

Moving beyond neoliberalism

An assessment of the economic systems
change movement in the UK

Laurie Laybourn-Langton and Michael Jacobs



**FRIENDS
PROVIDENT
Foundation**

Fairer economy, better world

Further information

This report can be downloaded free of charge from the FPF website (www.friendsprovidentfoundation.org).

Published 2017 by
Friends Provident Foundation
Blake House
18 Blake Street
York YO1 8QG

© Laurie Laybourn-Langton and Michael Jacobs, 2017

Friends Provident Foundation is an independent endowed charity working to create a fairer economy and better world, supporting greater economic resilience through building knowledge and taking action at the strategic and local levels. The Foundation takes an integrated approach to its mission and capital base and, alongside grant making, uses its endowment as a tool for change, including through social investments and shareholder engagement.

Friends Provident Foundation's main grant giving and investment programme, Building Resilient Economies, was launched in 2013. Its aim is to build a more resilient, sustainable and fairer economic system - one that distributes social and economic goods and services more fairly, and balances short-term and long-term needs more effectively.

www.friendsprovidentfoundation.org

Editorial and design by Magenta Publishing Ltd (www.magentapublishing.com)
Printed in the UK by Hobbs the Printer Ltd.

Contents

1	Introduction	5
2	Context	6
3	Paradigm shifts	8
4	Theories of change	13
5	Mapping the landscape	17
6	Assessment	20
7	Conclusion and recommendations	25
	Notes	27
	Annex: Interviewees	28

About the authors

Laurie Laybourn-Langton is a Senior Research Fellow at the Institute for Public Policy Research (IPPR), founder and Director of Bring Back the NHS, and a Trustee of Rethinking Economics. Previously, he has worked at INET Oxford, the Grantham Research Institute at the LSE, for Lord Skidelsky in the House of Lords, and as a Strategist for Purpose.

Michael Jacobs is Director of the IPPR Commission on Economic Justice and Visiting Professor in the School of Public Policy at University College London. Previously he was General Secretary of the Fabian Society, a member of the Council of Economic Advisers at the Treasury and a Special Adviser to Prime Minister Gordon Brown. From 2010–15 he advised governments and others on international climate change policy in the run-up to the United Nations Climate Change Conference in Paris in December 2015. He is author of *The Green Economy* (Pluto Press 1991) and co-editor of *Rethinking Capitalism: Economics and Policy for Sustainable and Inclusive Growth* (Wiley Blackwell 2016).

The authors have undertaken this project in a personal capacity, outside of the roles listed above.

Acknowledgements

We are very grateful to Friends Provident Foundation whose sponsorship enabled us to undertake this project. Thanks also to all those who were interviewed and fed into the research process. This report reflects only the views of the authors.

Section 1

Introduction

Neoliberalism – the set of socioeconomic ideas and policies which have dominated public life over the last 40 years – has failed. In the wake of the global financial crisis of 2008, the results of neoliberalism’s experiment in political economy have been exposed: financially unstable economies generating insufficient investment or innovation to power growth, stagnant or barely rising living standards, sharply rising inequality of income and wealth, and worsening environmental degradation.

Despite the evidence that neither its analyses nor its prescriptions have worked, neoliberalism remains the dominant perspective of most socioeconomic commentary and policy-making in the UK. It needs to be replaced by a more effective understanding of capitalism and new economic policy prescriptions. Now is the time to do this. More and more economists and commentators – including those in mainstream institutions such as the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) – now acknowledge that neoliberalism is not working.

Public revolts against the impact of austerity policies and of free-market globalisation have fractured political argument in many countries, manifesting in popular movements of both left and right. Though better economic analysis and policy prescription cannot in themselves effect political change, they play a powerful role in encouraging and legitimising it. As economic instability and stagnation persist, and global environmental collapse accelerates, a new paradigm is urgently needed.

This is the report of a project to map organisations and groups in the UK (and some beyond) seeking a change in the socioeconomic paradigm away from neoliberalism, and to assess this movement from an overall strategic perspective. The project was conducted between January and May 2017, over which time we conducted 27 interviews, reviewed over 40 organisations and undertook a review of theories and experience of socioeconomic change. Section 2 sets out the context, exploring how neoliberalism has failed, and the political consequences of that failure. Section 3 analyses past shifts in economic ideas and policies, and argues that the conditions for another are now apparent. Section 4 sets out an overall theory of change as to how this might occur. Section 5 maps the organisations in the UK seeking such a shift and Section 6 assesses this organisational ecosystem from an overall strategic perspective. Section 7 concludes with our recommendations for the future of the economic systems change movement in the UK.

Section 2

Context

The prevailing socioeconomic paradigm – neoliberalism – has failed in theory and in practice. The financial crash of 2008, and the long recession and slow recovery which followed, have provided substantial evidence that these twin failures are related. Over the last 40 years, orthodox economic ideas and the policies based on them have been a significant causal factor in the economic and political crises now afflicting Western countries, and have been unable to provide the intellectual resources to understand or respond to them.¹

Financial deregulation has markedly increased the frequency and magnitude of banking crises, entrenching instability as a structural feature of the global economy and, in the case of 2007–08, leading to systemic breakdown. Economic growth has been based on an unprecedented expansion of household and private sector debt, accompanied by a fall in private sector investment, with an increasing percentage of corporate profits being used for dividend payments and share buybacks rather than for reinvestment in productive capacity and innovation. The decline in investment has led to productivity growth falling below historic trends.

In most developed countries, the labour share of national income has fallen, real wages have been stagnant or in decline and the distribution of income has become more unequal. Liberalisation policies have led labour markets to become more casualised and insecure. Wealth inequality has grown even more than that of income, a result both of the shift in the distribution of earnings away from wages and towards profits and of the huge increase in land and property values.

Although the UK is a wealthier country than it was 30 years ago, inequality between the richest groups and the rest of society has now grown to levels not seen since the nineteenth century, leading to large power imbalances in society. At the same time, neoliberal capitalism has further entrenched a growth model that is destroying the biophysical preconditions of natural and human systems, increasing the chances of global as well as local collapse in the climate and other natural systems.

These failings of neoliberal capitalism are not temporary; they are structural. None of them look likely to be solved by current approaches to economic policy in any developed country. Meanwhile, continued failure has increased political dissatisfaction with the socioeconomic status quo. This has resulted in a series of political shocks, including the result of the European Union (EU) referendum in the UK, the election of Donald Trump in the USA, and the growth of xenophobic and nativist populist movements in Europe.

The surge of support for the Labour Party in the general election of June 2017, particularly among young people, is in one sense another symptom of the same phenomenon – a revolt against the prevailing political establishment. But it offers an alternative economic outcome. (The election of Emmanuel Macron in France may offer a different one again.) Labour’s manifesto, founded on an unequivocal rejection of austerity and a stronger role for the State in economic policy, was markedly more radical than its recent predecessors, and opinion polls suggest that many of its policies have considerable popular support. At the time of writing, the unstable election result makes the prospect of a Labour government elected on such a manifesto a realistic prospect within the next few years.

As things stand, this undoubtedly alters the possibilities for socioeconomic change. Yet it is important to recognise that even if such a government were to take office, this would not in itself achieve a fundamental shift in the prevailing economic orthodoxy, for two reasons. First, the Labour Party does not have the resources, nor is it in a position, to change the dominant ideas of the majority of economists and economic commentators, which will remain mainly neoliberal in outlook. Mainstream economic opinion is likely to be largely hostile to a new Labour government’s economic policies, and this is unlikely to change without a more far-reaching programme of intellectual development and communications effort. Second, there is no evidence that the majority of Labour voters are in any sense committed to ‘a new socioeconomic paradigm’. On the contrary, the most striking conclusion to be drawn from the 2017 general election is that the British electorate has become much more volatile and unpredictable. A Labour victory in the next election cannot be guaranteed, and it cannot be assumed that its programme will maintain its public approval. Lasting socioeconomic change is going to need a much deeper basis of popular understanding, support and mobilisation.

It is also clear that Labour’s programme falls some way short of what is required to address the challenges of modern capitalism. Achieving a significant shift of private investment towards a fully decarbonised, circular, higher-wage economy, and distributing the fruits of technological change towards both greater equality and lower working hours, for example, will require a more profound rethinking of economic policy than Labour has yet undertaken.

The political context since the general election has therefore both changed, and remained the same. There is a much greater likelihood of a government which both embodies and supports the shift to a new socioeconomic paradigm. Yet the intellectual and popular base for such a shift remains shallow. The task of developing a new paradigm, and winning credibility and support for a policy programme based on it, remains urgent.

Section 3

Paradigm shifts

Over the last hundred years, Western political economy has experienced two major periods of breakdown and transition from one socioeconomic paradigm to another:

- **From laissez-faire to the post-war consensus:** The first breakdown took place between the Wall Street Crash of 1929 and the Great Depression of the 1930s, up to the creation of the welfare state and the international Bretton Woods institutions (notably the IMF and the World Bank), after World War Two. It led to a 40-year period of Keynesian economic orthodoxy and policy approaches generally described as the ‘post-war consensus’.
- **From the post-war consensus to neoliberalism:** The second breakdown came between the currency and oil shocks of the 1960s and 1970s, and the adoption of free market economic policies in the 1980s. This led to the period of neoliberalism from the 1980s onwards to the present day.

Each period of change featured a series of economic and political crises, the failure of dominant orthodox economic ideas and policies to explain and respond to them, and the resultant replacement of the orthodoxy by a new approach. A large body of literature has developed that seeks to understand these processes of major change in social science. This literature is heavily influenced by Thomas Kuhn’s theory of paradigm shifts in the natural sciences. This argues that change occurs when two conditions are met: a critical mass in the number or importance of ‘anomalies’ which contradict the dominant paradigm; and an alternative theory that better explains the prevailing evidence.² Imre Lakatos built on these ideas, arguing that changes in science could be seen in terms of ‘research programmes’ that are either ‘progressive’ or ‘degenerating’, with the former overtaking those that, in failing to explain the prevailing evidence, became the latter.³ Such shifts can be seen in both examples of economic change in the twentieth century.

While providing a useful framework, these seminal scientific theories nevertheless need careful application in the field of economics, which is fundamentally uncertain and in which hypotheses can never be irrefutably falsified. As such, the literature includes understandings of change built around past shifts in economic policy. Foremost among them is the work of Peter Hall, who has argued that economic policy may exhibit three ‘orders’ of change, increasing in their magnitude: the adjustment of an existing policy; a change in the policy; and the change of the goals of policy altogether.⁴ In Hall’s conception, the third order of change corresponds to a paradigm shift in the socioeconomic orthodoxy which can, at least retrospectively, be

identified. We have drawn on these examples, and others in the literature, when developing our theory of change in Section 4.

As we shall explain below, it is our view that the failures of neoliberal capitalism and the political dissatisfactions which have become apparent in the period since the financial crash of 2007–08 suggest that the conditions for another paradigm shift are now apparent. As in past eras, whether and how this occurs will be determined by the relative strengths and aggregate impact of those economic and political interests seeking to defend the status quo and those groups and organisations seeking to change it.

The shift away from the post-war consensus to neoliberalism provides some lessons.⁵ It was the result of an elite movement, made up initially of a small group of academics organised in the Mont Pelerin Society (founded in 1947). The Society served as the nexus through which a comprehensive and theoretically grounded critique of the post-war settlement and the diverse tenets of neoliberalism were generated, as well as a concerted programme of institution-building and political strategy. In its founding, the Society released a statement of aims that explained its members' diagnosis of the failures of the existing socioeconomic paradigm:⁶

‘The central values of civilization are in danger. Over large stretches of the Earth’s surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy... The group holds that these developments... have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.’

This diagnosis was followed by a declaration that theirs was ‘essentially an ideological movement’ and so ‘must be met by intellectual argument and the reassertion of valid ideals’, which included a redefinition of the functions of the state, the primacy of the rule of law and the individual, and freer markets. This statement provided a clear signal to those with sympathetic views to the Society and a focus for the movement going forward.

By the early 1970s, this counter-orthodoxy had organised into a transatlantic network of economists, think tanks and journalists. The first wave of think tanks (in the 1940s and 1950s) were the American Enterprise Association, the Foundation for Economic Education, and the UK’s Institute for Economic Affairs. The second wave, in the 1970s, saw the foundation of the Centre for Policy Studies, the Adam Smith Institute, the Heritage Foundation and the Cato Institute. Together, these groups formed a diverse yet coherent transatlantic network that could trace its ancestry back to the Mont Pelerin Society, ensuring that a counter-orthodoxy existed when the crises of the 1970s struck. Each group shared two key characteristics: a belief in the inadequacies of government and the perils of the post-war settlement; and access to large funding endowments from major businesses and wealthy individuals.

By the late 1970s, this network and its ideas had increasingly populated political parties and government institutions, developing strong networks that spanned across important sectional interests. An area crucial to success was the sustained media-outreach effort,

ensuring that journalists played a key role in promoting counter-orthodox thought in the UK. Commentators such as Samuel Brittan, Peter Jay, William Rees-Mogg and Nigel Lawson eventually became major political figures themselves. This tradition remains to this day, with the Atlas Network providing international support and coordination for around 400 think tanks in over 90 countries, many of which were founded in the mould of the IEA. Some are part of the multi-million-dollar network of funders and organisations working to discredit the scientific consensus on anthropogenic climate change.⁷

In the end, successive crises both intellectually and politically delegitimised the post-war consensus, and the elections of Margaret Thatcher and Ronald Regan in 1979 and 1980 led to its displacement as the dominant worldview. Over the next two decades governing parties introduced neoliberal policies, radically changing the political economy of Western nations. Meanwhile, changes to the economic curriculum in universities and the adoption of neoliberal assumptions across the field of economic understanding and practice had a deep socio-cultural effect, entrenching the idea that economic and political freedoms can be equated and elevating the deregulated market as the only legitimate mechanism for allocating resources throughout society.

A new paradigm shift?

Since the financial crash of 2007–08 it has become apparent that orthodox economic ideas and policies can no longer adequately address the major issues facing Western economies.⁸ The crisis itself arguably arose because of two failures of economic theory. On the one hand, the use of the ‘efficient markets hypothesis’ to underpin financial regulation led to the belief that assets could not be consistently mispriced, and therefore the under-estimation of the potential for systemic risk in the financial system. On the other, the absence of the financial sector in macroeconomic models resulted in a lack of attention to financial risk and how it could be transmitted to the rest of the economy.

These failures have since been compounded by the failure of post-crisis economic policy: the use of fiscal austerity measures and monetary policies based on orthodox macroeconomic theory did not reduce public sector deficits or generate growth at the speed anticipated. Indeed, the economics profession has found itself consistently puzzled by and unable properly to explain current economic phenomena. These range from the stalling of productivity to the macroeconomic impact of quantitative easing; from the stagnation of wages despite low unemployment to the possibility that innovation may be slowing down. The idea that we may be entering a period of ‘secular stagnation’, in which consistent growth is no longer possible at positive interest rates, has induced widespread discussion, but few answers and little policy consensus. At the same time, orthodox economics has had little to say about the two crises now clearly enveloping Western economies: those of inequality and environmental unsustainability. Both analytically and in terms of policy prescription these have remained outside the economic mainstream.

Over the last 30 years there have been many developments in theoretical and practical economics which challenge the neoclassical or neoliberal orthodoxy. Post-Keynesians have developed new understandings of the macroeconomy. Evolutionary economics has explored

the ways in which economies develop over time, particularly the centrality of innovation; complexity economics has attempted to understand how economies operate as systems. Institutional and behavioural economics have developed important new understandings of economic behaviour, both of organisations and of individuals. Ecological economics has analysed the fundamental dependence of economic systems on biophysical processes. Practitioners of these schools have won Nobel Memorial Prizes and some of their insights have become broadly accepted. A major new funding body, the Institute of New Economic Thinking (INET), founded by George Soros, has entered the economic field with the explicit aim of developing and promoting heterodox economic ideas and policy prescriptions.⁹

Yet it remains true that economic policy-making and commentary still overwhelmingly reflect the orthodox neoclassical or neoliberal view. This is partly a consequence of the political dominance of neoliberalism. But it also reflects the institutional inertia of the economics profession. The most prestigious economic journals remain overwhelmingly orthodox, largely accepting articles within the mainstream tradition. It is therefore hard for heterodox economists to be published in them, and hence to gain prominence or promotion. The economics curriculum in universities is still very traditional, giving students little exposure to alternative theories. So professionally the economics profession largely reproduces itself. Young economists who go to work in business and public policy arrive overwhelmingly with orthodox ideas and training.

Part of the reason for this is that the proliferation of new economic ideas over recent decades has not led to any convergence around a ‘new paradigm’. The new schools of economic thought remain largely separate from one another, existing in theoretical silos without much cross-fertilisation and with almost no organisational coordination. Although there are now multiple powerful critiques of mainstream economic theory, these have not been brought together in any kind of alternative consensus. No figure has emerged of the stature of Keynes, Hayek or Friedman to articulate a coherent alternative approach to understanding the economy and to public policy-making.

Yet at the same time the demand for such an approach has become much more widespread. It has become notable, for example, that leading international economic organisations have become increasingly critical of mainstream policy prescriptions. In different ways the World Bank, the OECD, the IMF and the World Economic Forum have all in recent years begun to articulate new models of ‘inclusive and sustainable’ economic growth and to identify new ways of measuring economic success.

In the UK, the search for a coherent alternative has taken an interesting political turn. In response to the shock of the EU referendum result, the election of Theresa May as Conservative leader led to a distinct shift of economic policy, away from free market orthodoxy towards a more active role for the state, including a new emphasis on industrial strategy.¹⁰ It is not clear how deep this goes, or indeed how long it will last, but it suggests that the critique of neoliberalism, or at least an understanding of its economic failings, has entered the right of politics as well as the left. Meanwhile, the Labour Party under Jeremy Corbyn has made an explicit pitch for new economic ideas. In particular, the shadow chancellor, John McDonnell, has initiated a ‘New Economics’ events programme hosting a number of lectures from major

economists articulating an alternative approach to neoliberalism, culminating in a national ‘State of the Economy’ conference in May 2017.¹¹

None of these developments yet adds up to the emergence of a socioeconomic paradigm shift of the kind witnessed in the 1940s or 1970s/80s. But they suggest both that the conditions for such a shift are now apparent, and that its intellectual and political constituents are beginning to emerge.

Section 4

Theories of change

The neoliberal paradigm will not be replaced in the same way that it was created. The world today has altered, and there is a different balance of economic power between the interests which benefit from the status quo and those that would gain from change. Yet both academic theories of socioeconomic and political change and experience of it can help understand how it can occur. The neoliberal movement of the post-war era provides a valuable template; the campaign to introduce the living wage, and the civil society movement which led to the Paris climate agreement offer more recent illustrative examples. Failures, such as the Occupy movement, also provide important lessons.

Successful socioeconomic change needs many different strands of activity to come together in mutually reinforcing ways. These include: the development of new ideas and their propagation and legitimisation in intellectual discourse and education curricula; concerted efforts of communication, political debate and culture to disseminate and normalise those ideas; the use of popular mobilisation, coalition building and political organisation to build support for them; the creation of change ‘on the ground’ in communities and behaviour to pioneer the possible; and the development and adoption of public policies and practices in business and public institutions, to make change widespread. In most cases of significant socioeconomic change all, or nearly all, of these elements are present.

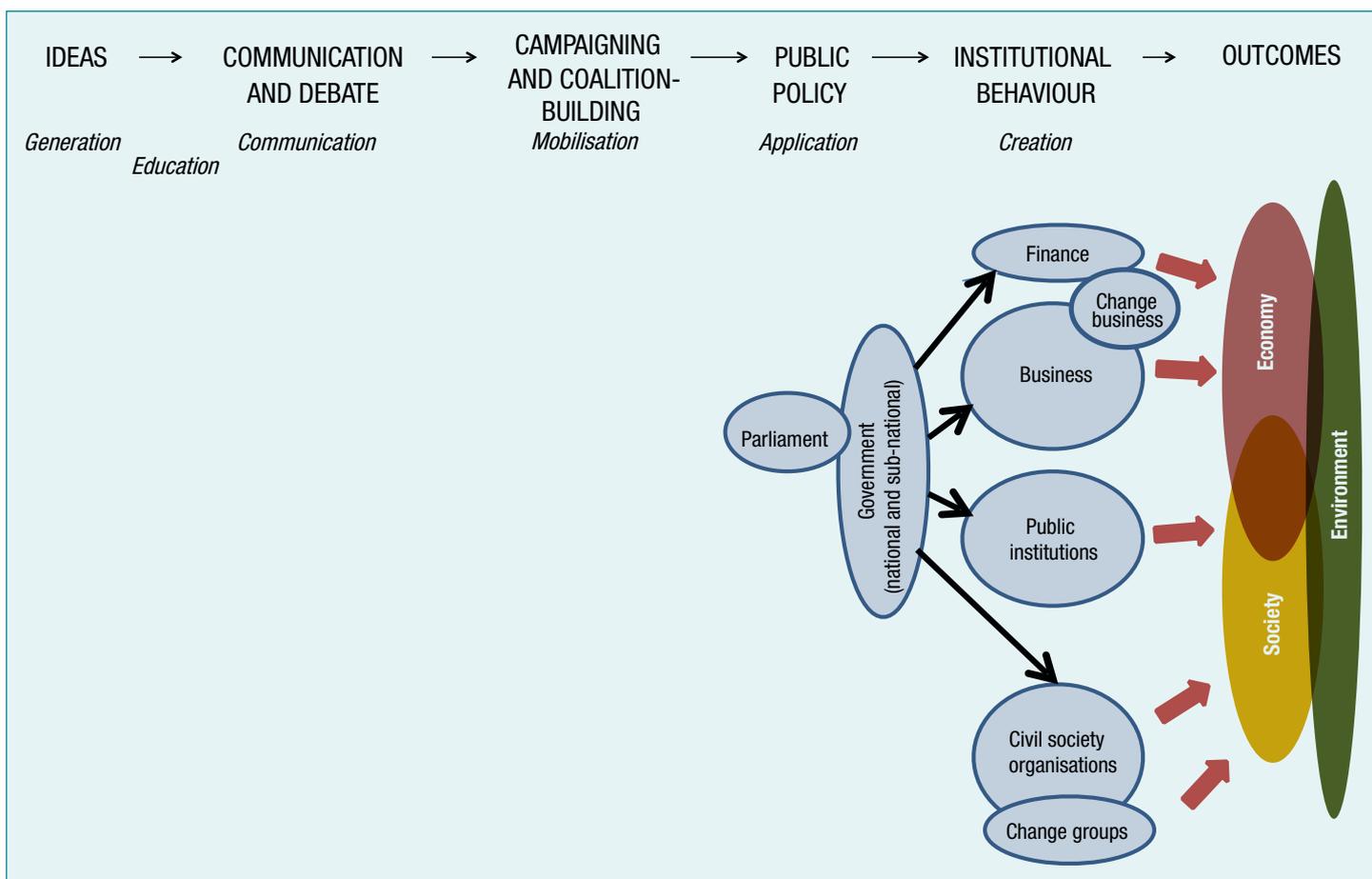
The following diagrams set out a way of thinking about how these processes occur, in visual form. The theory starts with a fairly simple linear model of the transmission of ideas through to changes in society, the economy and the environment:

Theory of change (1)



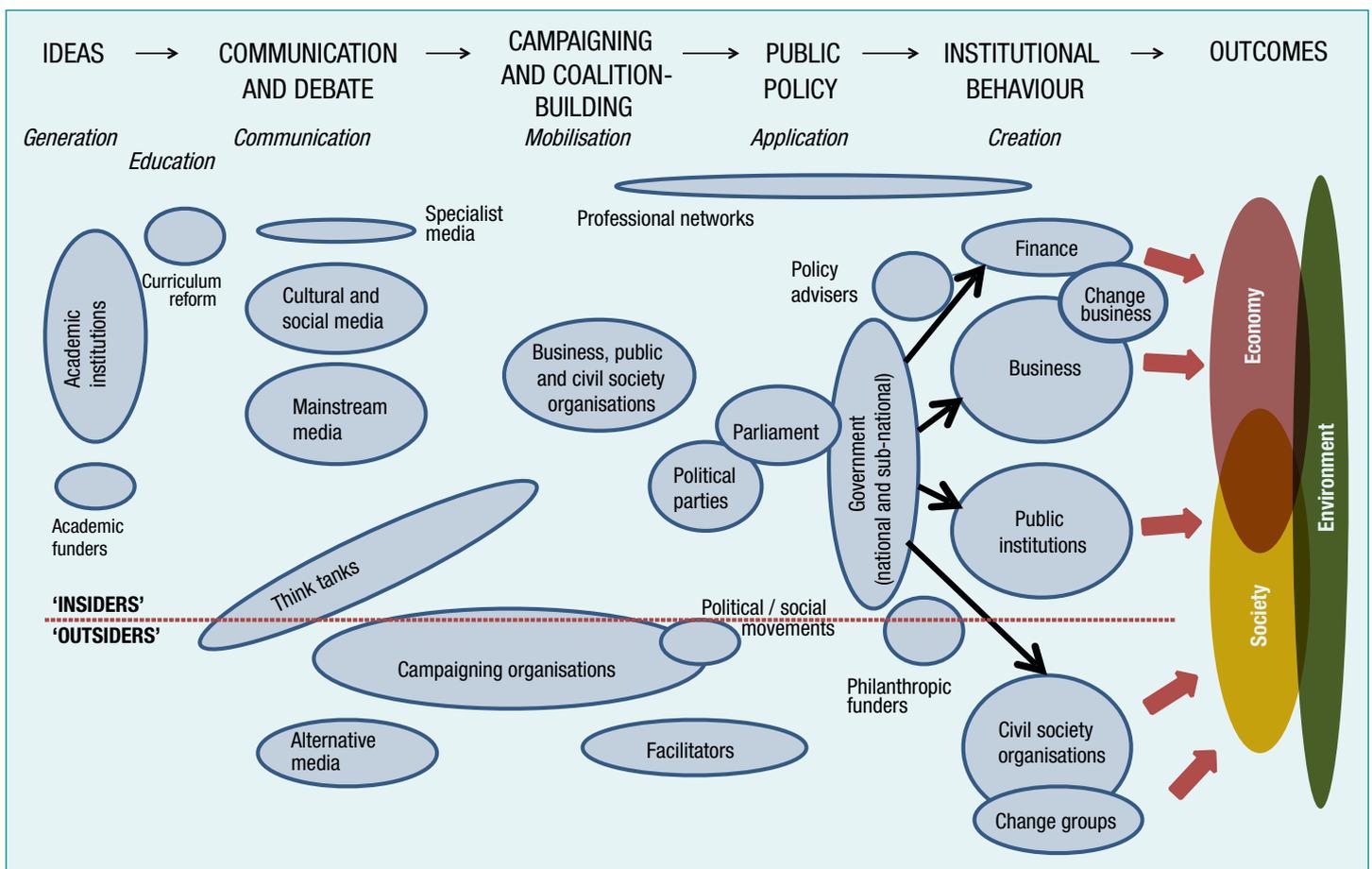
We can then see how these processes occur in more detail. Outcomes change when the behaviour of key institutions changes – in the private sector (business and finance), public institutions and in civil society. Certain types of ‘change’ businesses and NGO groups are particularly influential by pioneering change ‘on the ground’. Progressive change in the behaviour of institutions can occur from within, but it is usually stimulated, incentivised or required by public policy change.

Theory of change (2)



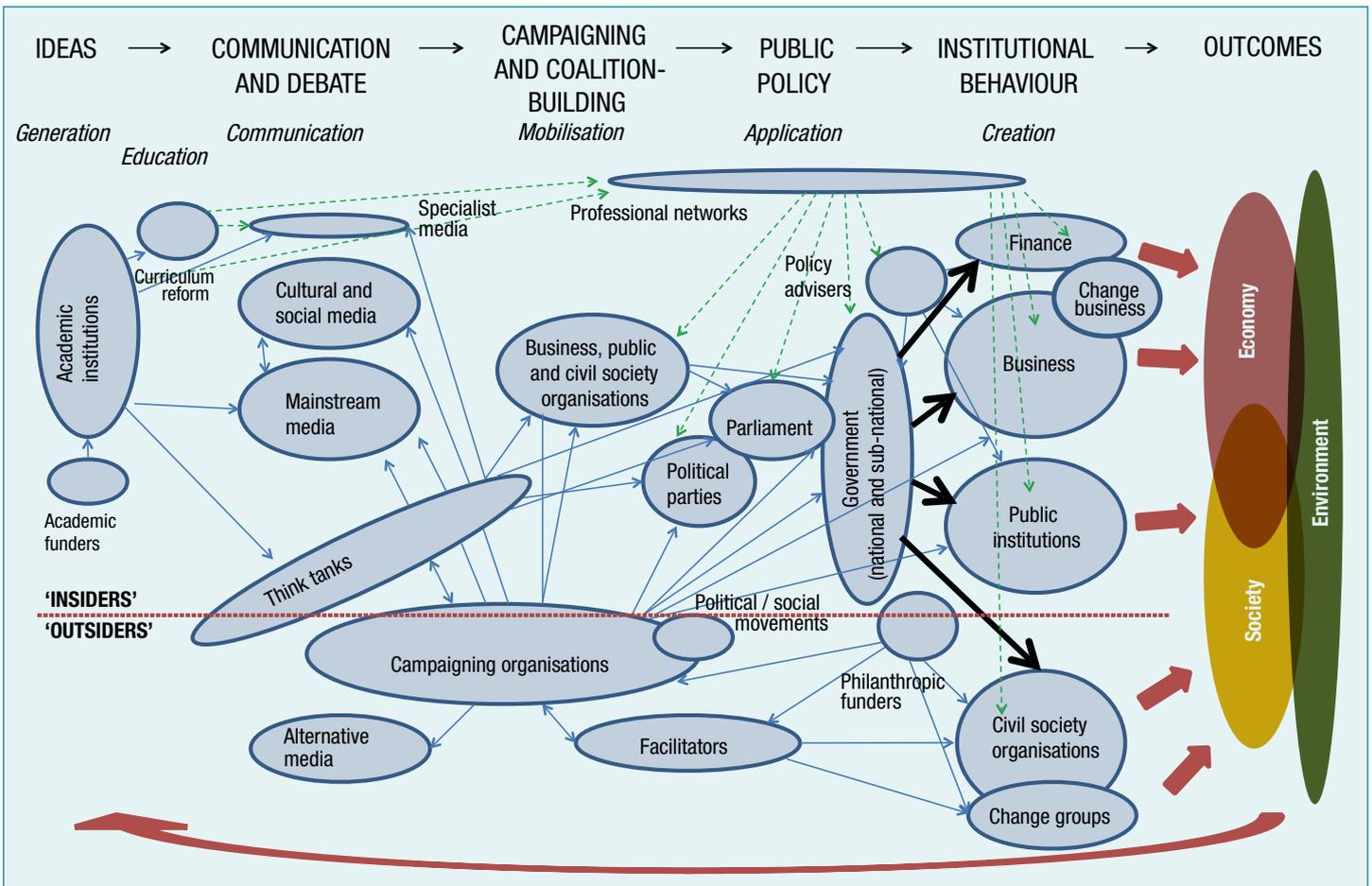
But such public policy change does not occur on its own. It almost always results from the concerted efforts of a coalition of advocates and campaigning organisations, themselves drawn from civil society, businesses and other economic actors. And these in turn draw on and are influenced by ideas. Such ideas tend to be generated both within the academic community and within a network of think tanks and communicators (journalists, opinion formers and mainstream and specialist media) operating across public life. Many successful campaigns for change bring together, in formal or informal alliances, ‘insiders’ within established institutions, and ‘outsiders’ campaigning for change. Radical demands from the latter can help win lesser, but still important, change promoted by the former. Change rarely occurs without popular spokespeople who can command the media, political and policy entrepreneurs who can focus campaigning and reform efforts around specific proposals, and those with a strategic overview and understanding who can help coordinate and provide direction to multiple efforts.

Theory of change (3)



These organisations operate through a myriad of relationships of different kinds. Individuals influenced by ideas and supported by professional networks of various kinds can help propagate new ideas within institutions throughout society. And there are constant feedback loops between outcomes in society and ideas about them.

Theory of change (4)



A model such as this can only ever provide a stylised framework for thinking about how socioeconomic change occurs. No example of change provides exactly the same lessons as another. Timing – choosing the right moment, by luck or design – is often a key factor, and is hard to predict. But experience suggests that all these elements are likely to be involved, and that their relationships are broadly speaking of these kinds.

Section 5

Mapping the landscape

Over the course of the project, we conducted semi-structured interviews with 27 organisations, had informal conversations with representatives of 10 others and surveyed a number of others. These organisations span the theory of change ecosystem set out in the previous section. We sought to understand how each contributed to the different processes of change and how the ecosystem was functioning at the overall, strategic level. The organisations covered by these interviews and survey are listed below. A full list of those we spoke to over the course of our research can be found in the Annex.

IDEAS GENERATION

- A Institute for New Economic Thinking (funder)
- B INET Oxford
- C Cambridge INET Institute
- D Centre for the Understanding of Sustainable Prosperity, Surrey University
- E Institute for Innovation and Public Purpose, UCL
- F Political Economy Research Centre, Goldsmiths College London
- G Sheffield Political Economy Research Institute
- H ESRC Understanding the Macroeconomy Network Plus

ECONOMIC CURRICULUM REFORM

- I The CORE Project
- J Rethinking Economics
- K Reteaching Economics

POLICY DEVELOPMENT AND DISSEMINATION

- L Common Cause Foundation
- M Common Weal, Scotland
- N IPPR Commission on Economic Justice
- O New Economics Foundation
- P Positive Money
- Q Public Interest Research Centre
- R RSA Economy Programme
- S The Next Systems Project, USA

COMMUNICATION

- T Public education, including Ecnmy.org
- U New economic thinking media, including the Mint and Economics
- V New political media, including Novara Media and UnHerd

PROFESSIONAL NETWORKS

W Exploring Economics

X Academic networks, including the Association for Heterodox Economics

Y Practitioner networks, including Promoting Economic Pluralism (PEP) and Policy Research in Macroeconomics (PRIME)

POLICY CONSULTANCY

Z New Economic Knowledge Services

PARLIAMENTARY GROUPS

a APPG on the Limits to Growth

b APPG on Inclusive Growth

CAMPAIGNING AND COALITION-BUILDING

c DiEM25, Europe (political movement)

d Individual campaigns, e.g. Living Wage Campaign, We Own It

e Friends of the Earth Big Ideas project

f New Economy Coalition, USA

FACILITATION AND COALITION-BUILDING

g Finance Innovation Lab

h New Economy Organisers Network (NEON)

i Real Economy Lab

j Transition Network

k Democracy Collaborative, USA

DIRECT CHANGE PRACTITIONERS

l Businesses applying new economy principles, e.g. Abundance

m Local groups creating new economy, e.g. Brixton Pound

PHILANTHROPIC FUNDERS

n Friends Provident Foundation

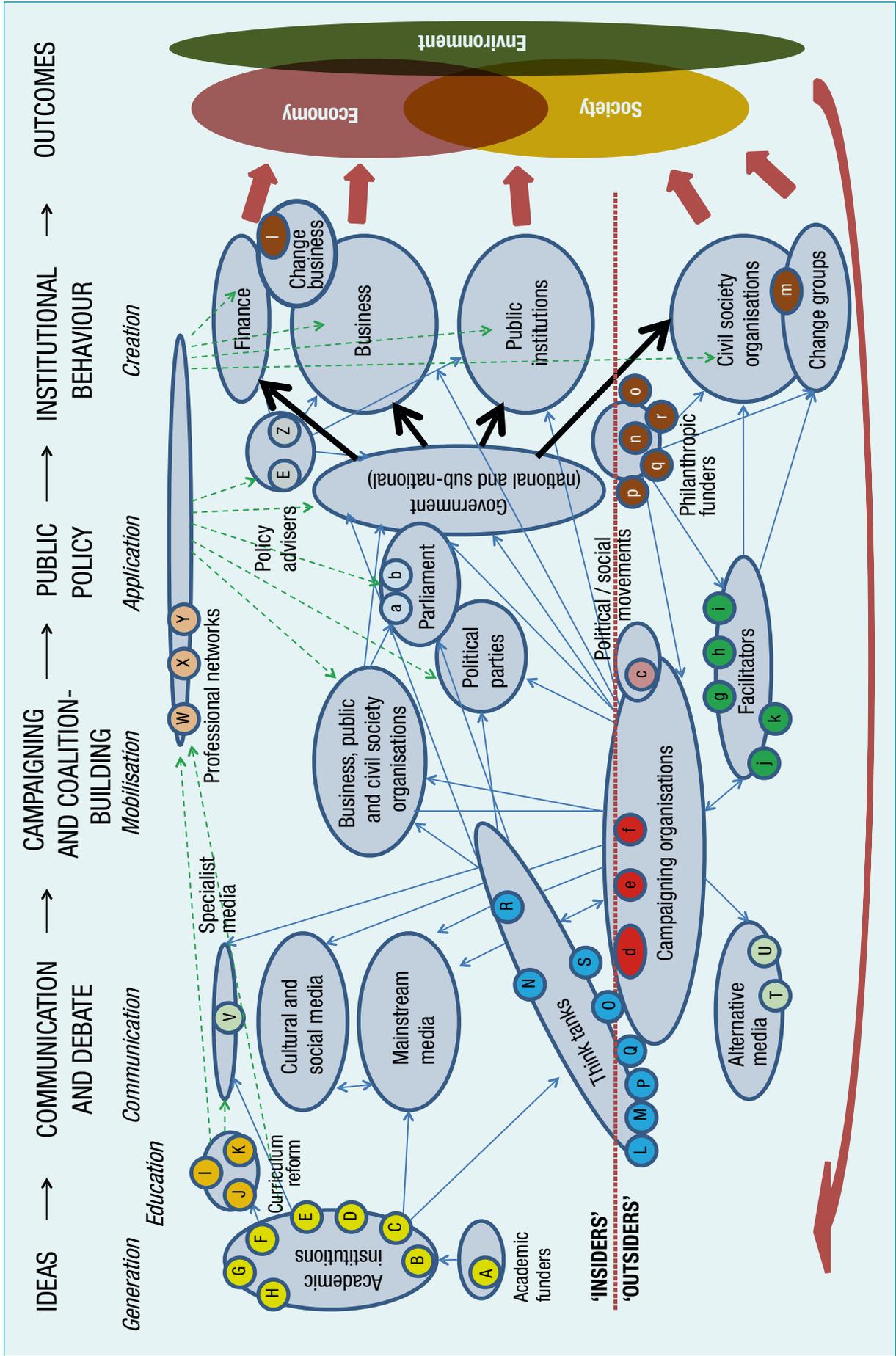
o Joseph Rowntree Charitable Trust

p Barrow Cadbury Trust

q Tudor Trust

r International funders, including: Partners for a New Economy; KR Foundation; Oak Foundation; William and Flora Hewlett Foundation; European Climate Foundation

We then mapped these organisations onto the theory of change, as illustrated by the diagram on the opposite page.



Section 6

Assessment

This is a young field: almost all of the organisations surveyed were founded or have reorganised their activities since the financial crash of 2007–08. There is broad intellectual convergence among these organisations around a shared critique of the failings of neoliberalism and the need for a new socioeconomic paradigm. There is slightly looser convergence on the overall goals or values of a new paradigm, largely centring on equity, sustainability and democratisation. However, with one or two exceptions, there has been little attempt to develop common narratives or policy solutions across organisations. It is our conclusion that the lack of convergence on narratives and solutions is mainly the result of material barriers to progress, rather than profound differences between groups. There are three main, interrelated barriers: the lack of a fully developed intellectual underpinning or emergence of a distinct narrative around a new socioeconomic approach; the fact that most organisations are non-mainstream actors, or ‘outsiders’, with ‘insider’ or establishment activity still relatively thin; and the absence of coordination and strategic direction covering a critical mass of the ecosystem. We will explore these areas in turn.

Intellectual underpinning

As discussed in Section 3, there is as yet no widely accepted intellectual foundation of non-orthodox economics on which to build a new socioeconomic narrative or cohesive political campaign in favour of a new paradigm. But this is more a function of the lack of specific programmes to develop one than of fundamental intellectual disagreements or conflicts. There are in our analysis no substantive reasons why a new intellectual consensus could not be developed from the array of modern ‘heterodox’ economic thinking: indeed, the interim report of the IPPR Commission on Economic Justice attempts to present some of the key building blocks. But it is notable that no academic institution has seen its role as taking on this task. The Institute for New Economic Thinking (INET) has provided a useful platform through which research into new economic ideas and policies is funded and focused, and has offered a valuable challenge to the incumbent orthodoxy. But it has not sought to generate consensus on an overall framework, and its communications efforts have arguably not been sufficiently focused on achieving change in the public or political spheres.

At the same time, there is increasing interest in the development of such a paradigm among some leading academics and research institutes. In the UK these include INET Oxford (directed by Eric Beinhocker), and the new Institute for Innovation and Public Purpose at UCL (directed by Mariana Mazzucato).¹² Other research institutes, such as the Sheffield Political Economy Research Institute (SPERI), are making particular efforts to reach out to

the policy and political worlds with an active programme of outreach and engagement.¹³ A number of individual academics championing non-orthodox ideas, such as Ha-Joon Chang at Cambridge and Tim Jackson at Surrey, have also established high public profiles. There is considerable scope for bringing many of these individuals and institutions together in a coordinated intellectual and communications endeavour, in much the same way as the Mont Pelerin Society.

Among academic economists, there are broadly two ‘non-orthodox’ groups: those largely grounded in the mainstream who nevertheless seek reform of neoliberal policies; and those seeking a more radical reappraisal of economic theory. The latter do not always agree with one another – for example, there remains a significant divergence between those advocating various models of ‘inclusive, sustainable growth’ and those arguing for ‘de-growth’ (a division mirrored among campaigning organisations). But there is currently a clear opportunity to forge a coalition of non-orthodox economists around an alternative economic prospectus. A number of leading economists are now open to the attempt to synthesise new ideas and approaches in an effort to achieve greater convergence.

Over recent years one of the key developments has been the movement for economic curriculum reform. At its forefront is Rethinking Economics, a student-led campaign for more pluralist economic teaching in universities, which has had some success. A book written by its founders – *The Econocracy: The Perils of Leaving Economics to the Experts* – has attracted much attention.¹⁴ Some of its alumni are now working in organisations such as the Bank of England and the civil service, and have set up Exploring Economics to promote new economic ideas in those institutions. The movement is complemented by Reteaching Economics, a network of younger academics seeking greater pluralism within the economics curriculum. Together, they have driven and supported the introduction of non-orthodox curricula in a number of universities.

A major initiative in the field of curriculum reform is the CORE Project, which has created a reformed economics curriculum and wider education materials that seek to expand the ‘toolkit’ of economic methods available to students.¹⁵ The course is questions-motivated and based on recent and historical developments in economics and other social sciences. Nearly all its materials are generally accessible, with some special resources available to vetted teachers, and its courses are now being used across the world. While CORE has won many supporters across academia, elements of the curriculum reform movement have concluded that it does not meet their definition of reform. This includes Rethinking Economics, who seek ‘curricula that embody the three pluralisms: pluralism in methodology, pluralism in schools of thought, and pluralism in disciplines’.¹⁶ In turn, Promoting Economic Pluralism (PEP), a non-profit group that promotes pluralism in economic research, practice and teaching, is developing an international accreditation system for pluralist economics courses.¹⁷

While the reform movement has scored some notable victories, the process of curriculum change is likely to be long, with students and allied faculty members facing an uphill battle when seeking to displace curricula in departments and exam boards with little incentive or desire to change. Furthermore, reform in secondary school education is limited, though groups are increasingly turning their attention to this area. As in the case of disagreements

between the CORE Project and Rethinking Economics, differences still exist between different curriculum reform efforts and over the extent to which a truly pluralist approach, bringing in many different models and theories, can and should be adopted. Finally, as with all parts of the ecosystem, resource constraints are a major barrier to progress.

Outsiders and insiders

Perhaps inevitably, most of the organisations we surveyed were ‘outsiders’ (or non-mainstream innovators), campaigning against established institutions or for their reform, rather than seeking to work directly with them. Even where focused on specific subject areas, such as finance or climate change, most outsider organisations see themselves as part of a loose intellectual and social movement opposed to neoliberalism and seeking progressive economic change.

The New Economy Organisers Network (NEON) serves a critical function within the outsider community, providing a network for and support materials to non-mainstream innovators.¹⁸ Through this network, NEON seeks to realise greater cooperation by connecting groups and cultivating spokespeople, focusing their attention on key strategic issues and building the infrastructure needed to sustain change over time. It offers organisational, training and strategy resources to its members, which now include some representatives of ‘insider’ (mainstream) organisations as well.

Penetration of these activities into mainstream institutions and debate has in general been limited, though this is changing as the movement increases in size and maturity, and as a result of recent political events. One interesting development has been the emergence of ‘insiders’ with an interest in significant reform, including leading figures such as Andy Haldane, Chief Economist of the Bank of England, and Adair Turner, former head of the Confederation of British Industry (CBI) and Financial Services Authority, and now Chair of INET.

The IPPR Commission on Economic Justice, the Royal Society of Arts (RSA), and the All-Party Parliamentary Groups on Inclusive Growth and the Limits to Growth are among those organisations seeking to mobilise insider voices (including business leaders) in favour of radical change.¹⁹ Much of this work will come to fruition over the next 12 months, particularly through the final report of the IPPR Commission on Economic Justice in September 2018. The intention is to produce a landmark document, backed by mainstream voices, bringing together both a critique of orthodox economic policy and a practical programme of economic reform.

However, there are two major barriers to progress among UK think tanks. The first is that there is no dedicated think tank that seeks to act as a focal point for new economic thinking, bringing academic and policy practice together to influence government, media and businesses. While the IPPR Commission on Economic Justice will play that role over the next year, there are no plans (at present) for it to continue beyond its final report in autumn 2018, and IPPR remains a ‘general purpose’ think tank with a broad policy remit. The New Economics Foundation was founded to promote alternative economic ideas, but it

has recently shifted its focus to local economic change and away from synthesising an overall policy programme and set of narratives providing an alternative to neoliberalism.²⁰ Second, the funding model for mainstream think tanks does not lend itself to new economic ideas or the synthesis of a new paradigm. Though think tanks can attract funding for specific policy reform, they find it hard to fund larger-scale thinking. The mainstream think tank landscape is therefore dominated by those focusing on technical policy change. From a strategic perspective, it therefore probably makes sense for think tanks to develop particular specialisms that serve key elements of the overall movement. Coordination between specialist think tanks could then create a stronger overall impact. However, a constrained funding environment, the imperative for brand distinction, and charity law make such cooperation difficult.

Coordination and strategic direction

While the economic change movement can point to some successes, our central conclusion is that the movement as a whole is achieving less than the sum of its parts. This is partly because approaches to theories of change differ. Some organisations seek ‘top down’ change; others see it as occurring from the ‘bottom up’. Some organisations are ‘doing their own thing’ without much strategic thought as to how this will contribute to wider social or political change; others (such as NEON, NEF, INET Oxford and the Finance Innovation Lab) have sophisticated and largely convergent theories of change which encompass more than their own activities. Major differences in approach continue to exist between those framing their case in terms of the radical reform of capitalism and those expressing themselves as opposed to it (‘reform vs replacement’). Differences between these approaches reflect both ideas on how change occurs and the resources and profile of different organisations.

While most of the activities required to catalyse change are covered by existing groups in one form or another, most of the organisations are young and have yet to reach maturity. Most (other than the academic institutes) have severe resource constraints and their funding models place limits on operational capacity and the ability to innovate. This is partly because the funding pool for organisations is limited to a small number of philanthropic foundations (in comparison to the United States, for example, where there is both a larger number of philanthropic organisations seeking to fund systems change efforts and a higher level of philanthropic funding in general). It is also a function of the nature of organisations’ activities: it is hard to raise money for systems change and the scope for raising membership fees may be limited or undesirable. In turn, resource constraints and funding models place limits on operational capacity and the ability of groups to innovate from a whole system, strategic perspective. Many of our interviewees, including some of those working for funders, mentioned that greater coordination of funding organisations would be desirable.

Bearing in mind our theory of change, it is clear that across the ecosystem of organisations there are two distinct and essential components which are currently missing. There is no academic institution, think tank or individual developing the overall framework for a new economic paradigm, synthesising the existing constituent components. And there is no mainstream political movement putting fully developed new economic ideas at the heart of

its platform and seeking power and support to enact these changes (however much progress appears to have been made in recent months).

While neither of these can be easily created, there are clear coordinating functions which may be easier to establish. At present, coordination between organisations across the ecosystem is limited. By and large organisations lack awareness of one another and there is little communication between them. This could be considerably improved with more action and coordination at an overall strategic level. There is also clear scope to expand the communication of new economic ideas and to challenge neoliberal ones, using proactive and reactive methods across the full range of traditional and non-traditional media. It is notable that unbranded communications units played a key role in the campaign for the Paris climate agreement in 2013–15. Among the outsider campaigning organisations, groups such as NEON and NEF serve an important facilitating role, providing support to and building networks between groups. As yet, however, no group provides a similar function for the increasing number of people in established institutions with an interest in this agenda.

We would therefore identify a need for three ‘coordinating’ functions:

- **Identifying and promoting overall strategic direction:** Building communication and cooperation channels between organisations and key individuals, including both insiders and outsiders; seeking common purpose and coordinated activities; and providing overall strategic analysis and direction.
- **Unbranded communications:** Promoting public and elite awareness and debate around new economic ideas, through mainstream, alternative and social media, focusing on the ideas and practices themselves rather than promoting the activities of particular organisations.
- **Building insider communities:** Connecting and building networks between people in established institutions supportive of this agenda.

The development of greater coordination is increasing outside of the UK. Notable examples include the Democracy Collaborative in the USA, which seeks greater shared ownership in the economy as part of an effort to change the country’s economic development paradigm.²¹ Its staff work across research, training, policy development, and community engagement and activism. It hosts the Next System Project, which is a ‘think and do tank’ for economic democracy that puts the work of the Collaborative into the wider political and economic systems change context. The Next System Project has had some success in creating a narrative around the need for, and possibilities of, systems change, and is increasingly seeking to serve a platform function to support other groups. In Europe there have been a number of recent discussions about the possibility of coordinating efforts to build a new paradigm. Internationally, the OECD’s New Approaches to Economic Challenges initiative is also seeking to synthesise new economic thinking and policy.²²

Section 7

Conclusions and recommendations

The economic systems change movement in the UK has grown in size and influence over the last decade. A growing ecosystem of organisations now exists, covering most of the functions needed to promote change in the socioeconomic paradigm. The continued failure of the incumbent neoliberal paradigm, in theory and in practice, means the potential for change is growing; this failure demands a greater and more urgent response as its implications increasingly become clear. Recent political events, particularly the general election result, have opened up more room, but we are still a long way from a government with new economic ideas. The fact that there is as yet no commonly agreed name for the new paradigm behind which groups are coalescing is symptomatic. (Neoliberalism was by the 1950s already used as a badge of self-identification for members of the Mont Pelerin Society). A fully coherent intellectual foundation has not yet emerged, inhibiting the development of narratives that translate into cohesive, popular support for social movements seeking change.

This is a young movement which suffers from a number of barriers to progress, including a lack of resources, lack of some key functions and limited penetration into insider communities and mainstream organisations and debates. From an overall, strategic perspective, our central conclusion is that a lack of coordination and strategic direction is a particular weakness.

As such, our recommendation is for the creation of a new platform, or informal coordinating body, aimed at accelerating efforts to change the dominant socio-economic paradigm away from neoliberalism to an alternative. The platform would serve the movement with three interrelated strategic functions:

1. Providing strategic direction and coordination for the promotion of economic systems change among like-minded organisations and individuals, helping convene a critical mass of groups across the ecosystem.
2. Conducting ‘unbranded communications’ – promoting ideas and practices rather than the activities of specific organisations or groups – on economic issues, using proactive and reactive methods across the full range of traditional and non-traditional media, and mobilising a broad range of academic and non-academic voices.
3. Building networks of professionals in established institutions with an interest in and commitment to new economic ideas and systems change, and connecting them to one another and to campaigns for economic change.

The development of these functions will require sensitivity and care. However, there was considerable support among those we interviewed for the general proposition of greater coordination – not for its own sake, but with the clear aim of generating more effective change. A relatively informal model, following the example of the climate movement in the run-up to the 2015 United Nations Climate Change Conference in Paris, might be most appropriate. Critically, such a platform would have to work in concert with existing networks and support organisations, notably NEON, acting as a complement not a rival; it would not carry out functions that already exist or compete against other organisations. These connections could be reflected through a steering group made up of representatives of key organisations, providing a focal point for long-term strategic thinking and coordinating immediate, reactive initiatives. Such a platform could, we believe, galvanise much greater cooperation and coordination to promote lasting change.

NOTES

1. This analysis is drawn from Michael Jacobs' and Mariana Mazzucato's Introduction to *Rethinking Capitalism: Economics and Policy for Sustainable and Inclusive Growth*, Oxford: Wiley Blackwell, 2016.
2. Kuhn, T., *The Structure of Scientific Revolutions*, Chicago: University of Chicago Press, 1962.
3. Lakatos, I., 'Criticism and the methodology of scientific research programmes', *Proceedings of the Aristotelian Society*, Vol. 69, 1968.
4. Hall, P., 'Policy paradigms, social learning, and the state: The case of economic policymaking in Britain', *Comparative Politics*, Vol. 25, No. 3, 1993.
5. Our analysis has drawn on a number of key texts, including: Stedman Jones, D., *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*, Princeton, NJ: Princeton University Press, 2014; Burgin, A., *The Great Persuasion: Reinventing Free Markets Since the Depression*, Cambridge, MA: Harvard University Press, 2012; Mirowski, P. and Dieter, P. (eds) *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective*, Cambridge, MA: Harvard University Press, 2015; and Cockett, R., *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution 1931–1983*, London: HarperCollins Publishers, 1995.
6. The Mont Pèlerin Society (1947) *Statement of Aims*, <https://www.montpelerin.org/statement-of-aims/>
7. See, for example, <https://www.theguardian.com/environment/2013/feb/14/funding-climate-change-denial-thinktanks-network>
8. This analysis is drawn from Michael Jacobs' and Mariana Mazzucato's Introduction to *Rethinking Capitalism: Economics and Policy for Sustainable and Inclusive Growth*, Oxford: Wiley Blackwell, 2016.
9. See <https://www.ineteconomics.org/>
10. The Conservative manifesto at the 2017 election stated: 'We do not believe in untrammelled free markets. We reject the cult of selfish individualism. We abhor social division, injustice, unfairness and inequality. We reject the ideological templates provided by the socialist left and the libertarian right and instead embrace the mainstream view that recognises the good that government can do' (The Conservative and Unionist Party (2017) *Forward, Together: Our Plan for a Stronger Britain and a Prosperous Future*, <https://s3.eu-west-2.amazonaws.com/manifesto2017/Manifesto2017.pdf>).
11. See <http://www.labour.org.uk/blog/entry/the-new-economics>
12. See <http://www.inet.ox.ac.uk/> and <https://www.ucl.ac.uk/bartlett/public-purpose/>
13. See <http://speri.dept.shef.ac.uk/>
14. Earle, J., Moran, C. and Ward-Perkins, Z., *The Econocracy: The Perils of Leaving Economics to the Experts*, Manchester: Manchester University Press, 2016.
15. <http://www.core-econ.org/>
16. <https://rwer.wordpress.com/2014/10/27/rethinking-economics-rejects-inets-core-curriculum/>
17. See <https://www.economicpluralism.org/accreditation>
18. <http://neweconomyorganisers.org/>
19. See <https://ippr.org/cej>; <https://www.thersa.org/action-and-research/economy-enterprise-and-manufacturing>; <https://www.inclusivegrowth.co.uk/>; <http://limits2growth.org.uk/>
20. See <http://neweconomics.org/>
21. See <http://democracycollaborative.org/>
22. See <http://www.oecd.org/naec/>

ANNEX: INTERVIEWEES

Eric Beinhocker, Executive Director, INET Oxford
Craig Berry, Deputy Director, Sheffield Political Economy Research Institute (SPERI)
Fran Boait, Executive Director, Positive Money
Wendy Carlin, Director, CORE Project
Ha-Joon Chang, Reader in the Political Economy of Development, University of Cambridge
Mike Childs, Head of Policy, Research and Science, Friends of the Earth
Joe Earle, Trustee, Rethinking Economics
Thomas Fricke, Chief Economist, European Climate Foundation
Tony Greenham, Director of Economy, Enterprise and Manufacturing, Royal Society of Arts (RSA)
Joe Guinan, Executive Director, The Next System Project
Leslie Harroun, Director, Partners for a New Economy (P4NE)
Tom Hunt, Policy Research Officer, Sheffield Political Economy Research Institute (SPERI)
Michael Jacobs, Director, IPPR Commission on Economic Justice
Larry Kramer, President, William and Flora Hewlett Foundation
Anna Laycock, Executive Director, Finance Innovation Lab
Henry Leveson-Gower, Director, New Economic Knowledge Services (NEKS) and Chief Executive, Promoting Economic Pluralism (PEP)
Peter Lipman, Chair, Common Cause Foundation; Co-chair/Trustee, Transition Network
Mariana Mazzucato, Director, Institute for Innovation and Public Purpose, UCL
Robin McAlpine, Director, Common Weal
Jo Michell, Joint Lead, Reteaching Economics
Jules Peck, Founder and Convenor, Real Economy Lab
Martin Porter, Executive Director, Industrial Innovation for Competitiveness (I24C)
Gabriela Ramos, Chief of Staff, Organisation for Economic Co-operation and Development (OECD)
Kate Raworth, Senior Visiting Research Associate, Environmental Change Institute, Oxford
Marc Stears, Chief Executive, New Economics Foundation (nef)
Jay Tompt, Co-ordinator, REconomy
Yanis Varoufakis, Co-ordinator, DiEM25
Dan Vockins, Lead Organiser, New Economy Organisers Network (NEON)