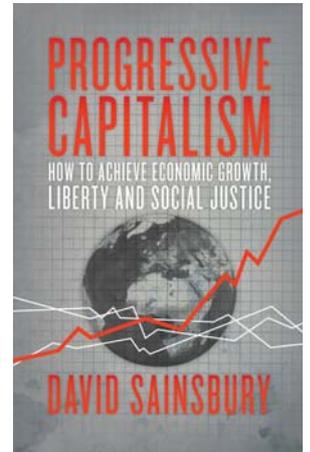


# Progressive Capitalism

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by David Sainsbury

■ reviewed by David Parish



**I find it hard to know how to begin a review of a book by someone so well known as David Sainsbury.** However for once I found the supporting comments on the back cover of the book helpful. Joseph Steglitz, who is a critic of modern market capitalism, writes: 'David Sainsbury's thoughtful manifesto for a progressive capitalism draws on his experience in both business and government to offer an alternative political economy to that of the dominant and dominating neo-liberalism of recent decades'.

David's own goal, which he states in the introduction, is to promote three ways to develop a progressive economic pattern of growth. These give content to what he means by *progressive* capitalism. The first objective is to have better institutions. The second is that the state, though not interventionist in



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markets, should be involved in the design of institutions. The third is that the performance of the economy should not just be judged in terms of economic growth and freedom but on whether a measure of social justice is achieved.

He succeeds well in developing approaches to the first two objectives. In doing so he draws on his experience as the Finance Director and Chairman of a major UK company (that which bears his name) as well as serving as Minister for Science and Innovation in the Labour Government. He also shares his experience of being a director of a company facing an unwelcome take-over bid. The objective of this appears to have been to buy the company, sell off its property assets in the store real estate, take the profit and then lease back the store sites and a few years on sell the company, loaded with debt and high lease costs - a strategy that has caused the demise of more than one high street retailer.

In his critique of neo-liberalism he points to failures of the past five years and the way that financial products were allowed to develop without any rigorous checks by the various regulators both in the USA and Europe. Particularly damaging was the way that derivatives changed from being simple hedges against market changes to become highly complex and non-transparent instruments 'whose risk characteristics were poorly understood'. He also has little time for politicians who make commercial

▶▶ judgements based on easy political gains. He makes clear his view that it was the 'deregulatory frenzy' of the financial markets in the 1980s and 1990s that 'paved the way for the financial crash'.

David believes that Government should do more to support innovation and technology development by establishing centres of excellence. He points out successful countries have areas where industries 'cluster' to share ideas and people. To me an important and little considered benefit of these clusters is in being relational, so that even though companies compete with each other in the marketplace, they share standards against which to develop new technology platforms at a technical level. It is also important that the State provides vocational training of the highest standard. This is something that the UK Government over several decades has failed to do. Governments ruling in the interests of the whole people to provide a stable base to the economy for trade to prosper has a long Christian tradition.

The weakness of the book is that he fails to develop the social justice theme in any depth, perhaps because this is not an area that he dealt with in government. He touches at various points on the data that shows countries with more even income distribution are fairer in how they treat everyone and that they also tend to have higher GDP per head of population. He cites as a good example of this, the Danish system of 'flexi-security', which supports unemployed people to get them back into work. He also provides some useful data on the impact of neo-liberalism in widening wage inequality. Between 1979 and 2005 the top 0.1% of households in the USA received over 20% of all after-tax income gains compared to the 13.5% enjoyed by the 60% of households. The 300,000 at the top did significantly better than the 180 million at the bottom. It is a far bigger gap than in any other advanced industrial country, though the UK is not far behind. Sainsbury writes: 'the reason for preferring social justice, defined as fairness, is that it reflects the values of many people in our societies. What angers people is not the huge rewards that entrepreneurs receive having taken great risks and built up new businesses, but the huge rewards executives take away when

they have failed' (p.106). Christian commentators might add that the values he refers to are those built up over many centuries of Christian influence, not least the Christian Socialists who inspired the Labour Party of which he is a member.

He quotes with approval President Obama: 'We've lost some of that sense of shared prosperity. Now this loss has not happened by accident. It is because of decisions made in boardrooms, on trading floors and in Washington'.

I feel he could have gone further to suggest way of limiting executive pay differentials, even if only e.g. working to a code that would not pay the CEO more than 200 times the lowest paid employee, but that might have struck too close to home as the CEO of Sainsbury earned over £4m last year.

From a Christian perspective there is much in the book with which to agree. The thrust of the Old Testament law is towards justice and fairness, along with a recognition that wealth creation prospers the nation. Solomon's kingdom did not grow rich by Solomon's efforts alone but by having a strong production and trading economy in Israel.

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*The camel, domesticated just 200 years before, was a foundation of Solomon's trading economy*

Relationships in business are the 'hidden capital' on the balance sheet. Also as a country we need to develop the human potential of even the weakest in the economy, by better education and training appropriate to the individual. ■

*There is an interesting Youtube clip of David Sainsbury speaking about his book. You can access this by entering his name and the book title in the Youtube search engine.*