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**RADIO CURRENT AFFAIRS**

**ANALYSIS  
VULGAR KEYNESIANISM**

**TRANSCRIPT OF A RECORDED DOCUMENTARY**

**Presenter: Tim Finch  
Producer: Simon Coates  
Editor: Innes Bowen**

**BBC  
Zone B  
4th Floor  
New Broadcasting House  
Portland Place  
London  
W1A 1AA**

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*Taking part in order of appearance:*

**Roberto Unger**  
**Professor of Law, Harvard University**

**Dr. Jon Cruddas, M.P.**  
**Labour M.P. for Dagenham & Rainham**  
**Coordinator, Labour Party Policy Review**

**Tamara Lothian**  
**Lecturer in Law, Columbia Law School, New York**  
**& Senior Research Scholar, Earth Institute**

**Sonia Sodha**  
**Former Business Policy Adviser to the Leader of the Opposition**

**David Hall-Matthews**  
**Chairman of the Liberal Democrats Social Liberal Forum**

**Will Hutton**  
**Principal, Hertford College, Oxford**  
**& author of *The Revolution That Never Was: An Assessment of Keynesian Economics***

**Dr. Stuart White**  
**Fellow and Tutor in Politics, Jesus College, Oxford**

**FINCH:** Five years after the crash and no sign of a sustained recovery. The left has lost what little faith it had in our economic model. So why hasn't it completely kicked it away?

**UNGER:** We are in the grip of the last major episode of institutional and ideological re-foundation in the history of the advanced North Atlantic societies, and that was the social democratic compromise defined in the middle of the twentieth century. That compromise is not good enough to deal with the problems of the contemporary societies.

**FINCH:** This voice of singular style and self-confidence belongs to Roberto Unger. A professor at the Harvard Law School in the United States for more than thirty years, he's also been a minister and high-level adviser to governments in his native Brazil.

His thinking roams across economics, political philosophy and social theory. His main argument is that humanity has what he calls a "god-like potential" to control its own destiny, through building the institutions which shape our lives. His frustration has been growing with the left—his own side—for not leading a wholesale reconstruction of the political economy.

**UNGER:** It cannot deal with the inadequacy of money to serve as a social cement; it cannot deal with the pathology of the low energy democracies that we have that continue to make change depend upon crisis; and it cannot reshape the relation between finance and the real economy. The left lacks a project. Its project should be to democratise the market economy and deepen democracy to equip people with the educational and economic instruments with which to make something of their lives.

**FINCH:** We'll hear more of that project in this programme. It would represent a major departure for the centre-left here in Britain. The object is a political economy that is more local, democratic and cooperative, in which corporate giants are less dominant and small- and medium-sized businesses proliferate. They would be encouraged and supported—but not directed—by the state to experiment and innovate with the aim of having many more people working in fulfilling jobs on decent wages.

In the absence of such an approach at the moment, Unger has assumed the role of arch *provocateur* of what he calls his "fellow progressives". Last year—in a notorious intervention—he posted a film on YouTube. It shows the white-haired, bespectacled professor, seated in his panelled office. He's as immaculately-tailored as any Wall Street investment banker. He faces the camera and comes crisply to the point.

**UNGER ACTUALITY:** President Obama must be defeated in the coming election. He has failed to advance the progressive cause in the United States. He has spent trillions of dollars to rescue the monied interests and left workers and homeowners to their own devices.

**FINCH:** Provocative stuff and, to the Democrats in the US, treacherous too. After all, the young Barack Obama was once Unger's

student. But the professor is unrepentant. He believes the left must abandon what he and others call “vulgar Keynesianism”. A prime of example of this is President Obama’s policies of propping up the neo-liberal model through bailouts and stimulus packages.

I work at the centre-left think tank, IPPR, the Institute for Public Policy Research. Recently, IPPR published an article in its journal, *Juncture*, and in it, Unger and his long-time collaborator, Tamara Lothian, turned the full force of their argument on the British left.

**UNGER:** They have no project. Their project is the project of the other people with a human face. That’s a losing position in politics. We democrats and experimentalists must believe that life is irresistible and that if we create initiatives that give people more opportunity, that do not simply immunise them against insecurity, but that set the stage for a larger life, they will be inspired and transformed. That *has* to be the position of the progressives, if they are to control the agenda of the future.

**FINCH:** When he dismisses Labour’s response to the crisis as “vulgar Keynesianism”, this is probably what Unger has in mind.

**PARLIAMENTARY ACTUALITY:**  
(*extract from Today in Parliament, BBC Radio 4, 17.05.2012*)

The Rt. Hon. Ed Balls, M.P.:

*We’ve set out very clearly an alternative. We’ve said repeat the bank bonus tax and use the money for youth jobs. We’ve said rip up the failed National Insurance cut the Chancellor put in place and use the money for a tax cut for small businesses. We’ve said, yes, have a £12 billion tax cut on VAT for a year to get the economy moving.*

**FINCH:** Maybe you, like Unger, think the Shadow Chancellor outlining some stimulus measures is *all* that Labour’s economic plan amounts to. In fact, Labour has accepted the need to overhaul the economy.

There is some tension between what might be termed the cautious technocrats and the romantic radicals. But Ed Miliband’s speeches on “predatory business”, on “responsible capitalism” and on “*predistribution*” rather than redistribution have already taken Labour into Ungerian territory. The Labour MP, Jon Cruddas, is head of Ed Miliband’s policy review process and he positively relishes the provocations of thinkers like Unger.

**CRUDDAS:** Look, our problem is that we’ve had one of the greatest defeats in our history—arguably the worst since 1918. How do you create energy and vitality from that standing start and rebuild within four or five years? And so we need to put the jump leads on us as a party by using such thinkers—even though they might be uncomfortable and you need to handle with kid gloves at times in terms of the incendiary nature of some of the vocabulary, the forces at work!

**FINCH:** But what about the charge of “vulgar

Keynesianism”? Doesn’t this strike uncomfortably close to the heart of Labour’s present alternative to coalition austerity?

**CRUDDAS:** I don’t find it uncomfortable at all, actually, because it calls us to account about whether we’re being lazy in terms of appropriating methods deployed in the Thirties for today and do we need a more sophisticated, thoughtful series of interventions?

**FINCH:** Yet the headline Labour policy for what to do about the crisis at the moment would be a bit more fiscal stimulus and pay the deficit off over a longer period. Are you saying that’s just not going to be good enough?

**CRUDDAS:** Yeah, I am saying that.

**FINCH:** So when Ed Balls gets up in the Commons and says if we put into effect our five point plan, in actual fact it really wouldn’t be doing very much to reform the economy in your view?

**CRUDDAS:** Well, we have now a policy review over the next couple of years that is going to confront some of the fundamental systemic issues around bank reform, long-termism, the basic architecture of modern capitalism in Britain, supply side changes, new infrastructural projects on the economic front, alongside a more fundamental revisiting about the nature of society. You know, what’s happening in terms of the changing texture of Britain—patterns of well-being, dislocation, loneliness, fracture? That’s where we’ve got to be.

{SEGUE}

**FINCH CITY ACTUALITY:** These big visions may inspire, but how do they translate into the hustle and bustle of the everyday economy? In the UK, Unger and Lothian would start here in the City of London. In their view, the banking sector needs to return to its role of financing the productive economy and to stop serving its own interests. So far, so mainstream. - bankers in the buildings around me have got used to hearing this message. But Tamara Lothian isn’t talking about so-called tough regulation. She wants to go much further.

{SEGUE}

**LOTHIAN:** What we need to do is have different kinds of banks extending different forms of credit, create new kinds of banks that provide venture capital on a much larger scale—not in the form of a single centralised entity at the top of government and economy, but in different regions, in different locales. We need facilities that support small and medium-sized businesses. Not just to provide them with a little bit of money to provide a little bit of energy and activity, but to allow partnerships and collaborations, to give them access to credit and technology at the frontier of production, at the frontier of trade and international trade, to bring them up and to expand their capabilities.

**FINCH:** This talk of democratizing and localizing

banking might not sound threatening. But given the structure of our financial sector it would represent a huge assault on the big City institutions. Would Labour—or any party—dare to be so bold? Sonia Sodha was, until recently, business policy advisor to Ed Miliband.

**SODHA:** Here in Britain we've got one of the least competitive banking systems in the world, so it really is about how you open the market up to new entrants. You probably do need to break up the banks in order to do that. But what's interesting is that although the political discourse isn't quite there yet probably, it's shifted quite radically in the last two or three years. So I think a real test for this agenda is the extent to which in five years' time we sort of had some of these scraps and skirmishes and we've gone back to business as usual, but it's not something that you can sort of radically upset overnight.

**FINCH:** So reform yes, but step-by-step. What about another aspect of Unger and Lothian's plan: industrial policy? After years in which the prevailing orthodoxy has been that government should stand back and leave market forces to shape the economy, there's been a change. Politicians of all stripes now accept that government does have a role to intervene in the market and directly support key industrial sectors. Which is fine as far as it goes—according to Tamara Lothian—it just doesn't go far enough.

**LOTHIAN:** Our ideas of industrial policy are different. They don't involve picking winners. They involve creating access to credit, technology and new forms of production. The focus on public investment and infrastructure is important, but again it's inadequate. The government should be attempting to equip small- and medium-sized businesses with the tools they need to participate more broadly in a knowledge-based, innovative economy. I think that's the main difference.

**FINCH:** This might *sound* un-contentious, but it would involve confronting concentrations of power—economic, bureaucratic and political. That presents a challenge to Labour. Its post-war statecraft has been characterised by a tendency to reach for Whitehall's levers of power: to impose control or at least to set targets centrally and to measure success in terms of national outcomes.

But there are others on the progressive centre-left in the UK who are traditionally more comfortable with the diffusion of economic and political power. The Liberal Democrat, David Hall-Matthews, is prominent on the party's "social liberal" wing.

**HALL-MATTHEWS:** Social democracy essentially believes, has faith in the power of the central state to deal with problems; whereas the social liberal position is very uncomfortable with the idea of any kind of centralisation of power. So going back to Unger, Unger is really politically radical. He's almost Maoist in his contempt for central institutions of government. One would imagine his prescription in the UK setting would be to more or less demolish Whitehall, certainly to diminish it very dramatically. And that's a really big challenge to anybody of any political persuasion who believes in the central state!

**FINCH:** A challenge, yes, but—as we’ve heard—there’s already a good deal of enthusiasm for this direction of travel on the left. But however a market economy is reconstructed, it would remain prone to uncertainty and instability. And so there would still be a role for genuine Keynesian policies—in particular, the need for governments to step in to stimulate the economy and boost demand when market confidence plunged. The economic writer and authority on Keynes, Will Hutton, is generally an enthusiast for Unger and Lothian’s thinking—not least because it’s similar to his own. But he thinks their apparent dismissal of Keynes is wrong.

**HUTTON:** The heart of Keynesianism is that the future is absolutely unpredictable. Bedevilled by that, human beings don’t behave in predictably rational ways. They get wildly over optimistic and wildly pessimistic. And that happens first and foremost in the financial markets but has a cascade effect on the real economy. Of course it is true that, actually, the more employee voice that you can get, the better. Of course it is true that you have to think about how you design banks that are fit for purpose. Of course many of their propositions that they make about how to generate more innovation and productivity are right, but that doesn’t mean that the larger Keynesian point is wrong. The vulgarisation of it is wrong, but the larger Keynesian point is right!

**FINCH:** Despite these criticisms, Unger’s ideas retain their wide appeal on the centre-left. But he’s by no means a lone prophet. Other thinkers are active in this space too, including the political philosopher, Stuart White, of Jesus College, Oxford, who’s close to Ed Miliband’s circle. Like Unger, White believes in a vibrant, decentralised market rather than one dominated by the state. But his guiding principle is that democracy is morally *prior* to the market. So the market must serve the common good. Where it fails, the state should step in. But social justice *isn’t* achieved by state agencies simply putting money in the pockets of people who’ve lost out. Rather, people need to build up assets and to gain greater control of their own lives. And for Stuart White that can only be achieved, sustainably, if people demand such power for themselves.

**WHITE:** We need a democratic activism that generates its own ideas about structural reforms to the economy that has staying power. And my sense is that we may be in the early stages of the development of that kind of social movement with initiatives like Occupy being symptomatic of that.

**FINCH:** I want to challenge that a bit because you say, “Well, Occupy might be the early stages of it.” Another way of looking at it is, well, Occupy flared up, it was angry and it was protesting, but it didn’t really have any very developed ideas about what it exactly wanted except not what we’ve got, and then it disappeared.

**WHITE:** I think Occupy in various ways is ongoing. It hasn’t completely disappeared. But there are also things like London Citizens and the movements around community organising. There’s also UK Uncut. There’s also initiatives like We Are Spartacus, which is campaigning around benefit cuts. There’s a kind of appetite there for thinking about alternatives and that’s a favourable context for discussing the ideas of somebody like Unger.

## ***ACTUALITY: LONDON CITIZENS EVENT AT VICTORIA STATION***

**FINCH VICTORIA STATION ACT.:** The grassroots movement, London Citizens, which is a great example of what Unger calls “high temperature politics”, has bought the concourse here at London’s Victoria Station to a standstill as young people perform one of their joyous dance routines. They’re celebrating one of their campaigns which brings together the young people with local shopkeepers and the police to make this a safer place. Jon Cruddas believes initiatives like this are bubbling up from the bottom all over the place in ways that can be truly transformative.

**CRUDDAS:** It takes you into totally different but very fertile territory, which actually, historically, the left has always inhabited, but those elements have often been exiled from mainstream left thinking which is about re-imagining a world, which is a romanticism about what we could be, about how we can self-realise, live more fulfilling lives, prosper and share and develop parts of our personalities—our capacity for generosity, compassion, love, common endeavour.

**FINCH:** But the way you talk there, I mean, critics of Unger would say this is preposterous romanticism. It’s all very nice, but what does it cash out into?

**CRUDDAS:** Well, in my community in East London, you have to say as the CABs have cut back, how can we rebuild social capital and help people in terms of welfare advice or immigration, legal advice? Can we bulk purchase energy to make sure that the living standards of often the poorest are helped in terms of putting pressure on the corporates, the distributors, the energy companies and socialise some of that purchase? You know, this is not a form of abstract Gini coefficient Fabianism. This is actually a lived experience in the day-to-day concerns of people in communities like mine. And actually there’s a massive political dividend to be achieved if we get it right.

**FINCH:** Through my work at the centre-left think tank, IPPR, I hear a lot of this sort of talk. It may sound idealistic—but it’s now a mainstream Labour view that living wage campaigns, credit unions, small-scale community enterprises, *these* offer the best prospects for economic revival given that government spending will be constrained for years to come. So what, from across the Atlantic, does Roberto Unger make of it?

**UNGER:** I fear that the British progressives may be seduced under the slogan of responsible capitalism by a programme that is more pietistic than it is transformative. The progressives should not embrace the politics of Pontius Pilate and allow their campaigns to begin and end in hand washing.

**FINCH:** That’s quite strong stuff because Ed Miliband, the Labour leader, has made a number of speeches where he’s talked about responsible capitalism, yes, but tackling predatory businesses, about predistribution as opposed to redistribution, and there’s been a lot of talk about encouraging mutuals and cooperatives as well as taking on the financial sector. That just sounds pietistic

to you?

**UNGER:** If the discourse of responsible capitalism is a preliminary to an affirmative project, then it can be very useful or even indispensable. If, however, it becomes a surrogate for such a project, then it would represent a calamity and a squandering of the vast political opportunity that the British progressives now have.

**FINCH:** Unger's challenge here gets to the heart of the matter. If Ed Miliband's ambition is not just to win in 2015 but to bring about transformational change, he'll have to meet that challenge. That'll require fleshing out still further what he means by "responsible capitalism" and "predistribution", giving voters concrete policies that they understand and convincing them that this is the most plausible path to growth—and richer lives.

But where does this leave other ideas Labour's been discussing—such as Blue Labour? Its emphasis on stronger community bonds and a market that serves society rather than the other way round sounds similar. But there are important differences. Stuart White at Oxford.

**WHITE:** I think there's some overlap in terms of Unger's concern with subordinating finance to the real economy, which I think is also a Blue Labour theme. There's a commonality also in that both have an emphasis on democracy and on building bonds through citizenship. But I think you're right—that there are also some tensions in that Blue Labour, I think, wants to emphasise the values of preserving shared ways of life against mobile capital, against the market, and that to some extent runs against the grain of Unger's emphasis on change, innovation and the need for us as individuals to come to terms with and enjoy, even celebrate change and innovation.

**FINCH:** I suppose what's particularly left out of Unger—and perhaps to be fair to him, I mean, he's doing this in a global context—is any flag, faith, family, One Nation bit to this.

**WHITE:** Yes, for Unger—he says in his book *Democracy Realised* that we should think of the nation in terms of prophecy rather than memory—in other words, we should be thinking in terms of what the nation can be in the future rather than celebrating what it has been in the past. And maybe that's a little bit at odds with the Blue Labour emphasis on national identity and preserving a sense of the nation that's continuous with the past.

{SEGUE}

**FINCH:** Whether it's Blue Labour or Unger's ideas, you can just imagine how impatient Tony Blair, Peter Mandelson and Alistair Campbell would have been with this sort of talk in 1995! Sonia Sodha, formerly a key Ed Miliband adviser, is also keeping an eye on the coming election.

**SODHA:** There is a challenge round this, which is that it's not an easily sellable list of solutions in a manifesto. And I think it does

need to make an offer to the electorate and convince the electorate that there's a Labour agenda there for economic growth which is going to deliver for the country, but I think this agenda can be made part of that.

**FINCH:** Sonia Sodha's reference to the big G word is important here. Without a plan to get growth going again, the 2015 election simply won't be won. Now let's be clear. Unger and those who think like him are not "no growth" advocates. There is not a hair shirt doctrine in which we'll all be poorer, but better for it. Labour's Jon Cruddas is emphatic about that.

**CRUDDAS:** These are the drivers of growth, actually, in terms of a modern form of reconnecting communities, rebuilding social capital, rebuilding resilient economic communities.

**FINCH:** But isn't it quite slow growth?

**CRUDDAS:** Oh, it is! It's long-term, but there's no easy option here. Now unless we acknowledge that, then we're in a dangerous decline because we'll not have confronted the nature of the crisis.

**FINCH:** You can go into an election and say, "We're promising you slow growth"?

**CRUDDAS:** People aren't stupid, though. I think they'll find it quite refreshing if people step up and say, "Look, we're going to turn this thing around incrementally and it's a long, hard road but we're prepared to roll up our sleeves and get stuck in." The real question is whether we have the political will to go to these places or whether we lock down, play safe, hit a bit of small ball and try and get over the line.

{SEGUE}

**HALL-MATTHEWS:** I do not believe there will be any significant growth in the UK economy or any Western European economy in the next generation, in the next twenty-five years.

**FINCH:** David Hall-Matthews, from the Social Liberal Forum of the Liberal Democrats.

**HALL-MATTHEWS:** If you say, "Never mind growth, we're just going to try and take away some of the flagrant inequality and the impact that inequality has on people's ability to control their own lives, the over-centralisation of power through wealth as opposed to just political power," I think that would make a very exciting manifesto. It's one that I would support and which, I think, would chime actually with both Liberal Democrat and Labour thinking.

**FINCH:** And you can get this into some soundbites and on a pledge card?

**HALL-MATTHEWS:** We are going to introduce a mansion tax;

we are going to give you say over your own boss; we are going to make your employment rights more economy proof. I think that would be consistent with some form of maybe vulgar Ungerism?

**FINCH:** Vulgar or not, David Hall-Matthews does open up an intriguing prospect. If the 2015 election doesn't deliver a straight win for the Tories or Labour, could a new progressive alliance for government—hinging on cooperation between Ed Miliband and Vince Cable perhaps—be built around putting greater equality above greater prosperity?

There may be something in this—in that more emphasis would be put on equality, but we shouldn't be carried away. The leading economist, Will Hutton, for one is wary of any move away from growth as the primary task of economic policy.

**HUTTON:** Very wary! I do think that whether you talk about the loss of our share of world export markets, which is the worst in the G20, or whether it's productivity or investment or innovation—on all these metrics, we're in acute difficulties, and the unwinding of that will take more than one parliament. But that doesn't mean that, actually, we can give up on growth. I don't buy that at all. I recognise that actually building the world I want to see will take ten years, fifteen years, and that times are going to be hard for a period. But to give up on it semi-permanently and to tell people that you're going to give up on it semi-permanently, I think, would be a first order mistake—and wrong!

**FINCH:** I agree with Will Hutton here—and more to the point, so I think does Labour for now. At the moment, it's searching for ideas to build a fairer, more sustainable and, yes, more morally nourishing economy. But anything that diminishes—or even appears to diminish—growth prospects, including in the short-term will be dropped like a stone.

With that in mind, there'll be a temptation in some Labour quarters to enter the next election with a *short-term* growth plan drawing on conventional social democratic themes, while pushing more fundamental, Ungerian reconstruction into the longer term. How does Unger himself react to that?

**UNGER:** The British Labour Party and the progressives in Britain and in Europe must decide whether they will be the nostalgic and defensive Paladins of this settlement that is now far into the past or whether they will have a vision of the future. Are they simply the last ditch, posthumous agents of the old social democratic compromise? Or do they have something new to say?

**FINCH:** Labour's programme for 2015 will draw on a lot of elements—bits of Blue Labour and remnants of New Labour; strands of Keynesianism; parts of the German economic model; and aspects of Nordic social policy.

It needs to be fiscally credible and to offer the prospect of growth. But Ed Miliband also wants to set out a fundamental reconstruction of the economy, drawing on the ideas of Unger and others. More focus on small, local firms making things and less on big, global businesses selling things. Bosses and employees working more

cooperatively and productively. Prosperity, yes—but through hard work not cheap credit. Everyone making a contribution. An attractive vision perhaps. But can Ed Miliband make it a vote-winning one?