

Community power and the investment state



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What existed before big government? It wasn't personal freedom – it was 'big society', and not all in a good way. In the high Victorian period John Stuart Mill wrote of the suffocating pressure of social conformity, of the power of public moral expectation. This power was worse than state coercion, he thought, because it "enslaved the mind", not just the body.

Big government has had its day. Centralised bureaucracies are entirely unfitted for the nimble, digital, diverse 21st century. But what will replace them? Some, the modern Millites, yearn for freedom from both state and society – a new progressive utopia of personal liberty, sans rules or religions or nations or manners. Others nostalgically evoke a revived Victorian morality in which everyone conforms to the bourgeois standard on pain of social ostracism. Neither will do, though I think the second, nostalgic vision is closer to the future than the liberal one. As we dismantle the bureaucracies of the 20th century state we need a better idea than liberalism, something more than

individual freedom. This better idea, this something more, is community power.

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Community power is closer to nostalgic conservatism than to modern liberalism because it recognises our fundamental need – more fundamental than our need for freedom – for belonging. Indeed, freedom proceeds from belonging: only with the secure base of home, only with the identity learned from others, can you safely and effectively venture into discovery and self-discovery. This unfashionable truth, that 'we' precedes 'I' in the sequence of life, is the basis of conservatism and the cardinal distinction between it and liberalism.

Leaning in to this truth will align the desires and inclinations of individuals with their family, community, and ultimately the nation as a whole, improving trust, tackling the democratic deficit and building the resilience of the state.

The doctrine of community power is a modernised conservatism. Power properly belongs not just to the rich men who led communities in the old days, but to the communities themselves. Here is where liberalism is co-opted to shore up the conservative idea. We can avoid the social suffocation Mill objected to (more likely these days to be the new intolerances of critical theory than a resurgent religiosity) when ordinary people can assert their values through local decision making.

Community power is the secret to levelling up, the magic yeast that will make depressed places rise. As Professor Sir Paul Collier puts it, there is a "radical uncertainty" about what drives local growth.

Fittingly, there is no central recipe we can apply to every community.

All we know for sure is that, as Robert Putnam demonstrated 30 years ago in his study of the regions of Italy, prosperity depends on “norms of reciprocity and networks of civic engagement”.¹

Places with high levels of social infrastructure and associative life – with churches and clubs and charities, with volunteering and mutual support – do better economically than those without these things. “Civic conditions”, says Putnam, act like “a powerful magnetic field”, pulling social and economic conditions forward in their wake. Or to put it another way, “civics helps to explain economics, rather than the reverse.” Strong families and communities, in other words, reduce economic dependence and make for a stronger, more resilient state.

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This is the way to level up – but our current fiscal model hinders it. In a nutshell, we send revenue spending to poor areas – largely via transfers in the welfare system, investing in individual people rather than in civic conditions – while investing capital in the areas that are already wealthy.

This is because of the way the Treasury calculates value for

money. Bang for buck is by definition larger in areas of existing growth: adding a housing estate or a business park to an affluent town yields bigger and quicker returns than putting these things (let alone the social infrastructure places really need) into a depressed or ‘left-behind’ area. The system also applies a discount rate of 3.5 per cent per year for capital investment – a depreciation forecast that encourages short-term projects rather than the long-term investments that drive sustained growth.

Our social model similarly inhibits the associative life that places and people need. We have a ‘just in time’ system of social support, which essentially means the government steps in when things have gone wrong, and tries, expensively and often ineptly, to put them right again. Hence the favouring of acute healthcare spending over preventative treatment (the famous ambulances at the bottom of the cliff rather than fences at the top), the vast expenditure on prisons compared to youth services, or the cost of looking after children in care rather than investment in families and family support.

These late, reactive, acute interventions are necessary because of the absence of community capital, the assets that places need to prosper and to withstand economic shocks. Community capital could be said to consist of human capital (skills and good mental health); social capital (the trusting networks that form around institutions and associations); and financial capital (wealth, whether liquid or physical, held by and for communities).

Rather than just thinking of ways to deliver acute remedial services with greater efficiency and value for money, government should think of ways to generate community capital. We need an ‘investment state’ that helps create the civic conditions for prosperity. How do we organise government to do this work? We are, in the words of John Fonte of the Hudson Institute, in the era of “post democracy”, when elites run the show with little reference to voters and their representatives. The Blair years saw a transfer of power from democratic control to quangos, including the European Commission; many were helpfully abolished under David Cameron though others were created (like Public Health England, and indeed NHS England as a chartered, autonomous body of its own).

Boris Johnson has rectified the European mistake, and restored democratic control of our borders and our laws. He might yet rein in the independence of the health quangos. But this is not enough. Indeed, democracy in its formal sense – the ultimate power of Parliament over the bureaucracy of the state – is not enough, though we do need this very urgently. To properly enfranchise the people we need a more distributed model of power: more varied, more local, more informal.

In the report I recently completed for the government,² *Levelling up our communities: proposals for a new social covenant*, I set out a range of policy areas where community power should replace the dominance of large public and private sector bureaucracies. These include housing, health and social

¹ Robert Putnam, *Making Democracy Work* (New Jersey: Princeton University Press, 1993).

² Danny Kruger MP, *Levelling up Our Communities: Proposals for a New Social Covenant*, 2020.

care, aspects of criminal justice, early years, employment, and refugee support. In all these areas we should enable local people, front-line professionals and expert non-government organisations to take more responsibility - to build systems based on trust and reciprocity rather than simply on command, control, and quasi-markets.

There is a danger here, as Nigel Ball of the Government Outcomes Lab at the Blavatnik School of Government points out: "Relying too heavily on relationships and trust demands an idealised vision of human behaviour, and risks a resurgence of many of the vices that the reform of the past was intended to combat: inefficient services meaning wasted money; weakened accountability structures allowing patronage and corruption; variations in local funding leading to 'postcode lotteries'; institutionalised prejudice; systematic abuse of the vulnerable. Many residents of less mature democracies or less dynamic economies are still attempting to exorcise these demons."³

Here, then, is one of the essential functions of the investment state after power has been given to communities: to police their use of it, inspecting and reporting on the

exercise of responsibility by the myriad organisations now entrusted with it.

“The centre should be much smaller, but it should be much more long sighted”

The investment state should be more than a neutral inspector, however. Indeed the government we need is far from neutral. The centre should be much smaller, but it should be much more long-sighted. The 'grand challenges' identified by Theresa May's Government, the threats and opportunities presented by demographic and technological change, was the "right approach, and we should add the ethics of AI, pandemic preparedness, the rise of China, and no doubt others to the list. These, not the mechanics of local healthcare or the management of local jobs markets, are the proper business of central government.

Radical devolution will free up the capacity of central government to attend to these grand challenges, while securing the long-term

resilience of our towns and villages for future generations by allowing local systems to develop and mature according to local needs. Putnam's work shows that strong communities do not erode trust in the central state, but enhance it. Community power is not an anarchist or anti-state doctrine. Indeed this is the way to restore faith in politics, and in the good that government can do.

More is needed, as Putnam discovered in Italy, than formal democracy and liberal individualism. We need an older idea, the inheritance of civic humanism and the 'virtue' philosophy of the Renaissance, which stressed your contribution to society rather than your independence from it. Then (leapfrogging the Enlightenment, that over-promoted era) we need the Victorian ethos of social solidarity and collective action, albeit (as Mill wished) a little less patriarchal. Disraeli had it right: 'trust the people'.

This essay is part of a collection of essays published by Reform exploring how to build a more resilient state.

³ Nigel Ball, 'Reset of Refine: How Should Boris Johnson's New Government Set about Reforming UK Public Services', Government Outcomes Lab, 13 December 2019.