

PAVING THE WAY FOR A PROGRESSIVE CENTURY?

Seven years after Tony Blair's first landslide election victory, Britain is experiencing its longest continuous period of progressive governance since the outbreak of the First World War. That statement at once juxtaposes two extraordinary facts: on the one hand, the remarkable and unprecedented electoral achievement of New Labour in winning two consecutive working majorities, and on the other, the even more remarkable electoral weakness of British progressivism for most of the last century.

It was in this context that Tony Blair declared his intention to usher in a "progressive century"; one as dominated electorally and intellectually by the centre-left as the twentieth century was by conservatism. Coming at the end of three decades of retreat by progressive forces across the developed world, the scale of that ambition hardly needs to be stated. It requires a paradigm shift as fundamental as the Keynesian and Thatcherite revolutions and the establishment of a new political settlement robust enough to survive a change of government.

My intention here is to assess whether meaningful progress is being made towards that objective. There are two elements to this. The first is to define the main benchmarks of progressive advance. The second is to determine whether New Labour is pursuing strategies and policies likely to further their realisation. I have been asked to give particular emphasis to the question of public engagement as it impacts on the future of British democracy and progressive politics in particular.

There has always been a high degree of consensus about the essential features of "the good society" amongst British progressives, even when there has been disagreement about the means required to get there. There should be a thriving participatory democracy, a high degree of social mobility and equality to guarantee the full realisation of individual potential, a just distribution of wealth and power, an economy that serves human need and positive engagement with the outside world.

I examine the Blair government's achievements in the context of this tradition, but I also judge it against the objectives New Labour set for itself with promises to create a New Politics, reject dogma in favour of what works, govern for the many not the few, build an opportunity society, establish a stakeholder economy and make Britain a leader in Europe and a force for good in the world.

As New Labour came to power in 1997, these were the main features of its vision for a progressive century. In the sections that follow I will examine each of them in the context of the Blair Government's policy record. My starting point, however, will be to look at how successfully it has risen to the challenge of revitalising British politics. For reasons I set out below, this is in many ways the defining test of whether progressive values and ideas have the capacity to set the agenda for the century ahead. It is therefore worth examining at some length.

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The democratic malaise

Judged by the standards it set for itself in opposition, New Labour's record as custodian of our national democracy has been a grave disappointment. Tony Blair was elected at a time when respect for government and the political process appeared to be at an all time low. The optimism that greeted his victory was, in part, a consequence of his pledge to promote democratic renewal, reconnect with the British people, restore trust and create a new kind of politics.

It might be argued that expectations as high as this were always likely to be disappointed. Newly elected governments, especially those that replace unpopular incumbents, always benefit from a surge of goodwill that ebbs over time as the realities of power set in and difficult decisions have to be taken. There is therefore nothing exceptional about the fact that many who supported New Labour in 1997 now feel disillusioned with the direction it has taken. In fact the Government seems to enjoy more support relative to the opposition than many of its predecessors did at similar points in the electoral cycle. What is unique about the current situation is the extent to which people appear to be opting out of politics altogether.

According to many traditional indicators, levels of political participation are lower than at any time since the advent of universal suffrage and the rise of mass political parties. Attendance at political meetings, membership of political parties, levels of local activism, viewing figures for current affairs programmes and the circulation of national newspapers are all in measurable decline. Opinions polls indicating growing scepticism about the integrity and efficacy of politicians and political institutions appear to bear out the alarming judgement of one national newspaper that "political life here has become increasingly gripped by a vicious circle of secrecy, sleaze and suspicion, which chokes off almost all possibility of trust, belief and dignity in our public life. In their place a culture of mutual cynicism and collective disbelief flourishes virulently."¹

For many people, this new mood of political disaffection is exemplified by the sharp reductions in voter turnout experienced at the last two general elections. In 1997 the turnout amongst registered electors was 71.5%, down from 77.8% at the previous election.² Although this was, at that point, the lowest turnout since 1935, it was only slightly outside the post-war range of between 83.6% (1950) and 72.2% (1970). Four other post-war elections had produced turnouts within a range only 1.5% higher. The slump to 59.4% in 2001 was, however, without precedent. Only the 'khaki' election of 1918 produced a lower turnout, and that took place at a time when Britain was still in the process of demobilising from war.

The 2001 election was not only abnormal in national terms; it set Britain apart from the other established democracies of Europe. Although there has been a secular trend towards lower levels of electoral participation across the continent over the last two or three decades, there has been nothing like the precipitous drop experienced in Britain. In the last round of elections in the

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rest of the EU-15 (those taking place between 1999 and 2004), turnout averaged 78.3%. Only Ireland (62.6% in 2002) and Portugal (62.8% in 2002) have come close to matching British levels of non-voting. Belgium (96.3% in 2003) may be an extreme example thanks to its compulsory voting requirement, but many of our EU partners are still able to record voluntary turnouts in excess of 75%.

On the face of it, Britain appears to be moving towards the low levels of electoral participation commonly associated with American politics. Although turnout amongst registered voters at the 2000 Presidential election increased to 67.4%, levels of voter registration in the US are much lower than in Europe and the percentage of adults of voting age who cast a ballot was only 49.3%. The equivalent figure for Britain in 2001 was 57.6%. Furthermore, last year's Scottish and Welsh elections suggest that British participation rates may decline further before they finally bottom out. Between 1999 and 2003, the turnouts for elections to the Scottish Parliament and Welsh Assembly fell from 58.2% to 49.4% and 46.3% to 38.2% respectively. If this is indicative of a continued trend towards lower rates of participation, it is conceivable that the proportion of adults voting in the next British general election could fall below the number of Americans voting in the presidential elections for the first time.

Inevitably for a phenomenon involving so many people (there were almost five million fewer votes cast in 2001 than in 1997), there is no simple, monocausal explanation for the rapid drop in voter turnout. We can, however, start by dismissing the "politics of contentment" thesis advanced by Jack Straw and other Labour figures. This posits a prevailing mood of contentment with the performance of the Government, coupled with the belief that Labour was certain to be re-elected, as the reason why voters stayed away. In a BBC poll carried out on polling day, just over half non-voters did indeed say that the election was a foregone conclusion. But 65% said they did not trust politicians and 77% said voting wouldn't change anything.³

In fact, almost all the available polling data indicates that levels of political satisfaction and trust in government have continued to decline since New Labour came to power in 1997. The Citizen Audit, a major project which surveyed 13,000 people before and after the 2001 election, found only 30% of respondents satisfied with the state of democracy compared to 46% in a 1995 Eurobarometer survey.⁴ The British Social Attitudes survey conducted just after the 2001 election found that the number of people who said that they trusted government "just about always" or "most of the time" had fallen from 33% to 28% since 1997.⁵

But perhaps the most striking evidence emerges from Eurobarometer which has for several years been asking people across the EU whether they tend to trust or tend not to trust their own government. In 1996, at the end of the Major years, Britain scored a -25 rating compared to -8 for the EU as a whole⁶. By 1999, following New Labour's election, the gap had visibly narrowed (-12 compared to -9). Two years later, at the time of the 2001 election, it had already widened again to -27 against -13. The next survey, conducted in the two months following 11 September 2001, showed a

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reversal of this trend with dramatically improved trust ratings of –6 for Britain and an average of +4 across the EU. Unfortunately, this turned out to be little more than a temporary blip. Trust ratings in the latest Eurobarometer survey published in autumn 2003 have slumped to –44 for Britain and –29 for the EU. Only East Germans appear to trust their government less than the British.⁷

This crisis of trust certainly appears to have been a factor in reducing turnout in 2001, but perhaps not by as much as might be expected. Figures from the British Election Study indicate that the turnout amongst voters who said they “almost never” trust government fell from 67% in 1997 to 51% in 2001, while the turnout amongst those who trust government “just about always” or “most of the time” also fell sharply from 85% to 74%.⁸ Of course, we must add to this the fact that the first group appears to be growing in size as well as becoming less inclined to vote. Even so, other factors were clearly in play.

Perhaps lower turnouts are related to a decline in civic duty? Evidence from the British Election Study confirms that there has been a gradual erosion in the belief that voting is a civic duty in the post-war era, from 93% immediately after the war to 63% now.⁹ But there has been very little change in recent years and certainly nothing that would help to explain the sharp drop in turnout between 1997 and 2001.¹⁰ The evidence gathered by the Citizen Audit suggests that levels of civic participation in Britain remain generally high.¹¹

Could it be that people are simply not interested in politics anymore? This is a widely held assumption for which there is very little corroborating evidence. A recent report on voting behaviour carried out by MORI for the Electoral Commission concluded that people are as interested in politics today as they were in 1991.¹² The British Social Attitudes survey found that, if anything, levels of interest in politics and the willingness of people to engage in non-electoral forms of political activity are slightly higher today than they were in the mid-1980s.¹³ This would certainly seem to be borne out by the record numbers attending the Stop the War demonstration in February 2003 and success of events like “An Evening With Tony Benn”.

Similarly, the Citizen Audit found that 73% claimed to have engaged on some form of non-electoral political activity in the previous twelve months, such as signing a petition, contacting the media, donating money or boycotting a product.¹⁴ The change that appears to have happened is a shift away from collective forms of political action, particularly those associated with political parties and the electoral process, towards more individualistic forms of participation.¹⁵ The turnout amongst voters with a strong interest in politics fell by 6% in 2001, suggesting that even those with high levels of motivation are becoming less enthusiastic about conventional politics. But the really big change occurred with those who already felt disengaged. The turnout amongst voters expressing no interest in politics almost halved between 1997 and 2001.¹⁶

The single most important explanation for the decline in turnout, according to Catherine Bromley and John Curtice of the National Centre for Social

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Research, is that those sections of the electorate already less motivated to vote felt that there was even less reason to go to the polls than usual. The perception that the result was a foregone conclusion does not appear to have been as big a factor as many assumed at the time (after all, the same could have been said about the 1983 election which produced a turnout of 72.8%). Stronger evidence can be found in the sharp rise in the number of voters who said there was little difference between the parties. In 1983, the British Election Study found that 88% of voters saw a “great difference” between the parties (up from 48% in 1964) and 7% saw “not much” difference (down from 27% in 1964). In 1997, the figures were 33% and 24% respectively, but in 2001 they were 17% and 44%. As Bromley and Curtice conclude: “Never before have the electorate felt that there was so little to choose between the two main parties.”¹⁷

A contributory factor relates to the familiar process of ‘partisan dealignment’; the weakening of voter identification with particular political parties that first became apparent in the seventies. There has always been a correlation between the strength of party identification and turnout, with those identifying most strongly proving most likely to vote. But between 1997 and 2001 the decline in the party identification wasn’t nearly big enough to explain the decline in turnout. The significance of this factor only becomes apparent when party identification and perceptions of party difference are combined. Amongst voters with a “very/fairly strong” party identification the turnout in 2001 was the same (84%) whether voters perceived a great difference between the parties or not. Amongst voters whose party identification was “not very strong/none”, the difference in turnout between those who perceived a greater or lesser difference between the parties was 68% to 51%. Furthermore, the number of weak identifiers who see little difference between the parties grew significantly between 1997 and 2001.¹⁸

Since the gradual process of partisan dealignment shows little sign of coming to a halt, and political parties are likely to find it harder to mobilise electoral support by appealing to voter loyalty in the future, further downward pressure on election turnouts seems inevitable unless the parties can find new ways to make themselves distinctive and give less motivated voters a compelling reason to take part.

Young voters: a cause for concern?

Particular concern has been expressed about the fact that the turnout amongst young voters fell even more steeply in 2001 than it did for the electorate as a whole. Many see this as the harbinger of worse things to come. At -18%, the fall in turnout amongst 18 to 24 year olds was certainly larger than for any other age group. And although 45 to 54 year olds were responsible for the next biggest drop (-15%), there was, nevertheless, a strong correlation between age and the decline in turnout.

This may simply reflect the long established psephological fact that young voters exhibit lower levels of party identification, civic duty and political interest; factors, as we have seen, that are associated with lower rates of

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electoral participation. As these qualities are acquired with age and experience, today's young voters may follow their parents in becoming regular participants in the electoral process – or so a benign interpretation of the facts would have us believe. On the plus side there is evidence to suggest that levels of political interest amongst young voters, although lower than for older voters, held up as well or even better between 1997 and 2001 than they did for other age groups.¹⁹

A cautionary note, based on the experience of declining voter participation in America, should be added. One recent study concluded that the effect of the trend towards lower trust in government that first became noticeable in America after the Watergate scandal has only recently started to have a discernible impact on voter turnout. This is because changes in societal attitude often take time to effect behaviour through a process of generational replacement.

The figures demonstrate that declining trust has had a differential impact, with cynicism leading to particularly sharp reductions in the turnout of younger voters. The study concluded that older voters who acquired a habit of participation in the years before trust in government started to decline are less easy to discourage and have thus continued to vote in higher numbers. The fear is that rising cynicism has deterred later generations of voters from acquiring that habit at all, leading to a long-term cumulative drop in electoral participation.²⁰

It would be complacent to assume that something similar couldn't happen here. We shouldn't therefore take too much comfort from the fact that young British voters don't appear to be any more cynical than the electorate as a whole.²¹ If the collapse in trust indicated by the latest Eurobarometer survey persists, a culture of non-participation could over time become entrenched in British electoral behaviour in the same way that it has in America. By the time we know for sure, it may already be too late.

Does voter disengagement matter?

The consequences of declining voter turnout are not ideologically symmetrical. They are a particular challenge to those who believe in the importance of public action to the attainment of social progress. For the advocates of minimal government and the primacy of markets, declining electoral participation is something to be celebrated as a sign that politics, and therefore collective action, no longer matters in the way it once did.²² As long as political power doesn't fall into the hands of anyone who might be tempted to use it for any particularly ambitious purpose, apathy is compatible with a retreat into the private sphere of market exchange.

Progressives cannot afford to be indifferent to Britain's democratic malaise because a thriving participatory democracy has always been a central part of their vision. The great historic battles for the right to vote mattered because the political sphere was the one place where all citizens would be truly equal and the public interest would gain precedence over the claims of private

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wealth and class status. Declining electoral participation is a problem to the extent that it suggests a corresponding rise in the number of voters who no longer believe that politics has an important role to play in improving their lives.

So far, the crisis of political trust does not appear to have been matched by a decline in the levels of inter-personal trust needed to sustain a healthy civic culture. Indeed, some question whether there is a necessary relationship between the two at all.²³ On this reading, cynicism about the political process will not automatically lead to the sort of decline in “social capital” (the networks of trust and reciprocity that enable humans to order their affairs in common) associated with the disintegration of the public domain in America. Voters may not like or trust their political leaders, but it does not logically follow that they will be less inclined to support public institutions and social provision as a result.

This view may be altogether too sanguine. One study of political trends in America has come to the alarming conclusion that: “Progressivism in the US has died, and declining political trust is the culprit”.²⁴ According to this analysis, the correlation between levels of trust in government and the willingness of voters to support ambitious and redistributive spending programmes provides a much stronger explanation for shifts in American public policy since the 1960s than the ideological preferences of voters. This is because people who are asked to fund services they do not benefit from personally need to feel confident that they are both necessary and likely to be administered efficiently, something that requires trust in the judgement and competence of political leaders. The study concludes that it is the collapse in trust, and not an ideological shift to the right, that has led to a retreat from the aspirations of the New Deal and the Great Society.

The danger is that this “shrinking public policy agenda” becomes self-perpetuating. As declining trust limits the scope for public action, it constrains the ability of governments to deliver social goods and creates even more cynicism. Those who can afford to buy their way out of dependence on public provision do so in greater numbers, giving rise to gated communities, middle class flight from public services, like state education, and less willingness to pay for those services through taxation. The hollowing out of the public domain creates alienation and exacerbates social division, which in turn increases the risk of even more hollowing out.

The logical conclusion of this process was described in particularly bleak terms sixteen years ago: “Does the public health service have long waiting lists and inadequate facilities? Buy private insurance. Has public transport broken down? Buy a car for each member of the family above driving age. Has the countryside been built over or the footpaths eradicated? Buy some elaborate exercise machinery and work out at home. Is air pollution intolerable? Buy an air-filtering unit and stay indoors. Is what comes out of the tap foul to the taste and chock-full of carcinogens? Buy bottled water. And so on. We know it can all happen because it has: I have been doing little more than describing Southern California.”²⁵

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This is an extreme scenario, but elements of it have become a familiar feature of life in Britain over the last two decades. New Labour has enjoyed modest success in slowing or reversing some of these trends and in substantially increasing levels of public investment. Yet limited measures of redistribution, and the tax rises required to fund them, have been implemented as stealthily as possible against a background of latent public and media hostility. The evidence suggests that the decline in political trust in Britain since the 1990s has indeed been accompanied by a significant drop in support for wealth redistribution and welfare benefits, especially amongst the young.²⁶ Steady growth has allowed the Government to square this circle, but in less benign economic circumstances New Labour could pay a heavy price for its failure to defend, let alone strengthen, egalitarian values.

Voter turnout, then, is not in itself the main problem. It is of concern because it is symptomatic of a deeper malaise; namely, declining faith in the relevance of conventional democratic politics. Whether the reason is mistrust of politicians and the process of government or the belief that political parties are failing to offer meaningful alternatives, this loss of faith is a major obstacle to the prospect of long-term progressive advance.

The Centrality of Politics

Since 2001, a variety of proposals have been suggested as a way of boosting voter turnout, such as voting by email or text message, opening polling stations at weekends, lowering the voting age to sixteen and compulsory voting. Experiments with all-postal ballots in local elections have already been shown to have a significant effect in raising turnout, and some of these other ideas would undoubtedly help too. But encouraging electoral participation by making it easier (or mandatory) to vote might simply have the placebo effect of making our political elites feel better about themselves without forcing them to address the underlying causes of our democratic malaise. If so, the effects would be short-lived and counter-productive.

A far-reaching democratic renewal will remain elusive without a renewed sense that politics matters. This means challenging the prevailing assumption that there is nothing really big at stake anymore. Since the end of the Cold War, the main parties appear to have converged around an “end of history” consensus that accepts the primacy of markets and the limitations of government-centred solutions. The absence of radical alternatives denies voters the sort of electoral choice a healthy democracy requires. As we have seen, the British people increasingly regard elections as a choice between different brands of essentially the same product.

Furthermore, the nature of this consensus undermines the public realm by emphasising market solutions as the answer to our problems. If even progressives appear to believe that the private sector is inherently superior to the public sector, it is inevitable that people will come to see themselves as consumers fighting for advantage in an atomised market instead of citizens empowered to act together by the opportunity to vote.

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Of course, this is not the first time that the major political parties have operated within such a narrow set of shared assumptions. The 'Butskellite' consensus of the 1950s was based on strong bi-partisan support for Keynesian demand management and the welfare state. Even so, it was a consensus structured around a powerful belief in the ability of government to change people's lives. Furthermore, the parties managed to retain a sense that they stood for something distinctive in spite of it. Labour's 'New Jerusalem' and the Conservative Party's imperial nostalgia are easily mocked half a century later, but they represented strong motivating ideals that transcended and enlivened the more prosaic business of day-to-day politics. The high turnouts of that era reflected their popular appeal.

Britain's post-modern, post-history politics disdains the grand vision in favour of management-speak about "targets" and "delivery". The political parties often talk as if the differences between them were simply questions of administrative competence and efficiency. Ideology has become a dirty word and political debate proceeds on the assumption that all the great questions have been settled and all that remains is a matter of detail.

A progressive century cannot be built by making the trains run on time (although it would be a good start). It requires a conscious break with the prevailing consensus that favours market over non-market relations and the private over the public domain. Trying to make progressive values fit this neo-liberal consensus is certainly possible in the short-term, and New Labour has proved adept at making the most of its limited room for manoeuvre. But it cannot hope to initiate the permanent and irreversible change required for a progressive century unless it is first prepared to build an alternative consensus based on its own values. It can govern intermittently, but only on terms defined by political forces opposed to it.

What is missing is the sense that progressives still believe that a radically different sort of society is both desirable and possible. It is beyond the scope of this paper to set out what that might constitute in detailed programmatic terms, but I offer the following tentative thoughts about what it should include.

Constitutional reform

Labour's record on constitutional reform speaks for itself: Britain's over-centralised state has been reformed through the devolution of power (in varying degrees) to Scotland, Wales, Northern Ireland and London; the Human Rights Act has incorporated the European Convention on Human Rights into British law, giving citizens more direct access to justice; the adoption of proportional voting systems for elections to the devolved bodies and the European Parliament has broadened political representation and challenged the assumption that majoritarianism is an essential precondition of stable government; and experiments with directly elected mayors have been initiated across the country.

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To note that the pace and scale of this reform programme is without modern parallel says perhaps more about Britain's traditionally glacial approach to constitutional change than it does about the radicalism of New Labour. Nevertheless, the Blair Government has performed a valuable task in breaking many of the taboos that have blocked radical reform so often in the past. It is no longer possible to argue that any departure from the British practice of incremental change would invite constitutional anarchy. The new arrangements have been introduced with greater ease than even their supporters could have hoped.

However welcome these reforms are, there is no sense in which they could be said to form a coherent package that might lay the foundations for a progressive century. Indeed, New Labour's constitutional reform agenda was never thought through with that intention in mind. Instead of devising a programme internally consistent to the purposes of dispersing power, enhancing accountability and strengthening legitimacy, the Government simply looked at the menu of progressive demands and cherry-picked the bits that suited its own interests. The result is what can best be described as a transitional settlement without any clear idea of what it is a transition to.

Some of New Labour's actions have been blatantly self-serving, such as the delay and weakening of freedom of information legislation and the weak and inadequate powers granted to the Greater London Authority (GLA), not to mention the retreat from commitments to a referendum on proportional representation for Westminster elections and an elected second chamber. The shallowness of commitment to democratic pluralism demonstrated by these and other actions suggests that New Labour shares more than a little of Old Labour's instrumentalist view of political power. There has been a tendency to see democracy less as a public good than as a means towards other ends. The consequences of this mindset have been deeply corrupting.

Progressives need to have a much clearer idea of what they are trying to achieve, with particular emphasis on the need to restore public confidence in the capacity of politics to act as a force for good. This involves a double challenge. The first part is to ensure that procedures are in place to prevent the abuse of power. The second is to devise structures that facilitate change. It must be conceded that these objectives are not always easy to reconcile. An overly elaborate system of checks and balances can prevent government from functioning effectively and induce a form of structural conservatism. The American constitution, for example, is said to have been devised with precisely that objective in mind. "Elective dictatorship", on the other hand, may facilitate smooth decision-making, but only at the price of diminishing democracy and accountability.

The Government's concern to avoid creating through House of Lords reform a chamber capable of acting as a rival to the House of Commons is therefore valid, but not if the result is an all-appointed body that acts as little more than a rubber stamp for the executive. An effective revising chamber must have an independent source of legitimacy. The extension of devolution to the English regions should be seen as an opportunity to provide it with one. A second

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chamber composed largely of representatives chosen by the devolved bodies would be one that reflected real votes cast in real elections. It would have a credible mandate, but not one strong enough for it to usurp the role of the Commons.

At a time when Parliament has lost the respect and affection of voters, it is no longer possible to cling to the belief that absolute parliamentary sovereignty is a satisfactory basis for the organisation of our national democratic life. Sleaze scandals, public disquiet over the Scott and Hutton reports, abuses of the select committee system and the increasing reluctance of the Commons to hold ministers of the majority party to account have discredited the idea that Parliament is capable of regulating itself. Something more radical is required if constitutional balance is to be restored.

Britain has often been described as a “crowned republic”; a constitutional monarchy in which real power is exercised by elected politicians. These days it might be better to see Britain as an “elective monarchy”. The tendency of the electoral system to return governments with impregnable majorities, along with the greater centralisation of power in the hands of party leaders, means that the powers claimed by Parliament from the Crown in the 17th century have effectively passed into the hands of the Prime Minister. Like the Monarchy before them, Parliament and even the Cabinet are in the process of becoming “dignified institutions”.

The real case against the British Monarchy, therefore, is not that it has too much power, but that it lacks the legitimacy required for it to perform a useful constitutional role. The fact that New Labour has become such an enthusiastic defender of the status quo shows how comforting this can be to those in power. A directly elected, non-executive president could play an invaluable role as defender of the constitution, restoring faith in the political system by upholding standards in public life and preventing abuses of power. This role would be strengthened if the rules were framed in such a way as to ensure that candidates were drawn from outside the political establishment. To this pragmatic case for a modern republicanism must be added a timeless issue of principle. A 21st century that ends with hereditary status retained as a central constitutional fact will not be one that can truly be described as progressive.

One principle that must hold fast is that when Westminster decides to pass power down it must do so properly. At least part of the reason why elections to the devolved bodies have produced such disappointing turnouts is the suspicion that Westminster remains ultimately in charge. That’s why there has been such a direct correlation between turnout and the extent to which power has been devolved. Blurred lines of responsibility and overlapping competences need to be replaced by a clearer division of powers that locates them as close as possible to the people they affect. Real accountability also requires a real measure of fiscal autonomy in the form of fair and transparent revenue raising powers at regional and local level. At around 96%, the proportion of tax revenues raised by central government is abnormally high in

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comparison to other established democracies. This must change if decentralisation is to be given real substance.

Ken Livingstone has shown that devolved government, even in its most truncated form, can be a source of public policy dynamism. Through congestion charging and the use of planning policy to promote affordable housing, he has used his limited powers to showcase radical new ideas. Nevertheless, it would be a shame if the Government were to conclude on this basis that the GLA provides a good model for its plans to extend devolution across England. Only bodies with real powers over economic development, public services, the environment and infrastructural investment, along with the capacity to generate the resources needed to fund them, will be able to persuade voters that regional government has the potential to improve their lives for the better. The establishment of regional assemblies would also be a good point at which to review the Greater London Authority Act and bring the powers of the GLA into line with the aspiration of Londoners to have greater control over their own affairs.

Just as important is the need to reinvigorate local government. In the late 19th century, municipal authorities became laboratories for many of the public welfare measures enacted by progressive governments at a national level in the first half of the 20th century. As Liberal Mayor of Birmingham, Joseph Chamberlain pioneered the new spirit of social reform by clearing slums and taking public utilities into common ownership. It is a great pity therefore that New Labour has made almost no effort to restore to local government the powers that might enable it to flourish in that role once again. Local councils that are little more than cyphers for the will of central government serve no meaningful democratic purpose. Judging from the appallingly low turnout figures for local elections, most voters agree.

The evidence on whether a change in electoral system for Westminster elections would boost participation rates is mixed. The experience of proportional voting to the devolved bodies and the European Parliament does not point to an optimistic conclusion, but this may simply reflect the factors described above. Comparative data compiled by the International Institute for Democratic Elections and Assistance suggests that voting systems do have a modest effect on turnout. First past the post elections are calculated to have produced an average turnout of 67% compared to 73% for list elections, the most popular form of proportional voting.²⁷ The single transferable vote and the alternative vote produced bigger turnouts still, but the sample size for each is too small to make valid comparisons.

The one clear sense in which a proportional system would be advantageous in the terms I have outlined is that it would substantially increase the range of political choice. In proportional elections the natural tendency of parties to converge on the centre ground is offset by the need to compete with parties on their flanks. Voters have a much greater variety of options and perspectives outside the established consensus find it easier to gain representation in parliament and even seats in government.

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In Britain, centripetal pressures are compounded by the narrowness of the electoral battleground and the socio-economic profile of many marginal seats. Swing voters, characterised by pollsters with terms like 'Mondeo man' and 'Worcester woman', tend to be found disproportionately amongst those sections of the electorate least receptive to progressive ideas even when a broad majority can be found for them nationally. This is one of the reasons why conservative ideas have continued to exert such a strong influence at a time when the Conservative Party has been electorally weak. Electoral reform would not only allow progressives in different parties to compete for votes without handing power to the right, it would free them from the electoral calculus that has constrained their policy options for more than two decades.

Two central themes of Tony Blair's vision of a progressive century prior to 1997 were democratic renewal and a new politics. The first would transform Britain's outdated and centralised constitution by locating power closer to the people. The second would provide an answer to the "progressive dilemma" by building a coalition for change that embraced the Labour and Liberal traditions.²⁸ Judged by these standards, Blair's record has been mixed at best. The Government's patchy record on decentralisation has been matched by a countervailing tendency to centralise decision-making in Downing Street. The early experiment in Lib-Lab cooperation through the Joint Consultative Committee foundered on Blair's failure to honour his promise to put the conclusions of the Jenkins Report on electoral reform to the British people in a referendum. At the next general election we are likely to see a reversal of the tactical voting that has helped to shut the Conservatives out of power for the last seven years.

One consequence of this is that New Labour has missed its best opportunity to entrench the gains it has made. Just as Margaret Thatcher abolished the Greater London Council on a whim, a future Conservative government elected on a minority share of the vote could easily dismantle much of what has so far been achieved. The one exception may prove to be the Scottish Parliament, but even here a clash between a Conservative majority in Westminster and a progressive coalition in Edinburgh may ultimately resolve itself in a break-up of the Union. New Labour cannot hope to pave the way for a progressive century unless it can find a way of making its reforms irreversible. Given the difficulty of introducing a written constitution in conditions other than revolution or war, the best hope remains electoral reform. The question is whether New Labour will come to this conclusion in time to do something about it or will be left to rue its missed opportunity from the Opposition benches.

Equality and opportunity

New Labour has always been ambiguous on the question of equality. Tony Blair has often identified himself with the revisionist social democratic tradition that claims equality as its central ideal. At other times he has appeared dismissive of egalitarian concerns. In an interview with Jeremy Paxman during the 2001 general election he repeatedly refused to say whether it was acceptable for the gap between rich and poor to widen; "It's not a burning ambition of mine to make sure that David Beckham earns less money."

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Instead, he proposed a very limited “equality of opportunity” objective traditionally dismissed by social democrats as inadequate to the attainment of social justice; “the issue isn’t in fact whether the very richest person ends up becoming richer. The issue is whether the poorest person is given the chance that they don’t otherwise have.”²⁹ Gordon Brown has attempted to bridge this gap by talking about “maximalist equality of opportunity” and “fairness of outcome”.

The effects of this ambiguity have left their mark on New Labour’s record in office. The Blair Government can be credited with initiating a sustained anti-poverty programme that has reduced the number of people living in households with incomes below the poverty line (defined for the purposes of this paper as 60% of median earnings after housing costs) from 13.9 million to 12.4 million. And yet it has not only failed to close the yawning gap between rich and poor that opened up under the Conservatives; it has actually presided over a small but statistically significant increase in inequality.³⁰

This apparent inconsistency – falling relative poverty combined with rising inequality – is the result of pronounced distortions in wealth distribution at either end of the income scale. For the 70% in the middle of that scale the effects of the Government’s policies have been clearly redistributive, with the incomes of the less well off growing faster than those of the better off. For the 15% at the top and the 15% at the bottom the trend is sharply reversed, with the wealthiest doing better than average and the poorest doing markedly worse than average. Income for the bottom 2% has actually fallen.

The consequence of this is that inequality has increased. According to the Gini index (which expresses income distribution as a single figure on a scale in which 0 represents maximum equality and 1 represents maximum inequality), inequality rose from 0.33 to 0.34 between 1996/7 and 2002/3. In that time Britain went from being the sixth most unequal society in the EU-15 to being the fourth. This increase may seem modest, but the scale of inequality it contributes to is not. In 1978/9 the Gini index stood at 0.25. Britain today is more unequal than at any time since 1961.

Of course, this is only part of the story. It is also important to consider what would have happened if New Labour had not introduced redistributive measures such as the minimum wage, the Working Families Tax Credit and the Minimum Income Guarantee. The Institute for Fiscal Studies has calculated that without these changes the rise in inequality would have been more than twice as large. New Labour’s success in stemming the tide of inequality is in many respects a considerable defensive achievement. But it is not exceptional by historical standards.

Every previous Labour government managed to reduce inequality, and usually did so in much more challenging economic circumstances. The advantage of sustained economic growth is that it is supposed to resolve distributional problems by making it possible to achieve greater equality by levelling-up instead of levelling-down. One recent analysis concluded that incomes are set to rise by 40-50% over the next twenty years and that diverting just 5-7p of

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each £1 of that growth to the poor could eliminate poverty altogether.³¹ New Labour will be harshly judged if it fails to use that opportunity to create a more equal society.

One thing for which the Blair Government cannot be faulted is its decision to prioritise the fight against pensioner and child poverty. These groups represent some of the most vulnerable members of our society and have suffered higher than average levels of poverty. Between 1996/7 and 2002/3 the numbers of pensioners and children living in households below the poverty line have fallen from 26.9% to 21.4% and from 33.9% to 28.5% respectively. An additional practical argument for tackling child poverty can be found in the very strong evidence linking the experience of deprivation at an early age with the denial of life chances in later years.³² The objective the Government has set of eliminating child poverty by 2020 therefore stands out as one New Labour policy with genuine transformative potential.

The good news is that the Government appears to be on track to meet its intermediate target of a 25% reduction in child poverty by 2004/5. The question is whether this progress can be sustained. Last year the Government changed its relative poverty indicator, mainly by defining the poverty line as 60% of median income *before* housing costs (until now it has also used a measure of poverty that takes housing costs into account). The effect of the new measure is to reduce the proportion of children considered to be in poverty from 28.5% to 22.9%, thereby making it easier for the Government to achieve its target. Given the importance of housing and the huge inflationary pressures created by the current mismatch between supply and demand in the housing market, there would appear to be little justification for this other than political convenience. It doesn't create great confidence in the ability of the Government to meet its targets without moving the goalposts.

Even on the new measure, the pay and/or benefits of families below the poverty line will need to rise substantially ahead of median incomes year-on-year for the next sixteen years if child poverty is to be abolished. Evidence from Sweden, Finland and Denmark, where child poverty rates are down to between 5% and 10%, suggests that the success of the Nordic model has more to do with the high proportion of women in paid employment than large fiscal transfers. But it would be wrong to conclude from this that child poverty can be abolished on the cheap. The effect of employment in reducing poverty in the Nordic countries has been achieved thanks to a much more egalitarian distribution of wages and the provision of universal, high-quality childcare. Achieving the same result in Britain would require a more aggressive use of the minimum wage to eliminate poverty pay and a massive increase in nursery places and other forms of childcare. New Labour has hinted that an expansion of pre-school education is likely to form a central part of its third term agenda. What remains to be seen is whether this will be backed by the sorts of resources required to make a real difference.

Universal childcare could enable Britain to meet another of the major challenges it faces: the dramatic decline in social mobility that has accompanied the rise in poverty and inequality since the early eighties. The

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Centre for Economic Performance has compiled data comparing the experience of a cohort born in 1958 with another born in 1970.³³ It concludes that the adult income of those in the second group was much more closely related to parental income than it was for those in the first. Between 1958 and 1970, the proportion of males born in the bottom income quartile who remained there rose from 30% to 38%. The proportion remaining in the top quartile rose from 34% to 43%. That pattern of declining mobility was replicated across the income range and was broadly similar for women.

This has happened in spite of the huge expansion of higher education that took place in the 1980s and 1990s. Indeed, the figures show that asymmetries in the benefits of that expansion account for 30% of the decline in mobility. The well off are simply better at playing the system. This suggests that the Government's policy of increasing student numbers to meet an arbitrary target of 50% is too blunt an instrument and may actually exacerbate social exclusion unless it is accompanied by other measures designed to equalise opportunities. Evidence linking educational attainment to cognitive development in the first two years of a child's life provides one clue as to how this might be achieved. It is no coincidence that the only countries that appear to have succeeded in substantially reducing the link between the educational attainment of parents and their offspring are the Nordic countries that offer the most extensive nursery education.³⁴ However, it should not be forgotten that this also reflects the long established fact that those societies with the highest levels of social mobility also tend to be those with the highest levels of social equality.³⁵

The weakening of formal class distinctions obscures the reality that the increasingly iniquitous distribution of wealth that has become a feature of British society since the early 1980s is producing a form of social stratification as rigid as anything that has preceded it in modern times. The idea that any meaningful equality of opportunity can be achieved while this wealth gap continues to widen is a mirage. Since those with vastly greater assets will always be able to buy advantage for themselves and their children, a strategy for equalising life chances must necessarily involve a concerted effort to reduce inequalities of material wealth.

New Labour's refusal to acknowledge, or perhaps even comprehend, the strong relationship between opportunity and outcome remains a major obstacle on the path to a progressive century. This impacts most strongly on the debate about tax. All the indications are that New Labour intends to seek a third term on a renewed promise not to raise the basic or upper rates of income tax, leaving the Liberal Democrats as the only party advocating a more progressive tax regime through the introduction of a 50% top rate and a local income tax. What is particularly frustrating is that the arguments advanced by New Labour for ruling out income tax rises are so weak.

On a practical level, Tony Blair claims that higher taxes on the rich would actually reduce revenues because of greater tax avoidance and reduced incentives to work. This theory gained currency as a result of the "Laffer curve", a speculative diagram drawn by a right wing economist in 1974 that

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provided the justification for the Reagan and Thatcher governments' decision to shift the tax burden from the rich to the poor in the 1980s. There is in fact no empirical evidence to support this hypothesis. But what is for free market conservatives nothing other than an article of religious faith is accepted by Blair as proven fact.³⁶ It is logical to assume that a return to tax rates of 98% would produce diminishing returns. There is no reason for supposing that a 50% rate would do the same.

This superficially pragmatic argument in fact conceals a rather different motive. As a result of losing the 1992 general election many senior Labour figures came to the conclusion that they would never be able to persuade voters of the case for higher taxes. Preserving a tax regime that favours the wealthy came to be seen as part of the historic compromise progressives must accept in exchange for the opportunity to govern. The evidence of opinion polls suggests a rather different picture. According to the British Social Attitudes survey, 82% of voters think the gap between rich and poor is too wide and 58% think that it's the Government's responsibility to close it.³⁷ At the same time the number of people who think that the state should redistribute income from rich to poor has fallen from a high of 51% in 1994 to 39% in 2002; a period that coincides exactly with Tony Blair's period as Labour leader.

New Labour's retreat from the promotion of egalitarian values and its pursuit of limited redistribution by stealth has weakened support for progressive policies, yet a widespread and instinctive dislike of inequality remains. This sentiment could be mobilised with a direct appeal to fairness. Since 1979, thanks to a shift towards regressive taxes like VAT, the proportion of income paid in tax by the lowest quintile of taxpayers has risen from 31% to 42%. For the highest quintile it has fallen from 37% to 34%.³⁸ It is legitimate on this basis to argue that the rich are not contributing their fair share to the well being of the nation. A policy of reversing that trend stands a good chance of commanding considerable popular support. Using the revenues of a 50% wealth tax for an 'opportunity fund' that could finance universal childcare would be an important sign that New Labour truly is governing for "the many, not the few".

Public services

The provision of high quality public services on the basis of need rather than ability to pay is fundamental to the promotion of social equality and creation of an opportunity society. More than anything else, it is this egalitarian concern that distinguishes progressive values from the social Darwinism of the right. New Labour has therefore been right to identify the transformation of the public sector as its overriding priority. It deserves particular credit for being willing to match words with deeds in the form of a huge commitment of additional resources. Since New Labour was elected, annual Government spending on education has risen from £42.2bn to £57.9bn while annual health spending has increased from £49.2bn to £73.5bn in real terms.³⁹ No one who looked objectively at these figures could seriously accuse New Labour of

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pursuing a strategy of privatisation by stealth or running down the public sector.

The benefits of this additional expenditure are clear to see. In the NHS, reductions in waiting times are accelerating dramatically with a two thirds drop in the number of people waiting more than thirteen weeks for an outpatient appointment over the last year and a 60% drop in those waiting more than six months for admission to hospital. Over that period the total number of people waiting for hospital admission has fallen from 992,000 to 906,000.⁴⁰ In England, smaller class sizes and a focus on standards in numeracy and literacy has resulted in a measurable improvement in the number of eleven-year-olds achieving level four grades or above since 1998; up from 65% to 75% in English, from 59% to 73% in mathematics and from 69% to 87% in science. There have been smaller but nevertheless significant improvements in the number of fourteen-year-olds achieving level five or above. The participation rate in higher education for those aged 18 to 30 is up to 44%.⁴¹

The real question is whether the increases in expenditure that have produced these results can be sustained over a period long enough to make a permanent difference and provide the Blair Government with an enduring legacy. The Wanless Report commissioned by the Treasury to consider the long-term resources required for a quality health service concluded that total NHS spending would need to rise in real terms from £68bn in 2002-3 to somewhere between £154bn and £184bn in 2022-23.⁴² Significant additional resources will be needed to meet the Government's education policy ambitions from expanding nursery provision to raising schools standards and getting more than 50% of school leavers into higher education.

The problem is that New Labour has not succeeded in forging a new bipartisan consensus in favour of public spending of the kind that survived for more than twenty years after the Atlee government left office. Forcing your opponents to adopt your ideas is one of the most important tests of political success, yet the Conservative Party still plans to reduce spending to 35% of GDP, a target that would require cuts in services even greater than those made by Margaret Thatcher. Given that Tony Blair turned his back on Lib-Lab cooperation and spurned the opportunity to change the electoral system in ways that might entrench Britain's natural progressive majority, it must be expected that these advances will be rolled back, at least in part, at some stage in the future.

Extra spending, however, has formed only one plank of the Government's public service agenda. To avoid the accusation that Labour has returned to the "tax and spend" policies of old, Tony Blair has also stressed the need for thoroughgoing reform to improve service delivery. For the most part "reform" has become code for the introduction of the private sector, or at least private sector techniques, into the management of public services. Of course, progressives should be pragmatic about the role of profit-making enterprises in the delivery of public services. The defence of state-centred structures for their own sake diminishes public trust and undermines the case for social provision. In this sense "what works is what counts" is a sensible guide to

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policy. But what works is not a value free judgement and there are good grounds for suspecting that New Labour is operating on an ideological presumption in favour of market-based solutions.

Indeed, New Labour can often appear a little naïve in its understanding of how the private sector works. Markets can be efficient at generating goods and services where there is choice and the possibility of exit for the consumer. It is the existence of competition and the risk of bankruptcy that motivates businesses to offer quality products at the lowest price. Yet New Labour has introduced private companies into parts of the public sector where there is no effective competition and no real possibility of risk transference. The adoption of a Public Private Partnership for the maintenance of London Underground's infrastructure is a case in point. The need for Transport for London to guarantee a decent rate of return to prevent contractors going bust or simply walking away means that cost controls are weak and the only mechanism for ensuring service delivery is contract compliance.

These problems have already become apparent in other PPP schemes where risk transference has been exposed as a sham and public authorities have found themselves unable to enforce sanctions against failing contractors because of the disruption it would cause to service delivery.⁴³ The PPP model reflects Tony Blair's prejudice that entrepreneurs are preferable to public servants because they have superior management skills. In fact the private sector only appears relatively efficient because bad businesses are allowed to go to the wall. This isn't possible where essential public services are concerned.

The report of the independent Commission on Public Private Partnerships concluded that the public spending arguments often advanced in support of these schemes are without merit. They do not provide a cheap alternative to other forms of public investment and may prove more expensive if the efficiency gains are insufficient to offset the higher cost of private financing. The report found that while Private Finance Initiative schemes for prisons and roads did appear to offer efficiency gains, the savings for schools and hospitals were minimal.⁴⁴ When other factors, such as the reduced capacity of PFI hospitals, are considered, it is by no means clear that many of these schemes provide the best value for money. The haste with which some of them have been rushed through with minimal debate suggests that Ministers are not necessarily interested in finding out. It seems as though New Labour has concluded that a concession to neo-liberal orthodoxy in the form of significant marketisation is necessary in order to buy-off opposition to its public spending plans on the right

If so, it is a very shortsighted calculation. As David Marquand argues persuasively, the strength of the public domain lies precisely in the fact that it operates within a framework of non-market relations in which everyone enjoys equal citizenship.⁴⁵ The problem with the recent debate about tuition fees in higher education was not the suggestion that students would have to pay more for their own education; it was the way that more redistributive solutions, such as a graduate tax, were foreclosed by Tony Blair's insistence that

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nobody should have to repay more than the cost of their course, no matter how much they earned. We have at a stroke moved away from the idea of higher education as a citizenship right to which everyone contributes according to his or her means and towards the idea of it as just another consumer transaction. How much longer before this logic is followed to its conclusion and Britain is left with a higher education sector stratified along American lines? And where does the principle of flat rate charging for public services stop?

Part of New Labour's motive for pushing forward its reform agenda is the desire to prevent middle class flight from public services. This is not a negligible concern. The legitimacy of government spending on public services depends on high take-up levels amongst those who contribute the bulk of the revenues. Once participation rates fall below a certain level, the reluctance of those who have opted out of public services to continue paying for them in taxes puts downward pressure on revenues, creating poorer services and encouraging further flight. We can see the implications of this in the American debate about public spending and welfare.

New Labour's solution is to promote choice and personalisation in public service delivery. There is nothing necessarily wrong with this provided its limitations are understood. It would, for example, make no sense to encourage forms of choice that simply replicated within the public sector the advantages enjoyed by the better off in the private sector. New Labour's promotion of specialist and faith schools that practice covert forms of selection that favour affluent parents and their children suggests that the choice agenda is in danger of assuming an inegalitarian form. The challenge for progressives is to improve quality and equity together.

Depending on how they are managed, Foundation Hospitals could either turn out to be a new source of dynamism in the delivery of health care or the harbinger of a two-tier health service. To argue against them on the basis that they will produce differential outcomes is to ignore the fact that the quality of health care is already subject to wide geographical variation. The question is whether mechanisms will be put in place to ensure that poorly performing hospitals can catch up. The danger is that the ability of Foundation Hospitals to set their own pay rates and conditions of employment will enable the most successful to attract the best staff. If performance gaps become entrenched, the affluent will exploit their advantage in the housing market to be near the best providers, just as they currently do with schools. New Labour needs to be clearer about how this scenario is to be avoided.

One of New Labour's greatest failures has been transport. Since 1997 it has become the Cinderella of public services; starved of the attention, resources and ideas lavished on health and education. In Blair's first term, Government spending on transport actually fell in real terms. Not that it stopped John Prescott declaring: "I will have failed, if in five years time there are not many more people using public transport and far fewer journeys by car." The Government has long since abandoned any pretence that it expects to achieve that outcome and opted instead for a strategy of damage limitation

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and muddling-through. At times it appears in danger of reverting to the same failed mix of extra road building and cuts in rail services adopted by the Conservatives. Unsurprisingly, the Government is now resigned to rising congestion and emissions levels.

Transport is one area where rising affluence, commonly associated with exit from public services, actually increases the need for collective provision. The advance of fuel cell technology may address environmental concerns, particularly if the Government is willing to use its regulatory powers to encourage it, but it will not solve the intractable capacity problem that there simply isn't enough space to satisfy rising demand for private car use. Persuading voters that major lifestyle changes are unavoidable is a huge democratic challenge, and one that New Labour appears determined to duck. Ministers seem more concerned to appease the motoring lobby's sense of grievance over rising fuel duties. In fact, as a study by the Institute for Transport Studies has shown, motorists in 1998 met only 36-50% of the marginal cost of road use when congestion, pollution and other factors were considered. The figure for rail passengers was 85%.⁴⁶ Since then, and during New Labour's period in office, the costs of motoring have fallen by 5% while bus and rail fares have risen by 8% and 3% respectively.⁴⁷

Only Ken Livingstone has been willing take the radical supply and demand measure required to shift travellers onto public transport by implementing the congestion charge and expanding bus services. Doing the same at a national level would require the Government to reverse the above inflation rises in rail fares that make motoring the cost effective option for many travellers and expand capacity on the rail network. The principle that "what works is what counts" might even lead it to take rail back into public ownership. Sadly, that would involve a more open repudiation of neo-liberal orthodoxy than New Labour seems willing to risk.

The economy

New Labour's economic achievements are considerable, especially by the standards of past Labour governments: inflation has been low and stable; interests rates, although rising, remain low by historical standards; unemployment has come down to below a million and now stands at its lowest level since the mid 1970s; and there has been steady annual growth. Part of this is undoubtedly down to fortunate timing. Every previous Labour government assumed office in conditions of considerable economic difficulty. New Labour came to power just as the economy was picking up after the second Conservative recession. Even so, this enviable economic record would not have been possible without skilful management and the success of policies like Bank of England independence, the New Deal and public sector investment.

Nevertheless, imbalances and weaknesses remain which cast doubt over the long-term stability of the British economy and the sustainability of the Government's achievements. Although he has steered a steady course, the Chancellor has done little to address many of the structural weaknesses

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progressives have long identified in the British economic model. British industry still suffers from short-termism and low levels of investment. Our manufacturing sector has performed badly in comparison to our main competitors, shedding many more jobs in the current downturn. Exports have remained weak leading trade deficits to soar to record levels. Productivity per hour worked remains substantially lower than France, Germany or the United States, forcing us to compete by working the longest hours in Europe.⁴⁸ Skills levels lag those of our neighbours with more than a fifth of the working age population virtually illiterate (twice the northern European average).⁴⁹ And our industrial relations remain adversarial rather than cooperative.

Britain's comparatively good growth rates are the result of buoyant consumer confidence and the willingness of homeowners in particular to take on heroic levels of debt at a time when consumers in continental Europe are saving. A sudden loss of confidence could easily expose the underlying fragility of Britain's position. Many analysts estimate that the housing market is now overvalued to the tune of 30% or more, and yet prices continue to rise strongly. New Labour has done very little to address the huge mismatch between supply and demand that lies behind this overheating. The huge debt overhang and the acute sensitivity of consumer sentiment to interest rates is therefore a source of continued vulnerability. If interest rates had to rise suddenly to cope with the inflationary consequences of an external shock caused by rising oil prices or an exchange rate crisis precipitated by a collapse of the dollar, consumer retrenchment could be very sharp indeed. Britain's weak export performance and continued exposure to exchange rate movements outside the eurozone represent additional risks.

These problems are not simply discrete questions of economic management; they are symptomatic of the fact that Labour no longer proposes an alternative model of political economy. Tony Blair's decision to ditch the old Clause 4, with its commitment to common ownership, is often described as the British answer to Bad Godesberg, the moment in 1959 when Germany's social democrats turned their back on Marxist dogma and reconciled themselves to the market. In practice, Labour has always accepted the need for an economy based predominantly on markets. What New Labour has done is to jettison altogether the idea that a different type of market economy is possible. Blair's brief advocacy of the "stakeholder economy" concept in the mid-1990s raised hopes that New Labour would take power with a distinctive and radical economic vision, but it proved to be just one of many passing fads. In power he and Gordon Brown have left the structure of British capitalism almost entirely untouched.

This is regrettable since the need for a progressive alternative to neo-liberalism is as pressing as ever. A radical programme to change the framework of corporate governance to encourage more committed ownership of assets and challenge the primacy of shareholder value is necessary to address the weaknesses described above. Companies would be seen as social institutions, instead of mere vehicles for the exchange of private contracts, and would be structured to represent the interests of all those who have a stake in its success; not only investors, but employees, customers,

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suppliers and local communities as well. They would be more likely to invest for long-term success, nurture human capital by improving the skills of their employees, maximise profits through improvements in productivity instead of short-term cost-cutting and secure export share by producing high quality products.

New Labour rejects this analysis, or at least believes that its prescriptions are unattainable. Gordon Brown's economic vision, in particular, is based on an almost unqualified acceptance of the American business model with its emphasis on flexible labour markets, low levels of employment protection, minimal regulation and a system of corporate governance based on the sovereignty of the shareholder. His motive in doing so is the belief that by importing America's entrepreneurial spirit he can maximise growth and use the revenues to continue investing in public services. In other words, he seeks to marry neo-liberal economics to the social democratic state.

There is in fact no evidence, except on a highly selective reading of the facts, for arguing that the American business model produces better economic results. Besides, the value systems of neo-liberalism and social democracy are incompatible and long-term coexistence is therefore impossible. Economic structures generate values and outcomes that help to shape political culture. If they result in ever-wider disparities in wealth, the ethic of social solidarity from which public services draw their legitimacy will inevitably weaken. There are also resource and other limits on the capacity of the state to compensate for the failure of the market to provide security and a decent income when standards are constantly being driven down. High levels of taxation and public spending are only part of the reason why the countries of northern Europe produce more egalitarian outcomes. Just as important are economic structures that facilitate social partnership and share the benefits of economic growth more fairly at source.

The Blair Government is too set in its ways for there to be any real hope that it will change its economic outlook at this late stage, and a Brown premiership, for the reasons I have just outlined, is unlikely to be any different. But the reluctance to develop and articulate an alternative economic philosophy remains the major weakness of contemporary progressive thought. Whether a new generation of leaders will take up that challenge remains to be seen. What must be understood is that a progressive century cannot be built on neo-liberal foundations.

A progressive world order

One flaw in the progressive century thesis is the implication that the 20th century represented an unbroken period of conservative dominance. This is not true either of Britain or of the industrialised world as a whole. The three decades that followed the Second World War in particular marked an extraordinary era of progressive advance through the establishment of what became known, variously, as "embedded liberalism", "the golden era of welfare capitalism" or "the social democratic consensus". The exact policy mix and institutional arrangements varied, but its essential features were

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common to almost all democratic countries: the liberalisation of international commerce was matched by a conscious effort to mitigate and share the social adjustment costs arising from open trade flows; domestic economic policy was managed for the purpose of achieving full employment and high growth; social security and welfare services were greatly expanded; inequalities were reduced and social mobility increased. At the heart of this was a compromise between labour and capital that stressed their common interest in the successful management of a predominantly market economy.

On the surface of it, this period appeared to be one in which policy outcomes were determined within the parameters of national sovereignty. At no time before or since has the nation state played such an all-encompassing role in the development of western society. In reality, the “golden era” depended on a strong framework of international cooperation, consolidated under American leadership and based on an explicit rejection of the laissez-faire policies that had precipitated the Great Depression. The industrialised democracies agreed to work together to manage economic demand, stabilise exchange rates and prevent disruptive financial flows. The success of this model not only resulted in the most sustained economic expansion since the industrial revolution; it forced conservative and right wing parties everywhere to adopt it as their own. In Britain, this consensus remained more or less intact until the rise of Thatcherism.

The “golden era” came to an end when America, the country that sat at the apex of the international economic order that sustained it, decided that it was no longer willing to accept the constraints involved in managing the global economy for the common good. America thought it could do better by using the dollar’s position as the world’s only reserve currency to run budget and trade deficits with impunity, so President Nixon ended the dollar’s convertibility into gold, abandoned fixed exchange rates and abolished capital controls. National economies suddenly had to contend with the speculative pressures created by large volumes of mobile capital seeking the highest rate of return on the newly liberalised foreign exchange markets. The result was competitive deflation, the demise of national Keynesianism and the beginnings of the era of globalisation. The new orthodoxy dictated that in future governments would have to satisfy the demands of the international markets before they could begin to cater to the needs of their citizens.

One objective for a progressive century must be to restore to elected governments the capacity to manage economic affairs in the public interest. It must be obvious that they cannot achieve this on their own. Just as the “golden era” depended on the international architecture put in place after the Bretton Woods conference in 1944, a new era of progressive advance must be built around international rules and institutions that allow markets to be managed and regulated on the basis of human need. This cannot be done simply by reverting to the past. The level of global integration that has taken place over the last three decades is of a different order to the expansion of trade that characterised the “golden era”. Loose intergovernmental arrangements on the Bretton Woods model would prove no match for capitalism in its new transnational form. Only rules-based systems of

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transnational governance, of which the European Union remains the outstanding example, can hope to provide the necessary regulatory capacity.

The task is further complicated by the fact that modern America has turned its back on the principles of enlightened self-interest that guided the foreign policy of Roosevelt and his post-war successors. To the economic unilateralism of Nixon has been added new forms of diplomatic and military unilateralism and an aggressive 'America First' attitude. This is about more than just the current administration. The Bush doctrine represents in extreme form a tendency that was already becoming apparent during the Clinton years and has its origins in the profound global imbalances created by the end of the Cold War. Superpowers do as superpowers can, especially when there's only one of them, so we shouldn't be surprised that America has come to see the multilateral institutions of the international community as an unnecessary fetter. The point is that, in its initial stages at least, a more progressive world order will have to be built without American support and probably in the face of considerable American hostility.

On many of these questions, New Labour has ended up facing both ways. Its instinctive internationalism has led it to sign up to the International Criminal Court, support the Kyoto agreement on climate change, double its overseas aid budget, increase debt relief for the developing world and seek a more positive role for Britain in the European Union. At the same time Tony Blair's susceptibility to the logic of realpolitik has led him to pursue a strategy of proximity to American power that has weakened the international community and reduced Britain to the role of supplicant. Thanks largely to the Iraq war and its shambolic aftermath, it is this second tendency that has come to define New Labour's period in office.

A major political casualty of this failure has been Blair's ambition to swap Britain's status as a continental outlier for a leading role at the heart of Europe. This could indeed have been a milestone achievement of the progressive century. The European social model continues to embody the values of the "golden era" and remains the only realistic alternative to the minimal government, low tax, market fundamentalism of the American business model⁵⁰. Economic reform is certainly needed in Europe, but where countries have been willing to reduce non-wage labour costs and adopt welfare systems that incentivise work, the European social model has shown that it is still capable of combining social justice with high levels of growth and employment. Monetary union creates the potential for the euro to match or even eclipse the dollar as a global reserve currency, thereby removing a major distortion in international power relations. A stronger common foreign and security policy would enable Europe to project its values and defend its interests independent of American sponsorship. The objective here should not be to seek an antagonistic relationship based on rivalry, but to reconstruct the Atlantic alliance as a partnership of equals.

New Labour has never accepted the idea of Europe as an independent force in world affairs, preferring instead to stress the compatibility of deference towards America in the context of the 'special relationship' with support for

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further European integration and membership of the euro. Britain, in Tony Blair's phrase, should occupy a mediating role as a "bridge across the Atlantic". Yet even this minimalist pro-European vision now lies in tatters. Blair has repeatedly flinched from the task of forcing the issue of British membership of the euro onto the political agenda for fear of incurring the wrath of powerful right wing interests, not least Rupert Murdoch and The Sun. Instead of appeasing Eurosceptic opinion, he has simply encouraged it to greater excess, with the result that he has now been forced to concede a referendum on the European Constitution. The loss of that referendum raises the very real prospect that New Labour will exit office with Britain even more semi-detached from Europe than when it was elected. From the perspective of a progressive century, that would be a major strategic reverse.

More broadly, New Labour has been too willing to accept the existing model of globalisation as a *fait accompli*. That is not to say that progressives should adopt the simplistic, oppositional stance of the anti-globalisation movement. The explosion of trade, travel and telecommunications in recent years reflects the yearning of ordinary people everywhere for access to the best of what the world has to offer, and it can be a liberating and enriching force. But progressives have to do more than repeat the mantra that "globalisation is good for you". The real picture is far too mixed for such a sanguine judgement. While some countries in East Asia and elsewhere have experienced spectacular rates of growth and development by opening up their markets to trade and investment, others have experienced immiseration and a fall in real living standards. Twenty countries in sub-Saharan Africa, inhabited by half the population of the region, are poorer today that they were in 1990.⁵¹

This partly reflects the unfairness of a world trade system that forces developing countries to open their economies to competition from the West while subsidised agricultural products from Europe and America flood their markets and put struggling farmers out of work. The Blair Government deserves credit for the vigour with which it has called for reform of Europe's Common Agricultural Policy and a new trade round that puts the interests of developing countries first. Fair trade rules are needed, but a level playing field isn't enough if one side has more players than the other. The terms on which developing economies are obliged to open up to competition should have some regard to their ability to compete. It is worth noting that the countries that have benefited most from globalisation – China being the most obvious example – are those that have been strong enough to nurture their domestic economies and manage the process of liberalisation to their advantage.⁵² It is not fashionable to say this, but globalisation works best when it is mixed with a sensible dose of state planning. If New Labour was true to the dictum that "what works is what counts", it would acknowledge this openly and break with the neo-liberal consensus that regards the unfettered spread of market forces as the only solution to world poverty.

A progressive world order requires a new compact between the developing and the developed worlds based on solidarity – a global New Deal. This cannot be achieved unless the existing institutional frameworks and the assumptions on which they are based are radically reformed. Institutions like

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the IMF, World Bank and WTO are dominated by the sectional concerns of western business leaders and economics ministers, and suffused with an ideology of market fundamentalism that persists in spite of its evident failings. The result has been a series of “shock therapies” and “structural adjustment programmes” that have proved ruinous for some of the poorest people in the world. The mandates and structures of these bodies need to be changed to make it clear that poverty reduction and human development are the objectives and market reform a means of achieving them. The dominant ideology treats economic liberalisation as an end in itself. So far, New Labour has done too little to challenge it.

It is axiomatic that a progressive century must involve a substantial rebalancing of global wealth and power. Inevitably this will impinge on the interests of those who currently enjoy a disproportionate share of both. Yet New Labour appears reluctant to embrace the radical changes needed for fear of upsetting the rich and powerful, and has become shackled by the terms of the ‘special relationship’ in particular. Its refusal to support a Tobin Tax on speculative capital transactions, for example, has less to do with merit than the calculation that it would put London at odds with Washington and the world financial markets. New Labour has attempted to work within a model of global relations that is structurally incompatible with progressive values. Truly radical governments create their own models.

Conclusion

Tony Blair’s assertion that his Government is laying the foundations for a progressive century is not capable of withstanding serious scrutiny. Each radical reforming government of the 20th century (in this I include the negative example of the Thatcher government as well as the progressive governments of Asquith and Attlee) left an enduring legacy by establishing a new political consensus to which later governments felt obliged to conform. In too many respects the Blair Government has proved unwilling or unable to break with the consensus it inherited from the Conservatives. Progressives are in office, but rarely appear to be in power.

That is not to argue that the Blair Government is without achievement. It’s simply to acknowledge that across large swathes of the policy field the elements of continuity are more obvious than the elements of change. Britain remains a socially divided country, semi-detached from Europe, with a casino economy, an over centralised political system and under funded public services (albeit less so). Given the scale of the problems it inherited, it would have been asking too much to expect that New Labour could have solved them all within the space of two terms. What is telling, however, is the extent to which it has barely made a dent in some of the most harmful legacies of the Thatcher era. In some cases it has refused even to try.

Moreover, the malign relationship between declining political trust and the shrinking public policy agenda, paralleled by New Labour’s retreat from egalitarianism and the electorate’s inability to see any real difference between the parties, threatens to reduce the space for progressive politics still further.

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New Labour's electoralist instinct to tack with the prevailing wind offers little hope that it will be able to break out of this cycle.

Anthony Giddens, New Labour's court ideologue, recently acknowledged this problem. The Third Way had been a necessary riposte to neo-liberalism, but had defined itself too negatively and pragmatically. Progressives had thus lost the capacity to inspire. What is needed is an "ideological breakout" that will allow progressives to escape from the shadow of Thatcherism and reconfigure British politics around their own values.⁵³

There is, unfortunately, little evidence to suggest that New Labour has either the will or the political resources required for such a breakout. Its pessimism about the scope for progressive advance and its reluctance to challenge the vested interests of the right reflect its formative experience of political defeat in the 1980s and early 1990s. It has been a psychologically disabling legacy. Ideological breakout, if it is to happen at all, requires a leadership less encumbered by the past.

Through a strategy of adaptation to the orthodoxy of the moment, Tony Blair can perhaps argue that he has discovered a formula for electoral success. In the sense that progressives, by emulating his approach in decades to come, stand to find themselves in government more often in this century than they did in the last, he may claim to have achieved his ambition. But it will not be a progressive century in anything more than the most superficial sense of the term. A different future is both necessary and possible.

David Clark
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