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*THE STATE WE'RE IN*

By Will Hutton

Vintage.

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Many Christians look to the coming British general election with interest and expectations. Can the likely result fulfil our hopes?

A Labour government under Tony Blair offers at least a whispered hope of revived Christian values in British government. Into 10 Downing Street will arrive a churchgoer, a professing (though not evangelical) believer whose political agenda is led by family and community values with a social outlook based on ethical and Christian impulses. At his side at Number 11 will be Chancellor of the Exchequer Gordon Brown, a son of the manse who speaks enthusiastically of the Christian influence on his life. Together they claim to lead a new Party, reshaped according to values that are both post-socialist and post-Thatcherite.

If they win, they will be the first to lead a government from the 'right' wing of the Labour party, free of traditional class and ideological commitments. Wilson and Attlee were influenced more by the Christian than the Marxist tradition in British socialism, but they also believed in state planning as the instrument of social and economic progress. Callaghan's premiership was made possible by his links with the trade unions. Blair and Brown, by contrast, are unabashed supporters of the market economy who are transforming the Labour Party to abolish its constitutional ties to state socialism and trade unionism.

They will go into the next election promising to remake British society in a more caring direction, and to rebuild economic opportunities for the growing minority who are excluded from economic life. But their first priority, following the defeat of 1992, is to reassure those in work that Labour has no plans for high taxation on incomes. Labour is long on answers, short on specific answers. How, people will ask, can Labour possibly make a difference?

The hit best-seller by Will Hutton, *The State We're In*, is seen by many as providing an answer. Hutton, until recently an economics writer for The Guardian newspaper, now editor of The Observer, advocates the 'stakeholder' theme adopted by Blair. His book links three central Blair themes: constitutional reform, economic reconstruction and social renewal. Hutton's book may seem a good place to find out how to rebuild social solidarity and family security without raising state spending.

Hutton describes his work as a prescription for a 'moral economy'. He advocates what he calls 'stakeholder capitalism' or 'relationship capitalism'. It is an appealing vision. Many traditional conservative believers now feel uncomfortable with a 'me-first' business culture, where top managers reward themselves with seven-digit bonuses while middle income households cope with diminished security and, at the bottom of the pile, families and schools try not to fall apart while rearing a third generation of permanently-unemployed people.

Hutton's central claim is that the City of London is a millstone around the neck of industry and workers, and has been since the 1870s. A leading centre of international finance, London's lending class expects high short term returns and a quick exit into cash, and fails to provide long term support to national industry. In the contrasting 'stakeholder' systems - Germany and the successful

Asians being examples - investors regard stocks and shares not as assets to be traded, but as tokens of a long term relationship. They do not seek short term gains or the ability to restructure business to extract the most cash value, but a permanent stake in a healthy, productive enterprise. They recognise their obligations to employees and continued research and improvement. Commercial laws make it harder for banks to foreclose on business debt. In Japan, he tells us, executive stock options are banned, banks have subordinate claims on assets in the event of liquidation and major firms co-operate through mutual share holdings and support: while competing in the marketplace, they do not see any merit in destroying each other's viability.

Hutton links these favoured economic systems to a political analysis which he calls 'republican'. Stakeholder societies have greater regional autonomy and more democratic cultures. They admire technical excellence. But in Britain, a pre-industrial aristocracy transformed itself into a class of gentlemen financiers who continue to rule a centralised 'rentier state' in the interests of the City of London. Rather than meet the long term funding needs of Victorian industry after 1870, they let regional banks in Scotland and the north of England collapse while they developed the Empire as a basis for London's worldwide investment business. This financial elite has been allowed to run the British economy for most of the time since. Post-war nationalisation made little difference - it changed the labels on the doors but not the people on the Boards. Thatcherism, and the licence it gave finance to 'vandalise' industry, represented the City's finest moment. For Hutton, these interests were challenged only in the 1930s, when cheap money supported both the recovery of industry and the boom in owner-occupied housing.

Hutton's case is fluently presented. His account of recent economic history, especially the oil shock and the growth in world currency trading, is very in-formative, and his case studies of the different forms of national capitalism are fascinating. His portrait of our '30/30/40 society'- 30% poor, 30% insecure and 40% prosperous - is deservedly influential.

But is his central case convincing? A counter argument would run like this: British finance competes in a deregulated world market. If British money is dearer and less user-friendly than alternatives, why is British investment welcome overseas? If foreign investors are better partners than UK lenders, nothing stops British business borrowing from them. The reason British manufacturing does not attract long term finance is that it is fundamentally weak and does not offer a sound commercial prospect. Far from greedy finance causing British business failure, the City is a successful commercial sector earning good returns for UK savers who would be worse off if forced to support inefficient home manufacturers. Hutton's argument is, at best, credible historical speculation. Even if it is true, no British government is going to tinker with a successful financial sector in order to test Hutton's theories.

Some of Hutton's ideas will be found in the policies of a 'New Labour' government. A 'stakeholder' business ethic will be encouraged, both in private and public enterprise. Political reform, with changes in Parliament combined with strengthening regional autonomy, will partly aim at fostering a more 'relational' spirit in economic life. There may be cautious changes in company law. But there is no sign of Labour embracing Hutton's more radical agenda, summed up in his conclusion. He claims that British capital can now pay substantially more tax and reduce the return it earns from industry. As a result, in a few years, economic growth will pay for increased public spending and investors' profits will rise as business prospers. Meanwhile public services and training will improve and, for most people, tax can stay the same or even go down. Faced with this dizzying optimism, surely even those convinced by Hutton's historical theories must hear the beating wings of the approaching pigs. Certainly the sound will be apparent to Tony Blair and Gordon Brown.

The realistic options are tougher and more limited. Gordon Brown is signalling that money for new initiatives must come by splitting up the existing government cake, not taking more in tax. His priority is youth unemployment but the promised one-off programme of £1 billion will hardly scratch the surface of the problem. Meanwhile, health, education and housing will clamour for more and more community care; policing and transport will present compelling demands.

One left-wing MP was asked what he thought of stakeholding and answered that you could make his a sirloin. A Blair triumph at the polls will feed socialist stomachs for a year or two: but what then? Labour could well split in Parliament. If New Labour is to be on the menu for a second term, it could be in alliance with the Liberals, with a political philosophy akin to European-style Christian Democracy.

Mere speculation, of course, but remember - you read it first in Evangelicals Now!

The 'stakeholder' vision, however, offers something wider and more important than a political programme. It demands that, in our economic decisions, we take account of our impact on the 30/30/40 society around us.

These days, Anglicans, Roman Catholics and liberals are found in 'Christian' commitment to tackling urban distress; evangelicals generally worry about the 'social gospel' and concentrate on evangelistic work (though Evangelical Alliance's 'UK Action' scheme may herald a new departure). Converts work hard at school, join the professions and move out. They drive back from the suburbs on Sundays, and men take turns to patrol the car park. It is a familiar pattern, often unavoidable, but surely nonetheless unacceptable. Could we do more to promote training for local youngsters? Do we consider using church repair work to support jobs in areas of high unemployment? Does the retired accountant who gets our covenant tax reclaimed also have time to 'mentor' a local business?

That the unconverted community is a 'stakeholder' in our church 'business' may seem an alarming idea, but surely it is only the answer Jesus gave when asked: 'Who is my neighbour?' (Luke 10.29).