

## **Politics, Employment Policies and the Young Generation**

I am extremely honoured to have been invited to speak here today.

I work from within the British Labour Tradition which is not exhausted by Catholicism even within its Christian inheritance. The Labour Movement in my country was founded by the Dockers Strike of 1889 in which the workers were supported and protected by Cardinal Manning and William Booth, the founder of the Salvation Army. A common good was discovered between Catholic and non-established Protestant congregations within the Labour Movement itself in divided cities such as London, Glasgow, Liverpool and Manchester on the basis of upholding the dignity of the working person and resisting the domination of a ferocious free market and the poor law state. This politics driven by the common good founded upon the restoration of humanity within the economy was not the least of Labour's achievements. I am also Jewish, which makes its own distinctive contribution to the history of the Labour Tradition through its stress on the virtues of family life, education and self-organised community organisations. I consider it a gracious and generous invitation to speak here.

There is also an enormous debt of gratitude to be paid; personally, professionally and politically.

I discovered Catholic Social Thought while studying for my doctorate at the European University Institute in Florence. Neither Keynesian nor liberal economic theory could explain the distinctive institutions that characterised the German Economy; the vocational system of not only training but labour market entry, the balance of power in its corporate governance between capital and labour, the regional banks that were constrained only to lend in the area they were

endowed within, the co-determination of the pension system; all of these were elusive for analytical models that could not conceptualise any intermediate institutions between the individual and the collective, the market and the state. Rational choice theory was tying itself in knots trying to work this one out. The distinctive stress within the German system on labour value, the importance of place and relationships was practically real but theoretically obscure within the prevailing academic literature. I was also interested in the particular nature of its welfare system which worked through civic institutions and preserved a sense of status, solidarity and subsidiarity. I could not find a theory that could explain the data.

I was discussing my theoretical problems with a fellow student called Kees Van Keesbergen. He asked me if I had read any Catholic Social Thought and I had no idea that such a thing existed. It was not a big deal in England when I was growing up. I knew about Liberation Theology but this was something very different. The first Encyclical that I read was *Laborem Exercens* which was followed quickly by *Centesimus Annus*. The insights I discovered concerning the meaning of labour, vocation, virtue and value as economic categories, the balance of power in corporate governance, the constraints on capital and the centralised state within a defence of private property were not only transformative of my understanding of the German political economy but transformative of my understanding of politics.

This has led to the establishment of Blue Labour, a new formation within the British Labour Party, which places Catholic Social Thought at the centre of its concerns and believes that it offers the basis for a humane and competitive economic system in an environment when both Keynesian and neo-liberal theories have failed. Catholic Social Thought offers the possibility of a rationally superior paradigm of economics precisely because it includes tradition, institutions and labour value as constitutive of an innovative

and competitive economy. The crash of 2008 is the defining moment for articulating the limits of both state and market approaches and it will be suggested that the most plausible narrative is one based on the concepts and assumptions of Catholic Social Thought.

I am grateful for the opportunity of being able to say thank you for the extraordinary gift of Catholic Social Thought which the Church has given to me and for the friendship and solidarity of the Catholic Church in England in supporting the campaigns over the last twenty years for a living wage, and an interest rate cap. Pope Pius XI quotes St Ambrose approvingly in *Quadragesimo Anno* when he wrote that 'there is no duty more urgent than that of returning thanks'.<sup>1</sup> It is a tremendous relief to fulfil that obligation.

### **The Politics of Paradox**

In *Centesimus Annus*, published 22 years ago, the political challenge is clearly stated by John-Paul II.

*'It is right to speak of a struggle against an economic system, if the latter is understood as a method of upholding the absolute predominance of capital, the possession of the means of production and of the land, in contrast to the free and personal nature of human work. In the struggle against such a system, what is being proposed as an alternative is not the socialist system, which in fact turns out to be state capitalism, but rather a society of free work, of enterprise and of participation. Such a society is not directed against the market, but demands that the market be appropriately controlled by the forces of society and by the state, so as to guarantee that the basic needs of the whole of society are satisfied.'*<sup>2</sup>

The political challenge laid down by John-Paul II is not being met. One might say that the tragedy of contemporary European politics is that Germany remains misunderstood as exclusively fiscally conservative when this is only one

aspect of its economic system. It is also characterized by a vocational economy in which labour market entry is regulated by self-organised institutions which preserve and renew the traditions of a particular craft, by regional banks that are constrained to lend within their region, by the significant representation of the workforce in the corporate governance of firms and by the co-determination of pensions by capital and labour. In other words a competitive economy that is characterised by the plural governance of non-pecuniary institutions that uphold and embody a virtue that is irreducible to state or market definitions or domination. None of these have been generalised as necessary features of a European economic system which has become increasingly characterised by the free movement of labour and capital within a framework of remote directives.

The economic debate remains polarized in terms of stimulus or austerity, Hayek or Keynes, as if we have learnt nothing in the intervening eighty years.

Germany has successfully exported its goods but not the virtues of its economic system.

For that reason the European Union appears as a technocratic and administrative system, detached from the civic institutions that give our continent life; our free cities, universities, churches and vocational institutions that embody traditions of self-government over many centuries and promotes, in contrast and as its highest priority, the free movement of capital and labour within its sphere. The EU thus appears as a force hostile to the particular institutions and coalitions that constitute a politics of the common good and an enforcer of unmediated procedural domination in which any impediment to the free movement of the factors of production is dismissed as populist and reactionary. It is not a mystery, in such an environment that democratic politics itself is seen as powerless and subordinate and that

all manner of morbid systems should emerge, in Italy as well as England.

The paradox of contemporary European politics is that the country with the greatest degree of labour representation in its corporate structure, the most intense system of vocational interference in labour market participation, the greatest degree of constraint on finance capital in its banking system generates the greatest value and is the most competitive within the international economy. Another way of saying the same thing is that while Catholic Social thought has been vindicated in its practices of a balance of interest, the importance of place, the preservation of status, solidarity and subsidiarity in the organisation of a political economy it has yet to be articulated or organised as a political force.

Neither economic liberalism nor Keynesianism can conceptualise vocation, virtue or labour value as economic categories, neither can give a primary economic value to intermediate institutions, whether they be the corporate governance of a firm, vocational colleges, regional banks or supporter owned football clubs, they can only conceptualise the state or the market and all forms of particular association are viewed as at best 'cultural' or at worst 'obstructive'. They can give no conceptual status to place, to the specificity of place and the necessity of institutions in generating virtue and value within it.

My political duty, therefore, is not exhausted by gratitude to the inheritance of Catholic Social thought, preserved, renewed and strengthened by the Church for over a century. It is also necessary to take the argument out and present a constructive alternative to the relentless pressure of commodification and centralisation, with its resultant sense of powerlessness, that is generated by the joint sovereignty of financial markets and the administrative procedural state. It is necessary to assert and organise around the necessity of tradition, of an inheritance, as a condition of meaningful action, the preservation and renewal of virtue, of good

practice within decentralised institutions that function within the economy and the democratic participation of workers in the governance of the economy which underpins the well-being of their families, their colleagues and their neighbours.

The overriding paradox is that a democratic and vocational 'resistance' to modernity, defined as the joint sovereignty of financial markets and public administration, is the most efficient, competitive and sustainable modern position. The tragedy is that such a reasonable political position is unavailable within the mainstream of European politics, indeed there are those who argue that it would be illegal and an infringement of EU rules concerning competition.

The political task is to organise estranged interests, in which capital and labour play an important role, around a politics of the common good which upholds virtue, vocation and value as economic categories; subsidiarity, status and solidarity as political categories and places relationships, reciprocity and responsibility at the heart of both the public and private sectors. This is what Blue Labour is about as a political force within British Politics. It asserts the mutual necessity of tradition and innovation, of liberty and solidarity, of co-operation and competition, the necessity of tension for the common good, of honouring the dignity of labour as a condition of competitive success.

One of the themes of the Encyclicals is the recurring argument that a proper understanding of things makes the old new and the new old.<sup>3</sup> Through this paradoxical insight we can understand the continuities in circumstance that reveal the old truths concerning the social nature of the person, the need for relationships and the relentless threat of domination. Blue Labour is an attempt to take these paradoxes into the political realm in order to challenge the prevailing orthodoxies of political economy, whether market or state based. For example, blue is not the workers colour, but that of conservatism, but the blood and martyrdom of

red socialism has a great difficulty in grasping the common good that needs to be built, precisely around the political economy between capital and labour, immigrant and local, secular and faithful, men and women. It still clings to the incommensurability of capital and labour, of faith and reason. The Labour Tradition needs to understand the grandeur and profundity of conservatism so that it can renew its radicalism. The Common Good must involve 'the honest discussion of differences founded in a desire for justice'.<sup>4</sup> That political space of honest discussion, of difference bound by a common commitment to justice, is precisely the space that Catholic Social thought allows to be formed. It is not a neutral space but a mutual space. The reconciliation of estranged interests through a paradoxical politics of the common good by actively resisting commodification and state domination is the meaning of Blue Labour.

Undominated diversity bound by a commitment to the common good between institutions, regions, vocations and disciplines, is what Blue Labour is trying to craft so that, for example, people of faith can be heard in the public square and workers in the boardroom. We are as much an enemy of aggressive secularism as we are of belligerent religiosity in which one faith seeks to dominate others and not work through reason, love and persuasion. The Labour Movement in my country has been arrogant in relation to faith in general and careless in its recognition of its Christian inheritance and in order to renew itself as a tradition, it must recognise that no-one is innocent.

The Common Good that will be fashioned will not be around the culture wars, of polarised opposition between progressive and religious forces but around those areas, which also pertain to human dignity and the possibilities of the person for love and grace that relate to their working lives, to the ferocious energy of capital and the deathly embrace of the administrative state and how best to resist

their domination. People will find in the politics of the common good their necessary and active dependence on each other to fulfil their needs and secure their life and livelihoods. Politics, as a vocation, will flourish ‘by the moderation and equal distribution of public burdens’ whereby there is a sharing of responsibility and a mutuality of sacrifice.<sup>5</sup>

### **Employment Policies: virtue, vocation and value**

The politics of the Common Good is what is lacking and what is required. We will have to rediscover the old in order to refashion the new. And this leads to the second part of this paper, which follows from the politics, which is about employment policy. I was surprised to be asked in these terms because employment is a neutral and technical term that refers to a job and wages. The tradition of Catholic Social Thought usually prefers to talk in terms of work, labour and a vocation in the conceptualisation of what constitutes employment. Joining ‘employment’ with the concept of ‘policy’ does not help. The subordination of politics to technocratic policy is part of the problem. It conceives of politics in terms of remedies devised by the state and considered rationally on the basis of evidence. It does not conceive of the creation of new institutions, of a politics that is driven by interests and their reconciliation in the common good.

I think it is more faithful to the tradition as well as more insightful to conceive of employment and the policies required to change its degradation and absence through the concepts of ‘labour’ and ‘vocation’ and the role of new institutions established within the economic sphere that can act as generators of value and virtue. In the same way that labour is given priority over capital because it is the human element, so it is that politics should be given priority over policy and the representation of estranged interests in

positions of power within shared institutions is necessary for that.

Labour has value in itself and is constitutive of the person and of the species.<sup>6</sup> It is a cruel paradox that it should also be the cite of domination and exploitation. According to the Catholic Theory of Labour Value reason is not found exclusively in management but also in the act of work, which draws upon an inheritance of good practice and tradition and is a realisation of the reason and creativity of the person.<sup>7</sup> Capital is also a paradoxical force, capable of creativity and destruction, innovation and exploitation.<sup>8</sup> In its pursuit of the maximum immediate return on investment, however, capital views labour merely as a factor of production and not as the bearer of reason and virtue and this can lead to exploitation unless it is 'curbed strongly and ruled with prudence'.<sup>9</sup> The principle means of curbing its domination, its tendency to short term rationality over a more substantive reason is through the presence of countervailing institutions in the economic realm that uphold labour power and the preservation of tradition through their practices. Universities, vocational colleges, regional banks and unions are examples of these. Their function is to constrain capital and hold it to account.

The fundamental problem that we confront is that finance capital, severed from its origins in labour and traditions that generate value, is by its nature promiscuous. It is constantly seeking new partners, higher returns on investment, more bang for its buck, trying to break free of old entanglements and relationships and hook up with new and younger partners that offer less resistance to its will and easier returns. Outside of all relationships, it acts as Aristotle said that anyone would act who was outside of constraint and relationships, 'like a beast or a god'.<sup>10</sup> Capital in this form tries to commodify, to turn something that was not produced for sale, such as human beings and nature, into a

commodity for sale on the market.<sup>11</sup> It leads to the exhaustion of the person and their environment.

The constructive political alternative is to be found within the tradition of Catholic Social Thought honoured by this conference.

The idea of worker representation in Corporate Governance was already present in *Rerum Novarum* as a practice that would promote the balance of interests necessary for the necessary reconciliation between capital and labour.<sup>12</sup>

Corporate governance representation for labour addresses the necessity of a form of accountability that does not claim all advantage for one side, that can restrain cheating, greed and avarice in the working life. The specific technique developed within catholic social thought was a form of relational accountability, in which the real physical presence of the workforce on boards required a sharing of information regarding the firm and the sector, a negotiation of modernising strategy which was not set exclusively on terms beneficial to capital.<sup>13</sup>

It was the absence of relational accountability, the lack of internal constraint on capital, and the absence of the labour interest, that provides the fundamental explanation of the crash of 2008. The financial crisis was generated by the concentration of capital, a lack of accountability so that money managers could lie, cheat and exaggerate without any specialist interests with knowledge of the internal working of the firm that could challenge them. We learnt that accountability is too important to be left to accountants. It was a crisis of accountability, of a lack of virtue and 'incentives to vice' in the form of bankers bonuses and unilateral self-remuneration. It was also a result of the disentangling of capital from its origins to such an extent that it was unconstrained and exerted relentless demands for higher rates of returns. These turned out to be speculative and fantastical. There was no vocation or virtue in the governance of the financial sector and the key to its

remedy lies in the expertise and interests of labour, who through their representation in the firm could hold the un-virtuous elites to account and bring about the necessary cultural change required to break out of the present malaise. Responsibility and power needs to be shared in order to be effectively exerted.

Central to this is the concept of a vocation, and vocational institutions, which were preserved within the Catholic tradition when modernity seemed to demand transferrable skills or a stress on a career. Vocation includes within itself a calling, or something that is appropriate for the person that comes from within, of work that is authentically your own and not defined exclusively by its external rewards or demands but characterised too by internal goods that are rooted in a tradition of practice. A vocation, requires discipline and judgement, good doing and constrains vice through the concept of good practice, institutionally enforced. Honour, skill, loyalty and dedication are necessary for the preservation and renewal of value, which is judged by other practitioners and not exclusively by the price system.<sup>14</sup> What academics call Peer Group Review is built into the vocational system. It allows for an inheritance to be received, renewed and passed on. It places work, not exclusively as the immediate fulfilment of a task but as something that is received from the past and oriented towards the future. Vocational institutions valorise labour, constrain capital and promote virtue. The internal goods preserved by vocational institutions are a direct threat to the domination of capital but necessary for its successful reproduction.

Regional Banks that are constrained to lend within a particular area are a necessary part of the institutional ecology in that they resist the centralising power of capital, allow a more stable access to credit for regional and smaller businesses and encourage relationships and reciprocity to constrain the demand for higher rates of return that have

decimated the mutual bank sector in Britain. They also offer an alternative to usurious lending, one of the great growth areas in our economy.

The inheritance of Catholic Social Thought is practiced in five fundamental ways within the German economy.

The first is the representation of the labour interest in the various forms of co-determination which characterises German corporate governance characterised the 'equalisation of the burdens' established in 1952.

The second is the regulation of labour market entry by vocational institutions that are democratically self-organised and enforce training and ethical practice within the sector, with the power of expulsion. The rules that apply to doctors, lawyers and accountants in other countries, apply to workers in Germany.

The third concerns the co-determination of the pension fund between capital and labour so that they share an interest in the future and the health of the sector that is mutual. This is a good example of the 'incentives to virtue' that are required to resist commodification and the domination of one interest alone and its ability to maximise its power.

The fourth is the power to form unions that promote and protect the labour interest as self-organised democratic institutions.

The fifth is the endowment of regional and sectoral banks constrained to lend within their area and specialist sphere.

Any serious reflection on 'employment policies' must confront the centralisation of capital and the state and seek to constrain both through the endowment of decentralised regional and sectoral institutions that constrain centralisation and preserve and renew traditions of virtue within the economy through resisting the commodification of human beings, nature and knowledge demanded by the

maximum return on investment. It allows initiative and enterprise to be oriented towards the future.

Not a policy but a radical redistribution of power and responsibility based around a common good within and between institutions is the generator of value and employment. That is the task of Statecraft.

### **The Younger Generation: Rethinking Solidarity**

This leads directly to the consideration of the young generation. It would be hostile to the entire tradition to view the young in isolation from other generations, and it would be entirely consistent to reconcile the excluded poles of young and old. The breakdown of familial obligation and the enforcement of retirement rules, combined with a general fetishism for all things young that characterises totalitarian ideologies has led to an increasing abandonment of old people. There is a general recognition that life should be characterised by 'lifelong learning' what is less often acknowledged is that there is a role for 'lifelong teaching'.

Vocational institutions are a crucial way of brokering inter-generational solidarity. By honouring the wisdom and experience of the old and bringing them into a relationship of teaching and mentoring with the young, by passing on their skills and their stories they build the character and expertise of the young. Intermediate institutions sustain a human scale of engagement, make demands on people as members, encourage the virtues of self-government indispensable to a good life.<sup>15</sup> Solidarity is not generated by collectivism. The building up of trust and mutual interests that is generated by common action and shared institutions which allow for participation by its members transforms a fate into a destiny that can be shaped through democratic action. In *Centesimus Annus* this is stated clearly.

*'The individual today is often suffocated between two poles represented by the state and the marketplace. At times it*

*seems as though he exists only as a producer and a consumer of goods, or as an object of state administration. People lose sight of the fact that life in society has neither the market or the state as its final purpose, since life itself has a unique value which the state and the market must serve. Man remains above all a being who seeks truth and strives to live in that truth, deepening his understanding of it through a dialogue which involves past and future generations.'*<sup>16</sup>

Through labour and the renewal of vocation and virtue what is estranged can be reconciled and this needs to be applied to the young and the old. The solution to the problems confronting the young is not to isolate them and treat them as a specific category as modern marketing is seeking to do. It is to bring them into a necessary and mutual relationship with older people, to reconstitute inter-generational solidarity by giving incentives for them to meet and care for older people and to learn from and be nourished by them. This indicates both a form of a more relational welfare system and another way in which the we make the new old and the old new.

## **Conclusion**

It is always clear within the tradition where it is necessary to start. In asserting the priority of labour, of the primacy of man to things, the integrity of family life and the superiority of work to welfare it is necessary for all people of good will to champion the living wage, so that each worker can feed their loved ones and fulfil their duties as human beings as an inheritor of the dignity of labour.<sup>17</sup> It is also necessary to limit the power of money particularly in relation to debt and usury, so that the rich do not prey upon the misfortunes of the poor. A living wage and an interest rate cap are the floor and ceiling of the new European Home but they need to be complemented by a new kind of Statecraft that cherishes and strengthens civic institutions that treasure and protect

their internal practices and judgements and allow virtue and vocation to flourish without the domination of the market or the state.<sup>18</sup>

John-Paul II described politics, following in a long Aristotelian tradition, ‘as a prudent concern for the common good.’<sup>19</sup> A common good between young and old, capital and labour, immigrants and locals, Christians and Muslims, city and countryside, faithful and secular. This is how solidarity needs to be rethought and its appropriate vehicle is a politics of the common good that is built upon resisting the domination of capital and the state by local and decentralised democratic politics. The Common Good is discovered between people and returns their agency. Such a politics is a vocation, it has all the characteristics of labour, it is definitive of our humanity and can cause great suffering, frustration and tension. In all its forms, however, it is better than the politics we have now.

Lord Glasman

House of Lords

May 2013.

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<sup>1</sup> ‘Quadragesimo Anno: After Forty Years’, Pius XI, 1931. In Catholic Social Thought: The Documentary Heritage, Edited David J. O’Brien and Thomas A. Shannon, Orbis Books, New York 2005. P40-80. Hereafter QA, Para 16

<sup>2</sup> ‘Centessimus Annus: On the Hundredth Anniversary of Rerum Novarum’ John Paul II, 1991. In Catholic Social Thought: The Documentary Heritage, Edited David J. O’Brien and Thomas A. Shannon, Orbis Books, New York 2005. pp. 439-488. Hereafter CA, Para 35

<sup>3</sup> See ‘Laborem Exercens’, John-Paul II, 1981. In Catholic Social Thought: The Documentary Heritage, Edited David J. O’Brien and Thomas A. Shannon, Orbis Books, New York 2005 pp. 352-394 2. Hereafter LE, Para 11.

<sup>4</sup> QA 114

<sup>5</sup> ‘Rerum Novarum’, Leo XIII In Catholic Social Thought: The Documentary Heritage, Edited David J. O’Brien and Thomas A. Shannon, Orbis Books, New York 2005, pp. 14-39. para 26

<sup>6</sup> ‘Man is born to Labour as a bird to fly’. QA 61.

<sup>7</sup> LE 6.

<sup>8</sup> LE 11

<sup>9</sup> QA 88

<sup>10</sup> Aristotle, The Politics, book one, 1253.

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<sup>11</sup> CA, 4.

<sup>12</sup> RN,34.

<sup>13</sup> See QA 132.

<sup>14</sup> CA 32, LE 18

<sup>15</sup> CA 49.

<sup>16</sup> CA 49

<sup>17</sup> For Living Wage see RN 10, 34. QA 71, LE 19. CA, 8, 15 'The wage paid to the workingman should be sufficient for the support of himself and his family'. For the constraint on usury, RN, 2, 33,

<sup>18</sup> See QA, 73-74.

<sup>19</sup> LE 20.