

The Touchline State: Labour's lost patience with the market

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*From freezing energy prices to ensuring many new houses are built, Labour's policy ideas strengthen the role of the state in the market. What lies beneath these new policy directions is a belief that the market has failed to deliver the right outcomes. **Emran Mian** writes that Ed Miliband's focus was on consumer markets rather than other markets yesterday, and what was missing was an 'industrial strategy'.*



So that's it then: has Labour lost its patience with the market? And is its big bet for 2015 that we feel the same? Even before Ed Miliband's [speech](#) yesterday, I heard Andy Burnham tell a crowded fringe meeting that a Labour government will drive the market out of the NHS. The Leader didn't go as far as that on energy policy – it's not the end of the market, it's a two year pause while, as Ed Miliband put it in a [letter](#) to the energy companies this morning, "we work together on the basis of this price freeze to make the market work in the future".

On house-building, he didn't clear up who will be building the 200,000 homes a year he mentioned, or how these will be funded. But the private sector is undoubtedly part of the solution for him. So much so in fact, that if private developers do not deploy the land they own for house-building, then the Labour leader said that they will risk losing the land.

These policy ideas strengthen the role of the state in the market, far beyond being an enabler of private enterprise to something more like a football coach, shouting instructions from the touchline, and giving market players the 'hair dryer treatment' at half-time. And, in areas like rail franchises, having substitutes ready on the bench.

In Brighton Maria Eagle, the Shadow Transport Secretary, described a new settlement in rail: a government-owned rail operator will bid for franchises against privately-owned companies, both to provide a yardstick by which their bids can be judged but also as an 'operator of last resort' should a privately-owned company fail to deliver the rail service that government expects. That approach could even be adopted more widely. Labour has not suggested this yet but, if a consequence of new energy policy is that the 'Big 6' reduce future investment in the UK, then it may be that the state has to make that investment itself to renew energy infrastructure, acting perhaps as a 'generator of last resort'.

Clearly what lies beneath these new policy directions is a belief that the market has failed to deliver the right outcomes. The state isn't going to take over the functions of the market, but it will be more directive, more muscular in how it deals with market players. Despite the taunts from the right, this obviously isn't socialism and actually doing it well means trying to understand deeply and then engaging with confidence in the mechanisms of the market rather than turning away from it.

One obvious question is whether the diagnosis is correct. Have energy prices risen out of proportion to the costs of generating it and investing in future supply? We'll see more and more detailed figures flying back and forth on this issue in the coming weeks and months. And there is probably no doubt that at least in the short term Ed Miliband's equal commitment to taking the carbon out of energy generation will increase costs and hence, without a price freeze in place, increase consumer prices too. But Labour's central claim is probably that, whatever the figures might say, the energy companies have to win back public confidence and a 2 year price freeze is the only way to do that.

On rail, Ed Miliband claimed in his speech that train companies have "put the daily commute out of reach". That's hard to tally with [recent figures](#) from the Office of Rail Regulation showing that rail passenger journeys were up 6% from the previous year and at the highest level since records began in 1995. But perhaps all of this is detail. The

biggest question may be whether the 'touchline state' will be more successful in taking the UK back to being (and feeling) prosperous. Though Ed Miliband didn't speak much about the deficit, he did certainly speak to a vision for economic prosperity. Or did he?

While he demolished the straw man of the 'race to the bottom', he had much less to say about what the 'race to the top' might look like. He mentioned the 'green economy'. But the obvious challenge to creating '1 million new green jobs' is that the climate for business, including green businesses, may be significantly better in some other countries.

On taxation, he prefers a tax cut for small businesses rather than for big businesses. Is it right that the new frontiers for economic prosperity will be reached more quickly by small businesses benefitting from a £450 per year reduction in business rates? There's no doubt that there is potential for growth among small and mid-market businesses. But that potential is not evenly spread, hence more targeted, and thereby more ambitious, measures would represent better value for money.

Surprisingly, what was missing was an 'industrial strategy'. Even the supposedly free-market Coalition Government has chosen some industry sectors where government will take a fuller role in trying to create the conditions for growth. But Ed Miliband's focus was on consumer markets rather than other markets yesterday. No doubt there are more instructions from the touchline to come.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

About the Author

Emran Mian is the new Director of Social Market Foundation. He has worked at the interface of business and public policy for several years, as Director of Strategy at the Department for Business, Innovation and Skills and then as Director responsible for the Cabinet Office and Number 10 Business Partnerships team. He has been widely published and is a trustee of two children's charities.