

Partnership for Prosperity: Transforming Capitalism into Social Corporatism

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Capitalism's Discontent

Reports of capitalism's collapse have, like Mark Twain's death, been greatly exaggerated. Yet it is hard to deny that capitalist market economies undergo periodic crises, such as stagflation in the 1970s, the recession of the late 1980s and early 1990s and the 2008-09 financial crash. Except for the USA, most advanced economies have since then struggled to escape from a doom loop of near-zero economic growth and flatlining productivity combined with stagnant real wages and a secular decline in both public and business investment. In the aftermath of Covid-19 and the hike in energy prices following Russia's invasion of Ukraine in 2022, record levels of state spending and public debt have added to the inflationary pressures exacerbated by successive programmes of Quantitative Easing, while simultaneously limiting investment in infrastructure and public services.

All this severely constraints monetary and fiscal loosening at a time when the debate about policy options focuses on arbitrary targets such as self-imposed fiscal rules rather than overriding economic and social objectives. Thus, weak growth and persistent inflation prevent shared prosperity across the country and higher living standards for all sections of society. It is a grave economic problem and an even greater moral scourge, raising fundamental questions about the lack of ethical outlook in the economy. Missing from much of the political and public discussion is a reflection on alternatives to capitalism anchored in purpose and virtue.

The National Institute of Economic and Social Research, Britain's independent forecaster, predicts 1.5 per cent GDP growth this year, while inflation will remain well in excess of the 2

per cent target.¹ Worse, the living standards of the poorest 20 per cent of households will not revert to levels before the 2022 spike in inflation until the end of 2027. Worse still, millions of households in the bottom 40 per cent of households have experienced real wage stagnation since the 2008-09 financial crisis. Meanwhile, about 6.5 million people are in receipt of Universal Credit and over 4 million working-age individuals – one in ten – are claiming a health-related benefit. The UK economy is low wage and high welfare, low growth and high inflation, low investment and high indebtedness, low skill and high dependence on economic immigration.

In this, Britain is not alone among advanced economies. Germany, France, Italy and Japan are all struggling. But Britain is by far more deindustrialised, far more open and thus far more vulnerable to shocks – including self-induced shocks such as former Prime Minister Liz Truss’ ‘mini-budget’. It is more capitalist than continental Europe but lacks the virtues and advantages of the USA, notably fiscal decentralisation as part of a federal polity and the privilege of issuing the world’s predominant reserve currency. The United Kingdom has at once the most centralised governance system and the highest levels of inequalities between and within regions.²

Saving Capital from Capitalism

The successive economic crises since 2008 do not prefigure the collapse of capitalism. Yet they both remind us of something well-known and reveal something new.³ They remind us that capitalism is subject to a peculiar sort of periodic downturn: an alternating deficiency of profit or of demand. Episodic over-accumulation of capital, achieved in part by the depressing of wages and in part by the extraction of rents, entails lower demand – as Adam Smith recognised long before Karl Marx. Inversely, Keynesian attempts to remedy this crisis by boosting aggregate demand through public spending can eventually eat into profits and returns on capital.

But the various crises also reveal something new. Globalisation since the late 1970s has so expanded and intensified the operations of the free market as to bring about a qualitatively different logic: not just the need to balance the growth of abstract wealth with demand for

¹ Winter 2025 UK Economic Outlook, 14 February 2025, <https://niesr.ac.uk/wp-content/uploads/2025/02/NIESR-UK-Economic-Outlook-Winter-2025.pdf>

² Paul Collier, *Left Behind. A New Economics for Neglected Places* (London: Penguin, 2024).

³ John Milbank and Adrian Pabst, *The Politics of Virtue: Postliberalism and the Human Future* (London: Rowman & Littlefield International, 2016), ch. 3.

concrete commodities, but also a chronic difficulty in sustaining growth as such. After an average of 3.5 per cent growth per year in the three decades following World War Two, growth fell to 2.5 per cent per year and then to less than 1.5 per cent even as abstract financial wealth grew exponentially – speculative trading in foreign exchange and in shares, as well as the build-up of public, corporate and private debt. Since 2008, growth has hovered at around 1 per cent per year, while speculation and rentier capitalism proceed apace.⁴

The growing frequency of financial crashes and the downturns they induce suggests that capitalism, taken to its logical extreme, provides only the kind of nominal growth that arises from making money out of money and that is compatible with actual material decline. Outside elite enclaves in metropolitan areas and a few rural areas of wealth, much of the country is a wasteland of economic and social deprivation.⁵

If capitalism is the engine of financial wealth and popular pauperisation, it is because it simultaneously abstracts from the real economy of productive activities and reduces everything to its bare, abandoned materiality. Abstraction and reduction to mere matter are but two sides of the same capitalist coin, which sunders symbolic significance from real embodiment. For example, a house is a home precisely because it provides both physical shelter and emotional stability. Yet capitalism reduces it to the debt-financed exchange of bricks and mortar, and when over-leveraged banks go bust, Wall Street gets bailed out while people on Main Street see their homes repossessed. A job gives us an income to feed ourselves and our families and it is also a source of purpose. Yet it has become a case of indentured labour that strips people of their dignity.

Capitalism, by sundering the bond between meaning and thing, ends up undermining both. All that is left is an endless spectacle of exchanging commodities – ‘the price of everything and the value of nothing.’ And far from being in the late stages of capitalism, the process of commodification looks to be in its early stages. It has certainly once again accelerated in recent decades: the monetisation of personal data, the corporate takeover of utilities, the commercialisation of knowledge, education and the human body (such as surrogacy or gender reassignment), the attempted colonisation of the Arctic and of space by tech oligarchs. Faced with the ever-greater unleashing of market forces aided and abetted by the state,

⁴ Brett Christophers, *Rentier Capitalism: Who Owns the Economy, and Who Pays for It* (London: Verso, 2020).

⁵ Quinn Slobodian, *Crack-Up Capitalism: Market Radicals and the Dream of a World without Democracy* (London: Allen Lane, 2023).

appeals to postwar ‘democratic capitalism’ ring just as hollow as the early twentieth-century promise of ‘civilising capitalism’.⁶

By capitalism I mean the unfettered power of capital in four respects. First of all, capital that is unreconciled with labour. Second, capital that is disembodied from interpersonal relations and civic institutions. Third, capital that is unmoored from productive activities with a social purpose. Fourth, capital linked to public debt to finance warfare (and later welfare).⁷ By contrast, capital – when it is allied with labour, embedded in social ties and intermediary institutions as well as directed towards production and ethical objectives – constitutes a great good. Capital is a wealth of national assets which could and should be at the service of peoples and nations. The paradox is that a postliberal economics is both anti-capitalist and pro-capital.

Postliberal not Antiliberal

Why postliberal? For capitalism is part of a wider liberal logic which is also a secular logic. If we are already living in a postliberal age, it is because liberalism is contradictory and self-undermining. Both as a philosophy and as an ideology, liberalism is caught between a supposed natural anarchy, the human artifice of the social contract and the anarchic chaos it brings about in reality.⁸ The fundamental philosophical problem with liberalism is that in the final analysis it collapses back into the materialism that is one half of its dualist worldview, evacuating the ungrounded idealism that is its other half. Starting in the nineteenth century, liberalism tended toward a procedural formalism and a cultural vacuity, which were challenged by the materialist philosophies of Nazism, Fascism, and Communism that sought to reconstruct positive liberty on a non-religious, supposedly scientific basis.

Following their eventual collapse in the twentieth century, liberalism has insisted on its own latent materialism. Not only has the soul disappeared, but also the subject and along with it the citizen and ultimately the idea of humans as political, social and creative beings. Instead, everything is reduced to its mere material utility. Hence contemporary liberalism elevates the materialism of cold utilitarian calculation even above the idealism of individual rights. But in

⁶ Noel Bede Nairn, *Civilising Capitalism: The Labor Movement in New South Wales, 1870–1900* (Canberra: Australian National University Press, 1973).

⁷ Michael Sonenscher, *Capitalism: The Story Behind the Word* (Princeton, NJ: Princeton University Press, 2022).

⁸ Adrian Pabst, ‘What postliberalism really is’, *The Spectator*, 13 February 2025, <https://www.spectator.co.uk/article/what-postliberalism-really-is/>; see also Milbank and Pabst, *The Politics of Virtue*, *op. cit.*

the absence of any consensus as to what would even constitute material happiness, this engenders a proceduralism that always ensures the triumph of means over ends. And in the final instance the liberal primacy of individual choice was always destined to evolve into the ultraliberal inviolability of self-assertion. Once this principle is in place, order can only be maintained in arbitrary and often coercive ways, albeit masked by liberal legalism and procedure – the politics of successive UK governments, from Rishi Sunak to Keir Starmer.

Liberalism's slide into materialism stems from its embrace of positivism and utilitarian ethics.⁹ Liberalism, and by extension capitalism, rests on the primacy of the individual, negative liberty and the pursuit of utility defined as minimising pain and maximising pleasure. These three tenets underpin the shared liberal and capitalist commitment to remove barriers to choice, contract and commerce. In this process, liberalism has produced a centralisation of power, concentration of power and commodification of everyday existence.

Antiliberalism is no better and in fact worse. That includes the corrosive power of the unrestrained market, such that unjustifiable deregulation is deployed to attract foreign investment and the rationalistic abstraction of all human life to data. China and Russia are able to be perfectly relaxed about the extension of the value of 'choice' within the bounds of a private life that is ever-more rigorously policed. The range of permitted choice can be endlessly extended, so long as these choices are indifferent as far as the State-Market is concerned – a radical intensification of the Market-State in the West.

Postliberals, if they are to win power and govern for the good of their countries, have to focus on new economic and social models that offer a constructive alternative to both ultraliberal globalism and antiliberal nationalism. On political economy, the task is to transform capitalism into a social market economy. Whereas capitalism is ultimately based on debt and speculation, a more mutual market embedded in strong civic institutions and social relations is focused on assets and production.¹⁰

Social Corporatism

Key to building a civil economy is bringing together the interests of capital and labour in a negotiated settlement, which has to be anchored at once in stronger state capacity and in a

⁹ Maurice Cowling, *Mill and Liberalism* (Cambridge: Cambridge University Press, 1963).

¹⁰ Stefano Zamagni, 'Catholic Social Teaching, Civil Economy, and the Spirit of Capitalism', in Daniel K. Finn (ed.), *The True Wealth of Nations: Catholic Social Thought and Economic Life* (Oxford: Oxford University Press, 2010), pp. 63–93.

greater involvement of both local government and civic institutions. One core aspect of such a settlement is a renewed partnership between government, business, trade unions and communities to break with market globalisation and central state nationalisation in favour of a more plural and democratically governed corporatist model. In other words, an economic democracy that complements political democracy involves a democratic, non-state and non-market corporatism in which government at different levels helps to broker negotiations between capital and labour.

Such a social corporatism should start with collective bargaining between organised business and organised labour in unionised sectors. A more resilient liberal democracy requires the creation of tripartite bargaining between labour and capital mediated by governments at all levels. It is illusory to expect individual workers to be able to negotiate wages or working conditions in large businesses, just like state control or ownership of the means of production will not empower employees either.

Another arrangement that would help businesses and trade unions to have greater social purpose is co-determination: worker representatives on company boards to help shape key strategic decisions and thereby improve trust and cooperation within an enterprise in the long-term interest of all stakeholders. Wage boards should also be considered in service sectors that have low levels of unionisation, many small employers, and poorly paid with low skills. A key advantage is that wage boards can be local, regional, or national and that representatives can be chosen by workers through elections or enterprise works councils. This can be a more effective way to represent the labour interest than old-fashioned site-based collective bargaining involving long-established trade unions that are absent from most service sectors in the UK, the US, and other advanced economies.

In relation to businesses, corporate governance reform should begin with the inclusion of workers on remuneration committees and company boards but also extend to the representation of other stakeholders such as customers, suppliers, and local communities where businesses are located. A specific policy, which would enable workers to have a say in the running of companies, is to introduce a legal requirement that a minimum of, say, 20 percent of shares be held by employees.¹¹ Another specific policy is the re-writing of company law, such as the UK's 2006 Companies' Act, to balance the interests of

¹¹ Michael Lind, *Hell to Pay: How the Suppression of Wages Is Destroying America* (New York: Portfolio, 2023).

shareholders with the social purpose of the business. At the moment, social purpose is wholly subordinate to quarterly profit maximisation, which leads to ‘green-washing’ and corporate social responsibility programmes that are little more than window dressing. An alternative which would be at once more economic and more ethical is to pursue profit and purpose together. While there may be a trade-off in the short-term, a purposeful company that optimises profit over time is more stable for its workforce and suppliers and commands greater trust from its customers than a business that seeks to maximise profit every quarter but ends up in a cycle of boom and bust.

More generally, co-participation in governing businesses will not just improve mutual understanding and thereby reduce conflict. It will also create a greater sense of common purpose on which a better functioning of democracy depends. All these reforms aimed at strengthening corporate bodies rest on the argument that we need to shatter the artificial and illusory wall between economic and political life, state and market. These apparent walls are simply veils that conceal the covert alliances of a corrupt corporatism in which big business and big state enable each other’s ceaseless expansion.

Ultimately the demand that corporate bodies exercise social responsibility must be matched in all justice by a recognition that businesses and individuals as workers deserve political representation alongside that which is due to location and to individuals as dwellers in locations. This has to involve some form of formalised representation of all corporate bodies at every level of government from the local to the national and even the international.

Other reforms include the creation of regional and sectoral banks to channel capital into productive activities in the places that have been abandoned and ignored since deindustrialisation.¹² The UK also needs more agency and resource for vocational and technical colleges, along with vocational labour-market entry and a new status for key workers. And in order to distribute assets more widely, government should not only implement an ambitious housebuilding programme together with the private sector, including socially affordable housing and ‘building beautiful’ (as the late Roger Scruton rightly argued), but also consider introducing a land value tax and creating a nationwide network of community land trusts.

¹² See again Collier, *Left Behind*.

All this requires a profound transformation of the state away from a centralised bureaucracy towards a plural, personal state. The state needs to be stripped of its powers of micromanagement and surveillance, which has to include a decisive break with the HR diktat of Equality, Diversity and Inclusivity and, more generally, the domination of HR-enforced process over substantive statecraft. Furthermore, the UK has to rebuild state capacity by replacing mindless managerialism with genuine meritocracy – rewarding substantive knowledge with better pay, proper status and real agency – alongside fundamental reform of planning and public procurement. Government should focus on central priorities such as regional regeneration, industrial policy, energy security and defence capabilities. That, in turn, requires decentralising Whitehall, including tax-raising and spending powers at lower tiers of government.

To conclude: the ghost of capitalist crisis has returned to haunt Britain and the rest of the West. And now this ghost demands of us the seemingly impossible: to recover our exiled traditions of statecraft and soulcraft, and to build an ethical economy that rejects the profane and upholds the sacred. That may seem unattainable: but only the impossible may now be remotely realistic.