



## **EVERYDAY PEOPLE**

**Labour and the ‘everyday economy’: how the politics of the cost of living and competition law are colliding to shape the election battleground**

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With inflation and the stubbornly high cost of living dominating the attention of voters, politicians and regulators alike have caught the whiff of an opportunity to swing into action – or at least to be seen to be doing so.

But will their words be no more than sound and fury, while effective action remains elusive?

Before the cost of living crisis got a real hold, the Government announced new legislation in the [King's Speech](#): the *Digital Markets, Competition and Consumers Bill* ('DMCC Bill'), framed to tackle the digital economy and competition within it. The legislation will grant enhanced enforcement powers to the Competition and Markets Authority ('CMA') for breaches of consumer law – but it is not yet law, and the CMA's energetic form may cause some to question an expansion of its powers.

Against the backdrop of an approaching General Election, likely in Autumn 2024, and with new powers being delivered likely next year thanks to the DMCC Bill, the CMA's new [interventionist leadership](#) is seeking to show that it understands the pressure on consumers.

## **The CMA moves to take action**

Consistent with its recent [activist posture](#), the CMA has approached the cost of living crisis with its full toolbox. The market for household essentials is huge – we [spend around £130 billion](#) on these products a year, and that is why the CMA has been delving into unit pricing on [groceries](#) and through its Market Study into [fuel pricing](#).

On groceries, the CMA's [July report](#) found instances where unit pricing was displayed incorrectly, though [industry has pushed back](#) and said the rules themselves are part of the issue. On fuel, a new fuel finder scheme [is being launched](#), designed to help motorists compare prices in an attempt to ease pain at the pump.

All of the above will need ongoing monitoring and careful design to ensure they are workable. As it currently stands, the fuel finder scheme may simply enable petrol retailers to align on pricing – precisely the outcome the CMA is looking to avoid.

## **Political steer or political intervention?**

The cost of living has been the central domestic political issue for 2023, and the [likely collapse](#) of high street store Wilko is a bitter reminder that business as well as consumers are in pain.

Retail politics – in both senses – therefore come to the fore, but it is not often the case that competition law is turned to with the hope of delivering immediate relief for consumers.

Nevertheless, we saw it pointed to as the apparent cure to our economic ills in a [June summit](#), hosted by Chancellor of the Exchequer, Jeremy Hunt MP. There, the Government pulled together representatives from the CMA, Ofwat, Ofgem, Ofcom and the Financial Conduct Authority to discuss cost of living issues.

The real message, however, was that Hunt is willing to lean on the regulators to get results, each of which finally delivered an [overdue signal](#) that they would take some sort of action on the cost of

living. It resulted in the CMA publishing its road fuel market study just days later – a clear directive from No. 11 appears to have prompted its rapid publication.

The question then is why it took so long for those authorities to spring into action. The cost-of-living crisis and the UK's associated inflation issues should have provided those regulators with exactly the impetus they needed to take action much sooner.

Last year the President of the European Central Bank, Christine Lagarde, tried to give them a head start by [calling on](#) antitrust agencies to investigate whether price increases were down to normal market dynamics or were the result of illegitimate practices.

Political audiences – both Conservative and Labour – seem to think that regulators can deliver regulation, intervention and enforcement at the drop of a hat. That is despite most of the CMA's work being on merger clearance: important work, but to someone just trying to make ends meet, it is all a bit abstruse and other-worldly.

This places those regulators – and their political masters – in a difficult position: needing to look like they can do something that they are not necessarily set up to achieve.

## **The Labour Party shares an activist posture**

As DRD has [previously assessed](#), the Labour Party is increasingly signposting its intention to take a more interventionist approach to competition regulation in government.

That makes some sense: as the party that claims to represent working people, its instinct is to take action on the cost of living for the everyday consumer.

But at the same time, it knows it needs to win over the support of business and demonstrate itself to be a competent steward of the economy. Its City charm offensive has deliberately pulled it towards the City, with leader Sir Keir Starmer MP firmly rebuffing the socialist tendencies of the Party under his immediate predecessor.

All eyes will therefore be on how Labour decides to tackle the price of everyday essentials because it will reveal how it goes about balancing its cost of living instincts with its rediscovered pro-business sympathies.

The Party's recent speeches and articles help to reveal how it might do that in government. Shadow Chancellor of the Exchequer, Rachel Reeves MP, has come down firmly on the side of 'securonomics', picking up on the thinking of economist Mariana Mazzucato, who is closely listened to by the Party's leadership.

In her May [speech to the Peterson Institute in Washington DC](#), Reeves outlined her vision to place "the economic security of the nation" at the heart of her work. That is, prioritising the essential needs of consumers, guaranteeing them good value for the goods and services they purchase, and delivering reliable access to the public services on which they depend.

More recently, [Starmer's speech](#) to the Unite union's conference in July combatively picked up on the language of everyday essentials. He insisted that "global supply chains can be weaponised by tyrants" and that "trickle-down economics means power trickles-up and jobs trickle-out".

Starmer's is exactly the sort of language that meshes well with a busy competition regulator like the CMA. It may also embolden an already energetic regulator and, in doing so, lead to [further calls](#) that the UK is closed for business and is being left behind in a hypercompetitive global economy.

The performance of Darren Jones MP, the Labour chair of Parliament's Business and Trade Select Committee, is a case in point. His grilling of Asda, and declaration that the company's witnesses were ["wasting"](#) the Committee's time, made for good [online clips](#) but is hardly the pro-business mood that Starmer's leadership has been working so hard to foster.

A part of the balancing act will be to deliver more competitive markets – and the ancillary benefits to the everyday consumer would be consistent with the Party's philosophy. In reality, however, breaking up monopolies or forcing divestments are hardly in keeping with the mood music of Starmer and Reeves when on their ['prawn cocktail offensive'](#).

### **Delivery needed now for consumers**

A Labour government is therefore likely to continue in Hunt's footsteps – bringing regulators together and giving them clear steers that align with its political objectives. The powers contained in the DMCC Bill will help in achieving that, and a more fundamental review of supply chain disruption may be on the cards.

The consumer at the checkout counter is unlikely to care much for 'securonomics' or notions of regulatory independence. Many will quite rightly believe that action is needed now, and most do not really care how that action is devised or characterised.

The proof of the pudding will be in its eating – or at least in its price.

## About the authors



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Jon specialises in regulatory policy challenges and has advised businesses and individuals on political relations, corporate governance, dispute resolution and reputation management. Bringing connections across political parties, the law and industry sectors, as well as particular knowledge of communications challenges arising from competition and anti-trust matters, where he has worked alongside leading legal firms in a wide range of transactions and investigations, Jon leads DRD's competition and anti-trust practice. In 2021, Jon delivered the launch of the Business Banking Resolution Service (BBRS). Previously he was a Partner and Head of Public Affairs at Brunswick. Before that, Jon spent 21 years at Weber Shandwick, latterly as chair of its UK corporate, financial and public affairs practice, and of its Manchester office. Clients counselled include those in sports business, media, heavy industry, raw materials, technology, life sciences, leisure, trade and professional services.

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Ed specialises in the interface between public affairs, regulatory and public law issues. Prior to joining DRD, he spent six years as a public lawyer working on judicial reviews, regulatory investigations and public policy development for both public and private sector clients. In the UK, he worked at a leading City firm and was involved in litigation across a wide range of policy areas including building standards, environmental regulation and digital regulation. Ed previously worked as a political advisor to a senior Cabinet member in his native New Zealand.

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## About DRD

Founded in 2012, DRD Partnership has made a rapid impact in applying proven expertise in managing reputational issues for client businesses and organisations across a wide range of domestic and international markets. DRD Partnership is a strategic communications consultancy focused on building value for our clients and protecting their reputations at moments of challenge and change.

Our approach combines the deep experience of our senior partner team with rigorous analysis and interrogation of issues. This is to ensure that our programmes deliver meaningful impact.

DRD's partners have held senior roles in government, financial institutions, the law, international corporations, charities and leading public affairs consultancies. By combining our insight into relevant institutions with our experience of engaging stakeholders and delivering campaigns in multiple markets, we ensure that, when clients have only one chance to get things right, we are consistently able to meet and exceed their expectations.

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