

McDonnell's speech: Labour's old left is reborn

By [Elliott Banks](#), News Editor (2016/17)

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John McDonnell unveils the Labour Party's economic plan to a packed hall of delegates at the party conference. Image. Youtube

Last Monday Labour's Shadow Chancellor John McDonnell stood on the rostrum and delivered a barnstorming speech to the party faithful promising a new era for socialist economics. Following the re-election of Jeremy Corbyn, the left's ascendancy now looks assured. McDonnell unveiled a raft of policy ideas which drew loud applause from delegates but the policies will need to attract a wider audience if Labour is to win in 2020.

But what were the key ideas from McDonnell's speech? Well, firstly the broad theme was state intervention in economic matters. For businesses, this statement will be one of particular interest as, for the past 30 years, UK governments and political parties have broadly accepted the post-Thatcher settlement of the principles of free market trade.

Indeed, New Labour under Blair's leadership largely adhered to Thatcher's economic arguments by deregulating the economy and moving towards co-operation with business in a plan dubbed as the 'Prawn Cocktail Offensive' in the early noughties.

McDonnell, on the other hand, represents an older idea of Labour in which the government intervenes and regulates more. He said: "Be certain, the next Labour government will be an interventionist government." Specific ideas which would involve said interventionism included the power of workers to buy their companies with state assistance if the business fails and the selective nationalisation of businesses such as railways.

This has alarmed some business leaders, who fear state encroachment into their companies, but Mr

McDonnell believes this will chime well with voters fed up with big business having a free hand. Expanding on the basic premise of interventionism, the Shadow Chancellor also pledged to borrow up to £500 billion to invest.

The investment plan is not new, as Labour under Ed Miliband planned to borrow to invest but the scale of the borrowing is colossal when compared. Detail on how this £500 billion would be raised is limited but it would require significant amounts of borrowing every year and would increase the budget deficit.

Indeed, this may be a hard sell with international markets given that the current national debt stands at £1.6 trillion.

Another big announcement was McDonnell's pledge for a £10 per hour minimum wage by 2020 which would mean that the lowest paid full-time workers would earn £19,250 per annum, according to EEF. This is more than the new National Living Wage introduced by George Osborne, which is set to reach £9 per hour in 2020.

However, experts are not on the whole convinced. Based on the Bank of England's inflation target of two per cent and starting at the independently calculated National Living Wage of £8.25, as opposed to George Osborne's £7.20, £10 per hour would not be reached until 2025.

Jonathan Portes from the National Institute of Economic and Social Research told the BBC that "John McDonnell has taken George Osborne's made-up number and added some more, so we're seeing a bit of an auction." Critics of the policy say that this would increase employers' costs and could actually lead to an overall increase in unemployment. For low paid workers, however, Mr McDonnell's plan would be significant and highly welcomed.

Interestingly the £10 minimum wage did not receive the biggest cheers from delegates. That honour was reserved for one pledge – to repeal Thatcher's Trade Union Act. For those on the hard left of the Labour Party, the Trade Union Act is a hated piece of legislation which in their eyes curtailed workers' rights and weakened unions. Indeed, since the legislation came into force in the early 1980s, Britain typically has fewer days lost to strike action than most of Europe.

This plan to repeal is pure bread and butter socialist policy for the Corbyn camp. Both Corbyn and McDonnell were vocal critics in the 1980s when the legislation was passed and this repeal appeals to their supporters.

However, critics will argue that this is an ideological crusade rather than what is best for the economy. This pledge, coupled with Mr McDonnell's policy of reintroducing collective bargaining powers for workers, could lead to a rise in strikes.

As expected McDonnell's speech received a standing ovation from delegates but more moderate members in the Labour Party will question this new direction. New Labour was so successful electorally in their eyes because it largely accepted the Thatcher settlement of market liberalism and limited intervention.

McDonnell summed up this new direction well with the line: "In this party you no longer have to whisper it – it's called socialism." Thanks to Corbyn's re-election it looks as if the New Old Left is now undergoing its renaissance within the Labour Party.



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