologies once they are developed. There is often a focus on the need for government intervention to regulate new technologies, such as currently in the fields of synthetic biology and genetic engineering. At the same time there is another side to this, which is the capacity of society to make good use of what does get developed. A discussion of the positive potential of areas of technology such as the internet of things, 3D printing, imaginative uses of algae and fungi, renewable energy, etc., is way beyond the scope of this pamphlet. All I want to say about all that here is that market ideology bars itself from deliberately making better (fairer, fuller, safer) use of new technologies – its advocates simply dogmatically want to leave it to the market.

Within the market there is a strong tendency to wait: for example, electric vehicles cannot be sold successfully if there are very few charging points, yet the market will leave the provision of charging points until there is sufficient demand as a result of lots of electric vehicles having been sold. The internet of things is likely to link some things but not others if it comes under the control of competing corporations. Again, there are balances to be struck here: regulations can hold back useful developments as well as promoting them, and can prevent harm or increase it. Technologies may turn out to have

uses which community groups, creative individuals or profit-seeking firms discover but which politicians and civil servants wouldn't think of. All of this is complex: the problem is that market ideology is far too simple. It has become a dogma, limiting debate about responses to new technologies at a time when that particularly needs to be opened up.

## 5. The Politics of the Growth Imperative

This pamphlet started by remarking that current Western – and, increasingly, many other – societies are not held together in any of the sorts of ways that most societies in history have been. They are not held together by religion, or by faith in any set of ideas or leader or set of institutions, or by shared sense of identity. What holds them together is principally what they deliver economically, in terms of market transactions and individual levels of consumption. This makes our societies vulnerable in a different way to those of the past. This is not vulnerability to religious conversion, ideological challenge, constitutional turmoil or even military invasion. This is vulnerability to ‘economic failure’.

However, ‘economic success’, as currently conceived, may not last for very long. Environmental limits may put a stop to the form that economic growth currently takes, and perhaps put a stop to economic growth of any sort at all. The ‘secular stagnation’ thesis – the argument that global growth is inexorably slowing down – is plausible, even though the timing is very uncertain. Carrying on regardless, in their drive to keep the majority of the population reasonably contented, governments still prioritise unlimited economic growth.

That is now proving to be a dangerous approach, because, in order to deliver, risks are being taken with the finance system, social connection, the climate and vital ecosystems. The more determinedly governments try to combat any tendencies towards secular stagnation in order to maintain ‘economic success’ and their own political legitimacy, the more they are liable to make some of the consequences of market ideology even worse.

**Their lack of other sources of legitimacy and loyalty means that governments have to place a very high degree of reliance on delivering economic growth** (although there are of course other reasons for this, including the drive to maximise profits). That makes sense for them in the short run, but it stores up problems for the future and in many respects has been proving disastrous.

## 6. Right-Wing Populism Is a Response to Failings of Market Ideology

**The failings of market ideology – in the fields of finance, ecology, social capital, and technological innovation – are the essential background for the politics of today**, which very largely consists of competing efforts to move on from those failings. The most powerful of those efforts so far is right-wing populism.

The two key moments in the rise of this political force both occurred in the same year: the victory of the Leavers in the Brexit referendum in June 2016 and Donald Trump's victory in the United States presidential election in November 2016. Grouped around and feeding off these two key developments have been others: the rise of English nationalism, the resurgence of the far right, the culture war against 'woke', use of conspiracy theories to deny reality, fake news and the mainstreaming of explicit racism.

My main concern here is not with the far-right extremists but with the mainstream British Conservative and US Republican Party development of a politics that moves beyond market ideology in a right-wing populist direction. This has a clear relationship to one of the four key weaknesses of market ideology described earlier.

Right-wing populists have little to offer in the areas of financial stability, ecological stability or technological innovation. Where, however, they have provided answers of a sort is in response to the problem of the erosion of social capital. The responses they have provided are bogus, dangerous and extremely divisive, but partially effective – not least because of the impact of free market globalisation on many communities and the urge to 'take back control'. Here the bitter, but for them clever, irony is that market ideology created a sense of alienation that this new populist Right is offering a response to.

This is principally through their use of national symbolism. National symbols – flags, monarchs, to some extent languages and their songs and literatures – [can be used to unite or construct a nation](#), and in most cases that has originally been their purpose. Sometimes this has been about uniting different regions or nations, as with the union of Scotland and England (and Wales), or the formation of Italy or Germany. Sometimes it has been about groups breaking away from larger nations or empires, for example Hungary leaving the Austro-Hungarian Empire. National symbolism can also be used to divide nations between those who really belong and those who it is claimed really don't. For example, in order to be 'truly British', do you have to be white, love the Union Jack, be a supporter of the monarchy and/or be a Protestant? Essentially what has happened in the UK, particularly since Margaret Thatcher became prime minister in 1979, is that the nation's symbols have been hijacked by the Right as a means of claiming national

legitimacy for their rule, mobilising loyalty and labelling others as ‘the enemy within’, ‘cultural Marxists’, ‘metropolitan elite’, ‘siding with Europe’ and so on.

In some ways, this provides a response to the erosion of social capital, because it reinforces the bonds between some people and among some parts of society, but at the same time it also takes the erosion a stage further through its divisiveness, stirring up ethnic divisions (and creating almost a new ethnic division between people of apparently the same ethnicity – ‘Remoaners’ versus ‘true British’, and in the US ‘liberals’ versus ‘real Americans’).

This ‘national populism’ is causing the Conservatives difficulties as they seek to negotiate trade agreements. Trade – especially free market, free trade – is inherently internationalist, and there is a fundamental conflict between wishing the market will work on a global basis, supposedly reducing costs for consumers, and seeking to protect the national economy from foreign competition. This conflict has divided the Conservative Party for many decades, from the Corn Laws to Brexit and now on to the attempt to negotiate post-Brexit trade deals.

The Tories also have the difficulty that national symbolism tends to be far more attractive to older people than to the young, reinforcing other partially generational divides such as those between home owners and renters, or secure pensioners and zero hours freelancers. A further difficulty is that national symbolism is increasingly attractive in Scotland, but more for the benefit of Scottish nationalism than for the union.

The Conservative Party, like capitalism, is inherently flexible and has presented many different faces to the electorate. This has been analysed by Ken Spours for Compass in [\*Shapeshifters: The evolving politics of modern Conservatism\*](#).

## 7. A New Lease of Life for Social Democracy

What I have tried to do so far in this pamphlet is to outline an overall picture, looking at some key features of politics, economics and the environment, how they fit together and how right-wing populism has grown through reacting against one of the key failings of market ideology, the erosion of social capital. Any adequate progressive politics needs to combine a basic analysis, looking at fundamentals such as the dynamics of capitalism and Earth system processes, with a realistic view about where the possibilities for improvement and transformation are at any particular place and time.

Although capitalism is not about to disappear, the market ideology version of capitalism is much more vulnerable than it has often appeared to be. This is not primarily because of its left-wing critics but because of its own weaknesses. Market ideology has weaknesses that leave it vulnerable to being replaced at some point by a different way of regulating capitalism. None of these weaknesses are essential features of capitalism as such – there are many versions of capitalism – and therefore they do not necessarily point to a rapid shift to a socialist or some other post-capitalist form of society. What I have called ‘weaknesses’ are therefore not contradictions of capitalism, though they can be seen as ‘contradictions of market society’.

Traditionally a distinction is drawn between ‘socialism’, seen as a social system which would replace capitalism, and ‘social democracy’, which incorporates aspects of socialist society and socialist values within an overall capitalist framework – the National Health Service being a good example. Social democracy has come to be seen as discredited because the political parties traditionally associated with it, such as Labour and most of its equivalents in other European countries, have in recent decades had their policies shaped very much by market ideology (the Corbyn period being an exception) and have therefore lost their distinctiveness.

At the same time, many on the Left have generally stuck with an outdated analysis of capitalism, a bureaucratic conception of social change, and a lack of engagement with the real problems of economic growth and planetary limits. If social democracy is going to survive, it will need to be a new version.

My focus here is on what I think is practical in the next ten years or so, without making any claim that this is what is ultimately desirable. A renewed social democracy working with an updated form of capitalism would bring real benefits in comparison with the capitalism and right-wing politics of today. It wouldn’t be the replacement of the capitalist system, but it is probably the best we can manage at the moment. Capitalism does not usually reform itself unaided, even when it is in its own interests to do so. This is primarily because it is a weakly co-ordinated system, with internal competition and rivalries. Other forces

are needed to help inspire, push and add democratic legitimacy in order to produce significant change.

This is where a new version of social democracy can be effective, although the changes of the past 50 years or so mean that it will need to be greener and more internationalist than the social democracy of the past. This provides an agenda for Labour, as neither a defender of the status quo nor a force waiting for the overthrow of capitalism, but as a pragmatic party realistically responding to the increasingly evident major failings of the market system and willing to work with ideas from outside the resources of its own tradition, such as green politics.

The 'new capitalism' this would create will be more regulated, organised and cohesive than capitalism is at present – more like the capitalism of the Keynesian Welfare State, but needing:

- 1. Much greater emphasis on global governance to safeguard the climate and other basic environmental resources, such as the oceans and tropical forests**
- 2. Much more serious controls over international finance and tax havens**
- 3. A 'greening' of patterns of energy and food production and consumption**
- 4. A rethinking of working patterns and the valuing of different types of work, particularly in the light of what the Covid-19 pandemic has demonstrated about which types of work are essential and which are not**
- 5. Efforts to rebuild social cohesion and drastically reduce many sources of inequality.**

Some of the relevant themes were already evident from the agendas at Davos and debates in the United Nations, for example around the Sustainable Development Goals, and they have become more evident now with the initiatives emerging from the Joe Biden administration.

**The top priority in this shift would be to bring the two largest dysfunctional economic sectors – finance and fossil fuels – within some form of international democratic control.** This is a priority that should find wide support, ranging from radical anti-capitalists to people running businesses facing disruption from unstable global finance and a destabilising global climate.

In the short run, the main focus will inevitably need to be on post-Covid economic recovery packages and making sure that they are as green, decarbonising and socially inclusive as possible.

Political and constitutional arrangements differ across the globe, but in every country there is a need for changes to bring more long-term thinking into decision-making, and in many countries including the UK also a need to move democracy beyond entrenched party tribalism and overcentralisation.

## 8. The Politics of Alliance

Politics today is more complicated than it has been for a long time. No single ideology or organisation has the capacity to analyse or transform the whole situation. A realistic politics now has to be a politics of combinations and alliances.

The Tory Party has become a dangerous mix of market ideology and right-wing populism. The only feasible alternative to a Tory government in the UK is a Labour or Labour-led government. The Labour Party is necessary, though not sufficient, as a vehicle for developing an updated form of social democracy on the lines argued for here. It follows from this that three things are necessary.

1. Some form of **Progressive Alliance** or 'Popular Front', in which voters who prefer Labour, the Liberal Democrats, the Green Party, Plaid Cymru or the Scottish National Party are prepared to vote tactically for candidates of another of those parties. This would be made easier of course by parties standing down in some constituencies or by explicit electoral pacts, but that is not essential if there is clarity and determination among voters. Ideally none of this would be necessary and we could have a voting system in which people could simply vote 'with their hearts' for their favourite party and not for 'lesser evils', but sadly that is unrealistic in the context of the current unfair first-past-the-post voting system.
2. A Progressive Alliance reaching outside the Labour Party would be unsuccessful if the price of it was to cause damaging splitting in the Labour Party itself, and so the alliance must also include an alliance between different tendencies within Labour. This is more easily achieved by means of a leadership from roughly the centre ('soft Left') of the party. This is not the same as 'party unity': it is healthy that there should be internal debate and inevitable that there will be internal factions of some sort. All that is needed is **co-operative pluralism**: an agreement to disagree combined with a willingness to join together when necessary, e.g., at elections.
3. A cross-party Progressive Alliance will need some degree of policy alignment. This need not be on all issues, but in an election campaign and leading up to one it would encourage tactical and alliance voting if the different non-Tory parties are shown to have something to offer to people who are considering not voting for their first-choice party. There are two obvious starting points for a limited policy alignment. One is **electoral reform** for the House of Commons, which is already LibDem, Green, Plaid Cymru and SNP policy, and one supported by increasing numbers of local Labour parties and MPs. If adopted by Labour nationally it would provide Lib Dem and Green voters with a clear incentive to vote Labour in seats which are winnable for Labour. There might also be a wider agenda of democratic constitutional reform, including an elected element in the House of Lords and

proportionally elected local government with increased powers.

The other policy starting point is the combination of ecological and economic concerns brought together by the concept of a **Green New Deal**. This should include not only low-carbon policies but also policies for climate change adaptation and biodiversity.

There is scope for disagreement on practically everything else. Exchange and cross-fertilisation of ideas is important, rather than any need to come to a comprehensive common policy platform.

The past records of some parts of this wished-for alliance demonstrate a high degree of party tribalism. If that wasn't so, the alliance would have been formed long ago and the Tories would not be in power now.

# COMPASS IS THE PRESSURE GROUP FOR A GOOD SOCIETY

We believe in a world that is much more equal, sustainable and democratic. We build alliances of ideas, parties and movements to help make systemic change happen.

**JOIN COMPASS TODAY**

[action.compassonline.org.uk](http://action.compassonline.org.uk)

The logo for Compass, featuring a stylized '@' symbol followed by the word 'compass' in a lowercase, sans-serif font.

 CompassGoodSociety

 CompassGoodSociety

 CompassOffice