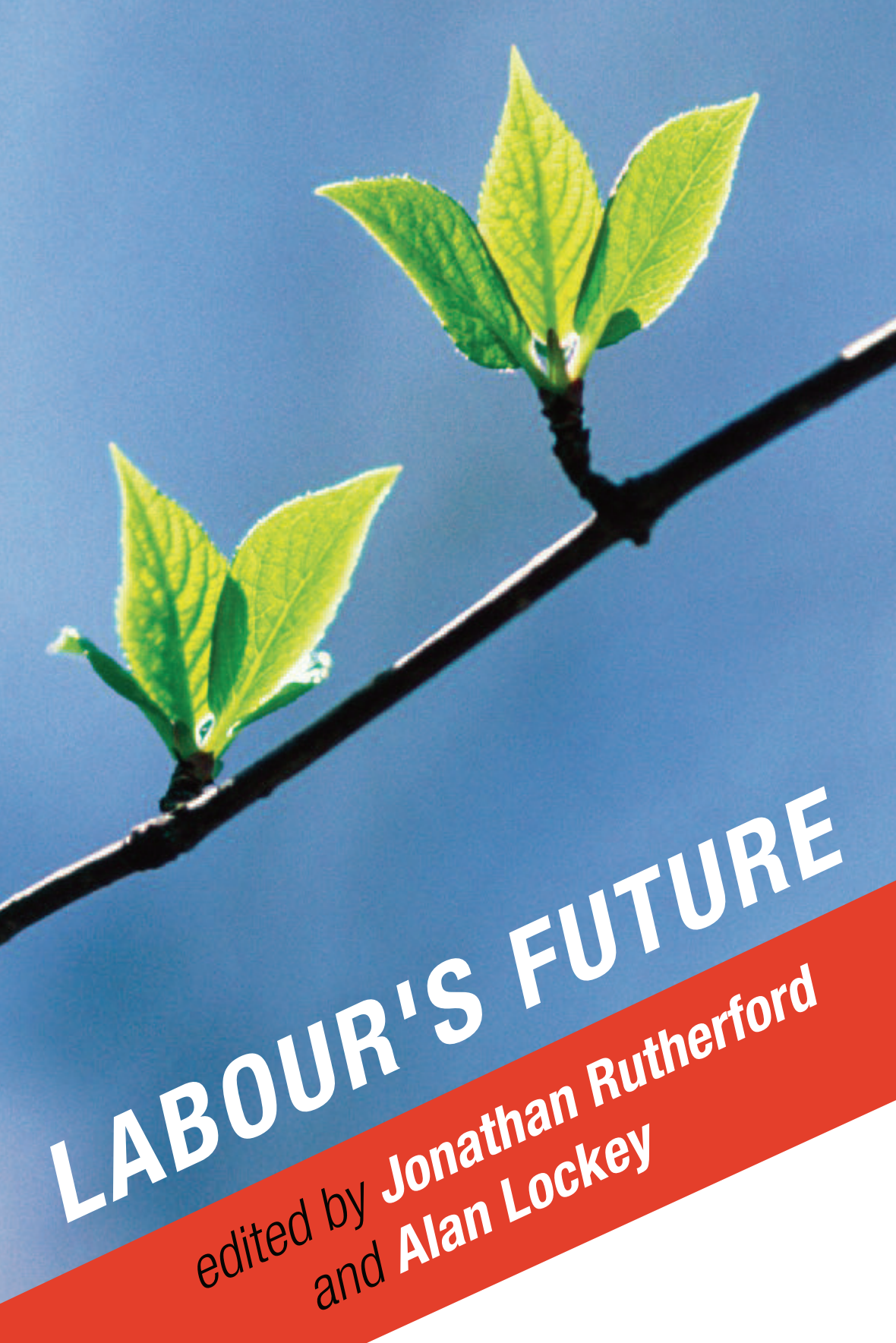

LABOUR'S FUTURE

edited by **Jonathan Rutherford** and **Alan Lockey**

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In May 2010 Soundings and the Open Left project at Demos organised a joint seminar on Labour's future, and this e-book is one of the outcomes. The day brought together people associated with different perspectives within the Labour Party – those who have identified with the New Labour project as well as those who have, often vehemently, opposed it. The aim was to explore what common ground might exist between us and identify a political axis around which to build cross-party political renewal.

There were disagreements about how we interpret New Labour's record in office, and about the role of markets, welfare reform and how to approach the Coalition government's austerity package. But there was a shared agenda around pluralism, the need to reform the party, and for national democratic and electoral reform. There was recognition that Labour needs to develop a new political economy and a new model of a social and democratic state. It was also generally accepted that Labour has to evolve a more ethical and emotional language for its politics, reviving its traditions to become once again the party of association and mutualism, rather than of a centralising and controlling state.

This ebook brings together a range of contributors from a wide variety of political positions, all of whom are trying to think about what the future holds for Labour, and how we can build a renewed momentum for social justice in Britain.

Contributors

Philip Collins, Sally Davison, Jeremy Gilbert, Stuart Hall, David Lammy, Neal Lawson, Doreen Massey, Anthony Painter, James Purnell, Michael Rustin, Jonathan Rutherford, Marc Stears, Allegra Stratton, Heather Wakefield, Stuart White

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Introduction: Labour's future

Jonathan Rutherford and Alan Lockey

In May 2010 we organised a joint seminar on Labour's future, and this e-book is one of the outcomes. The day brought together people associated with different perspectives within the Labour Party, including Progress and Compass – people who have identified with the New Labour project as well as those who have, often vehemently, opposed it. The aim was to explore what common ground might exist between us and identify a political axis around which to build cross-party political renewal. A process that can only be sustained by trusting relationships.

Encouragingly, the day did not descend into internecine warfare. There were no storming rows. It was a collegial event, as enjoyable as it was intellectually challenging. It left in its wake a hope that there is a real willingness of spirit and intellectual openness that can forge a new kind of Labour politics for the coming decade.

There were disagreements about how we interpret New Labour's record in office. There were some sharp differences of opinion about the role of markets, about welfare reform, and about how to approach the Coalition government's austerity package. But there was a shared agenda around pluralism, the need to reform the party, and for national democratic and electoral reform. There was recognition that Labour needs to develop a new political economy and a new model of a social and democratic state. It was also generally accepted that Labour has to evolve a more ethical and emotional language for its politics, reviving its traditions to become once again the party of association and mutualism, rather than of a centralising and controlling state.

There was an honesty about the depth and seriousness of Labour's defeat, and the need for a comprehensive review of New Labour's failings and successes. A true reckoning is an essential part of the process of moving forward and reviving Labour's fortunes.

Since May the leadership contest has provided people with an opportunity to watch and listen to the contenders in action. And though hustings may not be the best forum for thinking long and deep thoughts about Labour's future, they can begin to sow the seeds for a longer term debate about Labour's politics.

For the contest is about more than five individuals seeking office. It is about the future of Labour and the fate of our country. We need to ask ourselves some hard questions and face some difficult truths. We know that Labour is disconnected from the people, but there is a reluctance to face up to the current depth of feeling against us. If Margaret Thatcher's class war created an enduring and single-minded hatred towards her from her victims, New Labour has become the focus of an eclectic range of hatreds, emanating from across significant sections of society. Time will tell how enduring these are, but some honesty and good politics will help dispel them.

We know we have no political economy for rebuilding the post-crisis economy. The discrediting of neoclassical economics has left a great hole in policy-making. Labour is implicated in the financial crash. Labour championed the casino economy and allowed the housing bubble. We were passive, timid and never once challenged the power of the banks. And we ignored manufacturing industry, who could have been our allies in building a more balanced economy.

Cameron has been allowed to steal our traditional values of mutualism, association and relationships for his Big Society – or at least to clothe himself in their language. New Labour abandoned the values of socialism and solidarity, and without this lodestar the whole movement has been left floundering and disorientated. The truth is that Labour in power stopped building relationships with people; it stopped building a politics of dialogue and mutual

respect. It did not indicate that it valued people.

Labour needs to worry less about policy and begin debating politics and the meaning of life. Policy has its place, but the focus is still too often on technocratic detail. Labour has to make the transition from government, to taking leadership of a movement. It needs to be talking about the big issues of class and power, hope and fear, and all the human predicaments that occupy people as they go about their daily lives. The truth is that Labour talked about policy because it has lost the art of talking with people.

Let's acknowledge that we've only just begun this process of change and that it is for the longer term, in or out of office. Labour politics is about building a common life in which public service matters, and the exercise of virtue is more important than making a lot of money. It is a politics that is a part of the everyday life of people and their families. It must be alive in our neighbourhoods and workplaces or it will not live at all. Society is what people hold in common, and the task of Labour is to defend it against the power of the state and the exploitation of the market.

Labour is about organising and bringing people together in communities and workplaces. It is a politics of obligation and neighbourliness. It gives people esteem and the confidence to succeed in their own ambitions and to contribute to the common good at the same time. It is the hard and difficult work of dealing with difference and bringing people into alliances.

The labour movement will grow again – out of the hope of the young, the ingenuity of people and their desire for their children to do well. Labour represents our great longing to make something of our lives and to leave behind us a legacy of decency and goodness which marks a life well lived.

This ebook brings together a range of contributors from a wide variety of political positions, all of whom are trying to think about what the future holds for Labour, and how we can build a renewed momentum for social justice in Britain.

Revitalising our message

David Lammy

'What matters' is more important than 'what works'.

The great danger with election post-mortems is that everyone decides that they were right all along. Our preconceptions are superimposed onto the results. Did David Cameron miss out on a majority because his party was insufficiently modern? Or because he didn't talk about Europe, tax cuts and immigration enough? Cameron's inner circle has one view, the 1922 committee has another.

Labour needs to avoid this mistake. We must get beyond a conversation in which New Labour types speak only of lost support among C2s while idealists lament the betrayal of the working class. The truth is more complex – and more challenging – than either of these diagnoses. People turned away from Labour because they were not clear what we stood for. Many of those who voted for us did so whilst biting their lip.

I served in our government and am proud of its achievements. As a minister it was a privilege to be involved directly with a few of them, including building a national apprenticeships scheme; helping thousands of adults learn to read and write for the first time; and seeing more people from a wider range of backgrounds go to university than ever before. But pride in what we achieved must not stand in the way of admitting that we made mistakes, or that our government lost its reforming zeal and sense of mission. Rightly, the threshold for a fourth term in office is high – it requires more energy and radicalism not less – and we must accept that we fell well short.

The question now is how deeply we rethink and how quickly we regroup. Rather than attempting to sort the electorate into neat voting blocks, with each offered a new shopping list of policies, we need to face up to some bigger questions. We must revitalise our party, recognising the limitations of the political methods of the last fifteen years. We must rediscover some clearer values that people can identify with, whatever their race, gender or social class. And we must get to grips quickly with a new political landscape that no-one expected just a couple of a months ago.

Rebuilding our movement

There is now a growing consensus that Labour needs to become a movement again. Good. This is a return to politics as it should be.

Traditionalists may laud the 'evolutionary' nature of the British political system but the voices of campaigners echo though our history as the force behind great social and political change. The Chartists paved the way for dramatic extensions of the franchise in the nineteenth century; women won the vote by demanding it, not asking for it politely; unions brought working people together to campaign for decent pay and conditions in industrial Britain; civil rights campaigners won great cultural and political battles during the 1960s and 1970s; and most recently the green movement has helped put the environment centre stage.

There are new tools and technologies that must be harnessed by modern political movements, but this is a tradition as old as politics itself. Politicians should help mobilise people, not just represent them.

The task is to make sure all the talk does not sound hollow. To inspire and engage people we must enfranchise them. Over the last fifteen years our own members have often felt ignored and patronised by the party hierarchy. Policy was centralised, our party conference became ever more stage-managed, and any form of disagreement was seen as an unwelcome distraction. There are

historical reasons for this political culture. They include a powerful and hostile press, that had played its part in our defeat in 1992; the emergence of twenty-four hour news coverage, which demanded a new announcement and initiative to cover every day; and of course the long shadow cast by internal strife in our party during the 1980s.

Each of these increased the temptation to reduce political parties to tools of mass communication, directed by a few people at the centre. But this political culture has hollowed out our party and demoralised our members, who feel shut out from their own party. As a first step to restoring their voice, we should commit to balloting all members on policy for the next manifesto.

Nor can we afford to be too inward-looking. We must open up our political culture, experimenting with open primaries and other methods of reaching people who don't carry a party membership card around in their wallets. Movements are energised not by narrow tribalism but a willingness to work with people from other organisations and political traditions. The Coalition is having to learn how to agree and disagree in public, and we should too.

Reconnecting values with policy

Few people in the party will doubt that Labour now needs a policy review. There hasn't been a comprehensive exercise like this since 1994. But if we think better policy will be enough then we are mistaken. Too often we have given the impression that politics is merely a process for determining 'what works'. It should be a contest over *what matters*.

People want to know not just that we have a four-point plan for the economic recovery, but also what the values are behind the ideas we put forward. In a less ideological age this can't be taken for granted. Voters know that however comprehensive a manifesto (or coalition document), all governments have to respond to events that cannot be anticipated. Clear values are how voters negotiate the

unknown and get beyond what can seem like technocratic debates over policy.

So policies like a cap on interest rates, worker representation on company boards or policies for a living wage are good ideas. But we need to explain why they are things we, the Labour Party, are putting forward. A cap on interest rates reflects the belief that there are some ways of making money that societies should not accept. Worker representation on boards is an assertion that shareholders' interests should be balanced with those of other stakeholders in society. Campaigning for a living wage expresses the idea that people should be treated with respect, not exploited as commodities. Too often we give the impression that such ideas are concessions to one wing of our party. They are not – they are affirmations of the values that we should hold dear.

In other areas of policy we must regain ground that we surrendered to the Tories in the last few years. During the campaign we pointed out that the married couples allowance is a risible policy – wasteful, judgemental and counterproductive all at once. But what did we have to say about the family in modern Britain? Are we comfortable that a quarter of children now grow up in single-parent households in Britain? What do we have to say about fatherhood in the twenty-first century? Shouldn't parenting be a stronger part of the story we tell on improving social mobility or reducing crime? Family policy is ripe for new thinking.

On the vexed issues of welfare and immigration we must work harder than simply repeating people's concerns back to them. There are underlying failures of policy. We didn't build enough houses or recognise the pressure migration can place on public services. With welfare, the devilish complexity of the benefits system is part of the reason that too many people are languishing out of work. A serious re-think on these issues has to make sense, not just headlines.

More than this, though, we must be clear about the values that guide policy. We must remember that our welfare state is built on the idea of contribution as well as need. People feel that time spent

on housing waiting lists should count for something – because they have paid into the system. That is not a racist view, it is a communitarian one. Similarly, most people are clear that welfare entitlements are not unconditional and should depend on willingness to work – but that those who do work should not live in poverty. Rather than developing knee-jerk, reactionary responses to isolated issues, our job is to articulate a view on the modern welfare state. There must be a common set of principles that can be applied across areas of policy, including pensions and care for the elderly.

While we must be clear where we stand on markets, the family and the welfare state, we must also repair our relationship with liberal idealists who felt that they could no longer support us at the last election. One of the central reasons for this was our failure to see through our modernising mission on constitutional reform. We left office with an unelected House of Lords, no written constitution and a voting system many people feel takes them for granted. We made progress through devolution and the removal of hereditary peers – but paid an electoral price for our lack of urgency.

Civil liberties, meanwhile, were the casualties of New Labour's political strategy. It does not take a libertarian to admit that we were too casual with civil liberties.

As party strategists sought to close down crime as an area of political vulnerability by moving to the right, David Cameron simply occupied the progressive ground that we had vacated. We were left mocking the idea that young people need love to steer them away from crime and defending a series of positions that many were not comfortable with. We are a party that believes in the power of government to improve society, but we must recognise that the state is not always a benign or welcome force in people's lives.

The new political landscape

As we renew our party and refresh our offer to the British people, we must be careful not to underestimate the political significance of

the Coalition. It is true that many centre-left voters were offended by the decision of the Liberal Democrats to join the Conservatives in government. Nick Clegg himself admits that much. But the early indications are that the Coalition is more popular than many people would like to think.

More fundamentally, Nick Clegg may have done more to rebrand the Tory Party than any Conservative politician that I can remember. David Cameron understood the need to change his party and rethink its approach on some important areas, from gay rights to the environment. But the swirling winds of the financial crisis blew his modernisation project off course. Faced with some fundamental questions about the market and the state, he and his party retreated back into a more traditional comfort zone.

In this respect the Coalition is a gift to the team around Cameron. It has given the modernisers the opportunity to finish what they started, demonstrating an acceptance of the more open and tolerant place that Britain has become. The budget demonstrated a residual attachment to Thatcherite economics, but on issues like civil liberties, constitutional reform and even prison policy there are signs that some of the more malign elements of Cameron's party have been marginalised. The Tories may well be a different electoral proposition altogether if the Coalition lasts a full term.

This is a big test of our maturity as a political party. We governed for just 23 years in the twentieth century. We spent years in the electoral wilderness, riven by internal divisions. We emerged nervous of pluralism and democratic debate. After three terms in office, an electoral defeat and the biggest economic crisis in generations the task ahead is clear. We must rediscover our faith in democracy, our own unique identity and our hunger for power.

Democratising the party

Jeremy Gilbert

The New Labour model for managing the party is dead. As the election results demonstrated, vigorous local membership will be the basis for renewing Labour.

There is one key reason why the 2010 election result was not a re-run of 1979 and 1997. And that is the surprising robustness of the Labour vote in various key constituencies up and down the country. Had it not been for the unexpected success of the party on the ground in many constituencies, Labour would have been defeated as convincingly as incumbent governments were at those two other critical elections.

Despite the failure of the campaign as it was managed and presented from the centre, in those places where Labour has a vigorous local culture of organising, involving members and politicians in an active and participatory dialogue with communities, the Labour vote remained solid or even increased. This was even more the case in Wales, Scotland and London, where devolved power has enabled Labour-led administrations to deliver real social democratic reforms for their electorates in recent years.

These facts are striking because they indicate the final failure of the New Labour idea that a new kind of popular politics, as well as pursuing a political programme that tried to align the interests of voters with those of corporations, also had to imitate the organisational and communications techniques of corporations. In fact New Labour's full embrace of market liberalism came some time after its adoption of this approach as its own basic *organisational* mode. Long before it became clear that New Labour

wouldn't break in any serious way with Thatcherite economics – while Blair still tantalised his supporters with references to christian socialism, ethical communitarianism and the 'stakeholder society' – the organisational form of New Labour prefigured the corporate models and values that it would later try to impose on the state, the public sector, and the country at large.

The basic organisational idea of New Labour was that the party membership were the problem and not the solution. Between 1994 and 1997 huge numbers of new members were recruited to Labour, enthused by the prospect of electability that Blair seemed to have brought back to the party. At just the same time, however, a programme of 'reforms' saw almost all meaningful decision-making about policy or campaigning strategy taken out of the hands of local parties and their memberships, and handed over to largely unaccountable bodies and officials, appointed by the leadership and only weakly accountable to anyone else.

Key decisions which required some degree of democratic legitimation, most notably the re-writing of the Labour constitution to remove any commitment to the socialisation of the means of production, were to be taken through postal ballots, which presented members with the opportunity either to endorse the leadership position unequivocally or to reject it outright (a politically suicidal option for the party), without any significant opportunity for modification or discussion. The ideal New Labour member was someone who paid their membership, who got their messages from the leadership via the BBC or *The Guardian*, and who might deliver a few leaflets at election time, but who never wanted to participate in localised discussions or decision-making.

There was a certain logic to this. The prevalent idea in intellectual circles at the time was that the professionalisation of politics was an inexorable process: like it or not, political parties could no longer be vehicles of mass democracy, but had to fulfil their new historic function of producing and servicing successive generations of a specialised political class. This in itself was based on

a partially accurate but ultimately lop-sided understanding of the many ways in which the world was changing at the time.

The decline of old forms of social solidarity, old industries, old patterns of geographical settlement, class culture and party loyalty all seemed to have resulted in a situation in which every voter would be a floating voter, and the only way to communicate with them effectively would be through the mass media. Only the experts who knew how to play the media game could be trusted both to formulate and to deliver the party's message.

At the same time, according to New Labour thinking, those strange individuals who did remain nostalgically attached to ideas like democracy and collective actions were precisely the kinds of people to whom the swing voters of middle England could never relate; and, unfortunately, those were exactly the kind of people who still showed up to Labour Party branch meetings. Creating a new body of non-participating members, and removing all power from the party's own democratic structures, was an understandable response, as was the decision to turn to focus groups and opinion polls as better guides to policy than the will of party activists.

But there were two problems with this strategy. On the one hand, its basic analytical presuppositions already look antiquated. In the age of Facebook and Twitter, which enable millions of citizens to share ideas, to build campaigns and to communicate across great distances, the idea that a handful of professional politicians touring the TV studios of central London can be an adequate substitute for democratic politics looks clunky and forlorn. And while the televisual persona of the leader clearly remains a crucial factor in determining the success of a party today, the failure of Cleggmania to materialise at the ballot box shows that this is clearly not the overriding issue for the determination of electoral outcomes. Add to this the failure of the *Sun*'s endorsement to deliver a clear majority for Cameron, and we have a mountain of evidence that the era of Spin, when a command-and-control communications strategy could always win the day, is now behind us.

But this isn't just about shifts in the media landscape. These changes also demonstrate that New Labour only ever understood one part of the story about the decline of old political forms. While they may have been right that the nineteenth-/twentieth-century model of mass political campaigning was reaching its end, they failed to notice the extent to which the coming era would present new opportunities for community-building and for democratic action, and new problems for any attempt to stifle democracy and debate. The success and growing political importance of the blogosphere and of publications like this one is just one sign of this!

The second major problem with the New Labour model was this: in politics, as we so often forget at our peril, form dictates content. Lenin's bloodthirsty, secretive revolutionary organisation produced a bloodthirsty, secretive state, despite the nobility of its aspirations. New Labour started off promising to rebuild community, but in the end all it could offer in government was more corporate populism (to use a term coined by Anthony Barnett) – always putting the interests of capital ahead of those of the people it was supposed to represent, and pursuing an unpopular programme of public-sector 'reforms' designed to fit *all* social relationships into the mould of transactions between corporations and their customers.

This programme never had any democratic legitimacy – polls showed time and again that most of the public, and the vast majority of Labour voters, didn't want to have the same kind of relationship to their schools or their government that they had to Tesco – but New Labour pursued it relentlessly anyway. And only where Labour seemed to stand for something different did it escape electoral meltdown at the general election.

The lessons from this history are clear. The details of the programme on which Labour will fight the next election could not possibly be determined now, when so much remains uncertain about the intervening half-decade. What is certain is that unless it is the product of a radically renewed democratic process, that programme will not have the capacity to inspire the public, to

mobilise the membership, and to break the Con-Lib coalition which now threatens to do to Labour what Blair and Ashdown once dreamed of doing to the Tories, shutting it out of government for at least a generation.

As Jon Cruddas, Compass and others have argued, a complete overhaul and reinvention of the Labour Party for the twenty-first century is the only thing that could achieve this end. In the era of 'we-think' and network culture, the collective intelligence of the membership – including the 12,000 who have rushed to join now that the age of New Labour looks likely to have ended – is the greatest possible resource that the otherwise-impoverished party has at its disposal.

New Labour was predicated on the idea that it was the membership that stood between Labour and power, but the election result has turned this assumption on its head. All over the world, from Brazil to Scandinavia, new experiments in participatory governance and radical democratic renewal are finding ways of developing such collective resources (see, for example, Hilary Wainwright's book *Reclaim the State*). And they are coming up with ideas that go way beyond the kinds of mild constitutional reform that the Coalition is now contemplating – which themselves threaten to make Labour look like a democratic dinosaur. If the party is to begin to learn from such experiments and to empower itself for the twenty-first century, then it will have to begin at home, with the most radical review of its own structures of decision-making and membership participation in its history.

At the time of writing, it's already clear that the leading contenders for the Labour leadership are willing to accept much of this agenda. All of the contenders have spoken with various degrees of precision about the need to democratise the party and mobilise the membership, while the leading Blairite amongst them – David Miliband – has made very forceful and explicit critiques of exactly New Labour's tendency to neglect and marginalise the party membership.

However, Miliband's actual proposals to date inspire relatively little confidence. For example the – welcome – introduction of a directly elected party chair to take responsibility for the party's internal processes risks reproducing a classic new Labour 'corporate populist' manoeuvre, investing all actual authority in a single individual and offering members little more in the way of direct influence than the chance to vote for a candidate (analogous to new Labour's advocacy of directly elected mayors as a means to revitalise local democracy).

By the same token, an enthusiasm for the kind of 'community organising' associated with London Citizens raises as many questions as it answers, for two reasons. On the one hand, for all of its recent high profile successes, 'community organising' is a model which has only ever been deployed successfully to mobilise relatively homogenous constituencies (almost exclusively based in highly-circumscribed faith communities). What it can really offer to the heterogeneous and dispersed collectivities to which a national political party must appeal remains uncertain. And, secondly, this model tends to rely heavily on the identification and intensive mobilisation of community 'leaders', whose status depends on a relatively stable and hierarchical set of social relations within the communities that they represent and within the campaigns in which they participate. This may yet offer some inspiring models for the renovation of Labour as a conviction-based campaigning organisation, but could it really be adequate to the dynamic complexity of twenty-first century Britain, and the enormous challenges this poses for all forms of democratic mobilisation? I doubt it.

Finally, any real democratisation of Labour would have to confront a problem which has bedevilled the party throughout its history: what to do about conference. It was very striking that at the recent leadership hustings organised by Compass, Ed Miliband referred directly to the need to return power to the annual party conference, while his brother David made no such call.

But it must by now be clear that the stifling of dissent and the evisceration of the party's central democratic forum has had a debilitating effect on the culture and capacities of the party as a whole. In truth there is no democracy without disagreement, and no collective creativity without conflict. The party must be free to express itself and to explore its differences, even at the risk of tearing itself apart. The alternative: paralysis, suffocation and impotence, leading to a slow and painful death.

A version of this essay was first published on www.opendemocracy.net/ourkingdom

Labour in a time of coalition

Sally Davison, Stuart Hall, Michael Rustin and Jonathan Rutherford

A roundtable discussion on what the future holds for Labour.

Jonathan Does the coalition represent a major realignment such as took place, for example, during the Lloyd George coalitions of the first world war and afterwards? Is it just a blip or is it a major reconfiguration of the centre ground? Clearly there must be an anxiety that Labour has been pushed back to its heartlands in the North and Wales and will stay there. What does the Coalition mean for Labour in the longer term if its basis of support is in areas excluded by finance capital, excluded from markets, where there is no growth, no private sector jobs, and there is a dependence on the public sector, which is going to be cut? The danger is that Labour will become a regional, sectoral interest party. But I think its support even amongst public sector workers is not that solid. I don't see how it politically grows itself out of that, how it rebuilds support amongst the middle class. There were sections of the population who bought the New Labour dream of 'earning and owning', but for many it is proving unachievable: the private sector is too weak and the British economy too unbalanced.

Sally In fact the Lib-Con coalition in some ways makes it more difficult for Labour to construct a coalition of the middle class and working class, because a lot of the things that an appeal to the progressive middle class could be made on – the environment, civil liberties, all the liberal issues (though of course these issues are not

exclusively middle class and other issues are also important to the middle class) – have been delivered by the Coalition, because of the presence of the Lib Dems. This allows Cameron to talk about progressive politics, and do a lot of things that Labour should have done but didn't.

Mike But if the coalition strategy doesn't produce growth but produces misery, the government will come under a lot of pressure, and Labour will be able to say that they could have managed the economy much better. They might be in a position to bounce back quickly, contrasting the long period of relative prosperity and public sector improvement under Labour and the rapid regression to the 1980s under the Coalition. On the other hand, if the Coalition decides to function in a more-or-less middle-of-the-road way, as the coalition agreement tries to suggest they will, that could make things more difficult for Labour. If the Coalition sticks to an agenda like that, Labour would have to wait until the thing starts fraying and disintegrating, and their opportunity might not come for some years. They would need to put forward somewhat more radical measures to deal with the underlying crisis.

Sally But what do you think these 'somewhat more radical measures' might be? That takes us to the question of what the Labour Party might do if their rethinking was a bit more radical and self-critical, for example if they accepted that light-touch regulation and giving finance everything they want hasn't been a very good recipe for the economy. Labour has got to have a counter-position. A counter policy can't be just 'delay reducing the deficit for a year' – that's not really a position, is it?

Mike Well, one element would be an argument about the financial sector – how important it should remain in Britain, but an insistence that it's got to pay a much larger share of its way than it previously has done. And some rebalancing of the economy has to

take place – there is a perfectly decent argument they can make about that, without killing the golden goose. And there's also an argument to be made on the need for infrastructure investment and its importance for future growth. But it is going to be very difficult for Labour because they have been so wrong about some things – on the third Heathrow runway, for example, where the Tories and the Lib Dems are the ones scrapping the runway.

Sally The problem is that this is not what they were doing when they were in government. The reason why we are in the mess we are in is because of the neoliberal global strategy which they themselves were promoting. They weren't victims of it, they were proponents of it. So unless they recognise that – not just saying 'oh dear we've got a deficit what shall we do – let's have a bit of Keynesianism', but asking what went wrong with the economy – 'is neoliberalism a good way of running the economy? No, it isn't' – if they don't do that they're not going to make any progress.

Mike But for ten years it worked quite well. For ten years we had substantial growth, we were able to fund substantial public sector programmes, and we didn't know the bloody wheels were going to fall off. And they fell off first in New York.

Stuart Was increasing credit and investing in the win-win economics really 'doing well'? They were doing exactly the same thing as all those individuals running up debt on their credit cards. They set up PPPs and PFIs just for electoral purposes. They thought, 'oh well, the consequences of this will be later on. No-one will actually ever understand how much they will have to pay for this till two generations on'. They didn't want to make the argument that you have to pay for things. So they have a responsibility for the deficit. There is no win-win economy. They can't get rid of boom and bust. Brown was the architect of that and he was more in favour of it than the Tories are, and he was more articulate about it.

Jonathan And isn't the issue what is the nature of that prosperity? What's left of it? In terms of jobs we are back to 1997. The productive manufacturing economy has probably shrunk. Whole areas of the economy are propped up by government spending, which is now being radically reduced by the deficit cuts and the drop in tax revenue. The public sector didn't crowd out the private sector. It filled the gap caused by the absence of private sector investment. The banks undermined economic capacity with their pursuit of short-term profits and mergers and acquisitions. The big banks have been making huge profits not out of lending but by selling dodgy financial products. The bail out and quantitative easing has stopped the economy collapsing into depression, but it's done nothing to alter the thirty-year transfer of wealth to the banking oligarchy and a wealthy elite.

Mike I don't regard the existence of a large public sector as a prop or a waste. Obviously it is important that there should be various competitive private sectors that can earn export money, whether making things or making films. That's absolutely crucial. But the public sector is also important. Labour had an arrangement whereby quite a lot of the surplus generated by banks and the financial sector was used to fund schools and hospitals. And as far as it goes it is not a bad arrangement. But you have to have something else and they didn't have something else, and that is the problem.

Jonathan It is interesting that much of our argument here has been about what New Labour was. And it seems to me that that is going to be a principle source of contention and difference – what judgement people make about the last thirteen years will define the arguments for the future. Whether people think that New Labour was basically successful, that they did enough important things, like the new public services, Sure Start, etc, etc, that the basic political economy was okay, and it just needs a little bit of fine tuning and

adjusting for the future. Or whether they think that actually it left some major structural problems in the economy untouched and unreformed, and set in train a dynamic that was always going to end in disaster. If you think the latter you are going to think differently about the future of Labour.

Stuart I agree with you – but who has an idea about an alternative? Who has sat down and really thought about another model. Who seriously in the leadership contest believes that something is wrong not with the way that we did it, but with the whole model? I don't see anyone.

Mike What Thatcher accomplished in her period in office was to greatly weaken both democratic and labourist forces. And I think what the Blair and Brown governments accomplished was to revive the idea that the public sector has to be regarded as essential and fundamental to a decent society. I think that some kind of step change has occurred, in terms of public expectations, in a way that is antipathetic to the original Thatcherite programme. And that means that the Coalition will be in trouble when it starts chucking nurses and teachers out of work – which is what it will have to do.

Stuart I think Thatcherism accomplished more than that. It accomplished a deep and profound change in the political culture and in common sense. And nothing that Labour has done reverses that. Of course it is a good thing that there has been a bit of redistribution, and a change towards the public sector, but those are changes within the framework of neoliberalism. What Labour did is to discover active government – but always providing the government isn't active in regulating the economy. Instead you tell everyone else what to do, how to live their lives, you regulate everyone else. So I don't see a profound shift. And if there is a shift, I think the long-term trajectory is towards the right. So to answer the question was New Labour neoliberal? The answer is yes,

providing that you understand that neoliberalism has different phases within it. The social-democratic variant was of course different. If you define the ground on which neoliberalism argues – in its economic model, forwarding the interests of the private sector, defending finance capital, etc – the Thatcherite phase accomplished that by hammering society. And at a certain point the Tories said, well that's great, we've defeated the unions, we've battered society, but we can't go on like that. And at that point you then had New Labour, making the same profound accommodation. And they did include a little bit of redistribution – by stealth – because people need it, and there's no doubt that there is that instinct. But they would never make a case for redistribution. So they were never building an alterative to the market model. They have no alternative to the market being the only way of measuring value. They never made any inroads into the notion that only the private is efficient, only the private counts.

Sally Also, we should remember that it was not New Labour that got rid of Thatcherism. People were already sick of Thatcherism, people had had enough: that wasn't something that New Labour achieved. And what Labour didn't do was use that moment to develop anything new. And not only that, they actually used their position to carry on the work of undermining Labour's natural constituencies. Unlike Thatcher, who knew who her enemies were and did her best to destroy them – destroying the unions, abolishing the GLC, etc, Labour – whose strength is in the public sector, whose strength is in the unions – carried on the battle against the same targets. I think there is an impulse in a capitalist society that things will move increasingly towards the market, and towards individualism, and that our – quite difficult – task is try to stop things moving in that way. But Labour made no attempt to do that. On the contrary, they carried on undermining public bodies, collective bodies, notions of collective solidarity, collective security. They have never stood up for any of those things. They have always

been about choice and individuals – going along with and reinforcing the marketisation of society rather than trying to challenge it.

Jonathan But as Stuart says, no-one can think of an alternative. We have had several generations now where people have had no sense of what an alternative might be. The question is, has Labour got the political capacity to make that kind of change, to begin that process? Will the new leader recognise the paradigm-changing task confronting the party and see it as a longer term game? Or will whoever is elected leader just try to win back the centre-right ground, through democratic reform, appealing to the liberal middle classes and just holding the heartlands with the promise of a bit more redistribution by the state. We now need a major revision of Labour that is not frightened by the power of vested interests and is willing to champion democracy and have a reckoning with financial capital.

Stuart I do think the consensus around the market, etc, has been shaken by the crisis, but no political capital has been made out of it. Basically, at the point when Labour knew they could not win the election where they were, they had two choices. One was to move in a decisively different direction and perhaps be out of power for quite a long time but to build an alternative hegemony. And the other was to play on within the neoliberal terrain, and they chose the latter.

Mike You say chose, but when you look back at the Labour Party in the 1980s, what capacity did they have to do that? Who was going to do the thinking? At that time *Marxism Today* with its idea of 'New Times' was busy attacking the old left – understandably and correctly – but where were the notions of reconstruction to come from?

Stuart The person who did take charge of that situation was Blair.

Sally Blairism was one answer to Labour's crisis of identity in the 1980s, but that can now be seen to have failed. So we are back to the question of what the Labour Party does now. We are not arguing for the usual lurch to the left that we always get when Labour are in opposition – which is completely unhelpful. But it would be good if there was now a reconsideration of policy and what's gone wrong, involving the whole party, and involving a move to the left, but in a way that could unite the whole party round a new programme, based on an understanding of what's gone wrong and what needs to be done.

How should we respond to the austerity state?

Anthony Painter

A greater emphasis on reciprocity will be a crucial part of Labour's response to a Cameronian residual state.

In 2015 the British state will be of a very different nature than the one Labour left in May 2010. It will be less social-democratic in character. It will be more limited, residual and less generous.

Labour could respond to this in an optimistic fashion and go for some sort of 'reversal' strategy. And this strategy would be based on the assumption that the public will be yearning for a return to greater levels of state investment, intervention and support, given the context of a more limited state. But, notwithstanding the dynamism of public attitudes, there has over the last period been a definable erosion of unconditional support for state expansion and welfarism, to an extent that suggests that 'reversal' is an optimistic strategy.

There is another alternative – one that builds on 'labour values' in a different way. Marc Stears has described labour values as 'social justice, social responsibility, and social organisation'.

We collectively benefit from strong social support – social justice. Consent and support rely on a sense of reciprocity, and an acknowledgement of contribution – social responsibility. And Labour could even go one step further. Could there be a role for more personal, more organic services, with a different state organisation to promote and accommodate that? Could social

organisation have a role to play – mutualism, voluntarism, and involvement all play a part?

A strong notion that we are all in this together – buttressed by the realisation of what exactly the austerity package means in practice – counter-balanced with reciprocity and an acknowledgement of the contributory principle, could be a more textured and realistic strategic response. Such a response would be grounded in Labour values. And the evidence suggests that these values are entirely compatible with the outlook of modern Britain.

The austerity state 2015

The 2015 British state will be smaller. Expenditure on public services will be greatly diminished with across-the-board cuts. The interest burden will mean that the taxpayer will see less spent on public services and welfare than they have seen in the past. The welfare state will be much smaller, targeted, and more coercive. Welfare payments will not keep pace with RPI – an inflation measure that includes housing costs – and the gap between those on static incomes plus benefits or benefits alone and the rest will get relentlessly larger. In other words, there is greater inequality in the pipeline.

Overall changes to benefits and tax credits – assuming no adjustment further down the line – will mean that welfare payments will be £14billion less by 2015 than they would have been under the last Labour government's assumptions.

It is tempting to come to the conclusion that if Labour could be seen to have been rebuilding the social-democratic state in its thirteen years in office, it has now been effectively dismantled again in a few short weeks of Coalition government.

Healthcare and international development is ring-fenced, and cuts in education and defence are limited to 10 per cent. This implies departmental cuts in the eye-watering region of 33 per cent elsewhere. This may be reduced by further cuts to welfare

payments: the many who benefit from public services are thereby placed in conflict with the few who don't simply receive benefits but rely on them. This latter group are in a 'heads you win, tails I lose situation'. Whether it is through cuts to public services or further deep cuts to welfare, the 2015 state will be more limited and less generous; it will be much more residual and less social-democratic in its character.

The questions for Labour then become: Is there a viable alternative to this residual state, given the political and financial context? And how compatible is this with the wider values of the British people?

It is to the latter question that we turn first.

Social justice and social responsibility

There is still significant public support for strong collective provision, but it has declined over recent years. British Social Attitudes data points to a decline in support for unreformed welfare. In 1997, 59 per cent of people agreed that 'cutting benefits would damage too many people's lives'. By 2007, this had fallen to 43 per cent.

Given that the shift is greatest amongst Labour's supporters, Professor John Curtice argues that this demonstrates that they are following the attitudes of the Labour government. Labour did fail to make a strong enough case for collective and redistributive welfare, even though that is exactly what it was doing in practice. Moreover, there is powerful popular media image of welfare scroungers, illegal immigrants and working-class delinquency that bears little relation to the reality – and at best Labour left this imagery unchallenged. In many ways, this inadvertently set the scene for the recent round of cuts and reforms.

And yet, there remains a broad commitment to notions of social justice, which becomes stronger once it is reciprocated with a contribution in some respect. This reciprocal arrangement works

two ways: if an individual makes a contribution in some way then they warrant some form of benefit; and if they benefit in some way then they are expected to make a contribution. Social justice is tied very strongly to a notion of social responsibility in the mind of the British public.

In a Demos Open Left/YouGov poll taken during the 2010 election, 43 per cent agreed with the statement 'the government should make sure there is work provided for anyone unemployed for a year, paid at least the minimum wage. In return people should be required to take up the work or lose their benefits' (sample size was 45,000). This was the most supported statement, and it combines the notion of collective and individual responsibility – benefits are tied closely to an expectation of responsibility and contribution.

Attitudes data shows that people expect single mothers to go to work once their youngest child is five years-old. This may explain why the Coalition felt able to require single mothers to look for work once their youngest is of school age. What they failed to do was provide the additional childcare that most people see (58 per cent in a recent British Social Attitudes survey) as a fair collective obligation, reciprocal to this expectation. Labour has an opportunity as a result to build on these notions on reciprocal individual and collective responsibility – and to pursue an agenda that has fewer brutal consequences for the least powerful in society.

What all this reveals is the close relationship that people see between social justice and social responsibility. Any future Labour notion of fairness or justice will need to acknowledge this interrelationship. It will also need to demonstrate an understanding of the limits of state action, which will create room for the third 'labour value': social organisation.

Social organisation

The Demos Open Left/You Gov poll compared the views of voters who were loyal to Labour with those whom it lost. On the question

of expenditure on the NHS, 33 per cent of loyal Labour voters thought that the priority was to 'avoid cuts'. Of the voters that Labour lost, that proportion was only 13 per cent. And 55 per cent of the 'lost' vote thought that the priority was actually to 'seek greater efficiency and end top-down control'. And this scepticism about additional state expenditure is echoed among Labour's 'lost' voters in their degree of scepticism about the benefits of government.

54 per cent of Labour 'loyalists' consider government to be 'a force for good', improving their lives and the lives of their family. Only 33 per cent of Labour deserters are of this view; and 27 per cent of this group see government as 'part of the problem not the solution'. Labour's 'lost' voters see government as a 'force for good' by a margin of only 6 per cent.

It is these latter findings that suggest there is more than just a 'thermostat' phenomenon at play – where, as public expenditure increases, support for more tax and spend declines and vice versa. There is a deeper scepticism about the state, which may be more difficult to reverse than is implied by a strategy of simply waiting for a backlash against cuts.

A way out of this for Labour could well be to revisit some alternative models of collective provision. It remains to be seen whether the Conservatives can make good on their promise of creating a 'Big Society'. By revisiting organisational forms resting on mutualist or voluntarist values, Labour's values of social organisation could provide one non-statist route out of the residual state, should scepticism of a more traditionally social-democratic state endure.

These values of social organisation may also provide a way of confronting the challenge of rebuilding a Labour majority. The community embeddedness of the labour movement in the past may provide a hint about how Labour can rebuild its social bases of support in the future.

Labour values – an alternative response to austerity

British political economy and the British state will radically change by the time of the next election, assuming that the Coalition is resilient. Should Labour respond with a vain attempt to turn back the clock then it is likely to be seen as representing the past rather than the future.

There is another alternative. By building on values of social justice, matched with social responsibility achieved through social organisation, a new argument for Labour can be persuasive. It is consistent with values shared by the majority of British people. Instead of looking to build a coalition of support in spite of its values, Labour might just find that these values are the key to renewal.

The left and reciprocity

Stuart White

Shifting from 'what they owe us' to 'what we owe each other'.

> '… all citizens are to do their part in society's cooperative work'
>
> John Rawls

One of the emerging themes of Labour's post-election discussion is the need to ground social policy in the value of reciprocity. Labour politicians have voiced worries that, in government, the party adopted an approach to welfare that was too focused on meeting needs without regard to the duty of citizens to make a productive contribution back to society. Labour, the argument goes, must reconnect with common sense values of fairness – centrally, the norm of reciprocity – if it is to win back support and return to office.

There is a truth in this argument. But it oversimplifies Labour's record and underestimates the challenge Labour, and the wider left, faces. This is not merely to reflect back public attitudes about reciprocity, but to radicalise these attitudes in the process. The limited notion of 'rights and responsibilities' in the welfare system must give way to a much wider ideal of what we may term *fair reciprocity* in the economy as a whole.

Reciprocity as a value

Reciprocity is indeed a popular value, and one which informs people's perceptions of fairness in the welfare state. In *The Solidarity Society*, Tim Horton and James Gregory looked at how public attitudes to benefit spending relate to expectations about whether

benefit recipients will work in the future. They found that those who opposed higher payments to the poor also tended to have a weaker expectation of their future contribution to society, suggesting that a perceived lack of reciprocity may be driving opposition to higher benefits for the out of work.[1] They also cite an important study by Tom Sefton using the British Social Attitudes survey.[2] Sefton identified three groups: 29 per cent of the population are 'Samaritans' who support welfare spending altruistically; 26 per cent are 'Robinson Crusoes' who oppose it quite strongly; but 45 per cent are 'Club Members', who are willing to support welfare spending on condition that those who benefit do what they can to contribute in return. Horton and Gregory found in their survey that proposals to raise the national minimum wage and to give more financial support to carers both commanded strong public support (81 per cent and 85 per cent respectively). They suggest this is because, in these cases, the higher payments are seen as a legitimate reward for a valuable social contribution (pp126-7).

Moreover, reciprocity isn't only a popular value in a statistical sense. It is also a core value in social-democratic philosophy. Through the first half of the twentieth century, social-democratic thinkers in Britain advanced a reciprocity-based theory of economic justice: citizens are entitled to the income necessary to carry out efficient productive functions but, in general, entitled to income *only* if they are willing to perform such a function. This functionalist perspective can be traced through the work of New Liberals like Leonard Hobhouse to later ethical socialists such as R.H. Tawney .[3] Recall that Tawney contrasted the 'acquisitive society' with the 'functional society'. The problem of the 'acquisitive society', for Tawney, is not only its inequality but the presence of 'functionless property': property which enables its holder to enjoy an income independent of performing any productive function. Within this framework, social democrats argued on the one hand for taxes to remove 'functionless' income payments, e.g. taxes on very high labour incomes, on inherited wealth, and on unearned increments

to land value. On the other, they argued for a range of welfare state programmes to ensure citizens appropriate opportunity and capability to perform a productive function. And they supported a range of measures – strong trade unionism, wage councils, income transfers – to ensure that all those making a productive contribution got a 'civic minimum'. Feminists such as Eleanor Rathbone adapted this framework, arguing for 'family endowment' policies, in part as a way of acknowledging the otherwise unpaid productive contribution of wives and mothers.[4] And, as indicated in the quote at the head of this contribution, one can see a clear echo of this perspective in the work of more recent political philosophers such as John Rawls.[5]

So if reciprocity is a popular value and a core social-democratic value, we appear to have a promising basis for grounding social-democratic policy in common sense notions of fairness.

Towards fair reciprocity

However, all is not necessarily as straightforward as this might suggest.

First, we should bear in mind that New Labour was generally rather keen on linking welfare to contribution. New Labour did not speak directly of 'reciprocity', but it had for many years a strong rhetoric of 'rights and responsibilities' which conveyed a similar idea.[6] And this wasn't pure rhetoric. The early flagship policy, the New Deal for Young People, had a strong element of conditionality. A lot of Labour's redistributive effort was channelled through employment-related tax credits, preserving the link between assistance and work. New Labour certainly did not generously increase welfare benefits for all types of welfare recipient. If you were of working age, childless and out of work, you saw very little increase in your benefits under New Labour. This may be one reason why the poverty rate actually went up amongst this group under New Labour, while it fell for the elderly and for children.

Yet, despite the efforts of New Labour to link welfare spending to a norm of reciprocity, public attitudes towards welfare became *more conservative* during New Labour's period in office. Analysis of the British Social Attitudes Survey shows downward trends in public support for redistribution to the 'less well off' and for spending more on welfare benefits 'for the poor' from 1985 to 2007, with no apparent slowing in the rate of decline from 1997 (*Solidarity Society*, pp39-41). The lesson would seem to be that even if government builds respect for reciprocity into the design of welfare, this does not necessarily change a popular perception that there is a widespread failure of reciprocity in the system. Some suggest that New Labour's rhetoric may have helped to reinforce this perception, thereby contributing to the conservative trend in public opinion we have seen.

Part of the problem with New Labour's rhetoric was that it tended in political practice to frame the issue of 'rights and responsibilities' as being mainly, if not wholly, about the behaviour of welfare recipients (despite warnings at the theoretical level against this). The issue of responsibility in welfare became a discrete issue, bracketed off from wider questions about the fairness of the economic system. 'Responsibility' was about 'them' – the welfare poor – and not about 'us', as citizens. The challenge is precisely to shift from discussion of 'what they owe us' to one about 'what we owe each other'.

To expand the conversation in this way, we need to put the whole issue of work and contribution in a framework which does take in the wider economic system, developing an account of what I have elsewhere called fair reciprocity.[7] This sounds rather abstract, but here are some guiding principles:

No poverty in work

If work is a condition of a decent income, then a decent income ought to be the guaranteed outcome of a decent minimum of work. Moreover, poverty is a matter of limited time as well as limited

income: someone has not really escaped poverty if she has to work, say, sixty hours a week for a minimally decent income.[8] As a society we need to decide how much paid work we can reasonably expect of different types of household (e.g., two- and one-parent families) and then make sure that any household providing this has an adequate income.

Quality of work

While every citizen has an obligation to contribute productively, no citizen is obliged to convert their life into drudgery. Thus, those who are willing to make a decent productive contribution should have adequate opportunities for fulfilment in work.

Tackling undeserved high incomes and wealth

Ethical socialists like Tawney understood that the welfare system is by no means the only way individuals can get 'something for nothing', violating reciprocity. They can also get something for nothing by being paid in excess of their genuine contribution to production or by living off returns to unearned wealth. To apply the norm of reciprocity consistently therefore requires that society scrutinise rewards at the top and take action to share unearned appreciations in wealth. (Consider, for example, the way in which many households have benefited from a huge rise in land values in recent years, getting richer with no extra effort while others have been excluded from the housing market as a result of this very same process.)

Acknowledging all forms of contribution

In much of this discussion, we have used words like 'work' and 'contribution' interchangeably. But this is potentially misleading. Contribution shouldn't be equated with employment. Carers, for example, also make a very valuable contribution, even when their care work is not in the formal economy, and popular attitudes seem to acknowledge this. Any public account of our duties to contribute

must take account of the full range of ways in which people make productive contributions to their society, e.g. as carers and parents as well as employees.

The risk with the new interest in reciprocity is that it becomes little more than a new way of articulating the New Labour agenda of 'rights and responsibilities', an agenda which has clear limitations in terms of social justice. If the left is to move beyond this agenda, to a genuinely egalitarian politics, the notion of reciprocity needs to be deepened and enriched in something like this way.

Notes

1. Tim Horton and James Gregory, *The Solidarity Society*, Fabian Society 2009, p11.
2. Tom Sefton, 'Give and Take: Attitudes Towards Redistribution', in Alison Park, John Curtice and Tom Sefton (eds), *British Social Attitudes 2005*, Sage, 2005.
3. Leonard Hobhouse (ed. James Meadowcroft), *Liberalism and Other Writings*, Cambridge University Press 1994 [1911]); R.H. Tawney, *The Acquisitive Society*, Harcourt Brace Jovanovich 1948 [1920]).
4. Julia Parker, *Citizenship, Work and Welfare: Searching for the Good Society*, Palgrave 1998, p163.
5. John Rawls, *Justice as Fairness: A Restatement*, Harvard University Press 2001.
6. Anthony Giddens, *The Third Way: The Renewal of Social Democracy*, Polity 1998, pp65-6.
7. Stuart White, *The Civic Minimum: On the Rights and Obligations of Economic Citizenship*, Oxford University Press 2003.
8. Tania Burchardt, *Time and Income Poverty*, Centre for the Analysis of Social Exclusion/Joseph Rowntree Foundation 2008.

Rethinking the role of the state

Neal Lawson

Labour needs to think more carefully about the nature of the state.

A debate about the state is long overdue, but it is now particularly timely as the Coalition government begins to pose new threats and challenges. The Big Society is nothing less than an existential threat to the state – in a way that Thatcherism never was. Furthermore, Labour's record in this area – including its attempted 'database state', elements of which are now unravelling – has left the party, if not the liberal left, badly exposed.

The state used to be a staple diet of conversation for the left. From Marx to Miliband (Ralph), from Poulantzas to Offe and Habermas, there is a rich seam of thinking that is now rarely, if ever, tapped into. The purpose and function of the state was constantly analysed and theorised. Its position as a class construct was endlessly debated. Were we in it, against it, or in and against it?

Somewhere that debate was lost. For New Labour the question became a technocratic one of how to reform the state to accommodate itself to the Thatcher revolution but with a progressive twist. Whereas Thatcherism had used the state to impose the free market, New Labour had a more activist view of the state: the state was now seen as a partner in helping to support the free market. This was part of the modernisation project: to use supply-side investment, in education in particular, to help ensure British businesses and individuals could compete in a global economy. More state, even in a privatised form, meant more progress. As the tides of globalisation swept their old jobs away,

growth would pay for more public investment so that individuals could retrain. Meanwhile – out of view – there would be some redistribution by stealth. There was little wider discussion on the nature of state: it was taken as benign, and more and more tasks were allocated to it.

But – just as with Thatcherism – as the government increasingly failed to intervene to manage the economy, there was a proportionately greater need to manage the consequences of free markets. If the economy was not to be regulated, then people would have to be. In part this was needed to deliver social order amongst those whose lives didn't benefit from globalisation. But it also served as a rationalisation for the government's political existence. People were being regulated by the state: look at us, we are being tough on people because we are no longer tough on profits. This is what led to the rise in the prison population, ASBOs, the surveillance state and the rest.

But as well as this growth in authoritarian management and greater centralisation, the nature of the state was also changed through the government's drive towards the marketisation of the public sector, in its efforts to drive up performance in the global economic war of all against all. In this climate good initiatives such as the New Deal and Sure Start gradually lost their radical intent of local participation and became tools of a centralised state operating to meet the demands of global competitiveness.

The prospect of a Big Society, following on the heels of Labour's unpopular take on state interventionism, is now jeopardising the very existence of an activist state. And Labour has no one to blame but itself for this major threat to the state.

Instead of maintaining its benign view of the state, Labour has to quickly develop a much healthier and more sceptical view. The state is a contradictory entity. It can be a force for good and bad, as it reflects the wider forces and power relationships in society. It is neither the executive committee of the bourgeoisie nor a hollow entity that Labour can inhabit and use at its will.

The start of a new left project for a new state has to determine two things: what the state should and should not do, and how it should operate. The left has to develop a better understanding of which state functions are critical for a politics of greater equality, sustainability and democracy, and which functions would be better carried out by civil society or individuals. That is where the Big Society is onto something. The state does crowd out. It does make us dependent and powerless. The left was stronger when it relied on a range of autonomous, civil-society, none-state organisations such as mutuals, friendly societies and trade unions. But the state is also a crucial means of ensuring a degree of protection for all citizens through universal guarantees, and facilitating redistribution in the interests of greater equality. This is why the Cameron project is clever – under the banner of offering autonomy it can much more easily roll back the frontiers of the state, which as the Tories know is a key institution in building the good society. And this remains a central project of the right – to undermine collectivist forms of social and economic provision. They have already begun to residualise formally universal benefits via means testing – a classic tactic for reducing support for public services. This is in many ways a much more serious threat than Thatcherism ever posed; it is more subtle and a less obviously direct attack on the functions of the state.

The struggle over the coming years over public services will be critical. Though the state has unpopular aspects, and sometimes seeks too much control over individuals' lives, it remains critical to the survival of a humane society. Only massive state intervention kept the lights on during the crash; only the state can act as a vehicle for redistribution through taxes and benefit payments; only the state can provide the level of investment needed for research into sustainability and alternative sources of energy; only the state can build the houses our communities need so desperately. We should be much more critical of the state, but equally we should not let the right detach us from its crucial functions.

Once we have a better idea of what the state should do, we will be able to think more creatively about how it should operate. After 1945 the state was run as a bureaucracy, and from the 1980s onwards it became a mix between centralism and the market. We need to supersede both the bureaucratic state model and the market state and put the emphasis instead on the establishment of a democratic state; one that is made responsive and accountable through democratic engagement, and through people having a voice rather than expressing themselves only through exit or loyalty. It should be 'our state', doing things with us and not just to us. From the parliamentary executive down to the local GP, we need innovative ways of holding power in check, with the greatest possible number of people determining the rules about how the state operates and in whose favour. This includes a much greater role for workers and users of state services in the co-production of those services.

We are opposed to state fundamentalism as well as market fundamentalism. There is now much thinking and work to be done to get our relationship to the state right. In and against the state remains just about the best strategy.

The history of the left in Britain

Philip Collins

The party should lessen its reliance on the state and pay more attention to the liberal side of its heritage.

The history of the left in Britain, philosophically, has been a slow emptying. A poor choice of political method, taken early in the twentieth century, has gradually unravelled, and in 2010, after an electoral defeat, the scale of which has been disguised by the fact that no single party won a majority, the Labour Party finds itself thinking again about what it is for.

This process is, in part, an audit of the thirteen years in government. But it is, unfortunately, an audit that is making the situation worse rather than better. The case against the government was not that it changed too much, but that it changed too little. The obstacle to greater success was not anyone's alleged desire to turn the public sector into a marketplace but the inveterate caution of the left, trapped, as usual, in philosophical boxes.

The iron cage, which, despite Blair, Labour Party thought is unable to escape, is the commitment that the best (at times it seems the only) method for changing a country is through a combination of public money and the central state. The Blair and Brown years tested this idea to destruction and, in the process, completed the philosophical emptying that began almost as soon as the Labour Party was fully constituted.

The entirely pragmatic aim of the original Labour Representation Committee – to get working men into Parliament – soon acquired the philosophical supplement of a native form of socialism. The Labour Party was committed to the achievement of

socialism by democratic means. It would replace capitalism but by persuasion rather than force. The Labour Party would take control of the state by winning a victory in Parliament and then, through the extensive social ownership of the means of production, transform the system of reckless capital accumulation into democratic socialism.

Whatever the merits of Labour's political economy, the demos kept letting the socialists down. Socialism remained a peculiarly unattractive option for the British electorate, who, all the way up to 1945, elected governments dominated by the Conservative Party. After the Second World War, Labour won the most misleading victory in British political history. The unique circumstances of a war fought on the prospect that liberty would be extinguished, and the mobilization of the state that the conflict had required, were propitious for the Labour Party in a way that had never happened before and would never recur.

That is not to decry the achievements of the Attlee administration, which were neither inevitable nor negligible. But it is to point out that the 1945-1951 government, which casts a long shadow over the Labour Party, was not a blueprint for the future, despite the widespread assumption that it was. As well as some limited nationalisation, the economic formula now rested on planning. Data and information collected centrally would allow the state to make sensible decisions about the future of the economy. The wasteful spare capacity that democratic socialists believed to be endemic within capitalism would be averted, as planning – intrinsically efficient as well as just – would permit a rational allocation of resources.

By the time Crosland came to write *The Future of Socialism* in 1956, planning was the heir presumptive. Crosland's revisionism consisted in his belief, less heretical even at the time than it is sometimes supposed, that the nationalisation of industry was not ultimately the purpose of democratic socialism. It would be one among many means, but to suggest that the shining city on the hill

had been reached when the commanding heights were in public control was to turn a blind eye to the troubled infancies of those emerging public companies.

Crosland left the Labour Party with a formula which served it well for a long time, at least in the sense that no rival philosophy ever gave it serious competition. Crosland restated equality as the central principle of socialism. It was to be achieved by a just redistribution of the social product, the growth of which was assured by the fact that capitalism, in Crosland's view, had been reformed to the point of unrecognisability, and would henceforth be planned rationally.

The benighted Labour governments never really lasted long enough to test this proposition properly, although the troubling fact that they all seemed to run out of money might have caused deeper reflection than it did. But, philosophically speaking, the Labour Party more or less stopped here, and so it is of great importance that it was precisely the economic aspect of this idea of socialism that the Blair and Brown years have tested and found wanting.

It is true that, in the New Labour years, equality was not quite the centrally stated objective that it had been for predecessor Labour governments. That said, we should be careful with this accusation – if that is what it is. The civil partnership act was a great advance for liberty and equality. Public services, notably health and education, on which the poor reply disproportionately, improved from a state of near-disaster. Employment was high throughout the period in government. The effects of welfare policy, especially tax credits, almost completely offset – though did no more – the increasing inequalities in market rents. So, it is unfair to say that the Labour government has been unconcerned with matters of equality, even if, in all truth, it was not as ostentatiously committed to the ideal as some of its members might have liked.

There is a case to be made that the Blair and Brown years emptied the Labour Party of its main idea – equality. But that debate is better conducted as a counter-factual – who else would

have done better? In fact, this argument loses a lot of its vitality when we consider the second part of the Crosland couplet – the assumption that growth was eternal and that it would simply take a just redistribution to ensure that equality reigned in the land. Since 1997, the Labour government enjoyed, until the end, an economic environment that was conducive to redistribution of a Croslandite kind. Growth, it seemed, was now assured. That was certainly the impression that was given by the Chancellor of the Exchequer. The abolition of the economic cycle was grandly announced.

This turned out to be hubris in the grand style. The very point of stockpiling a surplus in the good times is to save for the shocks. The bust definitively arrived with a serious banking crisis, which required, and received, expeditious action from the government. The cost of rescue exacerbated the deficit in the public finances but it had not created it. The structural debt – that part which would not automatically disappear as the economy returned to growth – got as high as £175 billion.

Here was the bill that was due on the Labour Party's assumptions: there is no problem that does not require a solution; there is no solution that cannot be provided by government; there is no end to the money that can be procured to buy these solutions. As long as growth remained uninterrupted all these assumptions could hold. As long as Crosland was right, it was fine. But Crosland was not right and neither was Brown. The boom came to an end and the reliance on state initiatives as the main means of social change looked what it was – unaffordable, inefficient, unreliable and not very radical. The most damning thought is that, by the time the country is returned to surplus, public spending will be back at the level it was in 1997. In other words, every penny of the money spent was borrowed.

Clearly, there will have to be a proper reckoning and a new approach. This might have been supplied by the Labour leadership contest, but, at the time of writing and before the result is known, that is not happening. That is all the more dispiriting because there is an alternative tradition available on which the Labour Party seems

unaccountably reluctant to draw. The radical liberals have always struggled to get heard in the Labour Party above the din of the social democrats, but that relative silence is to the party's detriment.

A radical liberal prospectus would finally consign the vexatious confusion between means and ends to rest. The radical liberal left would repose less trust in the state in itself. It would make no fetish of either the state or the market, but it would see no purpose in demonising either. Every institution should be judged according to the extent to which it helps to bring about the envisaged liberal republic. The needs and dreams of people would need to be gathered in institutions which would draw their legitimacy precisely from their connection with the increase of individual power. But there would not be uniform provision. Just social relations would be preserved by progressive funding, but there would be a huge plurality of institutional forms. The left claims to be optimistic about human beings in general. Too often the left is, in fact, pessimistic about human beings in particular. Some of the most insistent voices that people are not capable of making their own decisions – about schools or hospitals for example – come from the patronising left. In the liberal republic politicians would trust the people. They might, in turn, find that trust to be reciprocated. The idea of equality would be expanded and enriched by the notion of capability – the set of things that people are actually able to do rather than the narrow measure of the income that they in fact have. Social policies would be judged in accordance with whether they moved the nation in the direction of greater equality of capability.

Above all, the animating idea of the liberal republic would be to place power at the lowest possible point – with the powerful individuals who populate a community of souls. There is a route here out of the cul-de-sac into which the Labour Party had driven itself by 2010. There is a long march ahead, made all the more difficult by the fact that, at the moment, the party is facing backwards.

Going local?

Heather Wakefield

The workers that deliver crucial local services must be at the heart of any Labour revival.

In September 2008, a survey of local government workers in UNISON threw up a set of results to make the Labour government shiver. While 52 per cent of the 4000 respondents said that they had voted Labour in the 2005 election, just 29 per cent said that they would do so in the next one. That was before MPs' expenses grabbed the headlines and the economy went into meltdown. The rest, so they say, is history.

Except it isn't. The rest is crucial to the future of Labour and the left. What made so many loyal public servants, in those 'hard-working' families so beloved of New Labour, decide that it was not the government for them? And what might the answer suggest for a reconfigured Labour and left? Something has gone badly wrong when Labour loses the support of so many of those working for a state with whose supportive, interventionist and redistributive aims it is – at least notionally – aligned. Labour needs to get public services right, and take public service workers and their trade unions seriously. The left needs to think hard about its vision for the public sphere and all those who work in it – many of whom are among the poorest employees in our society (Taxpayers' Alliance please take note!).

New Labour began life convinced that the public sector was suffering from rampant 'producerism' and that there was a great need for 'New Public Management': public services – unthinkingly portrayed as failing – were being held to ransom by employees and

trade unions who were more concerned with looking after themselves than those they were paid to look after. Rather than taking a steady and serious look at the public sector – who made up the workforce, what they felt and what was *really* needed to improve services – they decided that the introduction of competition and other features of the commercial sector was what was required. Thus, for example, Best Value – introduced in the Local Government Act of 1999 – demanded comparison and competition, and the making of local markets where none existed. Heavily supervised regulation and performance indicators dictated measures of improvement from the centre. Unaccountable strategic partnerships and shared services run by multinationals became the order of the day, in a New Labour regime that was wedded to the neoliberal consensus of the market as master, with deregulation of the labour market becoming a source of increased profits for the windfall beneficiaries of marketisation.

Rather than being placed at the heart of public service reconstruction, the knowledge, commitment and experience of the workforce was – at very best – submerged in 'social partnership', and at worst was derided – and across the board was overlooked. And as the rhetoric of public and community engagement in service delivery grew, so did the alienation of those providing care, educating kids, cooking meals, collecting bins, nursing the sick, advising government and calculating benefits. There is a wealth of research which demonstrates that any process of change in the workplace requires the active engagement of the workforce and trade unions, as well as positive, well resourced and empowered management. But New Labour's centralised managerialism destroyed any notion of local democratic control of, or engagement with, change – there was little room for service users and public service workers to act together to create change from the bottom up, to better meet local need. The government squandered the very real human resources available in public services, preferring to align itself with private companies that were eager to find a new source of profit.

Almost two thirds of public service workers are women – rising to three quarters in the NHS and local government. And, far from doing deals for themselves in the boiler room or Leader's office, these women regularly work unpaid to get the job done, have usually been employed for more than ten years, and say that they do the job because they want to make a difference. When asked in UNISON's survey what would most help them improve public services, most answered 'feeling valued' at work. It's clear that a new approach to the public sphere will need to be founded upon a genuine recognition of women's material and emotional contribution to a caring state and a revaluation of their worth. This will only be possible if Labour gives up its doctrinaire insistence on introducing market practices into public services.

We also need to remember that many key public services are delivered not by central government, but by separately elected local governments – controlled for the last few years in England by a hefty Tory majority, which was only marginally dented in the 2010 local elections. There was a broad consensus between New Labour in the Palace of Westminster and the Conservatives in Local Government House, and together they presided over the acceleration of privatisation and a continuing failure to deal with the 40 per cent gender pay gap (which has been left to be dealt with through costly litigation rather than through cheaper government intervention); the workforce, meanwhile, was regarded as a mere accessory of public service delivery. Indeed, long before 'the crisis' the Local Government Association was boasting of having made 50 per cent more 'efficiency' savings than required by Westminster; and now that we're in 'the crisis', both Tory and Labour councils are rushing to cut or freeze Council Tax, unnecessarily undermining the local state's economic base, while putting only a few extra pence in the hands of Council Tax payers.

The left has long seen local government as a lost cause. But perhaps it's time to re-think, and to claim it for ourselves and the power of public good. After all, people's experience of the state is at

least as local as it is national. Local grassroots power can make a difference, and there is enormous scope for popular movements that can unite local civil-society organisations in order to hold global capital and 'cutting' councils to account – as London Citizens has powerfully demonstrated. There is a real opportunity to improve people's lives through a radical local politics based upon alliances between the public service workforce and users of the services; councillors who want to put people – not the market – first can work with local people to support progressive cultural developments, and exert genuine power over public services and local employment. Local government needs to be 'liberated', and to itself exert real pressure on Westminster – to give expression to locally articulated needs and demands.

Of course, radical localism cannot be the whole solution. There is also a desperate need to re-build workplace organisation, and inclusive, genuinely progressive trade unionism. The left must be part of that. And if Labour is to have any chance of future success in government, it must accept that the alienation and impoverishment of public service workers leads only to a life on the Opposition benches.

Labour and uncertainty

Marc Stears

Labour needs to be capable of responding to the demands of an extended period of political uncertainty.

The general election destroyed a host of apparent 'certainties' in British politics. The campaign itself offered little in the way of innovation, with the notable exception of the televised debates, but election night and the few days that followed it transformed our political understanding beyond all expectations. The night itself was dramatic enough. It witnessed the end of the idea of the 'uniform swing', as Labour were pushed back across vast swathes of the country, but remained remarkably resilient in London, in Scotland, in most parts of Wales – and even in Oxford East. It also put paid to the expectation that a Labour Party that had polled less than 30 per cent of the popular vote would be devastated in terms both of Parliamentary representation and political morale. The days immediately after the election, though, were even more astonishing. They put an end to the reputation of the modern Conservative Party as being incapable of sharing government, and destroyed the fifty-year old notion that the Liberal Democrats are a party of the centre left, a potential partner in a future 'progressive alliance'.

As a result, we have entered a period of great uncertainty in British politics. This is, of course, partly the consequence of economic circumstance. As an era of austerity begins, no-one can fully anticipate the political shape of a Britain seized by dramatic public sector spending cuts. But we must not forget that such uncertainty is also a result of conscious political choices. David

Cameron and Nick Clegg were not compelled to enter coalition together, but having done so they have rendered the future of their respective parties far less predictable than they have ever before been. Can Conservative right-wingers reconcile themselves to a government that promises to extend civil liberties and enable a referendum on electoral reform? Will the Liberal Democrats be able to maintain even a semblance of party unity when their own Chief Secretary to the Treasury ushers in brutal reductions in public expenditure, or if Lord Browne recommends that university tuition fees soar? It is simply impossible to tell. All we know is that the old certainties are over.

One absolutely crucial question for Labour, therefore, is how well the party will be able to respond to the challenges of political uncertainty. These are not easy challenges: it will always be hard to develop a coherent strategy in turbulent times. But they are made all the more daunting because uncertainty is the one thing that the Labour Party has continually tried to avoid since 1997. Everything in the Blair and Brown years was predicated on the desirability of predictability.

At first, this quest was relatively benign. Labour candidates were rightly taught how to stay 'on message' as they campaigned across the country in the full glare of the news media, and the parliamentary leadership properly insisted that it should have the final word on major issues of policy affecting the whole of the UK. But, over time, the trend towards ensuring certainty became more and more troublesome, until in the last few years of the Labour government it reached truly damaging proportions. In these years, debate and dissent were discouraged, even on issues as polarising as the war in Iraq; economic orthodoxy was continually insisted upon, even as the financial sector collapsed all around us; and decision-making powers within the party were continually centralised, even as devolution opened up the possibilities of a more richly diverse politics. This quest for 'certainty' was an error even in earlier times. But it will be a disaster if Labour continues it in the new era.

What is required instead is a wholly new set of political aspirations and political skills, one that is capable of responding to the demands of political uncertainty. From the perspective of the party's leadership, this set contains at least three political characteristics. The first of these is *agility*. Change will come quickly in the next few years, and it is crucial that the party is able to respond swiftly as crises and opportunities emerge, replacing the often leaden-footed leadership of the last few years. The second is *courage*. As the political situation unfolds, it will be harder for the leadership of the party to tell where public opinion is on any particular issue. The era of focus-group-led policy making must give way, to be replaced by sure-footed moves, taken not on the basis of instant popularity or reassurance but on the basis of a dedication to both strategies and ideals.

It is the third characteristic that will be the most important, and that is *responsiveness*. The pursuit of 'certainty' in the Labour Party after 1997 led to a form of centralisation and managerialism that separated the party hierarchy from the broader labour movement, and from the public as a whole. Fearful of the occasional incoherence and disorder of democracy and decentralism, the party leadership pursued a strategy that placed ever more power in the hands of an often shadowy Westminster elite, leaving vast swathes of the country feeling disconnected from its government. The consequences of this detachment were seen throughout the last years of the Labour government. They will be felt even more severely in an age of political uncertainty, when it will become increasingly difficult for the party leadership to know how the public is being affected by the sweeping changes that it faces. The only possible resolution is to reattach the central party with members, supporters, and even critics up and down the country. It is the party that is most responsive, most in-touch, most deeply connected with the British people, that will be best able to display the agility and the courage required in our uncertain times.

This will not be easy. The lessons of uncertainty are not learnt

swiftly; and the temptations of predictability not easily forgotten. Labour is fortunate, however, to be involved in a leadership contest that must be conducted in this new spirit – the party leadership campaign offers the candidates the chance to show us how it can be done.

How to be a roundhead of the market

Allegra Stratton

Revenue from selling off the partly nationalised banks should be used for the creation of a sovereign wealth fund for future investment, not for subsidising new shareholders.

The emerging Labour consensus on Gordon Brown's tenure as prime minister is, say what you like about him but he made the right calls during the economic crisis. He was right to be a market roundhead rather than a market cavalier – right to resist calls to cut the deficit immediately and instead constrain the 'divine rights' of markets.

By contrast, the Tories appeared to believe in the divine right of markets – they were market cavaliers. There was, and still isn't, much of a blend between the two warring groups.

But there was one roundhead critic, albeit an unwitting one, of the prime minister. In 2009, when Brown was on one of his pre-G20 support-building trips, Michelle Bachelet stood next to Brown in Chile's presidential palace, La Moneda, and detailed how her country was placed to cope with the economic downturn.

Socialist leader Bachelet was a market roundhead just like Brown – she too resisted the demands of markets that deficit be paid down. But there was one important difference in how she went about injecting a fiscal stimulus into her economy.

'I would say that because of our decisions during the good times', Bachelet said, 'we decided to save some money for the bad

times – I would say that policy today is producing results. We developed our fiscal stimulus. We could make one of 2.8 per cent of GDP. That is pretty hard for a country like ours.'

Bachelet is now gone – the constitution of Chile only allows its presidents one term – and, for some, the political economy of her country is synonymous with rampant neoliberal reform wrought by overbearing leaders. Nonetheless, its more recent past should still be considered by all sides of the debate in the Labour Party about what its own political economy should look like in the future.

The table is currently peopled by market roundheads: guided by serious economists such as Adam Lent, Ann Pettifor and Danny Blanchflower. On the international stage, Paul Krugman and Joe Stiglitz fight this corner. Their expert eye guides the political utterances of Obama and our politicians too. Such counsel is why Vince Cable once argued against too hasty a fiscal consolidation and why the Labour leadership contest – which began as a deficit-discussion-free zone – is now being fought more explicitly on the same roundhead territory, with leadership candidates differentiating themselves through the nature of the tax rise they put their name to, rather than any spending cuts (David Miliband: mansion tax; Ed Balls: lower the starting point of the 50p rate to £100,000; Ed Miliband: keep the bonus tax on bankers forever, along with the 50p rate).

It seems that Labour will answer the immediate question about how it would have gone about paying down the deficit by pointing to more tax rises than had been announced by its party before the election. No leadership candidate is offering specificity on cuts beyond Diane Abbott's call to scrap Trident and Andy Burnham's admission he would dismantle the ring-fence around the department he now shadows – health.

The haircuts on the roundheads have got shorter as the next generation of Labour leaders becomes more rigid in its belief that parliament must restrain and tame markets.

As the possibility of a double-dip recession looms this approach

is probably economically sensible, and has its political sense too – but the perception that Labour is now invested in there being a double-dip recession, to prove their point, is a worrying one for currently quieter left-wing voices.

Over the longer term Labour could do well to get a Bachelet-inspired haircut. Going into another election Labour will find it hard to answer assertions from the intelligentsia that they were Bad Keynesians, and from voters that they are Bad Book-keepers: they may now believe in spending to get out of the bust, but they didn't save during the boom.

During Bachelet's first three years in office, there were calls for her to divert revenues from her country's massive copper sales to close Chile's income inequality gap. Instead, the government set aside £35 billion in revenue from the boom, which was invested in two sovereign wealth funds.

When the world economy tanked, though Chile's export industry was exposed (and did suffer), the Chilean government had nearly £20 billion invested. One of the funds, the pension reserve fund, is a savings fund, with no withdrawals for a minimum of ten years, and it received a one-off sum of $600 million in 2006. In 2007 they created the second fund. Both were in low-risk bonds. When the time came, to reflate the economy Bachelet used the money invested to fund pension reform and fund a programme of social protection for women and children.

The next UK election could well end up being fought around the issue of what to do with the revenue from the sell-off of the part-nationalised banks. Osborne is already on record as saying that he wants people to be able to buy discounted shares in the banks, with preference going to the young and the retired. His aim is to make the electorate invested in the success of the banks.

Labour could get a head start in this debate, calling now for the proceeds to remain in public hands, with a split use of the funds raised. It would meet Osborne's pledge to sell shares in the high street bank – and raise it.

Osborne's proposal is a classically individualistic policy, while Labour's response could be one that appeals to people's strong sense of community and the common good.

Labour could say that some of the banks will be kept part-nationalised and directed towards community capitalism – an idea Ed Miliband has embraced.

The businesses supported by such banks could become co-operatives or John Lewis style partnerships (the formation of which should be incentivised through tax breaks), and asked to help recapitalise some of the poorer areas of the United Kingdom. Their corporate structure could reflect a better conceptualisation of social capitalism, and the community capitalism that all sides of the Labour Party are inching towards. A people's bank could invest in co-operatives, mutuals and ethical companies that are developing green technology, as well as in other industries identified by Peter Mandelson and others as growth industries capable of creating wealth and exporting. The contrast would be obvious: Osborne's model could be cast as revolving around the atomised individual, Labour's could embody the common good.

The reciprocal society rubric offers as much to the next stage of public service reform (mutual public services as well as mutualised financial services, partnership businesses) as it does to the rebuilding the Labour Party – a movement woven from thousands of relationships.

But in order to be taken seriously in this bid to refashion the UK's political economy along more reciprocal lines, some in Labour's ranks believe it must prove that it can save. The funds to be had from the sale of the part-nationalised banks' investment arms could become a sovereign wealth fund, perhaps resembling that run by Norway, since these assets are, like Norway's oil, a finite resource. In Norway around 4 per cent of funds can be withdrawn every year to help with the national budget.

The principle is clear: that which is withdrawn from the fund should be hypothecated to elderly care, or to eliminating child

poverty, or even into investment in science and technology and research. It could come to be a perpetual thank-you present to the British people for bailing out the bankers in the early part of the twenty-first century. It would be remembered for ever.

It is probable that the Labour wannabee leaders who are arguing for the adoption of a Keynesian policy of continuing to spend now are right; and their junior colleagues are wrong to be jittery. They may also be right that the deficit was caused by diminished tax revenue and increased welfare spending, not investment before the downturn.

The perception, though, is the perception. The public suspect Labour didn't save during the good times, and Labour won't win back public confidence until it addresses this weakness head on. Looking towards Bachelet is part of what Labour has to do to prove that it gets it – that Labour are Good Keynesians not Bad, and that the Roundheads' campaign against the Cavaliers is funded.

The political struggle ahead

Doreen Massey

We need to understand that the economic agenda is part of a wider social and political settlement.

The financial crisis that began in August 2007 was a moment of potential crisis not just about finance, or even about economic theory. It ran more deeply than that. It came near to questioning the wider hegemonic ideological framing of life. It touched upon the ethical.

But that moment of potentially wider rupture has, for the moment, passed. And one of the ways in which this has been achieved is through a re-separation of the sphere of 'the economic' from the sphere of ideology (and thus, in a wider sense, of politics). This is in fact a *re*-separation, in itself a crucial part of a return to business as usual. For that separation has been one of the fundamental achievements of the last thirty years – the period we have come to call neoliberal.

The economic has come to be viewed as a set of forces equivalent to a machine, or to the laws of nature. Its construction through social relations, and thus through potentially *different* social relations, has been hidden from view. That moment of clarity, when the economic and the ideological were fleetingly seen to be interwoven (not the same, but connected) was thus a real (potential) dislocation. For now, normality has been restored. The crisis is once again being interpreted as purely financial and, crucially, as a technical question. But only for now; it is not over yet.

The June emergency budget made this plain. It was moulded by politics and ideology. It was in no sense technically 'unavoidable'. Any serious response from the left must address it at this level.

Argue the case in terms of economic logic (the danger of double-dip recession, etc), yes; but also insist on the bigger picture – the ideological dimensions of this moment.

If a wider break with the past is to be won, then the question of the economy has to be set within its broader context. For, in spite of current attempts to shore it up, the socio-economic settlement of the past thirty years remains broken. There has to be, at least, a readjustment. And this in itself opens up the political battlefield.

Even before the crash the frailties of this socio-economic strategy were apparent. In particular, the prioritisation of the interests of the financial sector has been at the heart of a large number of problems – social, cultural and economic.[1] And the vortex of the current moment is the crisis in the financial sector, and the nature of the political response to it. (Indeed, insisting on this, rather than accepting the public-sector deficit as the crisis, is itself a central political task.)

But the dominance of finance needs to be tackled on a broad front: finance and financial modes of calculation are emblematic of a wider mode of being, one that any left political strategy should be challenging. And there is also the question of democracy. The voice of the City is powerful in policy-making. The judgement of 'the markets' hangs over everything, setting the parameters within which political debate can operate. This assertion of economic power exposes the thinness of our political democracy. One central political priority must be to take advantage of this moment of relative weakness at the crux of the neoliberal constellation and lever open those wider politics.

It is often pointed out that this crisis is different from the dislocation that brought the end of the post-war social-democratic settlement in that it was not made by the pressure of social forces or, directly, by social struggle. It was an implosion. There are in that sense no 'forces' at the ready. This is correct so far as it goes. But the social forces that produce a crisis are not necessarily the ones that will point to an alternative way out. The forces that generated the

crisis of the post-war social-democratic settlement tended, when the crisis came, to respond mainly in defence of the old settlement.

There need also to be creative alternatives (in the 1980s some of these came, for example, from the urban left). In the present moment there are, contrary to what is often said, plenty of ideas and alternative political strategies. The problem is that these ideas do not have a social base, or purchase in the wider population.

This lack of voice was all too evident in the ease with which the financial crisis itself, a result of the structure of finance and of the actions of the super-rich, has been converted into a need for public-sector cuts. There is no need here to reiterate the 'illogicality' of this – that the poor are paying for the sins of the rich, that it was state intervention that saved the day, that much of the deficit results from the recession that followed the financial collapse, that such a strategy will curtail the possibility of growth, and likely plunge us more deeply into recession, etc, etc. The point to note for the moment is simply the astounding ease with which this re-narrativisation was achieved.

The question then arises as to what kinds of changes these cuts in public-sector expenditure will themselves bring about, and what kinds of defensive social forces might arise. At the sharpest end, undoubtedly, will be the ranks of public-sector workers, potentially in alliance with those who depend on their services. Most generally, Con-Lib policies will yet further sharpen economic inequality. Over the last thirty years the biggest statistical contribution to widening inequality has come through growth in income and numbers at the rich end of the scale. With cutbacks in public expenditure – which will have impacts both on welfare and on jobs – this will change – the already poor are likely to be hit hardest. And there will be further differentiations.

Whereas the prime producers of, and beneficiaries from, the disaster of the last thirty years have been very highly paid men, the cost of paying for the collapse of that period will, through public-expenditure cuts, be borne far more by women. Can these patent

unfairnesses be the ground for finding new political voices?

And then there is geography. The North-South divide within the United Kingdom continued to widen under New Labour. There has been the continuing centralisation of power into London and the South East, and a continuing loss of manufacturing employment. And the social settlement of the last period has left some regions, outside of London and the South East, perilously dependent on the public sector for sources of employment as well as for welfare. In any serious programme of cuts in public expenditure they stand to be devastated.

The lack of voiced anger in the regions outside London and the South East is extraordinary. The official representatives of those regions have for too long acquiesced in the dominant narrative that no regional policy should in any way hold back London/the South East, and that the other regions must be regenerated by 'standing on their own feet' (while all the while London/the South East's problems of congestion and inflation are ameliorated by state intervention and subsidy).

What has been problematical for the left in the past has been an understanding of this geography of inequality in terms of competition: the North *versus* the South. The poverty in London has been pitted, for political voice, against the poverty of the regions of the North and West. This is a problem that has frequently disfigured, and hampered, struggles on the left, and it is now time for an alliance across the regions, challenging the centrality and power of the City constellation in both the national economy and the national geography.

All of this is about a 'grassroots' response, based in trades unions, local alliances, feminist networks … and it is the strengthening of these voices that is right now most important. Unless and until that happens, the Labour Party seems unlikely to come out and redefine the political field. For that is what is needed.

However, none of these potential voices of protest will carry much weight without the ability to propose an alternative. And here we are in a vice, for in purely economic terms the grip of the

financial sector and its wider constellation is real. In the years of its pomp finance worked hard to convince us that it was the golden goose upon which, in the end, all the rest depended.

Here, it is important to understand that finance is *not* simply the golden goose. Over the last thirty years it has not been 'the motor of the economy' in the sense of driving investment. Its money went into assets; its result was redistribution. It was not a 'motor' in the sense of providing investment into other industries. (As many have pointed out, the undifferentiated language of 'investment' should here itself be challenged.) Indeed, the dominance of finance has *weakened* other sectors, thereby reinforcing its own fable.

Finance *has* played a role as the provider of finances to the exchequer. But manufacturing does still exist within the British economy. The UK is, by value, the sixth largest manufacturing economy in the world. And any way out of the current crisis, and especially one that avoids massive cuts in public expenditure, will need to generate growth, which, as Ha-Joon Chang has argued, cannot come from the financial sector.[2]

An active industrial strategy such as has been outlined by Chang and others would itself present an ideological challenge to the current settlement, particularly if it was based on the programme outlined in the Green New Deal.[3] One element of an alternative strategy must be to argue for a rebalancing away from finance.

What is at issue here is directly taking on class interests – defining enemies, delineating political frontiers. And this is something Labour has persistently refused to do. The Green New Deal has begun the task of identifying the groups that might be recruited to such a cause, writing of: 'an exciting possibility of a new political alliance: an alliance between the labour movement and the green movement, between those engaged in manufacturing and the public sector, between civil society and academia, industry, agriculture and those working productively in the service industries' (p6). 'Such a political alliance', it argues, 'is vital if we are to challenge the dominance of the finance sector in the economy, its

threat to the productive sectors of the economy, its corruption of the political system, and its corrosion of social and environmental values' (p6).

What is really at issue is identifying, and taking the lead in formulating and articulating, real and complex interests and attitudes on the ground. Formulations of a simple choice between working class and middle class, or about 'moving to the centre' or not, as though it were a smooth spectrum, rest on an inadequate imaginary.

Debates about neoliberalism have often obscured the fact that 'neoliberalism', as a purely economic doctrine, has always been a tool in the armoury of a battle between social forces: the battle to restore profits after the end of the social-democratic settlement, against a labour force that had made substantial gains. Its hegemony rests in part on the ability to hold together contradictory practices in an over-arching narrative. Of course, much of neoliberalism chimes politically with elements of a classic right-wing agenda. But its nostrums have always been drawn on selectively – used when useful but totally disregarded when not. In that sense, mobilising the state to bail out the banks was not an anomaly. It was more blatant, more obvious, more crucial, and in that sense ideologically and politically more important. But it was not new.

And this highlights a disjunction between a legitimating hegemonic ideology on the one hand and actual economic/political practice on the other. And what this in turn indicates is that at bottom what is at issue here – or what will be at issue if we are going to turn this into a real ruptural moment – is a submerged contest over the balance of social forces. For it would be possible to defeat 'neoliberalism' and still to lose the social struggle. The same class forces could remain in power.

This article has been abridged by the editors of this ebook. The full version will be published in Soundings *45, and is also available at www.lwbooks.co.uk/ReadingRoom/contents.html.*

Notes

1. For more on this see the full version of this article: www.lwbooks.co.uk/ReadingRoom/contents.html.
2. See H-J. Chang, 'Industrial policy: can we go beyond an unproductive confrontation?' mimeo, presented at Annual World Bank Conference on Development Economics, June 2009, and New Political Economy Group, April 2010; and 'UK needs a selective industrial policy', *Guardian comment is free*, 3.5.10
3. nef, *A Green New Deal*, nef 2008.

The reform agenda is still crucial

James Purnell

We need to be bold reformers of both the state and the market.

It would be odd if the conclusion of Labour's analysis into why we lost was that we should have been tougher on immigration and softer on public service reform.

Yet, from the sidelines, that is how it sometimes sounds.

A much better conclusion would be that we lost because we stopped being reformers, or, where we still were, because we stopped talking about our reforms.

The irony about the party's current debate about immigration is that we already had about as 'tough' a policy on immigration as we could have. The points-based system is in practice not that different from the Conservative cap – but with businesses deciding where immigration is needed rather than the Home Office just having a blanket limit.

Indeed, both policies really miss the two main points – that we now live in a single market for labour of hundreds of millions of people, and that that is a great thing for Britain's economy and people. It's not just that such a labour market will increase our productivity, but also that Britons can travel all over the continent to make their life and work. Who knows, we may even win the World Cup one day if the children of today's Polish and Turkish immigrants here become tomorrow's British equivalent of Germany's Podorski and Özil.

Anyway, I don't really see how we can sound tougher on immigration, even if it were desirable.

What we could do is revisit our attitude to change. Over the last few years, we sometimes gave the impression that change was always good and, in any case, inevitable. I played my small part in that when in charge of policy on what was then called the 'information superhighway', which now sounds like something from a quaint 1950s science fiction film. Labour governments are always attracted to technology-led growth, as the white heat of technology promises the higher growth which seems to make possible higher spending without higher taxation.

But there was something deeper happening – New Labour was questioning the inevitability of Britain's post-war decline. We felt that countries that just suffered change, or tried to stop it happening, would fall behind. They would create a vicious circle of conservatism, failure to reform, fear of taking risks, retrenchment, decline.

That insight remains central, and I will return to it below. But at times it bled into something different: the 'change trumps everything else' argument. This goes: the world is changing and becoming more global, therefore we can't afford to X – where X could be tax more/spend more/have higher wages/protect workers. Globalisation became the way for New Labour to tell the Labour Party that it couldn't have what it wanted. Unfortunately, this annoyed people, particularly on the left.

Moreover, it wasn't true. We did tax more – increasing national insurance for the NHS, and we did regulate more – creating a minimum wage, legislating for a minimum four weeks paid leave.

But over time we lost our confidence in this kind of reform of markets. Perhaps we started to believe this 'trumping' argument. Jon Cruddas has asked, pertinently, whether we would have had the courage to introduce the minimum wage if someone had come up with the idea in the third term. I worry we would have said that 'globalisation just means we can't afford it'.

Instead of this trumping argument, we should have had the confidence to assess each question on its merits. Perhaps raising NI

for the NHS was a good idea but abolishing the 10p rate wasn't? Perhaps having a minimum wage was a good idea but having the same rate for all young people wasn't?

I'm not particularly concerned to argue the details here, but just to make the general point that some of New Labour's most popular achievements, like the minimum wage, were also its most radical reforms of markets. And indeed, our most substantial achievement of the last few years was the way we saved the banks, again a radical market reform.

So, the New Labour part of the debate should accept that we should have been more confident about reforming markets. In return, I would gently suggest that what might be called the Compass part of that debate should be more confident about public service reform.

In his Keir Hardie lecture, David Miliband makes the important point that Keir Hardie was as much a reformer of the state as a reformer of markets. When the state at the time meant the Poor Laws, it's not surprising to see why. A century later, shaped by Labour in power, the state feels much less hostile to working people.

But it can still bully them. When the state tells people they can't decide who takes their children to school, or when we make them send their kids to a failing school, they are just as entitled to be angry as Labour's founders would have been a hundred years ago.

Labour need to be bold reformers of both the state and the market. New Labour ended up being only the former. Indeed, it is because we were too hands-off with the market that we became too hands-on with the state. We hadn't given up on the dream of a better society, we'd just given up on one of our levers.

I realise of course that a Compass member could agree that the state should be reformed but disagree with the way that New Labour did it. But this is where an interesting realignment of politics on the left may be starting to happen. Instead of this being a debate between left and right, it may start to be one between pluralists and centralisers.

Alan Milburn was the first to make the argument that if New Labour was in favour of choice in public services, it should also be in favour of choice in democracy. How could we justify giving people choice over what school to send their children to when they had no choice over whom to send to the Lords.

Compass and Progress now increasingly find that they agree on the need for pluralism in our politics. I wonder whether the same will start to happen in public services too. Because the same is true in the other direction – if you want people to have choice in democracy, then why not in health or education too?

What matters is whether that choice is fair – whether poorer pupils have more money spent on them, or whether poorer patients get access to just as good healthcare. In the past, the NHS was too often allocated on the basis of who you knew, not what you needed.

Labour's reforms are starting to change that. As I write this, my copy of the *FT* on my desk reports that two studies by Imperial and the LSE into the introduction of choice and competition in the NHS worked. The LSE study reports that 'competition between hospitals since 2006 has improved efficiency, raised quality, saved lives and done so without hurting equity of access'.

Of course, this isn't the only way of reforming. Studies by Guy Lodge at the IPPR, for example, or the Nuffield Foundation, showed that targets and league tables had been very effective at improving standards in the NHS.

It's therefore quite odd that the Tories are proposing to abandon both – abolishing targets which have worked and handing budgets over to GPs in a way that looks set to stifle competition. They look set to make the same mistake we made in 1997, of spending the first term dismantling reforms in the NHS that they then end up bringing back once they understand their importance.

The real lesson I draw from the last election is that we had stopped sounding like reformers. I exclude the manifesto from this – it had a rather impressive set of reforms given the tiny financial and political room for manoeuvre under which it was written.

But no one could name any of those reforms now, because they were sprung at the last minute. Instead of a reluctance to reform and an enthusiasm to spend, we need the courage to reform and to be realistic about spending. We don't have to agree with the total spending proposed by the government, but we do have to say how we would balance the books. In a world where both parties are proposing radical reductions in the deficit, those who want to say that public services will work better will be those who promise to reform it more, not spend more.

We need to be reformers so that we can shape change. Because the real problem with New Labour's attitude to globalisation was that it sounded like we could do nothing about it, and too often that sounded to voters like they were on their own.

Voters don't want a weak state. They want an effective state, which can reform both markets and public services, so that as a country we can shape change to our ends.

That task is made more important by globalisation. If we do nothing, we may look back on the credit crunch and the Euro crisis as the moment when we started to admit that our place in the world had changed. This is maybe the moment when the Rise of the Rest traced by Fareed Zakaria went from the theoretical to the real.

If we want to avoid that decline, we will need to embrace change, but from a position of power rather than impotence. Labour will best be able to rise to that task if it is prepared to reform in the interests of working people.

The future of Labour

Jonathan Rutherford

Labour needs a new covenant with the people.

To date the leadership contest has struggled to come alive. Competing for media attention with the Coalition government it has had no news to offer and few ideas to share. The hustings format has offered little space for the contestants to think longer and more deeply about the larger issue of Labour's future.

One question, though, hangs unaddressed over the contest. Can Labour evolve a feasible politics capable of transforming the economic and political fate of Britain in the decade ahead?

The answer is not self-evident. At the time of writing none of the contestants had yet embarked on the necessary journey. They remain ensnared in the governmental politics of the past, cautiously circling one another and looking for common ground, and clinging on to the familiar world of policy detail.

But the candidates are also prisoners of party expectations. There has already been a rising chorus asserting that the leadership contest has indulged in enough self-criticism – it's time to look to the future. But Labour's renewal will only be significant and enduring if it has a proper reckoning with the part it has played in the economic crisis. The financial crash is also a crisis of democracy; it represents the failure of government to uphold sovereign authority and protect the security of its citizens. Labour is implicated in all these failures.

The electorate understand this. Labour has lost people's trust. In the South East it won only 17 per cent of the vote. Between 1997 and 2010 it lost 5 million voters, with the greatest decline being

amongst manual workers and people receiving welfare benefit. Large numbers of Labour's traditional supporters no longer believe it is on their side. The middle classes view it as a threat. Amongst many in the younger generation it is the party of the authoritarian state, war and illiberalism. Labour cannot presume to be the progressive party.

A new direction for the future will emerge out of an understanding of the past, including past mistakes. This process has hardly begun. New Labour dealt with history and tradition by ignoring both. As well as developing new ideas, Labour will now need to dig deep into its own political traditions and into the history of British capitalism if it is to reach an understanding that will help it survive the next decade.

There have been two major revisions of Labour politics in the last sixty years – Anthony Crosland's *The Future of Socialism*, and the Third Way politics associated with Tony Blair. Crosland marked the high point of British welfare social democracy but – to put it briefly – he misunderstood the nature of capitalism; while the Third Way naively embraced globalisation as a positive force that could revitalise the pursuit of social justice. Both revisions were built on the claim that capitalism was working. But in this third period of Labour revisionism there can be no illusions about capitalism: it's not working. But neither is social democracy.

The origins of our economic crisis lie beyond the financial crash and can be found in the economic problems of the late 1970s. The victory of Margaret Thatcher in 1979 marked the coming to power of a new right. Its solution to the problems of the postwar settlement – the welfare model of capitalism based on Keynesianism and a culture of collectivism – was to bring it to an end and replace it with a liberal market model based on neo-classical political economy and a consumer society of individuals. It believed that a renascence of free market capitalism would enhance individual freedom and reverse the long-term relative decline of the British economy.

The intellectual claims of market fundamentalism – self-regulating markets, a minimal state, the rational economic actor – were fantasy. But its ideology created the conditions for the political defeat of the left and the destruction of the ethic of collectivism.

Its most significant impact was on the financialisation of the economy. The Conservatives' 1980 Housing Act and the 'right to buy' your council house helped facilitate a new kind of popular compact between the individual and the market. Home ownership aligned the modest economic interests of individuals with the profit seeking of financial capital. Consumer-driven economic growth depended on this compact. Banks turned to individual consumption and households as new sources of profit. The lives of millions were integrated into the global financial markets as their savings, pensions and personal and mortgage-backed debt were appropriated by the banks.

Alongside the financialisation of the economy there has been widespread deindustrialisation, and what might be described as the pauperisation of large numbers of working-class people in the North, in Wales and in Scotland. Some areas of the country have been denuded of capital. The virtues and cultures of industrial ways of life built up over generations have been destroyed. Inter-generational poverty has created high levels of chronic illness and an accumulation of social and psychological problems. Many of these problems continued under New Labour.

These changes have led to a more widespread sense of insecurity and social anxiety, and this in turn has been aggravated by successive governments' welfare reforms, and by flexible labour markets. These have transferred risk from the state and business onto individuals and have helped to drive down wages and conditions of work.

The neoliberal model of capitalism for a while created an economic boom, but also chronic levels of insecurity and inequality. And it not only failed to grow the economy in areas of deindustrialisation; it also failed on its own terms to restore the

health of British capitalism. It has resulted in a state supported capitalism, in which financial capital has huge power without responsibility. The bubbles and speculative activity of the housing market and the casino economy of the City have contributed nothing to our productive capacity. The doctrine of shareholder value failed to improve business productivity, but instead enriched company directors. Mergers and acquisitions became a profitable game that served the interests of investment banks and asset strippers, further hollowing out the economy.

The financial crash has signalled the exhaustion of two alternative post-war economic models. The Coalition government could briefly revive the neoliberal model by privatising the NHS, and transferring public jobs, assets and services to companies like Serco and Capita. This would help it toward meeting its private sector employment growth target and restore a short-lived economic growth. But it would be without substantive and enduring economic value and it would cause immense social harm.

Labour has no alternative to this strategy, and it has no political economy for rebuilding. The New Labour strategy of skimming tax revenue from City profit and redistributing it from the prosperous South to the impoverished North avoided tackling the chronic state of British capitalism. The financial crash brought this evasion to an abrupt end. In the decade ahead Britain cannot rebuild its economy or achieve a more egalitarian society through centralised state distribution alone. A wealth-creating economy distributed across the regions has to be created.

Markets alone will not achieve this. Capital can no longer revive itself through uncontrolled expansion overseas, nor can it restore capital accumulation through increased commodification at home. There are three reasons for this.

Firstly, the rise of the BRIC nations, particularly China, is transforming the global geo-political balance of power. Their sheer size and economic power will threaten to relegate the place of the EU and Britain in the world. This transformation will alter the

internal balance of social forces within western capitalist nation states. China is already expanding its internal demand, urging employers to improve workers' wages.

Secondly, our economy faces ecological limits. A recovery strategy of unlimited consumption and economic growth is no longer an option. Global warming, peak oil, insecure energy supplies and diminished UK agricultural capacity pose systemic threats to our way of life. At the same time, an emerging 'producers' market' in raw materials will raise commodity prices and impact on profitability, altering the balance of power between Britain, the EU and poorer economies.

Thirdly, the financial crisis is still unfolding. Financialisation of the economy has left very large numbers of people indebted and with insufficient means of paying off their debt. People did not borrow to increase their consumption. They borrowed to compensate for wages that were increasingly falling behind productivity increases. Similarly the allure of rising housing asset values was a compensation for collapsing pensions. As household debt rocketed between 2001 and 2007, levels of consumption as a proportion of GDP fell.

A new political covenant

A new political economy for Labour will require a period of collective rethinking. But it has to begin with rebuilding its relationship with the people; not only with the working-class heartlands of the North, Wales and Scotland, but with the estranged middle classes in the South and in the suburbs, many of whom are now experiencing a kind of 'proletarianisation'. The old homogenous class identities and cultures have gone, and Labour has to build a coalition out of a diverse range of identities and interests. These new alliances cannot be based on the kind of electoral calculation that became the default New Labour position. There needs to be a political relationship of trust that is more than a

transaction or contract. It needs to have the cultural weight, and the social and historical depth, of a covenant.

A covenant politics is based in the ethic of reciprocity: 'do not do to others what you would not like to be done to you'. It grows out of our everyday relationships in our family life and neighbourhoods. It is the give and take that creates the social bonds that hold people together in a common life. Our sense of obligation as neighbours and parents extends to our jobs as good workers and to our participation in society as lawful citizens. It is a politics that grows from the bottom up in reciprocity with government.

New Labour ended up breaking this covenant. It expected people to behave as if they were endlessly mobile and flexible in order to conform to the demands of globalisation. A covenant politics puts Labour on the side of the people, working for a living wage, tax justice, a regulated labour market and decent working conditions. Its political economy would place good jobs, secure homes, proper pensions and fair finance at its centre.

A covenant politics is for an ethical economy, and a government in alliance with business and civil society, directing investment and identifying and nurturing spheres of market potential. It is for an economic democracy that regulates markets for a more just distribution of resources, and for securing capital and employment in localities. It means reforming the banking sector for long-term sustainable investment, and reforming corporate governance to bring firms under greater stakeholder control. The big finance houses and corporations should work for the common good and must be made accountable to society and its polity.

A covenant politics is for liberty. Labour must recover its historic role as defender of society against the authoritarian powers of the state and corporate monopoly. Each of us seeks to live our lives in our own unique way, and to meet our obligations to family, work and society. Where our interests conflict with those of others there emerges a sphere of morality for resolving the dilemmas and contradictions.

The ethic of reciprocity is a dialogue and not a moral prescription, and it is the basis of human freedom. We are interdependent and liberty is mutual; the freedom of one requires the freedom of all. There is no liberty for all without solidarity. Political democracy alone is not sufficient; it has to extend into the economic sphere, increasing opportunities for active participation and deliberative decision-making across society.

The covenant is a structure of social life that can underpin a new productive, wealth-creating economy. It can mediate synergies between individual ambition and the common good. Its ethic begins in the small detail of people's lives and in our daily transactions at home and at work, and extends upwards into the sphere of politics, and to the just distribution of goods.

It is a politics that requires Labour to become a more democratic organisation centred around workplace and community organising and political leadership. Labour can achieve a more open and inventive organisational and learning culture through new kinds of collegial leadership. Is this a feasible politics for the future? It's an open question, but Labour has to begin a journey and it's a good place to start from.

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