Essay

On the limits and possibilities of social democracy

The economics of Andrew Glyn

Stuart White

Many people were deeply saddened at the end of last year to hear of the untimely death of Andrew Glyn, an economist at Oxford University. Andrew (as I shall refer to him henceforth) was a widely respected figure on the left. He was a deeply committed socialist, a superb teacher and, not least, and by all accounts, an immensely warm and well-rounded human being. My aim here, however, is not to add to the obituaries of Andrew, or at least not to write an obituary of the normal kind. Rather, my aim is to clarify what Andrew's contribution to the thinking of the left was and is. I want to identify what his main ideas were, to pinpoint the strengths and weaknesses in his thought, and to consider his lasting contribution.

Andrew was an economist and he was a Marxist. He took both of these things very seriously. By this I mean, first, that his work as an economist was empirically and theoretically rigorous. He was not a hostage to the dogmas of Marxism and he certainly never allowed ready-made formulae to substitute for the uncluttered 'concrete analysis of a concrete situation'. I also mean, second, that his approach to the data before him was consistently informed by a Marxist conception of capitalism as: a dynamic, highly creative, yet volatile and in many ways brutal system; a system based on class division and conflict in which capital faces the perpetual problem of finding ways to extract labour from 'labour-power'. Not least, Andrew had a fundamental belief in the moral imperative of creating a much more egalitarian society.

The profit squeeze

Andrew's early book, co-authored with Bob Sutcliffe, *British Capitalism, Workers and the Profit Squeeze* (1972), sets out one of the core ideas of Andrew's economics: that British capitalism – indeed, the entire advanced capitalist world – entered, in the late 1960s and 1970s, into a crisis of profitability. Indeed, if it were not out of step with Andrew's character, one might summarise his basic point, insistently pursued over the decades, simply as: 'It's profitability, stupid!' The rate of profit, according to Marx, is the motive force of the capitalist system. It drives accumulation which, in turn, drives growth. If profitability declines too much, then accumulation ceases and the economy enters into a crisis.

The argument set out in *British Capitalism* was that the profit rate was falling in British capitalism and that this meant there was an incipient economic crisis which, in turn, had precipitated a growing political crisis. Indeed, in a sense, according to Andrew, the economic crisis was itself at base a political crisis. For if one looked at what was causing the decline in profitability one found that it had its roots in the power of organised labour, buoyed by full employment and tight labour markets, and welfare state protections. Organised labour was using its bargaining power to steadily increase wages and, in the process, was causing labour's share of output to increase at the expense of capital. Capital could not fully win back what it had lost in wage negotiations by price increases because the increase in trade competition also associated with the post-war boom meant that there was less room for price increases. Hence the idea of the 'profit squeeze'. Drawing on the insights of the economist Michal Kalecki, Andrew saw the crisis of profitability as reflecting an unresolved political problem in the post-war social democratic settlement: how to reconcile, over the long-run, the strengthening of labour through full employment with the maintenance of the profit which capitalism requires (Kalecki, 1990 [1943]). Marx had argued that capitalism worked by periodically increasing the 'reserve army' of the unemployed in order to discipline workers' demands. If social democracy aspired to abolish the reserve army, could capitalism itself survive?

It is not difficult to use this theory to explain the phenomenon of 'stagflation', the (to many conventional economists of the time) unexpected combination of rising unemployment and high and rising inflation, which afflicted the British and most other advanced capitalist economies in the 1970s, particularly after the rise in oil prices in 1973–74. Rising unemployment and rising inflation were both symptoms of the profit squeeze. Rising inflation reflected capital's effort to pass rising wage costs onto consumers (ultimately, back to labour) through unanticipated price increases, so far as the pressures of international competition would allow (and the collapse of the fixed exchange rate system in the early 1970s meant that domestic price rises could be compensated by a falling exchange rate, albeit at the price of importing even more inflationary pressure). Rising unemployment reflected the incipient crisis related to the decline in profitability and the slow-down in accumulation.

The mix of high/rising unemployment and high/rising inflation reflected a political stalemate: capital was not strong enough politically to push through the policies – that is to say, the level of unemployment – which would bring 'discipline' back to the negotiating table and rescue profitability and so felt compelled to pass cost increases on in rising prices even as unemployment was rising.

This is, clearly, a Marxist account of the economic crisis of the 1970s (and a highly credible one at that). It is important to see, however, that it is not the orthodox Marxist view of the cause of economic crises. Marx himself famously argued that there is a long-run 'tendency' for the rate of profit to fall under capitalism. But his explanation for this trend was not the same as Andrew's explanation for the decline in profitability which brought an end to the post-war boom. The profit rate depends on three key variables: (i) the *share of profits in output*; (ii) output per employment hour, or *labour productivity*; and (iii) the ratio of employment hours to the value of the capital stock, or the *labour-capital ratio* (1). Marx's argument is that there is a long-run tendency for the labour-capital ratio to fall and, hence, a long-run 'tendency' for the rate of profit to fall. This 'tendency' might be offset by changes in the other variables, but, according to Marx, only temporarily.

While some Marxist economists were content to reiterate this theory (if one can really call it that) as the capitalist world went into recession in the 1970s, Andrew controversially rejected it as an account of the contemporary sources of crisis. He contested Marx's arguments theoretically and empirically (Glyn 1972; 1973; Armstrong and Glyn, 1980).

In a book he co-authored with John Harrison in 1980, *The British Economic Disaster*, Andrew pointed out that, in fact, the tendency for the labour-capital ratio to fall over time had tended to be cancelled out by a tendency for labour productivity to rise, leaving the profit rate unchanged (Glyn and Harrison, 1980). The contemporary pressure on the profit rate came not from the source Marx predicted but from the fall in the profit share, which reflected labour's political power. In Marx's terms, the problem was not a 'rising organic composition of capital', but severe downwards pressure on the 'rate of exploitation'. Labour was simply powerful enough to claim back an increasing amount of the 'surplus labour' which capital extracted from it. In the US, radical economists such as Thomas Weisskopf developed a similar line of argument to explain trends in profitability there (Weisskopf, 1979, Bowles, Gordon and Weisskopf, 1983, 1986). Andrew's scepticism about Marx's theory of the declining rate of profit was one expression of a wider critical reassessment of Marx's economics amongst the radical economists of his generation (see, for example, Steedman, 1977, Rowthorn, 1980). (2)

If a concerted profit squeeze was the fundamental source of the economic malaise of the 1970s, what was the solution? In Andrew's view, at the time, the answer was at once very simple and immensely challenging: a transition to a planned socialist economy achieved through the nationalisation of a large swathe of manufacturing and financial companies on the basis of a revolutionary workers' government. A member of, and economic advisor to, the Militant Tendency, the Trotskyist 'entryist' organisation within the Labour Party, Andrew set out the case for a Militant-style programme in *The British Economic Disaster* (1980; see also Glyn, 1982).

His position is perhaps best explained by considering why he was unconvinced by the 'Alternative Economic Strategy' (AES) which, in various formulations, attracted much of the left at this time. The AES looked to handle the crisis by a combination of Keynesian reflation backed by a mixture of price controls, import controls and (in some versions) incomes policy, combined with measures of industrial democracy, selective nationalisation and 'planning agreements' between the state and private firms.

Andrew argued that the AES would not deal with the fundamental issue of declining profitability and so would not restore the capitalist incentive to invest. At the same time, it would not give the state the necessary power to compel investment in spite of capitalist intentions. So the economy would continue to stagnate. The only way the AES could conceivably work would be if it contained a very strong incomes policy which held wages down enough to allow profitability to recover. But this, Andrew argued, would naturally, and quite properly, be resisted by the labour movement itself. To get over the crisis, the control of investment had to be taken out of the hands of capitalists by large-scale nationalisation – nationalisation *without* compensation for capital-owners except in cases of genuine need, which, in turn, would require a revolutionary workers' state.

However, would the new revolutionary workers' state itself be required to attack workers' living standards? After all, as Andrew acknowledged, if the profit rate remained low after nationalisation, the rate of accumulation, and hence growth, in the planned socialist economy would be very slow. There was a prospect of what he frankly called 'socialist stagnation'. Andrew's main answer to this problem lay in what we may call the 'planning dividend'. Andrew argued that the transition to a planned economy would allow the large amount of currently unemployed resources to be reabsorbed into production. Combined with some redistribution, the resulting expansion in output would enable the workers' government to maintain working-class living standards while at the same time increasing the share of investment in national income, laying the foundations for more rapid growth.

Looking back now, almost thirty years on, one is struck by the logical coherence of Andrew's position. Nevertheless, logical coherence does not by itself make Andrew's position convincing, and it is worth reflecting on some of the weaker points in the argument.

First, assume that there is a 'planning dividend'. The kind of revolutionary transition which Andrew envisaged would also itself cause a major disruption to production. Might not these transition costs offset the planning dividend? Second, would there really be much of a planning dividend? Central planning is good at rapidly mobilising available resources, but it is weak at promoting the kind of innovation on which long-term economic growth depends. So even if there was a short-term gain from the transition to planning (putting transition costs aside), in the medium- to long-term this could well be offset by slower growth. Workers would then find their living-standards growing more slowly than in the capitalist past. To combat this, the new workers' government might further increase the share of investment in national income. But this itself would put downward pressure on workers' immediate living standards. In short, the danger of 'socialist stagnation' was a very real one. Moreover, the experience of socialist stagnation would put considerable political pressure on the new revolutionary state.

The question for the left was how at once to restore the conditions of profitability and investment while at the same time winning labour greater long-term control over, and a stake in the fruits of, this investment. Andrew's was one, very drastic answer to this question.

But there were others. At this time, a young group within the Communist Party of Great Britain (CPGB) was busy extricating the Party from the Leninist tradition by means of a creative reading (some would say, misreading) of Antonio Gramsci's *Prison Notebooks* (see Andrews, 2004). Some of the economists associated with this tendency, such as David Purdy, argued unsuccessfully for an end to the party's opposition to incomes policy and for a progressive 'social contract' in which labour would trade wage discipline in return for new rights of control within firms.

One can also imagine, as part of such a contract, the establishment of widespread 'capital-growth sharing schemes' under which labour would gradually acquire an increasing share of capital (Atkinson, 1972). Something very much like this was attempted by the Swedish Social Democrats in the 1970s (the famous Meidner plan), and some former Trotskyists, such as Robin Blackburn, have recently argued in similar terms (Blackburn, 2002; and forthcoming).

To be sure, the Andrew of 1980 would have been sceptical, seeing such measures as an unsustainable half-way house. Perhaps they were. The Swedish Social Democrats certainly failed to implement the Meidner plan in anything like its original form. But given the evident weaknesses in the approach that Andrew favoured, such alternatives were certainly worth exploring.

A social-democratic turn?

In practice, of course, neither the Trotskyists nor the Gramsci-reading Eurocommunists of the CPGB got their way. The crisis which Andrew had so acutely diagnosed was resolved on the terms of the right. Mass unemployment combined with concerted anti-union measures by the Thatcher governments broke the immediate power of the unions.

Andrew was not idle in response to the assault by the right. He brought his economic expertise to bear in aid of the National Union of Mineworkers (NUM) during the miners' strike of 1984/85, the pivotal industrial struggle of the decade, in *The Economic Case Against Pit Closures* (1985). The economics of the mining industry thereafter became an important subsidiary theme in his work. In *A Million Jobs a Year* (1985), written for the Campaign Group of left Labour MPs, he set out an ambitious program to restore full employment. But the NUM was roundly defeated, and the Campaign Group was, even by 1985, an increasingly marginal presence within Labour. It was, however, also around this time that Andrew published his magisterial survey of the economic development of the advanced capitalist countries, *Capitalism Since World War Two* (1984), co-authored with Philip Armstrong and John Harrison. This provided the definitive statement of the theory of capitalist boom and bust which Andrew had been developing in his earlier works.

How did Andrew's thinking evolve in the changed political circumstances? One story would see Andrew as repudiating his youthful Trotskyism, making his peace with social democracy, even to the extent of becoming a temperate, if critical, supporter of New Labour. Such a story is, however, far too simplistic and, consequently, very misleading.

In the context of the New Right's method of handling the crisis of profitability, Andrew was interested to see how well social democratic governments coped by comparison. In the second, updated edition of his survey of post-war capitalism, *Capitalism Since 1945* (1991), he and his co-authors reviewed the record of three left governments: the 1974-79

Labour government in the UK, the French Socialist government under Mitterrand in the 1980s, and the Swedish Social Democrat governments of the 1970s and 1980s.

While finding little to cheer in the record of the first two, they noted that the Swedish social democratic system had succeeded in maintaining relatively high levels of employment and generous welfare spending even during a period of slow growth. As Andrew argued in a later, extended analysis, the institutions of corporatist negotiation had enabled the Swedes to apply the wage discipline necessary to spread employment and consumption amongst the workforce rather than shifting the burdens of slower growth onto a subset of workers through unemployment (Glyn, 1992).

Whereas in the 1970s, and in *The British Economic Disaster*, Andrew had argued against the feasibility or desirability of a left government in Britain maintaining wage discipline through incomes policy so as to keep the capitalist show on the road, he now acknowledged, with evident sympathy, that the Swedes had done just this. If the alternative was the resolution of capitalist crisis on the terms of the right, as exemplified by the Thatcher governments in the UK and Reaganism in the USA, then social democratic management of the crisis was obviously to be preferred. This was the basis for a constructive, but critical, engagement with social democracy.

Challenging New Right theses

At the heart of this constructive engagement with social democracy lay a concern to examine and question various New Right (and, to some extent, 'Old Left') theses about the optimal form of the capitalist economy.

One such thesis is the *equality-efficiency thesis*: the thesis that there is a strong trade-off between achieving egalitarian outcomes and economic growth. In a paper he co-authored with Dan Corry, Andrew marshalled evidence in a preliminary way to show that there is, in fact, little obvious negative correlation between the degree of egalitarianism of a capitalist economy and rates of economic growth (Corry and Glyn, 1994). Indeed, in the book in which this paper appeared, co-edited with David Miliband, Andrew pointed out that inequality is often itself a cause, or another product of things that cause, inefficiency (Glyn and Miliband, eds, 1994). This means that, to some extent, there is the possibility of a positive sum policy stance which reduces inequality *and* raises efficiency. A paradigm case would be a policy to improve the educational outcomes amongst children of disadvantaged families so that they are able to earn more as adult workers, an outcome which addresses both equity and efficiency concerns.

In retrospect, one can see this book, *Paying for Inequality: The Economic Cost of Social Injustice*, as complementing the final report of the Commission on Social Justice which argued that an 'Investors' Britain' could reduce inequality and improve economic performance by means of appropriate investments in human capital (Commission on Social Justice, 1994) (3). Essentially the same theme can be found in Gordon Brown's writings on a 'politics of potential' which date from this period, and it was to be taken up in turn by Anthony Giddens in his advocacy of a 'social investment state' as lying at the centre of a 'Third Way' form of social democracy (Brown, 1994, Giddens, 1998, 2000). As well as Corry and Miliband, *Paying for Inequality* contained contributions from Paul Gregg and Steve Machin, economists who were also to develop strong links with New Labour.

I doubt, however, that Andrew was entirely (or at all) happy with the rather crude contrast which the Commission's report drew between an 'Investors' Britain' and a 'Levellers' Britain' committed to equalising outcomes through redistribution as an end in itself. A large part of what made the social democratic model exemplified by Sweden so attractive, in Andrew's view, was precisely that it did engage in lots of so-called 'Levelling'. While this was not necessarily a drag on economic growth, it was valuable in its own right, and not valuable or tolerable only insofar as it generated efficiency gains, which was what the Commission's oversimplifying rhetoric could easily be taken to suggest.

Another, related thesis of the New Right, and one which has also found wide support on sections of the left (including the Marxist left), is that the possibilities of social democracy have in recent years been fundamentally changed by a qualitatively new phenomenon called 'globalisation'. Central to this argument is what we may call the *weakened welfarism thesis*: greater international mobility of goods, capital and labour – particularly, of capital and high-skilled labour – will result in competition between capitalist states to cut taxes, exerting downward pressure on the welfare systems which mitigate market inequality – a 'race to the bottom'. The implication is that one can have globalisation or equality, but not both. Moreover, since growth (allegedly) depends on integration into the global economy, one had better choose globalisation. The weakened welfarism thesis is, in other words, closely linked with the overarching equity-efficiency thesis which constitutes one of the New Right's core objections to social democracy.

Andrew carefully examined these theses emerging around globalisation and pointed to their limitations. To begin with, Andrew was concerned to clarify the extent of 'globalisation', in its various forms, and to question exaggerated claims about its novelty (Glyn and Sutcliffe, 1999). But Andrew's criticism was focused particularly on the weakened welfarism thesis. As a matter of brute fact generous welfare states are not in general collapsing or receding. The key issue, Andrew argued, is whether a left government can put together and sustain a distributional coalition willing to bear the costs of a generous welfare state and income redistribution. If not, then anticipation of the inflationary pressures generated by higher taxation and higher public spending will certainly lead rapidly to capital flight and this will force a reversal of policy. But this has always been the case. The sophistication of today's computerised global financial system might mean that this happens a lot quicker than in the past: a matter of days or even hours rather than weeks or months. But the constraint is essentially no different than in the past (Glyn, 1997/1998, 2006, chapter 5). It is, at base, a *political* constraint, not an economic one.

Accordingly, Andrew was consistently interested in the record of countries with corporatist bargaining systems which have the potential to enable governments to put together and sustain such distributional coalitions. These countries not only include the usual Scandinavian suspects, the Netherlands, Germany and Austria, but some more surprising cases where corporatist arrangements represented something of a new departure, such as Australia for a time in the 1980s and 1990s and, not least, the Republic of Ireland. In one recent paper, Andrew favourably contrasts the corporatist experience of Ireland with the effects of bold neo-liberal experimentation in New Zealand (Glyn, 2002).

The limits of social democracy

Andrew's interest in the capacity of social democracy to offer a credible, indeed superior, alternative to the New Right led him in due course to edit an extremely informative volume, *Social Democracy in Neoliberal Times* (2001a). One of the striking features of this volume, however, is how it points to what Andrew saw as the limits of social democracy in general and New Labour in particular.

Andrew's reservations about social democracy in general were at least threefold. First, while some governments had used corporatist style arrangements effectively to reconcile egalitarian concerns with economic growth, the record of left governments in general from 1980 is not in all respects a good one. Specifically, left governments in OECD countries have on average reduced inflation at a *higher* cost in terms of unemployment than in the OECD as a whole. Second, while social democratic governments can in principle achieve reductions in inequality without loss of efficiency by means of encompassing distributional coalitions, Andrew pointed out that the effort to construct such coalitions was something which social democratic parties were now inclined to 'duck'. This does not mean that in government, these social democratic parties can do nothing different from the right. As Andrew put it:

> The Left can still intervene in valuable ways to stem the tide of rising inequality – more in-work benefits for the low-paid, protection of the most vulnerable when welfare states are reformed, targeting the extremes of inequality of opportunity which are obviously economically inefficient. (Glyn, 2001a, 20)

But as he immediately goes on to say:

> However valuable in themselves, these are strictly limited objectives and if they really represent the limits to social democracy's vision, then as Perry Anderson put it: 'what kind of movement will it change into?' (Glyn, 2001a, 20)

Finally, Andrew intimated at possibilities of change which ultimately lie beyond the scope of social democracy as this term is usually (and perhaps too conservatively) understood. 'If high employment could be sustained for an extended period', he writes,

> then bargaining power would tilt back towards labour and the issue of democratising ownership and control in the economy, submerged in the 1980s and 1990s, would surely return to revitalise the left's agenda. (Glyn, 2001a, 20)

Here we see clearly how Andrew's concern with the popular control of investment, the concern which had underpinned his Trotskyism in the 1970s and early 1980s in the context of the profit squeeze, had far from disappeared. Social democracy, in the standard sense of the term, was clearly preferable to the capitalism of the New Right in Andrew's view for at least *two* reasons. One reason, and the focus of much of our discussion thus far, is that it has the capacity to deliver better – that is to say, more just because more equal – distributional outcomes within capitalism compared to the capitalism of the New Right. This is not to be sniffed at. However, another reason to prefer social democratic capitalism is that it also has the capacity, in meeting this first objective, to create the conditions under which basic questions about the ownership and control of capital can come onto the table. It had created this situation once before, in the 1960s/1970s, and in principle could do so again.

Whether or not Andrew remained, in some sense, a Trotskyist, is not really a very interesting question. But what certainly is true is that he retained from the New Lefts of the 1960s an underlying commitment to a *democratic* economy, implying popular control over the flow of investment (Cohen, 1989). Social democracy had edged confusedly onto the terrain of asserting democratic control in this area in the 1970s and 1980s, but it had since beat a wholesale retreat. Andrew's hope was that it could retrace its steps and make a better job of moving forward next time around.

Given these reservations about social democracy in general, it is not surprising that Andrew also expresses some reservations about New Labour. In an article co-authored with Stewart Wood, who went on to work for Gordon Brown, Andrew acknowledged New Labour's efforts to improve the position of the worst-off: the introduction of a minimum wage, reforms to the benefit system and higher rates of growth of spending in areas like health and education (Glyn and Wood, 2001). However, he questioned whether New Labour's aversion to anything that smacks of 1970s corporatism would ultimately weaken its ability to pursue more egalitarian policies.

Rather than experimenting with new forms of corporatism, New Labour seems committed to a model of a decentralised, deregulated labour market. This is perhaps because New Labour seems largely to have accepted one key claim associated with the New Right's equality-efficiency thesis. We may call this the *flexibility for employment thesis*: rapid employment growth requires deregulated labour markets and (greater) wages inequality. New Labour's approach has been to accept the alleged need for deregulated labour markets and wages inequality but to compensate for this inequality at the lower end of the labour market by means of more generous in-work benefits (such as Working Tax Credit). As part of his ongoing interrogation of the various claims associated with the equality-efficiency thesis, Andrew examined the evidence for the widely asserted links between labour market deregulation, wages inequality and employment growth and argued that the evidence for them is in fact much weaker than is generally assumed (Glyn, 2001b, Baker, Glyn, et al, 2005). In this respect, too, Andrew's work presents an informed challenge to New Labour.

Results and prospects

In *Capitalism Unleashed*, published in 2006, Andrew pulled up to date the story he began in *Capitalism Since World War Two* and *Capitalism Since 1945*. The book examines the results of the neo-liberal turn of the 1980s, future challenges, and outlines a possible way forward for the left.

What have been the results of the neo-liberal turn? While the crisis of capitalism of the 1970s has been resolved, the capitalist world has not entered a new 'Golden Age'. Output per head has in fact grown more slowly in the period 1990–2004 in the USA, Europe, Japan and the OECD as a whole than it did in 1979–90, 1973–79, or 1960–73, although the rate of growth is within the normal range for the capitalist world since 1870 (Glyn, 2006, 131). Growth has also been associated with the emergence of new imbalances. In particular, growth in the USA was driven in the 1990s (and resuscitated in the 2000s) by means of huge consumer booms which have pushed the US into persistent balance of payments and (now) budget deficit. How the US and world economy will adjust in the face of these developments, and how painful the necessary adjustment will be, remains unclear. More generally, financial deregulation has led to greater exchange rate volatility and instability within the financial system.

Moreover, in those countries where neo-liberal policies have been pursued with particular vigour, such as the UK and the US, there has also been a significant increase in income inequality (Glyn, 2006, 169). At the point of production, the intensity of work increased in the 1980s and 1990s and, in the US, the trend towards a reduction in working hours, which we saw throughout the advanced capitalist countries for much of the twentieth century, has stalled. Neo-liberalism is pushing us towards a world of insecurity and long hours work, compensated by unsustainable consumerist bingeing (see also Schor, 1992; 1998).

Moreover, the system faces massive challenges in the years ahead. One challenge, of course, is environmental. We have not mentioned environmentalism so far, but Andrew turned his attention to this topic in the early 1990s, co-editing a volume on the environmental constraints on growth (Bhaskar and Glyn, 1995). Thus far, environmental constraints do not seem to have played a significant role in constraining growth (Glyn, 2006, 131–132), but they could do so to a much greater extent in the future.

Another, related challenge is posed by the growing role of newly industrialising countries, in particular China, in the world economy. Somewhat correcting his earlier scepticism about the significance of globalisation, Andrew argued that the entry of nations like India and China into the world capitalist economy could have major repercussions for the affluent capitalist democracies:

> there is the impact of surplus labour in China and elsewhere, significant segments of which will be highly educated but with much lower wages than in the North. Access to this cheap labour could encourage a much higher level of direct investment from the North, in effect an investment drain away from the rich countries. In effect the

> capital-labour ratio would decline on a world scale, by one-third or more according to one estimate, as the vast reserves of labour in those countries become inserted into the world economy. The result could be a major fall in the share of wages in the rich countries as workers find their bargaining position weakened. The political consequences of such developments are hard to foresee. Growing demands for forms of protection for Northern workers from Southern competition seems very probable. (Glyn, 2006, 153–154)

If the share of labour in output is set to fall substantially – a *wage squeeze* rather than a profit squeeze – then maintaining reasonable equality in income distribution will require either a radical change in the distribution of wealth so as to enable all citizens to share in the higher returns to capital and/or some generous system of state transfer payments to uphold the incomes of low-paid workers.

Andrew proposes a version of the second strategy, arguing that social democracy should take seriously the proposal for a Basic Income, a universal and unconditional income payment to all citizens (Glyn, 2006, 180–183). A Basic Income would not only help to maintain the living standards and bargaining power of the most vulnerable workers in society, but would facilitate a general reorientation of social activity away from the formal production-consumption system towards more intrinsically satisfying and environmentally friendly activities. It would allow for the expansion of a relatively unalienated, communistic sphere of social life within the framework of capitalist society, a clear echo of Philippe Van Parijs and Robert van der Veen's earlier argument for 'a capitalist road to communism' (Van Parijs and van der Veen, 1986).

Andrew's legacy: social democracy without illusions

What are the underlying themes of Andrew's work? What relevance do they have for social democrats looking to the future?

Arguably the central theme of Andrew's work, from the early 1970s until his death, is the limits and possibilities of social democracy itself. Andrew's work points on the one hand to the fragility and instability of social democracy: it can produce real gains for labour but at the same time put capitalism under severe strain, posing the question of whether and how social democracy must go beyond capitalism in order to preserve (and further extend) these gains. This is the lesson of the period from the 1960s to the 1980s.

On the other hand, Andrew's work points to the robustness of social democracy: it can produce sustained, if limited, gains for labour and the disadvantaged within the framework of capitalism provided that it is able to tackle the political question of building encompassing distributional coalitions to support the egalitarian spreading of labour incomes. It is also well-placed to identify and harness certain complementarities between egalitarianism and capitalist efficiency. His view of New Labour was that it did have the potential to produce some gains for the disadvantaged, and to identify and harness some of these complementarities, but that its resistance to corporatist arrangements weakened its ability to construct and hold together the kind of distributional coalitions necessary for significant redistribution.

George Orwell said that his (Orwell's) main strength was not acute intelligence but an ability to face unpleasant truths that others on the left were too embarrassed to acknowledge. Andrew was acutely intelligent, but he also shared Orwell's ability to confront unpleasant truths. Of course, like any committed egalitarian he wanted the world to be a better place and, as we have seen, this arguably led him into at least one episode of wishful thinking. (Orwell had a quite a few such episodes.) Nevertheless, to read the average work of left commentary and then to pick up a book or an article by Andrew is to enter a different intellectual world. One's overriding sense is of someone who is not toeing a fashionable 'line', but who is actually trying to understand what is really happening in the world, and who is getting somewhere.

Andrew's lasting legacy is, in part, a collection of works which are exceptional in the understanding they give us of the world we have been living and struggling in for the past sixty years. But what we can and should also take from Andrew's work is his determination to face the basic – if, at times, unpleasant – questions: To what extent can capitalism function with greater equality? What are the institutional conditions for this? At what point must egalitarians be prepared to challenge fundamental aspects of capitalist society, such as elite control of investment flows? Are social democrats willing to make such a challenge when it becomes necessary? If so, how do they intend to rise to it? Only if we confront these questions can we have a social democracy without illusions.

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Notes

1. For anyone so inclined, here is a formal explanation of this claim. Let's denote profit by P, the value of capital stock by K, net output as Y, and employment hours as L. The rate of profit can then be denoted as (P/K), which can be rewritten as follows:

   $P/K = (P/Y) * (Y/K)$

   Now (Y/K) can be rewritten as:

   $Y/K = (Y/L) * (L/K)$

   Combining (1) and (2) then gives us the formula for the profit rate employed in the text:

   (3) $P/K = (P/Y) * ((Y/L) * (L/K))$

2. This is not to say that Andrew agreed with all the claims produced by this theoretical revisionism. In particular he defended Marx's labour theory of value against the powerful criticism of Ian Steedman (Steedman, 1977; Armstrong, Glyn and Harrison, 1978). Among the economists of this generation, Andrew was particularly impressed with the work of Bob Rowthorn. Rowthorn's work often explored related issues to Glyn's and the two collaborated a great deal from the 1980s (Rowthorn, 1980; Pekkarinen, Pohjola and Rowthorn, 1992; Glyn and Rowthorn, 1988; Coutts, Glyn and Rowthorn, 2007).

3. David Miliband served as the first secretary to the Commission before leaving the Institute for Public Policy Research to become an advisor to Tony Blair following his election to leadership of the Labour party.