The British Labour Party: New Labour Out of Power

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BRITISH LABOUR PARTY (LP)	
Official website:	www.labour.org.uk
Party leader:	Rt. Hon. Harriet Harman (acting)
History at a glance:	Founded by Keir Hardie in 1900. It was first elected as a minority government in 1924, with Ramsey MacDonald as Prime Minister, ruling until 1929. The first majority Labour Government in Britain was elected under Clement Attlee in 1945.
SI and PES membership:	SI and PES member
Party membership:	**2010:** 190,000 members **1997:** 405,000 members Since the 2010 General Election in May, however, over 15,000 people have applied to join the party.
Electoral resonance parliamentary elections:	**2010:** 29.1 % of the votes (258 MPs), in opposition **2005:** 35.6 % of the votes (356 MPs), in government **2001:** 41.2 % of the votes (415 MPs), in government **1997:** 44.0 % of the votes (418 MPs), in government
Electoral resonance European elections:	**2009:** 15.6 % of the votes **2004:** 22.6 % of the votes **1999:** 26.8 % of the votes **1994:** 44 % of the votes
Government participation:	**Since 2010:** in opposition **1997–2010:** in government; head of government: Tony Blair (1997–June 2007), Gordon Brown (June 2007–2010)

Despite the electoral dominance enjoyed by the Labour Party since the mid-1990s, major questions have since emerged about its overall strategic direction as a party of power. These concern, first, the formation of the first coalition government in British politics for over 80 years and second, where the party now stands in relation to the twin poles of Europe and the United States.

Since the mid-1990s, the Labour Party has enjoyed the most sustained period of electoral success in its history. Until 1997, Labour governed for relatively short intervals, as the Conservative Party achieved electoral hegemony in twentieth-century British politics. Only in 1945–51 and 1964–70 was Labour able to make a substantial impression on the country as a party of government. After 1997, however, so-called »New« Labour triumphed in three successive general elections. Despite the electoral success of the »new« Labour party, a wide-ranging debate is now under way among progressives in British politics concerning whether Labour has bequeathed an institutional legacy to the country akin to the 1945 post-war settlement. Critics allege that the party's achievements were compromised by acquiescence to neoliberalism and that too little was done to change the terms of political debate during the New Labour years.

On the other hand, New Labour's supporters argue that it is the center-right in Britain that has been forced to accommodate a social democratic agenda. The Thatcherite inheritance has been ditched under David Cameron to enable the Conservative Party to become a potential party of government. No party can win an election in Britain any longer on an avowedly right-wing policy agenda. This is the ultimate triumph of New Labour, redefining the center-ground of British politics.

The landscape of British politics was transformed, however, by the 2010 general election, and the formation of a center-right alliance between the Conservative Party and the Liberal Democratic Party. Britain now has a multi-party system, and the combined Conservative-Labour vote share has fallen to its lowest ever level. This will make it even harder for either party to gain an absolute parliamentary majority, even under a »first-past-the-post« electoral system. It is likely that British politics in the future will be far more pluralistic, with governments formed through coalitions and power-sharing agreements. The traditional mould of British politics has been decisively broken, with significant strategic implications for the UK Labour Party.

The formation of New Labour was achieved by fusing together ideas and ideologies associated with the American progressive tradition, and

reconciling them with European social democracy. The idea was that Britain would bridge an Anglo-American orientation towards economic efficiency and market deregulation, with strong social protection and an approach to social justice associated with the welfare states of Western Europe.

The great debate for the future is whether Labour will move closer to the European social model, bringing markets under firmer regulatory control and adopting an essentially European posture on defense and global security. There is some evidence that such an approach would be popular with voters, closer to what the British electorate is seeking after the Iraq crisis of 2003, and the global economic crisis of autumn 2008. But it would amount to a decisive rejection of the Third Way approach adopted by New Labour under the leadership of Blair and Brown.

Current Situation

The 2010 Election

The Labour Party won 29.1 percent of the vote in the 2010 General Election. This is the second lowest share of the vote in a national parliamentary election for Labour since the First World War, reducing its representation to 258 MPs. Labour lost almost one million votes in comparison to 2005.

Opinion polling evidence suggests that the most important issue in the election campaign was the economy (32 percent), followed by health (26 percent), education (23 percent), asylum and immigration (14 percent), taxation (12 percent), and unemployment (11 percent) (IPSOS MORI Political Monitor 2010).

In fact, the dominant issue was how quickly each of the parties would seek to eliminate the UK's structural deficit, which now stands at 12.9 percent of GDP. The Conservative Party said that it would implement immediate cuts, irrespective of the overall health of the economy, after the most severe global recession for over 80 years. Meanwhile, Labour and the Liberal Democrats argued that it would be damaging to proceed too quickly with public spending cuts, and that it was necessary to sustain the stimulus, not cut too early. Even Labour promised to halve the deficit within four years, however, to be achieved by a stronger emphasis on income tax rises for the better-off.

Perceptions of economic competence were clearly central to the electoral outcome. The situation was very challenging for the Labour government, since it was in office when the financial crisis struck in autumn 2008. The British economy then experienced six consecutive quarters of contraction, while the rate of unemployment and bankruptcies rose sharply. Labour did succeed in narrowing the Conservatives' advantage on economic competence over the course of 2009, however, arguing that fiscal activism had saved jobs and protected living standards.

By May 2010, the two parties were level-pegging on the economy, although in the three previous elections Labour had enjoyed substantial leads. Labour also suffered the perils of incumbency after 13 years in office: by May 2010, 76 percent of voters agreed that Britain needed »a fresh team of leaders« (IPSOS MORI 2010).

In 1997, New Labour successfully built a broad electoral coalition, enabling it to secure 44 percent of the popular vote; by 2010, this had crumbled. The loss of support for Labour was greatest among middle and lower income voters. In 2005, 43 percent of C2 »blue collar« voters had supported Labour. By 2010, this support had declined to 23 percent. The party also lost substantial support in the south and south-east of England, winning only 10 out of 210 parliamentary seats and 16 percent of the popular vote.

Initial analysis has attributed Labour's poor electoral performance in 2010 to a loss of support among aspirational, »middle Britain« voters. Powerful forces in the global economy have squeezed pay and the cost of living over the past five years, increasing the sense of frustration and unease about issues such as immigration and welfare reform. While Labour had succeeded in building a powerful coalition of aspirational voters and traditional supporters in 1997 by claiming it would unify economic efficiency and social justice, this coalition had substantially broken down by 2010.

Labour's Performance in Government

Where Labour goes next will be significantly determined by perceptions of its performance in office since 1997. For those who want Labour to pursue a radical program in the future that is more in tune with traditional social democracy, we have just witnessed 13 wasted years. The Labour government under Tony Blair and Gordon Brown had a unique

opportunity to reverse the social and economic inequalities that had arisen since Margaret Thatcher came to power in 1979, to rebuild the welfare state and public services, and to forge a fairer, more equal society.

This opportunity was squandered by an administration which, according to these commentators, was determined to accept the fundamental tenets of market liberalism, to govern within the parameters of the Thatcher settlement rather than to break with it decisively, and to join the United States in a war on terror in Iraq and Afghanistan that has dangerously divided the Western world.

Those more sympathetic to New Labour contest this account vigorously, arguing that, whatever direction the Labour Party takes in the future, it will need to build on the achievements of Blair and Brown, not discard or disown them. These commentators point out that past Labour Governments, such as the 1945 Attlee administration, were disparaged for a long period after defeat. The Attlee era, however, was later celebrated as the party's finest hour in which the National Health Service (NHS) and the post-war welfare state were built. So it will be, its advocates say, with New Labour a decade from now.

Objectively, Labour's commitment to public services since 1997 is without parallel in modern British history. Investment in the NHS has more than doubled since the mid-1990s and is now higher than the European average: education, policing, criminal justice and transport have all received a substantial spending boost. There have also been significant performance improvements across the public services. For example, schools in England were performing better than ever in the international PISA study of numeracy and literacy among seven and 14 year olds by the early 2000s.

The public realm in Britain is now stronger, safer, and more sustainable than in the previous decade. Steady growth in the British economy meant not only rising real incomes for the majority and a fall in unemployment to the lowest ever level, but a dividend to invest in Britain's public services. Critics on the center-right, of course, argue that too much money was wasted on bureaucracy and placating the public sector workforce. Market-led reforms in health and education were insufficiently radical in expanding competition and choice, they contend. While local perceptions of public services improved, it is certainly the case that nationally many voters were skeptical about whether Labour had really brought about a fundamental transformation in public service performance.

On inequality, Labour's record was rather more contentious. The aim of policy was to narrow the gap in real incomes between the middle and the bottom of the distribution. This objective was largely fulfilled through income transfers and tax credits. There were half a million fewer children in poverty by 2008–2009, with far fewer pensioners struggling on very low incomes.

Overall, however, the gap between rich and poor widened during this period. In particular, there were concerns that the very wealthy were allowed to get even richer under New Labour, as demonstrated by the Gini coefficient. This was exacerbated by the financial crisis in autumn 2008, when the inequality of rewards enjoyed by bankers and financiers was blamed as a source of instability in the financial markets.

Most controversial of all, of course, was Tony Blair's decision to commit Britain to war in Iraq alongside the United States in 2003, as part of the unfolding war on terror. The decision to take Britain to war has to be set alongside three other significant themes in New Labour's foreign policy.

The first relates to Tony Blair's commitment to liberal interventionism as set out in his Chicago lecture of April 1999. This was based on the argument that it was legitimate to intervene in the affairs of sovereign states – if necessary, by military force – in order to uphold international law and to protect fundamental human rights.

The second theme is that, in the aftermath of the 9/11 terrorist attacks, the UK government decided to give unconditional and unilateral support to America in its pursuit of the war on terror. This stance reflected Britain's post-war commitment to the so-called »special relationship« with the United States and was shared by all governments, whether left or right.

Finally, despite the initial enthusiasm for the European project and Blair's insistence that Britain must be »at the heart of Europe,« there was increasing skepticism about whether the EU could operate as an effective global player in security and defense matters.

The Labour government's European policy might best be described as one of conditional pro-Europeanism. The British case for Europe has rested since the 1970s largely on economics and the national interest. Few British politicians have ever been prepared to present a broader political argument in favor of Europe as a matter of principle. In the British debate, Europe is cast as the most effective solution to relative economic decline, where there is little or no alternative to full participation in the expanding European market.

This line of argument continued largely unaltered under Tony Blair and Gordon Brown, both of whom preferred to make the case for Britain to Europe, rather than the case for Europe in Britain. They were arguably too prone to lecturing Europeans about flaws in the EU and the inefficient European economy, when the British model clearly had its own systemic weaknesses, most graphically revealed by the global financial crisis.

The Gradual Death of British Social Democracy?

There appear to be three factors that explain New Labour's success in British politics since the early 1990s (Beech 2009). The first is that, electorally, New Labour has worked successfully as a moderate party firmly located in the center-ground. It succeeded in attracting a large number of voters who had previously supported the Conservatives, as well as the urban middle class, while retaining its traditional supporters in the North-East, North-West, Scotland, and Wales. Labour had at last emerged as the natural party of government.

The second factor was that Labour in office was highly focused on achieving a discrete range of feasible objectives: establishing economic competence, implementing specific social policies, such as the national minimum wage and tax credits, and signing the European Social Chapter; expanding investment in the public services, alongside major structural and institutional reforms; and renewing Britain's constitutional settlement through House of Lords reform and devolution for Scotland and Wales. In the past, Labour governments had often floundered on achieving high office, blown from one economic crisis to the next and unable to achieve any of their grand ambitions for social justice. New Labour, in contrast, put a strong emphasis on credible reform and the implementation of policy, never taking risks with economic stability.

Finally, New Labour was able to effectively outmaneuver its opponents, forcing the Conservatives under William Hague, Iain Duncan-Smith, and Michael Howard out to the right. For over a decade, the Conservative Party refused to change, shedding the image and policies that had caused it to lose so badly in 1997. This allowed New Labour and Tony Blair to dominate the British political landscape uninterruptedly until after the 2005 general election.

Why, then, did New Labour lose its pre-eminence and cease to be a credible election-winning force; what occurred to cause it to lose the

mantle of being a serious contender for power by 2010? It is self-evident that the global economic crisis of 2008 badly damaged Labour's reputation for economic competence. Having presided over a decade of stability and growth, Gordon Brown's record as Chancellor is now a matter of serious conjecture and debate. The prosperity that the UK had enjoyed since the mid-1990s appeared increasingly illusory, built on a speculative housing bubble that collapsed with spectacular effect after the banking crisis in 2008.

New Labour was increasingly implicated in the financial crisis because it was perceived to have liberalized the arrangements for UK financial regulation after 1997. This flawed economic model meant that Labour's plans for public services came to rest on equally fragile foundations. According to this conception of social democracy, a buoyant financial services sector would provide the funds for long-term investment in the public realm through consistent economic growth. But after the seismic financial shock of autumn 2008, that growth model collapsed, leaving public services increasingly vulnerable to severe cuts, as all political parties openly pursued fiscal consolidation and austerity policies.

This meant that, as New Labour entered the 2010 election, serious questions remained unanswered about the future of the party and British social democracy. What was the model of political economy that would replace the discredited commitment to global financial markets? How could Labour continue to improve public services at a time of fiscal constraint? How should the burden of fiscal consolidation be shared fairly to protect the most vulnerable in society? And given the impact of the recession and the scandal over parliamentary expenses on the morale of party activists and supporters, how should the base of the Labour Party itself be revived? There was little discussion about these ideological and political questions within the Labour Party itself in the period immediately prior to the government's defeat. This made the prospects for British social democracy appear bleak indeed.

New Labour: Life after Death?

There is wide-ranging discussion in progressive circles about where »New« Labour goes from here. The Labour Party needs to have a far clearer conception of what it stands for and the kind of change it wants to bring about in British society. In the 1950s and 1960s, Labour developed

a model of egalitarian social democracy based on the writings of Anthony Crosland, who himself drew on earlier European revisionists, such as Bernstein and Kautsky. Crosland argued that Labour's purpose was to bring about a more equal society in which resources, rewards, and opportunities would be more fairly distributed.

Simply refurbishing traditional egalitarian ideology is hardly sufficient given the profound changes that have occurred in Western Europe over the past thirty years. But there needs to be sustained reflection in Labour circles about how to draw together its ideational commitments in a way that appeals to a broad coalition of the British electorate.

Labour also needs to confront and address the major structural dilemmas and issues that made it increasingly unpopular in government. These included the decision to join the United States in the war in Iraq and the attendant consequences of the war on terror; the dislike of excessive »spin« and overzealous communications hastened by the rise of the »24/7« news cycle; and increasing disillusionment with politics itself, as evidenced by the catastrophic collapse of political trust since the mid-1990s, despite a wave of constitutional reforms under New Labour.

Finally, Labour needs to formulate a set of credible policy goals that will address the social and economic challenges that Britain is likely to face in the decade ahead. Many outstanding Labour aspirations have been achieved since 1997, such as the national minimum wage and reform of the House of Lords. Labour needs to develop a coherent program for the future, rather than resting on past achievements.

In the meantime, new issues have emerged, such as the revolutionary changes in the role of women in society and the emergence of new concerns about quality of life and the environment. The durability of the world economy is likely to remain of serious concern, and Labour will need to develop an approach to economic growth that fits with the need for sustained and coordinated action in Europe and across the world. Many of the guiding assumptions of neoliberalism have been discredited in recent years, but they are reappearing by default in the absence of a clear progressive or social democratic alternative.

This relates to whether Labour's conception of Britain's future involves enabling the UK to become more like a mainstream European country, with European-style commitments to social welfare and public services, a pluralist and devolved polity, and a security and defense axis strongly oriented to the EU itself rather than the United States. New Labour was founded on a desire to avoid these painful strategic choices,

and to carve out a Third Way in British politics that would transcend false polarities.

Whether this approach is really credible for the future remains very doubtful. There are major choices ahead that will need to be confronted honestly and clearly, and for which Labour's enduring values can provide a compelling guide. But there is an even more fundamental challenge that Labour must face in the period ahead: a profound transformation in the political and electoral landscape of Britain.

The 2010 general election saw the rise of the first coalition government in Britain for over 80 years. This is a reflection of the end of two-party politics and the emergence of liberal, green, and nationalist parties that absorb an increasing share of the popular vote. The effect will not only be to end majoritarian, »winner takes all« governments, but to usher in a more pluralistic political system, promising a profound change in Britain's political culture.

Historically, Labour has tended to see its role as securing a clear parliamentary majority through which it could enact a socialist program. It had little appetite for cooperation with other parties, movements, and political forces in society, beyond the trade unions. It may well now be time to discard that mind-set, as it is highly unlikely that Labour will be in a position to govern alone for the foreseeable future. But the coalition poses an even more striking challenge to Labour's status. The Conservatives and the Liberal Democrats are attempting to dominate the center-ground by stealing the mantle of progressive reform. The new coalition has promised to enact far-reaching financial and political reforms, and to protect the most vulnerable from the impact of public spending cuts and fiscal retrenchment. It will attempt to introduce historic constitutional changes, such as a wholly elected second chamber and a referendum on the Alternative Vote system for the House of Commons.

Whether or not this is actually achieved is beside the point; the rhetoric and scope of ambition signaled by the Conservative-Liberal Democratic alliance should not be underestimated. Historically, Labour has tended to see itself as the progressive party in British politics, but that claim is being contested as never before. After a decade in which the Conservative Party effectively vacated the center-ground of British politics, it is now back with a vengeance under the leadership of David Cameron. Labour underestimates this development at its peril.

Electoral politics aside, the challenge for Labour and British social democracy is similar to that for the European center-left as a whole:

how to achieve its core commitment to protecting the living standards and aspirations of middle and lower income workers, given the realities of globalization and the knowledge-driven economy. Since 1945, social democratic politics have been predicated on redistribution based on a model of Keynesian political economy. This used regulatory and fiscal measures to protect the real wages and incomes of workers, and to insure individuals against lifetime risks through a universal welfare state. But it presupposed a unitary national economy and the idea that social democracy could be achieved in one country. This is hardly tenable any longer, given that globalization is a self-evident fact, and increasingly the distinction between domestic and international politics is becoming obsolete.

This will require social democrats to revive the internationalist mindset that came to define their mission at the turn of the twentieth century. The left has failed to benefit electorally from the economic crisis because it lacks a credible account of the politics of globalization. In reality, voters confront two contradictory impulses. On the one hand, they want strong governments to shield them from the economic and physical insecurities that globalization brings. On the other hand, they value choice and autonomy, and are increasingly skeptical of the capacity of centralizing states to protect jobs and living standards in a global economy.

There are undoubtedly widespread fears of globalization across much of Europe. This relates to the occupational shift away from traditional semi-skilled occupations in mass manufacturing towards high-skilled service-oriented jobs. Employment polarization and rising wage inequalities are pervasive across the EU27. However, social democrats will overreach themselves if they believe that the crisis legitimates the expansion of big government at the expense of the market. At the same time, voters are prepared to accept that national governments cannot shield them indefinitely from globalizing forces.

There may be a demand for radical measures to deal with the impact of the financial crisis and to reform the financial institutions whose practices fostered excessive risk-taking and irresponsibility. But voters are most likely to support the party that is able to establish a framework of stability and order, within which they can lead their lives. They yearn for a safe pair of hands that will protect them from excessive turmoil and risk. The left in Europe has to work through this conundrum, instead of appearing to deny it.

To begin with, there are three credible views of the role of the state, not just two. One is the »laissez-faire,« minimalist view: one that is still

dear to parts of the neoliberal right. Another is to argue unequivocally for the idea of the »centralizing state« as a guarantor of equity. But the third view is of a state with a strong strategic capacity that doesn't try to run everything itself. New Labour might describe this as an »enabling state.«

This may, however, come across as more minimalist than the situation requires. In fact, strategic capacity demands market-ordering, not just market-accepting. Social democrats need to argue for the construction of a reformed »developmental« state with far stronger, more focused strategic capabilities. That implies a very different approach to governing.

In addition, there should be no retreat from the market economy à la Jospin. Open markets are the best available means of stimulating innovation and efficiency, and these benefits are strengthened by globalization. However, new technology and new consumer demands constantly create new patterns of »winners« and »losers.« Those with the right skills stand to succeed, while there is a continual loss of »good« working class jobs as companies invest in new markets, outsource, and de-localize.

Well before the crisis, the confidence that economic growth automatically leads to broad-based prosperity had been eroded. While most social democrats claim they always recognized that markets are a good servant but a bad master, they didn't say that clearly and explicitly and follow through the implications for policy. In the benign period created by the wave of globalization that has gathered force since the mid-1990s, such beliefs seemed out of sync with the times. Revisionists did foresee that the fatal weakness of globalization was not the economic dynamism it unleashed, but the fact that increased economic interdependence was not matched by new forms of global governance.

Given neoliberalism's intellectual hegemony, there was no decisive impulse to act before it proved too late. And we cannot be sure even now that the crisis has generated sufficient political impetus to secure comprehensive reform of global economic governance. But the global financial crisis has dramatically resurrected the social democratic case for an »active state.«

There is, of course, little point in dusting down the interventionist industrial policies of the past. Nor is this the time to return to a protectionist, anti-European, anti-global, »socialism in one country« model. Social democracy must not turn its back on the dynamic strengths of economic openness, but recognize explicitly that the market's limits, potential for failure, and resulting inequalities need to be better managed in the public interest.

The new paradigm should be one of multi-level governance within the framework of which, through political action at national, European, and international level, as well as regional and local, government has the necessary strategic capacity to act in order to shape the forces of globalization. Public policy towards industry has to change. Social democrats have to put the emphasis on supporting the right framework conditions for growth such as skills, competition, infrastructure, and research.

In the UK, at least, even this is no longer sufficient, given the huge problems of lack of economic opportunity that we still face: the long tail of under-performance in our education system and continued neglect of skills; stubbornly high levels of worklessness and poor labor market integration of some ethnic minority groups; and regional problems of economic decline in old industrial areas with an overdependence on a low-wage service economy.

This means a new impetus for the development of sectoral policies, regional specialization, lead technologies, and recognition of the need for long-term government planning in transport and energy to tackle climate change. Of course, a new era of industrial activism must avoid the »lame duck« bailouts of the 1970s. Essentially, the effect of these was to freeze the old industrial structures of the time, in the vain hope that restructuring could be agreed that would raise performance. Instead, we need to move from supply side policies that enable, to industrial policies that are developmental, recognizing the vital role that only government can play.

Social democracy also needs to find an appetite for remedies that promote responsible business behavior. This involves, for example, sensible European regulation and the abandonment of »race to the bottom« regulatory competition. As for business as a whole, there must be greater transparency on top pay; open-minded thinking about workplace empowerment to improve lagging productivity; competition rules that discourage merger and takeover fever; and the inclusion of stakeholder obligations in company law reforms.

Social democrats need to liberate their approach from a neoliberal »competition state« model. But they should also embrace Albert Hirschman's view that the best way for progressives to secure support for collective action in the public interest is to acknowledge that state intervention can have unintended consequences. There are limits to state power, as Keynes argued in the 1920s.

Social democracy does not exist to promote and protect the state, but to ensure that the state advances the collective interest rather than

the vested interests of an elite. What social democrats need to fashion is not larger government, but a more capable strategic state that can steer and intervene in the increasingly complex networks and institutions of a globalized economy and society.

This is the major intellectual challenge that the crisis poses for European social democracy. At European level, the Party of European Socialists, together with party-affiliated research and policy institutes in each of the member states, ought to establish a high-level taskforce to prepare a strategy document on social democracy and the state in the global era. The British Labour Party must also be an enthusiastic participant.

This will make a vital contribution to the revival of social democracy across Europe, alongside the necessary renewal of our organizational and campaigning base. Social democrats, of course, need the people of Europe; but the people of Europe also need social democracy at a time of unprecedented challenge and uncertainty. There is not a moment to lose.

References

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