

FROM OLD TO NEW:
A THIRD WAY OR THE END OF ALTERNATIVE POLITICS?
THE CASE OF THE BRITISH LABOUR PARTY

A Master's Thesis

by

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Ankara
September 1999

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The Institute of Economics and Social Sciences
of
Bilkent University

by

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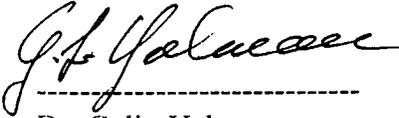
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ABSTRACT

FROM OLD TO NEW: A THIRD WAY OR THE END OF ALTERNATIVE POLITICS? THE CASE OF THE BRITISH LABOUR PARTY

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This thesis critically analyses the ideological transformation of the British Labour Party. Following an investigation of the nature and basic dimensions of party's conventional ideology, the main focus will be on the fundamental transformation that occurred in the mid 1990s under the leadership of Tony Blair. The thesis argues that contemporary Labour Party does not offer a political vision beyond the new-right, rather its electoral success lies in its reconciliation with the basics of Thatcherism in an era when the Conservative Party lost its popularity.

Keywords: The Labour Party, Tony Blair, Thatcherism, Social Democracy, Supply-side Economics, The Third Way, Ideology, Welfare.

ÖZET

ESKİDEN YENİYE: ÜÇÜNCÜ BİR YOL MU ALTERNATİF SİYASETİN SONU MU? İNGİLİZ İŞÇİ PARTİSİ ÖRNEĞİ

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Bu çalışma İngiliz İşçi Partisinin ideolojik dönüşümü eleştirel bir gözle incelemektedir. Partinin geleneksel ideolojisinin doğası ve temel boyutlarının kısa bir analizini takiben, partide 1990lı yıllarda, özellikle de Tony Blair döneminde, gerçekleştirilen kökten dönüşüm ayrıntılı olarak incelenmektedir. Bu çalışmaya göre yeni İşçi Partisi yeni-sağ politikaların ötesinde bir siyasi perspektif sunmamakta, aksine seçim başarısı, Muhafazakar Partinin popüleritesinin azaldığı bir dönemde, partinin yeni-sağ siyaset ile uzlaşmasında yatmaktadır.

Anahtar Kelimeler: İşçi Partisi, Tony Blair, Thatcherism, Sosyal Demokrasi, Arz-yanlı İktisat, Üçüncü Yol, İdeoloji, Refah Devleti.

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CHAPTER I

INTRODUCTION

Looking at the Western European political map, what we first see is that almost all Western Europe, except Spain and Ireland, is governed by political parties which refer to themselves as being somehow on the left of the political spectrum. This process, if we can call it such, began in 1995 with the Finnish elections, and triumphed with the victory of the German Social Democrat-Green coalition in 1998. In this respect, the 1997 British elections were of considerable importance since they meant the end of the 18 years-long conservative government which had become the champion of the neo-liberal policies for almost two decades.

Nevertheless, there is also another dimension of this phenomenon. A decade ago, some were burying the left with slogans such as *the death of socialism* and *the end of history*, and now some are hotly welcoming the revival of the left. Having observed the fact that most of those who were in the funeral are now in the birthday party, one can not help but think that there should be something worth investigating in this. For several generations in Europe, it was apparently unusual, rather unimaginable, to see, for example a commentary titled

'*The New Left Could Save the Market*' in the *Wall Street Journal* (21/December/1998); the declaration of the tabloid the *Sun* that it backs the Labour Party, or the decision of the billionaire press baron, Lord Rothermere who is the proprietor of the *Daily Mail*, to abandon the Conservative benches in the House of Lords in favour of Labour's (The Guardian, 23/May/1997).

Considering such a landscape, the first question we posed became how did the left succeeding in gaining such an acceptance of those who were strongly identified with the right. In other words, with what kind of political projects could the European left have been carried to the ranks of the government? Therefore, our original intention was to provide an analysis of the contemporary situation at the European level. However, immediately we realised that neither was it so easy to evaluate different contemporary cases in a single basket, nor was it meaningful to analyse the present cases without an investigation of the left in the course of the twentieth century. In other words, in a limited study, we had to make a choice between the width and the depth, one at the expense of the other. Since we thought that it would be more intelligible dealing with a single case within its historicity, we decided to deal with the British Labour Party. The reasons for choosing it are clear. First, it is coming out of a tradition aged almost 100 years, through which we can observe both the nature of its own project and also various ideological debates and transformations that took place within it. Second, as stated above, Britain had experienced the harshest neo-liberal rule for two decades, which deeply affected the political orientations, both at the popular level or at the party level. Third, in Europe and elsewhere the discussion on 'the new left' revolves

around British Labour's success story and its foundations. Therefore, we saw the British Labour Party as the best case in which to analyse the nature, transformation and the final condition of the twentieth century social democratic and/or democratic socialist movement in a single country. Now, let us introduce the study.

The purpose of the second chapter is to provide a brief but substantial investigation of the history of the Labour party from its foundation up through the 1983 election defeat which marks the beginning of the ideological transformation of the party under the leadership of Neil Kinnock. The Old Labour Party used to be defined as a 'broad church' in British politics. Having been founded as a mixture of the trade union movement and various socialist groups, within a relatively short time it created its own ideology and succeeded in replacing the Liberal Party as one of the two greatest parties in Britain.¹ Indeed, in many cases, it shared a lot of common ideas and ideals with the liberals, but it was distinguished from them with its emphasis on class politics.

Of course, this 'broad church' was not an always-happy assembly and in the course of time, the Labour Party had experienced significant ideological debates raised by various factions of the party. The meaning and the relevance (or irrelevance) of public ownership, which was the core of the revisionist argument in the 1960s, was the most prominent one. However, no matter how diversified within itself, an associated concern had always existed among the ideological factions of the Labour Party. At the heart of this concern was the belief that capitalism, due to its nature, is an anti-humanitarian system which inevitably brings (and relies on)

¹ It was again this party which founded the post-war welfare state and economy in Britain.

inequality and social injustice between the classes. However, since the Party carefully rejects a revolutionary line, what needed to be done was to attempt the realisation of socialist and egalitarian goals within capitalism. What made social democrat (or democratic socialist) parties social democrat was this line of thought and the ideological debate, some of which we will see in the second chapter, for several decades occurred beyond this belief, not about it. Neither Bernsteinian revisionism of the German left which was formulated in the late nineteenth century, and found its ultimate expression in the *Bad Godesberg* program in 1959, nor the Croslandite revisionism of the British left in the 1960s, were exempt from this. And although, for a variety of reasons, some of which we agree to, many Marxists, including Marx himself, strongly denounced this line of thought; it was, according to us, undeniably important and helpful in the popular promotion of left-wing politics in the course of the twentieth century. To sum up, the second chapter provides the historical evolution of twentieth century British parliamentary left embodied in the Labour Party. It is this social democratic project which began to disappear with the coming of Kinnock to the leadership following the electoral defeat of Labour in 1983.

The third chapter deals with the era of two leaders: Neil Kinnock (1983-1992) and John Smith (1992-1994). Kinnock can be said to prepare much of the ground for the fundamental transformation of the party by Blair. He moved to create a party in which the power of the leadership is not curbed by the grass-roots or party activists. He also started the process of abandoning the former priorities of Labour, the Policy Review, through an accommodation with the priorities of the

neo-liberal settlement. Smith did not become a second Kinnock and tried to transform party in a gradual way without kicking activists or radicals. But this did not mean that he was strongly committed to keep Labour in the social democratic tradition. Further, under his leadership we can see some origins of the mode of thought on economic policy and welfare, which would be highly matured in New Labour.

The fourth chapter is the heart of this study. In this chapter, the reader will find a detailed investigation of the formation and policies of New Labour. An important section is devoted to the economic policy of New Labour which, according to us, means nothing more than a modified version of neo-liberal economics and free market triumphalism. What New Labour seeks to add to this agenda is its argument for having the magic formulation for the fair and proper functioning of the free markets in which, with the 'help' of the state, everybody could win. We will also try to show both the irrelevance of such an agenda to even the modest aspirations of the left, i.e. conventional social democracy, and the unfeasibility of this project in order to realise what it promises since it defines its room of action mostly within the boundaries of neo-liberal economics. In this chapter the reader will also find our attempt to explain the phenomena of New Labour in terms of the political economy of Britain under Thatcherism.

There are two other topics of the fourth chapter. First, the social conservatism of New Labour, which, for the first time in the party history, a number of topics originally belonging to the Anglo-Saxon conservative thought are being promoted by the Labour Party. Second, new welfare understanding and

policy of New Labour which is formulated in tune with its economic policy. Two points should be stated here. First, New Labour's understanding of welfare is quite different from Old Labour's. It declares the end of universal welfare provision on the basis of need, and introduces another concept of 'welfare to work'. Second, what is aimed at 'welfare to work' again does not seem feasible since New Labour's supply-side policies are blind to the demand side of the economy and budget constraints makes it difficult to realise. Beyond this, since the underlying agenda of welfare to work, in the sense promoted by New Labour, is to guarantee the flow of cheap labour to flexible labour markets, it does not introduce a new agenda beyond the workfare.

The fifth chapter is a short chapter introducing the reader to the ongoing debate around the The Third Way theme. We will also briefly discuss some ideational underpinnings of the Third Way mostly on the basis of what Tony Blair and Anthony Giddens wrote on this issue.

This study, it must be said, is written from a left-wing perspective which is neither 'Old Labour' nor 'New Labour'. Of course, as it was probably recognised, this is not to say that it is equidistant to both. Although it had a large set of criticisms to Old Labour too, it would acknowledge its role in constituting the most powerful -and the only popular one entering into Parliament- line of class politics -whether successful or not when in power- in Britain. Meanwhile, what it expects from a contemporary social democrat party is not to give an end to capitalism which had actually never been in the agenda of social democracy. Rather, what would be expected from a party that claims to be a renewed social

democrat is first, instead of reproducing the conservative economics, to attempt at the articulation of an economic policy which can combine the aspirations of social democracy - basically a fair distribution and socio-economic justice - with an intelligible economic policy which does not surrender to neo-liberal myths on stability and public spending and globalisation. Second, as stated by Yalman in a recent article, we would expect a social democratic party, to let the social classes to take place as organised autonomous groups in democratic political competition (Yalman, 1999). However, as this study will try to illustrate, New Labour has nothing to do with them.

As a final note, although we would like to deal with the Labour Party and basically New Labour in the widest sense, the limits of this study prevented us from examining the constitutional policy of New Labour, such as devolution, a written constitution, hereditary peers, local government etc. On the one hand these are the only matters in which New Labour appears to be different from the Tories. For example the Scottish Parliament, which the Tories are strictly against, has already been realised. However, on some vital issues directly related to democratisation of the British state, such as empowerment of local government, New Labour is quite unwilling to move. Moreover, when one considers the centralist tendencies of the Labour government, for example disempowerment of local education authorities in favour of the education department, and the social conservatism of New Labour, which will be examined in this study, discourse on the constitutional reform loses its meaning since at the heart of the idea of

constitutional reform lies the democratisation and decentralisation of the British state.

In a similar vein, it would be interesting to examine the international aggressiveness, and warfare budget (Edgerton, 1997) of this so-called left government which did not hesitate to sell arms to the authoritarian government of Indonesia (The Guardian, 21/June/1999). However, these issues had to remain untouched due to the limited nature of this study.

CHAPTER II

OLD LABOUR

2.1 Roots

It was in 1900 when a set of trade unions together with Independent Labour Party (ILP), Social Democratic Federation (SDF) and Fabian Society established the Labour Representation Committee (LRC) in order to realise labour representation in British Parliament (Pelling and Reid, 1996: 2). Among the constituting elements, the Fabian society, founded in 1884, was devoted to social analysis and policy making in the service of collectivist values, and was defining socialism as the 'economic side of the democracy'. It was seeking reforms designed to register, inspect, and control the private economy (Callaghan, 1989: 24).

Independent Labour Party (ILP), another founder, was formed in 1893 with the aim of sending workers to Parliament independent of Liberal and Conservative Parties. It was seeking to draw strength from workers, socialists and liberals who were disappointed with the record of the Liberal Party. It had adopted a socialist constitution in the collectivist sense of the word, but some of its

founding elements like Scottish Labour Party had cautiously avoided such an identification. The party itself also had rejected the title 'socialist' since it would be disapproved by the electorate or the trade unions (Sassoon, 1996: 16).

Notwithstanding this, the largest intellectual group in the ILP was those who were called ethical socialists who were deeply influenced by the radical-liberal tradition and wished to maintain and extend the gains of Gladstonian Liberalism in the areas of political democracy and popular self organisation. They focused on the cultural and ethical criticisms of commercial society and free market (Pelling and Reid, 1996: 3). However, with the foundation of LRC in 1900, the ethical socialists moved from the margins of British politics into a more 'political' role as a ginger group within the daily politics with prospects of political representation at the national level (Pelling and Reid, 1996: 3-4). Thanks to their influence, the moralistic critic of the corruption and degradation of a competitive society was to be at the heart of British socialism during the twentieth century (Foote, 1997: 38).

Both Fabians and the ILP rejected the Marxist theory of class struggle and believed the realisation of *a* socialism which could be built by modifying existing parliamentary institutions and through peaceful and democratic reforms (Callaghan, 1989: 23). The idea that the state was simply an instrument for the suppression of the working class was totally alien to them. Rather, they favoured the view that 'the state is simply an instrument' and it can be used variously in the hands of various people (Callaghan, 1989: 24; Foote, 1997: 41). The only founding part that had a more or less Marxist tone in the LRC was the Social

Democratic Federation. The major group in the Federation consisted of those who were called state socialists who, unlike Fabians or ILP, had shifted the focus of their analysis away from the political arrangements and ethical choices towards the structural aspects of capitalist state and economy together with a revolutionary strategy oriented to demolish capitalism (Pelling and Reid, 1996:4). However, within the LRC, they could not attract much enthusiasm.

Therefore, within the foundation of the LRC in 1900, what occurred was an alliance between trade unions trying to be more active in defending their interests in daily politics, and a number of different socialist groups seeking to have a more powerful place in politics. The party was basically an extension of trade unions and was financially and organisationally dependent on them. This relation was crucial and, in Geoffrey Foote's words, it was what made the Labour Party a *labour* party (Foote, 1997: 7). Thus, the dominant ideology in the new party became what would be called *labourism*, a mixture of trade union politics and liberal and socialist reformism oriented towards the creation of a just and egalitarian society (Callaghan, 1989: 25).

Considering the Party in terms of the new *alliance* mentioned above, the early Labour Party, unlike continental democratic socialist and social democrat parties, was primarily a party of *interests* rather than *ideas* (Shaw, 1996: 3). It did not have a precise and coherently worked-out ideology to guide its actions. However, togetherness of all those elements under *labourist* assumptions gave rise to a new ideology which some call *corporate socialism*. An earlier formulation of this ideology would be manifested in the party's 1918 constitution.

It was a particular brand of socialism in which working class politics were fused with the Fabianist, Ethical Socialist and Marxist ideas and ideals (Foote, 1997:18).

Fundamental to the establishment of Labour socialism were three activists. First, Sidney Webb was a leading Fabian figure influential in the ideological foundation of labourism. Second, Arthur Anderson and third, Ramsay MacDonald both of whom were vital in the organisation and popularisation of the party at the national level. Keir Hardie should also be counted since he contributed to the ideological formation of the party by drawing the contours of British Socialism by putting an emphasis on working class politics, thus ideologically separated it from the Liberal Party (Foote, 1997: 44-46).

It was just after the First World War when Labour implemented significant constitutional changes. The effect of the war throughout the country was clear. It had forced the State to be organised through collectivist lines in the sense favoured by the Fabians (Foote, 1997:70). The Liberal Party had disintegrated and Labour had entered the wartime coalition. Its status was transformed from a pressure group to a candidate for government. Immediately, Labour adopted a new constitution in February 1918. With this constitution, Labour became a much more centralised party in terms of administration with individual membership through constituency parties all around the Britain (Foote, 1997: 70). Nevertheless, the main point of the Constitution was the official adoption of socialist goals. The famous *Clause IV* became their embodiment:

To secure for the producers by hand or by brain the full fruits of their industry, and the most equitable distribution thereof that may be possible, upon the basis of the common ownership of the means of production and the best obtainable system of popular administration and control of each industry or service.

With the new Constitution and Clause IV, Labour succeeded to link *labourism* and socialism as complementary and interdependent sets of ideas. However, neither these developments, nor the *labourist* goals of the Party should lead us to conclude that Labour stood only for the workers. To the leading figures of the party, while the working class would be its prime beneficiaries and provide much of its electoral ballast, socialism would also mean the ‘enlightened consciousness of society as a whole’ which finds its expression ‘not through the material striving of working class but through the rational capacity of political and administrative leaders’ (Pierson, 1973: 123 quoted in Shaw, 1996: 4). A less frequently quoted but again important restatement of the general aims in the Constitution of 1918 also reveals this point:

Generally to promote the Political, Social, and Economic Emancipation of the People, and more particularly of those who depend directly upon their own exertions by hand or by brain for the means of life.

Although the new constitution had been a decisive step in Labour's history, political radicalism of the party was limited because what Labour defined as socialist politics was a model that recognises the existence of classes but carefully avoids the class struggle, advocates the primacy and adequacy of parliamentary action for the realisation of socialism, and hence, eludes a revolutionary project. The socialist overtone of the party was in its emphasis on public ownership, nationalisation, state intervention and central planning as the essential means for the creation of a just and egalitarian society.

Within the decade after the war, Labour's rise was almost unstoppable. Two developments eased this rise. First, the wartime split in the ranks of the Liberals could not be remedied. Second, in 1918, universal male suffrage was granted. Having benefited from these two, in 1922 Labour doubled its vote, and in 1924, it ruled as a minority government. The Labour government could survive only for a few months, and its only legislative success became the Wheatley Housing Act. (Shaw, 1996: 7). Nevertheless, finally in 1929, Labour, by winning eight and a half million votes, became the largest party in the House of Commons. Still lacking the majority, it could form again a minority government with the help of Liberal votes.

Unfortunately, this was the beginning of a disaster for Labour. The Great Depression was sweeping the economies of the world, and Labour was quite unsuccessful in either understanding the condition or taking the necessary measures. In Britain the number of people out of work rose rapidly from about a million to near three million. This was a horrible record for a party whose main

point was to protect the interests of the working people. Indeed, Labour's capacity to act effectively and responsively was not totally broken since it still could rely on the support of the liberals (Shaw, 1996: 7). However, the real problem was lying somewhere else: the MacDonald government had no actual strategy to deal with the depression. Even worse, the above-all concern of MacDonald was to show the moderateness of Labour in order not to frighten off the voters. Snowden, the *iron* Chancellor of the Exchequer, was unquestionably committed to the orders of the financial orthodoxy of the day, free trade and a strong pound, (Davies, 1995: 130; Shaw, 1996: 8). Having deeply failed to cope with the crisis, Labour leaders first moved to form a coalition government with liberals, then in the subsequent election Labour fell in the opposition ranks (Pelling and Reid, 1996: 62).

There were serious lessons to be drawn from this experience. First, Labour was strictly suffering from the lack of a coherent and precise economic theory to determine the party policy. Second, it was too obsessed with displaying moderateness, hence it was unable to take initiative in government. These two points also give us some clues in evaluating the failures of divergent left-wing governments either in Britain or elsewhere in the world: In most cases, they neither achieved (even not attempted to) any transformation of their states or societies nor succeeded to steer the capitalist state and economy they had inherited. Therefore, in many cases one should not be surprised by the long-lasting conservative governments that succeeded failed left-wing governments.

The failure of the Labour government placed a strong case in favour of the radical members of the party since their critique to gradualism and moderate

reformism had been justified. Support for radical politics were increasing not only in unions and Labour, but also in British society. Davies writes that although before 1931 Marxism had been a negligible force in British life, after the collapse of the MacDonald administration in 1931, it became almost fashionable (Davies, 1996: 167). Even the idea to form a separate Marxist Labour party based on the class war and unadulterated socialism came into the agenda. Fenner Brockway in *The Coming Revolution* (1932), invited workers to break with the gradualism of the Labour Party and trade union bureaucracy who had vested interests in this gradualism (Foote, 1997: 146). According to R.H. Tawney (1932), what was seen under MacDonald's government was the reflection of a weakness of political philosophy- an indecisive conception of what sort of society Labour wanted. Tawney's offer was based on the 'abolishment of all advantages and disabilities rooted not in the differences of personal quality, but in disparities of wealth, opportunity, social position and economic power' (Foote, 1997: 147). In a similar vein, Cripps and Laski, in a Marxist tone, analysing the matter in terms of class struggle, and repression, distanced themselves from the dominant view of 'the state as a neutral instrument', (Foote, 1997:148); and came to conclude the impossibility of socialism by constitutional means (Garner and Kelly, 1993: 140). Cripps demanded that 'the whole financial machinery' of Britain should be taken over by the public (Davies, 1996:170).

However, post-Depression developments within Labour was evolving not only towards Marxian or revolutionary echalons, but also towards the adoption of what is called *corporate socialism* whose basic grounds were

public ownership, planning, (recently developed) Keynesian economics and the notion of welfare. The main intellectual figure behind the idea of public ownership and nationalisation was Herbert Morrison. At this time, a set of theorists whomt Geoffrey Foote refers to as *The Labour Keynesians*, were affective in the formation of the party's economic policy. The most important ones were Mosley, Evan Durbin, Hugh Dalton, Ernest Bevin, and G.D.H. COLE. (Foote, 1997: 159-174). They were, in varying degrees influenced from Keynesian economics which was welcomed as an assault to *laissez-faire* economics, and empowered the belief in the capacity of the state for achieving the goals of the party.

Finally, Labour had a more or less complete stance with its own values and policy prospects within British politics. Within this mixture, if Keynesian economics was a contribution to the ideological cement of Labour from liberalism, syndicalism, not in its revolutionist forms but in the corporatist strain of functional representation (of interest groups) as advocated by Guild Socialists, and various branches of socialist ideology, were the contributions from the left (Foote, 1997: 171-182). Of course these contributors could not be expected to be in a an continuos peace and harmony, but they constituted a set of common goals and a route for the party; and this party was to transform British politics in the mid 1940s.

2.2 Politics of Consensus

Although between 1940 and 1945 the wartime coalition in power was led by conservatives, in the mood of the mid-1940s, Labour was actually the

only party likely to win a majority in the Parliament. Donald Sassoon describes this mood as, 'the egalitarian ethos of the war, the solidaristic feelings enhanced by having to face a common enemy, the prestige of the USSR, the failures of conservatives to stop Hitler before 1939, the memories of the Depression of the 1930s, the readier recognition of the need to change' (Sassoon, 1996: 118). Indeed the situation was almost all the same throughout Western Europe which was seeking to remedy the destructive effects of the war. Soon after the war, in Britain, Sweden and Norway, social democrat and socialist parties were in charge, while in the rest of the Europe they took part in coalition governments (Sassoon, 1996: 122). Although, even conservatives were not advocating a complete counter (*laisser-faire*) prospect at this time, leftist parties in general, and Labour in Britain were favoured with the belief that they could do better than conservatives would do. Sassoon adds that, 'the conservatives would probably have built a welfare state, but it would have [simply] been based on the extension of the widely criticised pre-war social services and public assistance. They would not have accepted the principle of a citizen's universal right of access to services of an equal standard regardless of income' (Sassoon, 1996: 141).

The Labour government led by Attlee stayed in charge until 1951. It was the most successful Labour government ever, and did powerfully lay the foundations of Britain's social and economic policy for the next thirty years. The Labour administration meant a step toward nationalisation, social service provision through Welfare state practices, and economic and industrial planning (Garner and Kelly, 1993: 140). The Party was not militant on the issue of nationalisation, but, it

must be said, it was convincingly successful. Nationalisation of coal and railways around the theme of national interest, and nationalisation of what was identified (as) natural monopolies such as electricity and gas did not become a matter of big dispute between the parties sharing the same mood (Callaghan,1989: 29, Tivey, 1989: 132). Labour had added Bank of England, telecommunication, and civil aviation to the list, and nationalised them too (Sassoon, 1996: 152). The era between 1945-1979 is often described -sometimes with exaggeration- as that of consensus politics in Britain --and in Europe- since most of government policies more or less revolved around the themes of mixed economy, planning, full employment and an interventionist welfare state through corporatist ties (Coxall and Robins, 1998: 50). When it departed office, Labour left a Britain which had a strong industry with a high technology manufacture, and increased standards of health and well-being (Hutton, 1995: 130).

What the post-war Labour government did, implied different things to the various sections of the party. For example, for those who were committed to the belief that socialism is an end state, Labour policies were the initial and elementary steps. They would interpret the reforms as (if) they were the structural changes within the economy in terms of shifting the balance of power away from private sector to public one and wage earners (Callaghan,1989: 29). Furthermore, some asked the government leaders to declare that their reforms were steps towards socialism (Sassoon, 1996:). However, this was a rather unrealistic account since the *reforms* were regulations within the ongoing (capitalist) system rather than its radical transformation into another system. Welfare state, social security, National

Health Service (NHS), nationalisation and planning were running for the effective manipulation of the public sector for the redistribution of power and wealth towards the society (Shaw, 1996: 47).

Therefore, the record of Labour government became the onset of another debate for the left. For a long time, the calibration or adaptation of socialist ideals into the realm of *real politic* had mostly been in the theoretical level and remained as a matter of intellectual debate and speculation. Whereas, at the moment, Labour, a political organisation committed to socialist goals anyhow, was in power and playing within the capitalist system. More interestingly, the social reforms for which Labour gained electoral support had to be financed by a strong and growing capitalist economy (Sassoon, 1996: 150). Sassoon, with much exaggeration, says that what induced the government to try to do something with the private sector was not socialism but the balance of payment crisis. (Sassoon, 1996: 154). This argument does not hold true, but it was a fact that, apart from some wishful thoughts, Labour, similar to most of the European left-wing parties including communists, had no worked-out plan for a structural transformation of the state and ownership. Here was (and *is*) the unavoidable paradox socialist parties has faced: If the existing power and economic relations cannot be abolished, then the capitalist system had to be encouraged to produce wealth and growth. Inevitably, this would mean the empowerment of the underlying grounds of the system, together with the reproduction of the discourse of the system. Therefore to call what post-war left governments founded as 'social capitalism' is not wrong. This controversy indicates that what distinguishes the centre left from the radical!

versions of it is that instead of concentrating on the the *socialism versus capitalism* debate, they mostly seek to answer the question of what model of capitalism mixed with socialist and egalitarian ideas can be implemented. For the time being, having articulated in the form of the strong welfare state and Keynesianism, Labour had found its answer to this question.

2.3 Revisionist Challenge

During the 1940s, debate over this dilemma and similar questions were not raised forcefully since as Foote writes, “it seemed more important to carry through change than to theorise them in the circumstances of the 1940s” (Foote, 1997: 186). The more radical and Marxist faction of Labour remained silent either because of their wait-and-see attitude, interpreting the reforms as steps towards socialism, or due to the popularity of the government in the public’s view. However, the battle was just delayed until the early 1950s. Immediately following the electoral defeat of Labour in 1951, it began. Precisely, the response to the dilemma mentioned above came through two different echelons. According to the first solution, which is called revisionism, what Labour achieved in the 1940s had already solved the question, and reformed/transformed capitalism into a humanistic and egalitarian form. When this is the case, it was unnecessary to search for further policies, and insist on complete public ownership since the mixed economy and Keynesian techniques were adequate means for what Labour seeks to do. In this view, socialism was re-defined in more ethical terms referring to a set of humanistic, fair and egalitarian values, rather than a distinct politico-economic

system. The post-war revisionism sought to tone down the differences with liberalism, while distancing itself from anti-capitalist stance of traditional socialism. In Sassoon's words, "if capitalism can promote growth, then socialism can leave well alone and concentrate on its remaining priority: ensuring an equitable division of the fruits of the growth" (Sassoon, 1996: 245). To the revisionists, socialism was a philosophy of distributional justice and its main goals were greater equality, social justice and the preservation of full employment. In this analysis, with its capacity to produce growth which can be distributed through post-war settlements, capitalism had become something that can be tolerated, at the expense of conceptualising socialism as a different system of power and economic relations.

The leading theoretician and spokesman of revisionism was Anthony Crosland whose book *The Future of Socialism* (1956) became the most important study in determining the elements of the revisionist thought. Crosland's primary criticism was about the negative view on the capitalist development. This negative view had assumed that socialist goals could not be realised unless capitalism was abolished (Sassoon, 1996: 245). However, Crosland argued that capitalism had changed, it had been 'reformed and modified almost out of existence' (Fielding, 1997: 41). At the same time, he asserted Britain had become a capitalist society in which the business class had lost its commanding position while economic decisions were at the hands of public industrial managers and full employment had increased the power of organised labour (Shaw, 1996: 56). Therefore, the ownership of the means of production had been irrelevant, and,

nationalisation could not be a socialist end. The revisionist view, following the Keynesian observation, and Burnhamian idea of *Managerial Revolution*, claimed that the management of the instruments of production had gone out of the hands of the capital owners to the shareholders and managers who are not owners of the production means (Crosland, 1956 in Sassoon, 1996: 246). Fiscal, monetary and legislative controls had already limited the autonomy of selfish business decisions, and a new balance of power was settled as a permanent feature of post-war society. In this context, Marxist analysis of bourgeoisie and proletariat with diametrically opposed interests and in constant conflict had proved incorrect with new realities (Garner and Kelly, 1993: 141). The capitalist welfare state could provide free health care, education and social benefits for those in need. Major disparities in income and wealth could be remedied by fiscal policy, public expenditure, social benefits, and progressive tax regime (Garner and Kelly, 1993: 141-142). In brief, the real 'enemy' of the Labour Party was not capitalism itself but a certain i.e. *laissez-faire* model of it.

A similar sort of revisionist view came from Strachey (1956). He had been once closely associated with traditional communist circles in England in the 1930s, but following his reading of Keynes, he had modified his ideas and defended a state directed capitalist economic system (Foote, 1997: 205). For him the present problem was not the instability of capitalist system, but the question of economic oligarchs within it. He, therefore, called for a new capitalism to be controlled in the interests of the population rather than a few oligarchs. Democracy would be the main theme in this attempt (Foote, 1997: 206). The separation of

owners from managers, for Straychey, would mean an important aspect of economic democracy. Then, through political democracy, state intervention could guide the economy in response to the people (Foote, 1997: 207).

Hugh Gaitskell, who became the leader of the party in 1955 as the successor of Attlee following the second electoral defeat in 1951, sought to incorporate revisionist ideas in order to draw a new direction for Labour. Croslandite analysis provided the intellectual justification for his policy preferences and Gaitskell wanted Labour to stand for a view of socialism as public morality against the acquisitive values of traditional capitalism (Foote, 1997: 221). He began to shift policy away from nationalism, public ownership.

After Labour's failure to win the 1959 election, a period of open conflict between the Gaitskellite leadership and left-wing activists occurred. To the former, the reason for the electoral defeat was the 'old fashioned' image of the party. And the key to the party's problems was its association with public ownership (Fielding, 1997: 14). In the 1959 Party conference Gaitskell, in his speech, called for the abolition of *Clause IV*. –However, due to the lack of support on the National Executive Committee, he could not abolish it (Callaghan, 1989: 36). Instead, he and the revisionist wing were allowed to add a further statement of aims to *Clause IV* in which there was no emphasis on public ownership (Fielding, 1997: 58).

Revisionism was opposed by fundamentalists who were organised around the journal *Tribune*. They had been remarkably ineffectual on the determination of the party policy. They were led by Bevan (1953) who argued that

capitalism had not been transformed or modified nor the basic class and power structures had been altered (Garner and Kelly, 1993: 144). He advocated that the aim of Labour should be the transformation of society in the interests of the working class. According to him this could be realised only by attacking on the private property of owner class (Garner and Kelly, 1993: 144; Shaw, 50). Therefore, public ownership had to be central to the socialist strategy and democratisation. Revising this estimation would mean being “frightened by the administrative difficulties which accompany the nationalisation of major industries” (Bevan, 1952 in Callaghan, 1989: 32). The Bevanite solution, together with the arguments of Crossman (1952) who claimed that ‘the enemy of human progress is the managerial society and the central coercive power which goes with it’, focused on the concept of *industrial democracy*. However, its connotation was not only fairness at the workplace. Callaghan notes that he had probably more in mind than just industrial democracy when he defined the main task of socialism as reversing the trend towards oligarchy and distributing responsibility as well as enlarging freedom of choice. (Callaghan, 1989: 32) On such grounds, Crossman and Bevan also called for the democratisation of the party mechanisms against the oligarchic power within Labour and trade unions, whom unsurprisingly soon conspired to marginalise the Bevanites (Callaghan, 1989: 32).

2.4 Labourism and the Labour Party

Among the founding elements of Labour Party trade unions require special attention since, as stated previously, the basic motive that led to the creation

of LRC in 1900 was the desire for independent labour representation in Parliament. It was mainly trade unions that gave the financial and electoral strength to the movement. Even the term *labourism* which we used in order to define the nature of its politics reveals the strength of the trade union emphasis in the party. However, this was a difficult marriage because there were also a considerable number of party members and activists who wanted Labour to be a party of the people as the representative of *national interest*. Therefore, it was offered that Labour should avoid a strong identification with workers and unions which represents only a part of the society. This issue has always been a source of disagreement between the factions of Labour in its history.

Expectedly, trade union relations and working class politics have constantly been a focus of revisionist thinking. According to Crosland (1956), the changes in the standard of living and in the composition of working class forced Labour to face a new electoral reality (Sassoon, 1996: 252). To this view, since the working class was shrinking in size, clear identification between the party and working class/trade unions had to be avoided.

Indeed, the matter of trade unions is a paradoxical one. On the one hand, for example, as Garner and Kelly note, many commentators imply the unions' moderating influence on the Labour Party due to their highly practical and immediate purposes desiring a better reward for workers within a capitalist society while any ideological faction which was to be successful in the party had to adopt itself to the Labourism of unions (Garner and Kelly, 1993: 124). Ingle (1987) also argues that trade unions moved 'Labour decisively away from socialism, making it

very much a trade union party'. These arguments are meaningful and valid when one thinks of the nature of the founding elements of Labour, and their political ideal. The tension between the labourism of unions and ideology of corporate socialism again supports such a view and reveals the moderating influence of unions in the articulation of long-term plans. The former which seeks for the fast improvement of working-class living standards lacks the vision of the latter which seeks, although moderately, a new kind of society. In this sense, socialist movement(s) might, in many respects, be rightly suffer from the trade union politics which worked as an obstacle to their projects. However, there are two paradoxes here. First, modern socialism itself, in the conditions of the nineteenth and twentieth century, was born as the emancipatory politics of the working class. Thus, having conflicted with the unions, socialists were falling into conflict with their potential social base.

Secondly, and more interestingly, it has mostly been the revisionist thinking, rather than the conventional socialists, targeting trade union links as something to be reconsidered and severed. Furthermore, it was usually the unions providing support to the election of revisionists to the executive positions in the party. Only after a certain point, unions cease to support them. The clearest examples of this were Gaitskell and Blair. Trade union support was effective in their victories. However, when Gaitskell sought to abolish Clause IV, unions, worried at the implications for the class nature and purposes of the Labour Party, opposed him. And, in Blair's case, they had been placed in such a position that no longer enables them to be influential in the party's decision making process.

Inevitably this debate brings the question whether has it ever been possible to engage in socialist transformatory politics with the working class in general or unions in particular. If the answer is 'no', then what social base was left for a socialist movement? If the answer is 'yes', why have unions been more prone to empower revisionists who were at the end sought to dispower them? To fully investigate and explain this dilemma exceeds the dimensions of this study, but those are vital questions for socialist politics.

2.5 Pragmatic Social Democracy in Charge

The combination of events in the early 1960s led the ideological debates to be temporarily suspended. There were two causes of this. First was the arrival of Harold Wilson as the new leader in 1963, following the surprising death of Gaitskell. Second, the failure of the Conservative government, especially in economic matters, and rising popularity of Labour, provided the party with some prospect of winning, which had a uniting effect (Pelling and Reid, 1996: 115, 118). Wilson himself, for a long time, adopted a tone which was *adequately vague* to appeal almost all factions of Labour. Detailed policy remained revisionist in terms of content, but it was dressed in a radical rhetoric. Callaghan points out that Wilson appealed to the left through his emphasis on the evils of British capitalism and to the revisionists because he shared their views on public ownership and ethical socialism (Callaghan, 1989: 37). Indeed, the key to Wilson's success was that he could transcend the ideological dispute in the party by emphasising the need for Labour to modernise the economy. Modernisation of Britain was both a neutral

term which neither fundamentalists nor revisionist would attack, and also an ideal weapon against the Conservatives (Garner and Kelly, 1993: 145). In brief, Wilson utilised a technocratic rhetoric in a patriotic language. He argued that only Labour could ensure Britain's economic prosperity in the time of the 'white heat' of the technological change. (Coxall and Robins, 1998: 37). State planning and intervention- not necessarily nationalisation- would help the economy to adapt (Fielding, 1997: 70). Eric Shaw notes that, indeed the mode of planning favoured by Wilson did not involve a significant transgression of the market order or business autonomy but sought to enhance the competitive position of British industry in domestic and foreign markets by intensified and institutionalised collaboration between government and industry (Shaw, 1996: 74) where unions were not totally excluded.

As can be expected, public evaluation of Wilson governments were not much on ideological grounds but merely on pragmatic ones regarding the success of the government (Radice, 1989; Callaghan, 1989) Although the government had started well in 1964, by creating a *Department of Economic Affairs*, and a *National Prices and Incomes Board*, which attempted to carry on Britain's first *National Plan*, a balance of payments crisis forced the government to abandon the planned growth, which in turn, forced a devaluation of the sterling and a cut in public spending. The government had indeed achieved a confidence boost in the general election in 1966, but this did not prevent the monetary crisis (Garner and Kelly, 1993: 146). Furthermore, against the flourishing strikes, the Wilson government introduced a White Paper, *In Place of Strife*, aiming to reduce

the power of the unions, which brought compulsory strike ballots and measures against unofficial strikes, and sought to curb wage rises (Coxall and Robins, 1998: 32; Callaghan, 1989: 35). Finally, although establishment of widows' pension, the expansion of higher education, comprehensive schools, and the founding of the Open University were not insignificant, having failed in economic management - let alone growth or modernisation- the Wilson government was replaced by the conservatives in 1970.

Inevitably, the failure of the 1964-70 Labour government symbolised the failure of revisionist thinking. It started to be clear that it was highly problematic. The increasing inability of the State to effectively fight the economic crisis using Keynesian techniques was ignored. One of the great problems here was, as Shaw notes, that although Keynes had written at a time of high unemployment and low prices, the decade of the 1970s was a time of rising unemployment and rising prices (Shaw, 1996: 237). Shaw also notes another very basic weakness in revisionist thinking: They were so adhered to the idea that capitalism in itself was no longer a problem for socialists that they could not detect the rising capitalist *power* (Shaw, 1996: 235). Welfare and equality were treated as if they had nothing to do with the power relations underlying the mixed economy. (Shaw, 1996: 215). In short, there were two dilemmas of revisionism. First, on the one hand, it utilised a rhetoric of 'changing realities', but on the other, it failed to recognise the changing nature of the capitalism and 'new realities'. Second, and more importantly, revisionism heavily relied in the possibility of the realisation of an egalitarian and humanitarian society when economic growth is achieved

anyhow. In other words, it thought that the cake would have been divided fairly since there had been enough for all, without recognising that some would get the biggest part. However, it must be emphasised, despite all the weaknesses in understanding the political economy of capitalism, in its every aspect revisionism of the 1960s did not move to question or think to revise its socialist, mostly egalitarian aspirations. Nevertheless, this was not enough.

2.6 The challenge of The Left

In 1970, even in the eyes of the revisionists, the record of the Wilson governments was extremely bad. For example, when Crosland (1974), the leading figure of revisionism, came to give an account of the Labour governments between 1964 and 1970, he acknowledged that there was very little sign of a coherent strategy and the economic performance was far from successful. Although even this recognition did not lead Crosland to give up or modify the roots of the revisionist view, immediately a strong criticism of both revisionism and pre-revisionist ideology of Labour i.e. *corporate socialism* which had put more emphasis on public ownership, came onto the agenda. The left bloc of Labour engaged in more grave and challenging policy proposals. Now, the intellectual initiative had passed to the left (Callaghan, 1989: 40). And in the Labour Party circles they were being taken into account more seriously.

The intellectual foundations of the leftist challenge were fed with the studies of Stuart Holland (1975), Michael Barratt Brown (1972), and Ken Coates (1977). One of the main claims of the left was that 'socialism was about

power relations in society as much as it was economic equality' (Garner and Kelly, 1993: 147). According to this view, revisionist analysis was far from providing a useful analysis of capitalism that retained all its old anarchical and anti-social tendencies. Furthermore, the ability of the State to manage the British economy, one of the tenets of revisionist thought, was under increasing danger from the transnational companies, and only a radical socialist platform could regain the initiative of the Labour Party. If Labour could not break the politics and the economics of consensus, then all the hard-fought gains would be taken back in a time when the private capital was getting dangerously powerful (Foote, 1997: 304). In a similar vein, Stuart Holland (1975), pointing out the growing power of multinational companies which 'have created a new mode of production distribution and exchange in the British economy' by undermining the exercise of public control in their action', claimed the invalidity of Crosland's analysis that capitalism developed into a sort of democratic economy through *managerial revolution* and shareholding (Foote, 1997: 308). The Alternative Economic Strategy (AES) constitutes the core of the left's answer to the contemporary capitalism. It was based on enlarged public expenditure, progressive income tax, wealth tax, nationalisation supported by statutory planning agreements, and import quotas (Callaghan, 1989: 40).

Therefore, in harmony with the goal of making the centres of power such as multinationals subject to popular control, decentralisation, participation, industrial democracy and worker's control at the workplace became the primary themes of the Labour left. A further step to this was Tony Benn's (the future leader

of the Labour left) demand for the extension of democratic reform and decentralisation of British state itself. According to the New Left, a heavy centralism was not conducive to quality of life whether it happens in socialism or capitalism, and *a decentralised and participatory socialism* was advocated (Garner and Kelly, 1993: 147; italic added). All these fresh proposals for democratisation (of both politics and economics) also brought the support of *new social movements*, i.e. feminists, greens, students, to the Labour Party in the late 1970s (Leys and Panitch, 1997: 173; Callaghan, 1989: 40). The New Left appeared to be really new in the sense that it challenged both the mainstream Labour ideology and British politics, and it brought new issues to the agenda. In Leys and Panitch's words: "The Labour Left was part of a wider response within parliamentary socialist parties to the crisis of the post-war order. What distinguished it from the others, however, was how much farther it went in fighting for a radical reorganisation of the relationship between state and party, and between party and people" (Leys and Panitch, 1997: 6).

The New Left, enjoying its rising popularity, succeeded in getting the party to adopt the *Labour's Programme* at the 1973 Conference of the party. The programme proposed the creation of a National Enterprise Board, planning, industrial democracy and capital movement controls; hence it implied a leftward shift in the party policy. However, the 1974 election manifesto of Labour carried few elements from the New Left agenda since the figureheads of Labour like Wilson, Callaghan and Healey, who were more influential in the preparation of the manifesto, regarded the contents of the agenda as unacceptable (Garner and Kelly,

1993: 149). Nevertheless, when Labour won the election, since the popularity of the left faction was not totally negligible, two leading figures of the left, Tony Benn and Michael Foot, were appointed to the posts of Industry and Employment. However, as pointed out by many, they were deliberately isolated from basic decision making mechanisms, dispossessed of power and deprived of funds to institute policies. Furthermore, in 1975, Wilson, demoted Benn to the department of Energy in order to end his influence in the government (Garner and Kelly, 1993: 150).

The Labour governments of Wilson (1974-1976) and Callaghan (1976-1979) were again unsuccessful. They were unable to cope with rising economic problems, many of which were the results of the long-term economic weakness of the British economy, rising inflation, unemployment, and balance of payment deficits.¹ Limited increases in wages along with public spending cuts corresponding to high inflation, led to strikes among workers and paved the way to the 'Winter of Discontent' with a number of strikes. The Labour Party, in the subsequent election, was replaced with the Thatcher-led Conservative government which marked a new era both in British politics and Labour Party. However, the new era of the former was to continue much longer than that of the latter. The crisis of the British State and the world economy in the late 1970s ended with the defeat of Labour from power with no memory of success for the government.

¹ In order to cope with the crisis, the government acquired a large (\$3 million) loan from the IMF, in return of massive public spending cuts. (See: Coxall and Robins, 1998) Meanwhile, the most important development for Labour's economic policy, was that, in 1976, Callaghan announced that Keynesian economics as a choice ceased to exist as a choice for governments. (See: Shaw, 1996)

2.7 The Left Directs Labour

Labour re-elected Callaghan as leader and Michael Foot as his deputy after the reassembly of Parliament in 1979. The party could agree on the harshness of the Thatcher's policies, but it was not united on anything else (Pelling and Reid, 1996: 162). The majority in the National Executive Committee was favoured the policies of Tony Benn, and he was also backed by a faction in the party, Labour Co-ordinating Committee. Callaghan was charged with the electoral failure and disregarding the voice of the grass-roots of the party. In this regard, Benn and his supporters called for a three-fold proposal in order to make the leadership more responsible to the grass-roots of the party: First, the leader should be elected by the party organs at large rather than the parliamentary party. Second, before a new general election, MPs should be compulsorily re-selected. Third, the control of the election manifesto should not be left to the hand of the parliamentary executive alone. At the party conference in October 1979, the second and the third proposals were carried but the first one was rejected (Pelling and Reid, 1996: 162). However, all those, in order to be implemented, had to wait until the 1980 Conference for the constitutional confirmation. Surprisingly, while the call about the control of the election manifesto was rejected, the proposal about the election of the leader passed (Pelling and Reid, 1996: 163). Following the conference Callaghan resigned, and Michael Foot was elected as the new leader, and Dennis

Healey became the deputy. It was the first time in Labour that a man strongly identified with the Left was elected.

The failures of the Wilson and Callaghan governments had provided the opportunity to the Left bloc to challenge the revisionism soundly. And with the latest developments at the conference the Labour left became more influential than ever, holding the balance of power within the party. Moreover, the Labour left, especially the Militant Tendency, utilised strong support and control over the local government especially the Greater London Council, Liverpool, and Sheffield, Stirling and Walsall (Sassoon, 1996: 694). Meanwhile, the rising support of the trade unions which began to realise that revisionist policies at the end had not been in favour of them, should also be mentioned. As it was stated in previous pages, trade unions had mostly played a counter role to the radical proposal in Labour. In the late 1970s, there were two points that worked in favour of the Labour left. First was a right-wing split. The Transport and General Workers' Union, the largest one affiliated to Labour, had started to back Labour left by decisively counterbalancing the right-wing unions. Second, there was a reaction to the last Labour governments' policies towards workers and unions (Sassoon, 1996: 694).

Some policy proposals of the New Left were already stated above. Following the election of Foot, the annual conference of Labour voted for the AES (Alternative Economic Strategy), industrial democracy, a 35-hour week with no loss of pay, cuts in the arms expenditure, abolition of private education and health services, wealth tax, and removal of US military installations from Britain and unilateral disarmament (Callaghan, 1989: 42). This was the most radical policy

combination the Labour Party has ever articulated throughout the twentieth century.²

However, it did not work. These policies could not find public support as evidenced by the election results. Having fought the 1983 general election with *The New Hope For Britain*, a New Left document, Labour was far from winning.³ The failure and the defeat of the New Left was the beginning of a new and long turn for the Labour Party. Those will be the concerns of following chapters.

Nevertheless, the question why the New Left failed is still being asked, since for many it had become a last hope for changing the Britain's face into a democratic socialist country. Thus, as the final part of this chapter we will briefly look at some analyses.

Indeed, analyses can be grouped in two basic categories. First, there are those focusing on the internal weaknesses and the failure of the New Left policies to provide feasible solutions. A second line of analysis seeks to find an answer to why these policies were not favoured by the public. Donald Sassoon, who wrote one of the largest and detailed books on the twentieth century history of social democrat/democratic socialist politics, explains the first point by the vagueness and 'conservative' nature of the New Left policies. Its strategy, he writes, was predicated on a concept of national sovereignty that was no longer

² One of the consequences of the radicalisation became a split in Labour. In 1981, 25 secessionists from Labour, led by, the 'Gang of Four': David Owen, Shirley Williams, Bill Rodgers, and Roy Jenkins. The aim was to found a party occupying the centre of British politics. The SDP moved into alliance with the Liberals. After some moderate success, it ceased to exist in 1990.

³ It polled 27.6 per cent, while the Conservatives did 42 per cent, and the Liberal-SDP alliance collected 25 per cent

relevant. Its strategy assumed that a majority in the House of Commons led by a trustworthy leadership (one which would not betray the movement) was all that was required to implement a left wing programme (Sassoon, 1996: 702). Then, Sassoon adds, to call this as conservatism is not a polemical exaggeration since it was a consequence of New Left's deep identification with both labourism and the British State. Thus, it had many features in common with British conservatism: confidence in the country's world importance, superiority of its political institutions, the acceptance of national-imperial mould as the optimal foundation (Sassoon, 1996: 703). In this regard, for Sassoon, the New Left was far from grasping the new developments in the world. The only policy of the New Left became responding to the Thatcherite radicalisation of politics by radicalising its own brand without hard-work (Sassoon, 1996: 693).

For the second point, Sassoon's answer is about the public image of the party. To the working-class supporters, he argues : 'Labour began to appear as if the part had fallen into the hands of ineffectual, college-educated militants, pandering to a intimidating lobby of lesbians, holier-than-thou ecologists, puritanical vegetarians and loud-mouth black activists, while middle classes saw Labour as if it had been commandeered by disrespectful proletarians, 'lumpen-polytecnic' (Sassoon, 1996: 697). Interestingly, *new social movements* which, as we mentioned, had started to flirt with the New Left were less than supportive due to the *macho* style and language of the Left, but more fundamentally due to the Left's disregard of such movements. The basic problem was the narrow definition of the socialist action as that of the party and the unions, as the only agents of

socialist change (Sassoon, 1996: 698-90). These factors, according to Sassoon, when combined with the rising popularity of Thatcher with Falklands war and the successful electoral campaign of conservatives in contrast to Labour's amateurishness, first led to electoral defeat in 1983, and then meant the defeat of the Left within Labour (Sassoon, 1996: 700-701).

Colin Leys and Leo Panitch, contrary to Sassoon and many others argue that Labour's New Left had quite clear ideas about recent developments, basically globalisation and European unification (Leys and Panitch, 1997: 263). They argue that the New Left thinkers, particularly Tony Benn and Stuart Holland, recognised, even before their opponents, how the globalisation of the economy from the late 1960s onwards was destroying the 'Keynesian capacity' of all nation-states, on which the social democratic management of capitalism depended; and it was this recognition that led them to have a challenging project to both conventional labourism and British politics. (Leys and Panitch, 1997: 263-264). Then, it is added, 'the Labour left's project was not a utopian or idealist affair; it sought to respond- but to respond radically- to the world as it actually existed' (Leys and Panitch, 1997: 266).

To the question of why Labour became unpopular, Leys and Panitch seek to provide answers, unlike Sassoon, not simply through the perceived image of the party, but, first, through emphasising how the left's challenge was beaten back with the 'support' of the state (the civil service, the Bank of England, the judiciary, the police and the military), all sections of capital, and media - not only partisan tabloid press but all mainstream media (Leys and Panitch, 1997: 264).

Second, they point out that the advantageous international conditions initially existed in the beginning of the New Left challenge was changed. The crisis of the industrial west, they write, had been resolved in favour of capital and the British left could not be immune from the consequences (Leys and Panitch, 1997: 264).

CHAPTER III

TOWARDS THE RIGHT

3.1 Labour under Kinnock

Neil Kinnock, the new leader of Labour, acted quickly to initiate the transformation of the party. Although in his early days in Labour, he had been left-wing radical, as a leader Kinnock's conclusion was that Labour had to be re-directed to the middle ground in order to appeal the voters who abandoned Labour in the last two elections (Shaw, 1996: 168). This was to say, Foote observes, that "Labour had to adopt its political values to those of the non-socialist sections of the population, hungering after an illusory security from the frightening world outside" (Foote, 1997: 328). Kinnock's reestablishment of moderate social democracy occurred with remarkably little opposition since he had been elected by an overwhelming majority from all sections of the electoral college after the shocking defeat.

To Kinnock, the party had become unpopular since its policies had reflected the views of radical activists and trade union members who were

representing the majority of the electorate (Seyd and Whiteley, 1992: 31). Therefore, their power in the party had to be curbed. In this regard, reducing the power of activists within the party, and simultaneously enabling the leadership to determine the party policy became the central themes of Kinnock's organisational changes. The first attack came in 1984 when Kinnock attempted to limit activists' power by introducing the one member-one vote principle for parliamentary selection. However, in the party conference he failed to pass this. A better and effective chance occurred in 1985 when the (Militant) leaders of Liverpool city council issued redundancy notices to all its employees. However, although this was oriented as a ploy against the Government, it angered the unions and its own workforce (Shaw, 1996: 175). Expectedly, Kinnock did not waste a minute, and at the 1985 Conference, he started a powerful onslaught on the party activists, and accused them for 'asking the impossible'. His speech paved the way to the formation of an alliance between the right and the soft-left around the personality of Kinnock.¹ Enjoying this power, Kinnock, in 1988, introduced a new regulation whereby local constituency party electoral colleges were created for the selection/reselection of the parliamentary candidates. According to this, affiliated local trade unions were limited to 40 per cent of the vote, and the 60 per cent of the vote were allocated to the individual membership in the foundation of the local electoral college. Meanwhile, local parties were advised to consult their individual members before casting their votes in the 1988 leadership elections (Seyd and

¹ Following the defeat of the New Left, during the leadership of Kinnock, a group of former Bennites had given up their radical approach and left the Bennite circle. They were then called soft-left. Whereas, those who stayed with Tony Benn were called hard-left.

Whiteley, 1992: 32). Although limited, this was a preliminary step for the long-term plans of the leadership. Another change initiated by Kinnock in 1988 was that he succeeded in making trade unions agree that, after 1993 the weight of the trade union bloc vote at the annual conference would be reduced from 90 per cent to 70 per cent, then when the individual membership exceeds 300,000, it would be reduced to the 50 per cent.

At this point, some information regarding the organisational structure of the contemporary Labour Party is necessary. At the national level, there are five elements of Labour's organisation: the Parliamentary Labour Party (PLP), the Labour Party headquarters, the National Executive Committee (NEC), the annual conference, and the leader of the party. Although, the NEC is theoretically subservient to the conference (since it is elected by the party conference), in reality, the NEC dominates the party. The reason for this is that most aspects of the party policy originate from within the NEC (Fisher, 1996: 67). The NEC also has joint responsibility along with the leadership, for concluding the party manifesto. Meanwhile, agencies like the Shadow Communication Agency (SCA)², which was founded to improve the party's image, has a role within the manifestation and policy determination process. The point is that agencies are strictly linked to the leadership and they run under its supervision. Under Kinnock, a new system of Joint Policy Committees including an equal ratio of NEC members and MPs were created. Although they were chaired by NEC members,

² SCA was founded by Peter Mendelson, and co-ordinated by Philip Gould, a professional market research and advertisement specialist, in order to gather information about electorate and its tendencies. Mandelson was responsible for the relations with media and public image of the party.

and assisted by secretaries from headquarters and PLP members, strong control of their agendas and outcomes were given to the hands of the leadership (Leys and Panitch, 1997: 220).

At the local level, most Parliamentary constituencies have a Constituency Labour Party (CLP). In order to become a member of the Labour Party one has to become a member of one of the local parties. In addition to individual members, each CLP also enjoys another type of membership like that of socialist societies, or local extensions of Fabian society, or the co-operative society. However, the enormous membership at the local level was dominated, until the late 1990s, by trade union members (Garner and Kelly, 1993: 163).

The leader and deputy leader are elected by an electoral college composed of the Parliamentary Labour Party (PLP), affiliated organisations, and individual members. In the calculation of votes, a third of the votes are allocated to the PLPs, the affiliated organisations, and constituencies. In order to be elected, candidates must score more than 50 per cent of the vote, or a second ballot is held. This system was developed when New Left had the control of Labour, replacing the election by PLP alone.

At the moment, a challenger to the leadership needs to have the support of at least 20 per cent of the PLPs. This was 5 per cent prior to 1988 and it was implemented in order to curb the power of internal opposition.. Moreover, if Labour is in government, this has to be accompanied by the approval for the contest by at least two-thirds of the annual conference. These stipulations, Fisher writes, “led many to observe that despite Labour’s stronger democratic credentials,

it is easier to unseat a Conservative leader than it is to unseat a Labour leader (Fisher, 1996: 71).

The first and the foremost question regarding the power distribution within Labour, for a long time, had been the power of trade unions and the bloc vote. Under block vote, affiliated unions declare a number of affiliated members. And this number counts for the vote of union in a single direction as if given by that number of members. To the supporters of the block vote, Fisher notes, it keeps with Labour's traditions and notions of representative democracy, whereby decisions are both collectively reached and adhered to. However, to the opponents of the bloc vote, it is undemocratic, so that votes are cast on behalf of people who have little to say in the decisions these votes are supposed to reflect, while it does prevent the minority representation (Fisher, 1996: 68-69). The debate is now over. This is because of the fact that, first, the block vote which accounted for 90 per cent of *conference votes* until 1992, was first, reduced to 70 per cent, with a further plan of reduction to 50 per cent, then under Blair it was reduced to 50 per cent. Moreover, with the passage of One Member One Vote (OMOV), in 1993, block vote practice, in the selection of the *parliamentary candidates*, was abolished. Under OMOV, each CLP member enjoys a single and equal vote in the selection process.

CLPs are presented with lists from short-list candidates. These short-lists include trade union nominees, CLP nominees, and co-operative societies' nominees. When the candidates are short-listed, there comes the vote of CLP members. Finally, elected candidates are subjected to the approval of the NEC

which has the veto power. Although it is not frequently exercised, since the late 1980s, the NEC, which is strictly supervised by the leadership, manipulates this veto power as a sort of enforcement mechanism to ensure the election of 'appropriate' candidates (Fisher, 1996: 74).

3.2 Policy Review, 1987-1992

Despite all efforts to change the party's image, in the 1987 general election Labour experienced its third successive defeat. Labour's share of vote slightly increased from 27.6 percent to 31.7 percent, and the Conservatives polled 43.4 percent which is a bit more than they did in 1983 election. The Liberal-SDP alliance polled again almost a quarter of the vote. Conservatives were once more able to command a huge majority in Parliament. Since then, rather than engaging in new organisational regulations, Kinnock and his leadership team, now manipulating the power enabled by the organisational changes, initiated a radical policy changing process in the party. This was titled as Policy Review. Indeed, in the 1987 election, Labour had fought with a Manifesto, *Britain Will Win*, which had already jettisoned the former emphasis on the pledges -such as full employment, radical distribution of wealth and power, large public spending- of previous manifesto. However, pledges for bringing the privatised industries into public sector, union empowerment, and unilateral nuclear disarmament were still in the manifesto despite the counter efforts of the leadership (Driver and Martell, 1998: 14). However, now a deeper transformation was on the way, and it was to

be another step in rapprochement of Labour to the new 'establishment' founded by Thatcher governments.

The Policy review started with campaign called 'Labour Listens' which failed even at the beginning. Shadow ministers went around the country, and public meetings were organised, in order to gather the views of people. However, it proved unsuccessful, meetings were poorly attended and there was no concern for those who came to 'listen' (Taylor, 1997: 51-52).

The Policy Review was organised through seven 'Policy Review Groups' each of which was jointly chaired by a member of the NEC, and a member of the Labour Front Bench. The membership of the review was also dominantly composed of the NEC and Shadow Cabinet. Only in two groups, People at Work, and Physical and Social Environment, trade union and local party members were majority since there was not much enthusiasm to them from MPs. (Taylor, 1997: 47). The whole monitoring and co-ordination was conducted by the Campaign Management Team headed by Tom Sawyer.

The first report was the *Statement of Democratic Aims and Values* (1988) which was primarily written by Roy Hattersley, Its main objective was to furnish some ideological mourning to the transformation of the Party, but it was almost immediately forgotten (Shaw, 1996: 182). This is largely because of the fact that it was still committed to an idea of democratic socialism whose ideological foundations were developed in Hattersley's *Choose Freedom* (1987). To Hattersley, states Jones, "Democratic socialism was 'about an extension of freedom brought about by a more equal distribution of resources', and it was a

political ideology that ‘required the use of collective power to increase individual rights and to extend individual freedom’” (Jones, 1996: 122). Of the state-market relation, while reiterating support for a market economy, he clearly rejected the neo-liberal view by stressing the limitations of the notion of an economically-based freedom of choice, and strongly criticised the free-market fetishism (Jones, 1996: 122-123).

Hattersley’s statement did not make any political impact. Firstly because it was still within the tradition of Labour socialism which the leadership was trying to avoid. Second, it was dealing with the matter in theoretical, substantive context, whereas Labour was searching for policy prescriptions and electoral attractiveness.

Publication of *Social Justice and Economic Efficiency*, in 1988 was generally interpreted as the first explicit expression of Labour’s discovery of the free market. The successive reports, *Meet the Challenge Make the Change* (1989), *Looking for the Future* (1990), and *Opportunity Britain* (1991) signalled explicit shifts to the right (Shaw, 1996: 182) in which the party reconsidered its conventional policies. The general tendency had turned to market principles from public initiative.

During the course of the review, extension of public ownership or nationalisation, which had been one of the central themes of Labour for decades, was successfully dropped. Indeed, although an emphasis on such themes was still kept among the enthusiastic members like Bryan Gould, for Kinnock’s team most of these themes were unacceptable. To Kinnock, ownership was a matter of

ideologists (Observer, 7 September 1989). Nevertheless, as Andrew Gamble points out, Labour had not experienced the sort of turn to free markets which, for example, New Zealand's Labour Party did (Gamble, 1992: 67). In macro-economic policy, the policy review can be interpreted as a middle step within the process of the abandonment of Keynesianism which first initiated by Callaghan in 1976 in the face of an economic crisis, when Labour was in government.

Although the leadership was utilising a discourse of 'enabling state' with slight interventionist overtones, at the end of the Policy Review, Labour had been committed to macro-economic management, fiscal and monetary orthodoxy, high exchange rate, and membership to the European Community Exchange Rate Mechanism (ERM) (Driver and Martell, 1998: 15; Shaw, 1996: 185).

Of the power of finance capital, which was the real victor of the Thatcherite 1980s, the Policy Review was highly cautious. Gamble notes that, while it tries to give priority to the needs of the industry, Labour would not seek any direct confrontation with the City. Its emphasis was on the moderation of the short-term bias of the City's practices, by regulating take-overs and judging them in terms of public interest (Gamble, 1992: 70). Finally Labour had subordinated industrial policy to macro-economic policy for the sake of stability (Gamble, 1992: 71). As it is well known, empowerment of finance sector at the expense of the industry was one of the prominent policy choices of the Thatcher governments.

The 'overload' thesis of the state had been one of the challenges of the new-right since the mid 1970s, and was happily considered by the conservative governments. Of course, the welfare state (and public spending on which it was

grounded) was the primary target. According to the logic of the monetarist and fiscal orthodoxy, public spending had to be strictly restrained. Against this theoretical (and practical) assault, during the Policy Review and by the death of Smith, Labour sought to accommodate, but did not give up, its beliefs on social justice and redistribution with the 'requirements' of macro-economic management. Even the reports of the late 1980s indicated a significant shift towards accountability in public welfare, wider participation in the delivery of services, promotion of individual benefits, together with the policies to deal with poverty

The leadership was also convinced that Labour's reputation as a high tax, and tax and spend party was a major electoral handicap which had to be avoided. Therefore, it was frequently emphasised that in a future Labour government, restrictive controls on both the scale and balance of spending would be vital. Further, another 'solution' developed by the leadership was the vague argument that welfare finance would be based not on taxation but economic growth (Alcock, 1992: 147).

One of the targets of the Kinnock administration was the unions. They had also constituted a tough line of attack to Labour from Conservatives who argued that Labour was dominated by unions. We have already mentioned the organisational changes made on this matter. During and after the policy review, Labour repeatedly stated to the voters and unions, 'there will be no return to the trade union legislation of the 1970s. There will be no mass or flying tickets' (It's Time to Get Britain Working Again, 1992: 11 quoted in Shaw, 1996: 187). However, the most important change was that during the policy review, especially

in the reports published in 1989 and 1990, Labour started to develop a new outlook to workers' rights and trade unions. This was the conceptualisation of workers rights and affairs in terms of individual rights, rather than taking it as collective matter of class (Rosamond, 1992: 91-95). This was significant since, although in the history of the party there had occurred several tensions between the party leadership and the unions, it was never at the stake to think the workers' rights as independent from a collective (class) matter or in terms of individual interests of the workers. This would be denying the principal grounds on which the party stood. During the 1980s, it was Thatcherism that claimed to act in the interests of the individual employee against the oppressive collectivism of the trade union (Rosamond, 1992: 94). Now, the Labour Party was coming closer to this line. Funnily enough, the principal name behind these proposals was Tony Blair, the future leader of the Labour Party.

3.2.1 The Meaning of the Policy Review

As observed by many, the Policy Review was first of all, a response to the successive electoral failures since 1979, and it was an attempt to enlarge the appeal of the Party through abandoning electorally unpopular policies (Jones, 1996: 120). The Review was prompted by the electoral success of Thatcherism in terms of the reshaped political agenda and institutional changes (Foote, 1997: 121). Therefore, at least in terms of its own conditions, the review can be interpreted as an attempt to overcome continuous failure of Labour to answer to appeal the voters by turning from democratic socialism to social democracy. When

interpreting the outcomes of the process, one might pose two basic questions. First, did the review succeed in providing an ideologically new and coherent position to Labour? Second, in terms of substance, what did the review mean for the articulation of relatively alternative set of policies which can be charged against the neo-liberal agenda?

To the first question, Tudor Jones provides a highly negative answer. According to him, the basic problem of the Policy Review was its lack of theoretical basis. Contrary to the revisionism of the 1960s, it was not fed by a systematic analysis of the social and economic change that occurred in last twenty years, although it was an exercise initiated because of the recognition of these changes (Jones, 1996: 128). Gerald Taylor, in a similar vein, concludes that the Review proved almost nothing more than an exercise in winning votes, which was indeed the only matter to which the leadership appeared to be committed³ (Taylor, 1997: 133).

To the second question, Colin Hay suggests that, having accepted the basic parameters of the neo-liberal settlement, Labour's Policy Review did not seek an alternative vision to the existing orthodoxy. In this respect, it was a compromise contributing to a new political consensus in terms of the Conservative reforms: privatisation, low taxation, changes in trade union legislation, deregulation (Hay, 1994). Eric Shaw too, provides a similar account by interpreting

³ Gerald Taylor provides an ironical example and says that Labour sought to manipulate the case of Sweden in order to justify its 'new' policies referring to economic efficiency. However, the Party had turned to Sweden at just the time when Social Democratic hegemony in Sweden was losing its power.

the Policy Review as the firm abandonment of Keynesian social democracy, which was to be completed by New Labour of Blair. This, for Shaw, indicates a sort of new (macro-economic) consensus bounding the government to the monetary and fiscal requirements of supply side economics (Shaw, 1996: 202).

Contrary to these views, Martin Smith argues that binding the substance of the Review to the influence of Thatcherism would be too simplistic because Labour's policy shift was not inconsistent with the Party's ideological heritage. The Policy Review occurred in the face of changing social, political and economic conditions, while the Party was still committed to its core values like equality and social justice (Smith, 1994; Smith, 1992). In a commentary on the arguments developed by Hay and Smith, M. W. Jones, proposes that neither to interpret the developments under Kinnock, as a surrender to Thatcherism, nor to see them as a process of modernisation is correct. According to him, taking account of the changes brought by Thatcherism, Labour had attempted to recast its social democratic commitments. The result has been a *renewed commitment to reformist objectives* including social justice as well as more general goals such as economic efficiency" (Smith, 1994, italic added).

Writing in 1999, we now enjoy the chance of knowing the developments after the review, and we have seen to which extents the *renewal* or *modernisation* of Labour have reached in terms of accommodation with Thatcherism. This would imply two different comments. Looking from an angle what occurred under Kinnock might give the impression that Labour was still committed to its principles and values, but since it had been losing its electoral base

and the preferences of the electorate had been powerfully reshaped, it reconsidered its daily policies but remained loyal to its traditional values. However, looking from a different angle, again retrospectively, one might justifiably argue that what Kinnock initiated and more importantly the way he did it, even right at the start nullified the possibility of the development of any political project which would be both more prone to constitute an alternative to neo-liberalism, and more able to shape the voters' preferences. This alternative would not have been another new-left, or it would not have been Old Labour again, but it would have both continued the principles of old Labour without yielding all the ground to the right edge of the party, and also would have sought to connect the party to society at the largest level. It is a fact that *renewal* under Kinnock was made at the expense of a great number of members who were not only from working class but also from different –other than working class- groups who would have taken part in the articulation of a left-wing agenda. Of course, this argument carries a degree of speculation but perhaps no one can deny that with Kinnock the game in the name of left-wing politics had been already lost. What began to be articulated now was a different political vision which, as we will show in the following chapter, at the end would have nothing to do with the left.

3.3 The Era of John Smith, 1992-1994

In November 1990, after an astonishing internal agitation, Margaret Thatcher was defeated from the leadership of the Conservative Party. Her successor was John Major, who entered the Commons in 1979 and served in the

cabinet for three years. At 47, he was the youngest of the party leaders. Although he was expected to call an immediate general election, he decided to wait until 1992 to hold the general election.

The manifesto of Labour, *Time to Get Britain Working Again*, avoiding most of the earlier pledges, focused on public transport and education, housing, industrial development and the rescuing of National Health Service. According to manifesto, Scotland would have an elected parliament, Wales would have an elected assembly, and local government was to be empowered (The Labour Party Election Manifesto, 1992). During the campaign, although John Smith, the shadow Chancellor, had suggested a shadow budget in which he proposed to raise direct taxation only for those earning £36,375 or more, Conservatives continuously argued that Labour's programme could not be achieved without significant increase in taxation. Despite the harsh counter propaganda, Labour was ahead in the polls. Most of the opinion polls were pointing to a Labour lead, or a balance in Parliament with no majority party (Pelling and Reid, 1996: 185). The results, however, again displayed a Labour defeat. Kinnock resigned immediately and Hattersley, the deputy leader, decided to retire. Competition for leadership occurred between Bryan Gould and John Smith, and it ended with a huge victory for Smith as leader and Margaret Beckett as deputy.

A.J. Davies notes that Smith had embodied most of the typical aspects of Old Labour. He was moderate, had solid roots in the community, and had links with the working class in the form of the trade union movement (Davies, 1996: 433). He was a revisionist in thinking and a strong supporter of Gaitskell

within the Party. However, adds Davies, he was pragmatic enough not to elevate his disagreements into eventual departure from Labour, when the new left directed the Party, unlike, for example, those who split from Labour and founded the SDP in 1981 (Davies, 1996: 433-434). During his leadership, he was extremely careful not to further the divisions within the party. Although, he shared too few ideas with them, unlike Kinnock, he developed warm relations with the former representatives of the hard-left like Ken Livingstone and Tony Benn (Leys and Panitch, 1997: 267).

In July, the parliamentary party elected a new front bench, and Smith announced the shadow cabinet. According to this, Tony Blair was appointed to Home Secretary, Jack Cunningham became Foreign Secretary, Robin Cook moved from Health to Trade and Industry, while Gordon Brown was appointed as shadow Chancellor. John Prescott was responsible for transportation, and David Blunkett for health.

During his campaign, Smith had already showed his intention to continue the organisational change initiated by Kinnock, and consolidate the revision of policies (Shaw, 1996: 193; Pelling and Reid, 1996: 186-187). He managed to get unions to pass the One Member-One Vote, which was mentioned in above pages.

Another important exercise that occurred under Smith was the establishment of the Commission on Social Justice. Although the Commission did not prove to be influential in the determination of party policy and its study outcomes were not very original, its importance derives from the fact that it

indicates to the ultimate point of the process initiated by the Policy Review when Blair became the leader. Labour under Blair, as we will show, has been both a continuation of this process initiated by Kinnock, and also signalled a fundamental break with the party of the early 1990s.

Two points about the Commission are especially worth mentioning. The first is its main mission. The Commission was charged to consider changes that had occurred in economic and social life in the last decades, and to articulate public policy on employment, taxation, and welfare . (Taylor, 1997: 140). When doing this the Commission was seeking to accommodate social justice which was one of the traditional goals of Labour, with economic efficiency and competitiveness which came to be the weighty concerns of the last two decades.

The second point about the Commission was its membership profile. There was an attempt to create a 'balanced' membership (Taylor, 1997: 1399). Trade union representation existed but it was few, there were representations from clerical community, ethnic groups, and business circles. As Taylor rightly observes, this was the demonstration of the concern to move away from any class-based approach and to raise the idea that Commission (hence the Labour Party) represents all the *nation* (Taylor, 1997: 140).

Here we will not go into any detail of the studies of the Commission which produced a number of reports and policy offerings, but will cite three pen portraits painted by the Commission, each of which was thought to represent a different economic and social model for Britain.

1. Deregulators' Britain

The Deregulators dream of a future in which dynamic entrepreneurs, unshackled by employment laws or social responsibilities, create new business and open up new markets; in which there is no limit to how high earnings at the top will rise- and no limit to how low wages at the bottom will fall; in which the market widens and deepens its influence; and in which... 'every business relationship is a one night stand'. It is a future of extremes where the rich get richer and the poor get poorer, and where the rewards for success are matched only by the risks of failure. Economically it depends upon the unceasing drive for competition through the ever-cheaper production of what we already produce; socially it relies upon the reduction of public services and public spending. Politically, it is built on logic of centralisation and exclusivity, destroying publicly accountable institutions that stand between law-making government and individual decision-making in the marketplace.

2. Levellers Britain

The Levellers are concerned with the distribution of wealth to the neglect of its production; they develop policies for social justice independent of the economy. Their strategy is founded on the idea that we can not use economic renewal and paid employment as the basis for a socially just future. The Levellers share many of the aspirations of the Investors, but they have different strategies to achieve these ambitions. Theirs is a strategy for social justice based primarily on redistributing wealth and incomes, rather than trying to increase the opportunities and compete in world markets. The Levellers believe that we should try to achieve social justice through the benefits system, rather than through a

new combination of active welfare state, reformed labour market and strong community.

3. Investors' Britain

The Investors believe we can combine the ethics of community with the dynamics of a market economy. At the heart of the Investors' strategy is a belief that the extension of economic opportunity is not only the source of economic prosperity but also the basis of social justice. The competitive requirement for constant innovation and higher quality demands opportunities for every individual- and not just an elite- to contribute to national economic renewal; this in turn demands strong social institutions, strong families and strong communities, which enable people to grow, adapt and succeed. Unlike the Deregulators, who would use insecurity as the spur to change, the Investors insist on security as the foundation of change; but unlike the Levellers, the Investors achieve security by redistributing opportunities rather than just redistributing income (CSJ, 1994: 95-96, quoted in Taylor 1996:151-152)

Needless to say, the *Investor's Britain* was representing the Labour's preferred model and highlighting its policies. It is recognisable from the text that Labour was seeking to neither give up its 'socialist' aspirations, nor miss the 'requirements' of modern economics. Distributionary policies were not totally out of the agenda, but they were put in another context; they would be exercised not through a tax and benefit system, but through a total growth which was supposed to be created by the individualistic enterprises in a dynamic economy. Collectivist aspirations were thought to help to a better life in such a system. Opportunity and community started to appear as the

keywords of this model, but they were not defined clearly. Within these keywords, one can trace some roots of the *modernisation* Labour will experience under Blair. The overall impact of the Commission remained vague since the following events, specifically the sudden death of Smith, bypassed it. A *new* era was to come.

CHAPTER IV

NEW LABOUR

4.1 Beginning of a New Era: Tony Blair

On July 21, 1994 Tony Blair was announced as the new leader of Britain's opposition Labour Party, at a mini party conference held in London. At the age of 41, he was the youngest leader of Labour ever, and had been active in politics since 1983. He had most recently served as shadow home secretary.

Blair polled 57 per cent of the total vote. 61 per cent of the MPs, 58 per cent of the party members and 52 per cent of trade unions had voted for him. In the leadership election, he competed with two figures: John Prescott, who was the shadow employment secretary, and Margaret Backett, Labour's deputy leader under Smith, who had been the temporary leader since his death. The former polled 24 per cent of the vote and the latter did 19 per cent. Prescott became the deputy leader of Labour (source: Rentoul, 1995: 404).

Blair's shadow cabinet was no surprise: Gordon Brown was appointed shadow Chancellor, Robin Cook became foreign secretary, and Jack Straw was promoted for Home Affairs. Harriet Harman was responsible for

Employment, Donald Dewar for Social Security and Jack Cunningham for Trade and Industry. The team was sharing similar ideas and ideals for the future of the party. In other words, they were all *modernisers*.

On his first day in his new office, Blair's first message went to trade unions. He suggested that they expect 'fairness not favour' from a Labour government. He added then: "They will have the same access as the other side of the industry. In other words, they will be listened to... We are not running the next Labour government for anything other than the people of this country" (Speech to BBC Radio 4, 1994 quoted in McSmith, 1996: 339). The intention was nothing but clear. Two days later, Blair showed his 'moralist' face, disapproving single parents who bring up children on their own. To him, it was crazy to suggest that it was best for children to be grown up in anything other than a two-parent household. Here there was a message for the left too. Blair warned that some of the views on family associated with the left were 'a million miles away' from the ordinary people (McSmith, 1996: 339).

Since he was strictly on the path of Kinnock and Smith, no one was in doubt that Blair would continue, even would speed up the modernisation of the party. Such an expectation was right but also deficient because Blair not only culminated the modernisation process set by Kinnock and Smith, he completely reshaped –one would use the word 'reversed'– the ideology of the party and placed it in a new location in the British political spectrum.

In very brief terms, the core of the Blairite analysis was that the party had failed to understand and respond to the social and economic changes

which had transformed Britain and the world in the last decades.¹ Its programme, they said, its organisation and mentality were accorded to an age which is past now. The times when labourers composed a great section of the population and allied in the form of unions with collectivist sentiments were over. Economic and technological changes had provided a significant decline in the size of the working class. Rising social mobility, moves to the white-collar jobs and service industries, and globalisation were the elements of this change. In this context, Labour had to be a party responsive to these changes. In other words, in order to keep up, Labour had to change. Conservatives, considering the aspects of the changes occurring since the late 1970s, had been successful in gaining new adherents, and managed to remain in power, whereas Labour, overlooking these changes, had insisted on old-style politics, and most importantly had always ignored the middle classes. Thus, a new party which could attract and represent middle classes and raise their aspirations had to be developed.

4.2 Formation of *New Labour* and Clause IV

It is all too obvious that Blair would have been unable to pursue his project if the appropriate groundwork had not been laid by Kinnock and Smith. Both ideologically and organisationally, much had been done in reversing old (left-inspired) policies of Labour. When he was in office, Blair already had a power

¹ Although this gives the impression that *modernisers* are within the revisionist tradition of British left, which was mentioned in the second chapter, they are essentially out of this path as the rest of this study will help to explain.

mechanism and ideological background he would need in order to implement his policies with less objection. Once he said that

The process of change I have undertaken, started by my predecessors before me, has been to get Labour outdated policy perspectives and the quasi-Marxist traditions of a small part of the party (Speech to the annual conference of the Federation of British Industry, 1995).

What was wrong under Smith, according to the Blair, was the slowness and moderation of the steps and this was usually given to the personality of Smith. Now, much faster and radical steps would be taken. In this respect, what Blair first did was to restore the Kinnock regime (Leys and Panitch, 1997: 227). The meaning of this was instead of enjoying the conventional, decentralised policy making mechanisms of the party, the initiative was again taken by the leadership which gathered a set of professionals, spin doctors, policy advisors, image makers around itself.² Under Blair, as observed by many, most of these people were not from the Labour Party circles, or even from politics. They were in the Labour Party, rather they were with Tony Blair, now as a part of their careers which started for example at think-tanks, media or business world³ (McSmith, 1996: 342)

Influenced from the success of the (New) Democrats led by Bill Clinton in the United States, the Blairite team began to call their party *New Labour*

² Think-Tanks, which have become popular institutions of last decades, also play significant roles in the formation of the New Labour's ideology and policies with their 'interesting' discussions. Those are: Institute of Public Policy, Charter 88, Demos, and Nexus. While for the last two Blair has a special interest and in strong relations. Charter 88, which mostly deal with rights and liberties is the least popular one among the *modernisers* since it was seen as the legacy of the New Left.

³ One Labour MP, in 1995, had complained: "Tony is surrounding himself with people who are clever, able and upper-middle class and arrogant, and who do not respect the Labour Party" (The Independent, 17/9/1995).

as a symbolic gesture in order to demonstrate that the party was changing.⁴ For *modernisers*, nevertheless, what they needed was a much greater target in order to stamp their sign to the party, which will also help to persuade people that *New Labour* deserves its label. Indeed the target had already been picked. Replacement of the ‘old-fashioned’ *Clause IV*, which was adopted in 1918, and commits Labour to public ownership as the ultimate aim of the party, would be a fresh start.

John Rentoul, the biographer of Blair, notes that, in the mid 1994, Blair had already confided his intention to rewrite *Clause IV*, to Gordon Brown and Peter Mendelson. They both agree with Blair on the necessity of replacement (Rentoul, 1995: 412). However, John Prescott, who was the untitled leader of Labour’s conventional (unionist) wing had to be persuaded. Although at first he was indecisive, Prescott agreed on the condition that trade union leaders could be assured that there would be no more modernising party reforms before the next general election (Rentoul, 1995: 416).

The first move came on 4 October 1994. Pointing out that Labour needs ‘a modern constitution’, but without directly mentioning *Clause IV*, Blair announced that he and Prescott would present ‘a clear up-to-date statement of the objects and the objectives’ of the Party (Jones, 1996: 139; Sopel, 1996: 270). With this, Blair had become engaged in an enterprise at which Gaitskell had failed and Kinnock regretted for not having done himself. In December 1994, the National Executive Committee decided on a timetable for a special party conference at which the proposed constitutional change will be voted. However, Blair was not

⁴ In 1959, a revisionist Labour member, Douglas Jay, who suggested such a change in the name of

quite sure how much he could rely on the Conference vote in order to pass the new constitution. According to Shaw, when they were left to themselves, although most of the members would jettison the old clause, they would actually be more prone to pass a new one highlighting Labour's adherence to its traditional values like social justice, equality, full employment (Shaw, 1996: 199). The solution of Blair was quite tricky. The Conference would decide between two choices, the new one or the old one. There was no other alternative –such as the construction of a commission to discuss new principles or prepare another Constitution- remaining to the Conference, except a single choice to be made between the two (Shaw, 1996: 200)

The National Executive Committee, with some little revisions, passed the new clause written by Blair, to the vote of the Conference. Within the period until the Conference, in order to secure the result, Blair attended a series of meetings held throughout the country. He was said to have spoken to no less than 30,000 party members in these meetings. Finally, at the special conference held on 29 April 1995, Blair was the victor. A bit less than two-thirds of the total voters had accepted the new Constitution. It reads:

The Labour Party is a democratic socialist party. It believes that by the strength of our common endeavour we achieve more than we achieve alone, so as to create for each of us the means to realise our true potential and for all of us a community in which power, wealth and opportunity are in

the party had been harshly protested.

the hands of the many not the few; where the rights we enjoy reflect the duties we owe and where we live together freely, in a spirit of solidarity, tolerance and respect.

And continues,

To these ends we work for

- (a) a dynamic economy, serving the public interest, in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and cooperation to produce the wealth the nation needs and the opportunity for all to work and prosper with a thriving private sector and high quality public services where those undertakings essential to the common good are either owned by the public or accountable to them...

After the victory, Blair moved to make some further organisational changes in the party. The first one was to pursue further reductions in the weight of the unions' block vote at the Conference. This was already to be implemented once the total membership exceeds 300,000, as discussed in previous chapter. Secondly, Blair, ended trade union sponsorship of MPs. In this system, unions would supply some of the expenses of the local constituencies, but MPs would not get individual benefits for themselves (Leys and Panitch, 1997: 230). To Blair, this was an unnecessary exercise making Labour vulnerable to the Conservative press. Of course, it was also another way of severing the Parliamentary Party's relation with the local communities. In February 1996, this exercise was abolished. Third, Blair got the Parliamentary Labour Party's agreement to enable him to choose the party's

Chief Whip and Deputy Whip, which had hitherto been subjected to the votes of the MPs (Leys and Panitch, 1997: 233; Coxall and Robins, 1998: 120). Fourthly, in order to guarantee the leadership's authority over members and MPs, new rules of conduct such as the offence of 'bringing the party into disrepute' were installed (Leys and Panitch, 1997: 233).

The culmination in organisational change came before the 1997 election, with the passage of the document, *Labour into Power*, prepared by Tom Sawyer in collaboration with Blair. It was intended to realise two objectives. First, it would make the extra-parliamentary party an auxiliary to the parliamentary party, by severing the link of extra-parliamentary party to the National Executive Committee. Second, it would make the Committee subordinate to the leader (Leys and Panitch, 1997: 234). As a result of these changes, in the contemporary Labour Party, although the Conference formally continues to be sovereign, with its authority of final decision, in practice, party policy is fixed by the leadership, through (private) discussion in the National Policy Forum which was directed by Joint Policy Committee, chaired by the Prime Minister and composed of equal members -who were drawn, but not elected- from the National Executive Committee and Government (Coxall and Robins, 1999: 119). In this system, hence, Blair enjoys concentrated power in the leadership, through bypassing NEC and the conference, which have become formal partners of the leadership team. (Coxall and Robins, 1999: 116).

The only area in which the National Executive Committee remained important is in its power to control parliamentary candidates at by-elections and for

the general election. A subcommittee from the NEC draws up the short-lists of candidates for the consideration of the local parties. The point in the selection is to ensure that only those who are more sympathetic to New Labour politics, and the leadership should be available to the decisions of the local members⁵ (Seyd, 1998: 67).

Meanwhile, the efforts to increase the number of party members proved to be successful. Labour became a mass party whose membership increased by 140,000, from 280,000 to 420,000, between 1994 and 1997. Of course this was a reflection of the rising popularity of Labour at the national level. But there was also another goal of emphasising membership: to curb the power of the activists, both at the local level and at the conference, in the party. The assumption was that members, unlike activists, would get less involved in the internal affairs of party, would not challenge the leadership, and would also regularly pay their fees. This assumption proved to be correct. A study conducted in 1995 demonstrated that nearly half of the newcomers joined Labour precisely because of the Blair leadership, but less than half had actually attended even a branch meeting since signing up (Davies, 1995: 450). For at least four years the party leadership has been faced with no challenge from the grass-roots, and has become less dependent on the unions' funds. In the end, Blair succeeded in creating a model in which policymaking and campaigning are performed by the leadership team and

⁵ For twenty years, both in the Conservative party and in Labour, anyone formally selected by a constituency party had been permitted, by the National Executive Committee, to be a Labour candidate regardless of the how objectionable their views to the leader. Under Blair, this custom was voided. For example, Liz Davis and John Lloyd, both of whom were properly chosen, were denied endorsement due to their activist backgrounds.

professionals around them, while the members' task becomes to assist this central management through their member ballots as the only way of participation. Some call this as 'massive but passive plebiscite membership' (Perryman and Codington, 1998: 4).

4.3 Elections and Victory

The memory of the unexpected defeat in 1992 election was crucial to both the subsequent evolution of Labour and Labour's approach to the next campaign. Norris writes that after 1992, Labour realised that elections are not usually won or lost in the official campaign, and designed a strategy for the long term (Norris, 1998: 127). Thus, the greatest part of the election work had been done previously. It was professional and large budgeted, nothing was left to chance and everything was calculated. To Dennis Kavanagh, if the ending of the old *Clause IV* was a symbol of New Labour, so also was the state of the art media centre at Millbank Tower, which was established in 1995, and was borrowed the idea of a 'war room' from the US Democratic Party's campaign (Kavanagh, 1997: 537). The Labour campaign contained a number of personnel imported from the US. For instance, from early 1996, Stan Greenberg, who was Clinton's pollster, helped to frame questions and conduct regression analysis of the private polling which was organised by Philip Gould and Deborah Matkinson of the Labour Party (Kavanagh: 537; Norris: 127). Labour had also carefully examined the electoral strategies of Democratic Party, which provided them two successive election wins. Peter Mendelson, an ex-television producer who then became the minister without

portfolio in Blair government, was responsible for the management and co-ordination of media relations, and advertisement.

Tight control was characteristic of the whole campaign in which some elements of authoritarianism could even be seen. Party members were not allowed to speak to the media before the leadership was informed about the content. During the proclamation of official party policies –which were in many cases meant the reversal of previous pledges- they were often announced first in the media, in order to make internal opposition difficult since, in the media, any opposition would be treated as an evidence of split, which none of the party members could dare in the middle of the campaign (Leys and Panitch, 1997: 239). It is needless to say that most of the new pledges were barely debated at party conferences.

Labour was extremely successful in using the information technology to explicate itself and reach the electorate. Developing strong relations with the media was an integral part of the campaign. This reached such a stage that save for the hard-core conservatives like *Daily Telegraph*, *Daily Express* and *Daily Mail*, formerly conservative media declared support to Labour. The most obvious examples were the tabloid *Sun* and the right-wing *The Times*, owned by the media emperor Rupert Murdoch⁶. Therefore, it was rare easily to find such negative headings as these:

⁶ Of course, Blair' visit to the Murdoch's *News Corporation International* in Australia, one of the centres of global media empire, and his warm relations with Murdoch were decisively important in this affiliation.

WARNING

A Labour government will lead to higher mortgage payments. There is no doubt about it. Interest rates will rise within days of Kinnock entering Number Ten (*Daily Mail*, 7/April/1992).

Or,

If Kinnock wins today will the last person to leave Britain please turn out the lights' (Sun, 9/April/1992)

Instead of those one would see:

Sun Backs Blair: Give A Chance to Change (Sun ? /April/1997)

Labour's primary message to the electorate was that: *We have changed, we are modernised. Therefore, let us lead and change the country.* The draft manifesto (1996) was titled '*New Labour, New Life for Britain*', and the main manifesto was '*New Labour: Because Britain Deserves Better*' (1987). In the draft, Labour had already dropped most of its earlier pledges on the issues like taxation, public spending, unions and crime, which proved to be in contradiction with the new route of the party, The main one was more sophisticated, and was designed to focus on five specific pledges: cutting class sizes for under-seven-years olds, fast-track punishments for young offenders, reduction in the National Health Service waiting lists, moving 250,000 young unemployed into work, and cutting VAT on

domestic heating fuel, together with the commitments to low inflation, low taxation and limited budget (The Labour Party Election Manifesto, 1997).

Looking at the election campaign and looking at what they offered to Britain, one could see that there barely remained a difference between the Conservative Party and the Labour Party. Labour avoided, and explicitly rejected, almost all of its points which had constituted the themes of former elections. It was a fact that the originality of Labour was in a steady decline since the mid 1980s, and it was accommodating the middle ground, but it was the first time Labour was strictly against even tax increases, or had no objection to the Grant Maintained Schools which it once promised to abolish. More interestingly, Labour was explicitly announcing that it had no objection to the current economic management in terms of principles. In the end, once Labour had nullified what it once defended, the race between Labour and the Conservatives, turned out to be a matter of competence, rather than ideology or principles. As it was put in an *Economist* article, voters were to be asked to choose between five more years of conservatism under Major and five more years of conservatism under Blair. And what made New Labour unstoppable was that it has turned Tory (The Economist, September 1996). The Labour Party was now seeking to place itself as the natural party of government in British politics. In this scene, only Liberal Democrats, as one of the three biggest parties, deserved to be called an 'opposition party', with their distinct agenda for the British economy and the state.

Colin Leys, in a brilliant article, summarises the strategies that governed the policy thinking and overall campaign of New Labour: The first, he

writes, was that 'next election had to be won', in order either to save the country from another conservative government, or to prevent the collapse of Labour. For the leadership of the party, this meant that Labour had to adjust itself to the voters whose ideas had been shaped by long lasting conservative administration. Therefore, the group of voters who could be won for the first time was the main target⁷. Second, in the formation of the voters' preferences, it had been not only the new right propaganda in effect but also the crucial changes in the job structure, changes in the public consideration of the state, disappearance of class as a way of expressing collective identity was important. Third, contemporary media make it hard for new policies to be appropriately proposed and rationally debated. Therefore, tight control of all policy announcements was a must, and meanwhile the image of the party in public had to carefully constructed. Finally, since the aim was to win at least two successive elections in order to ensure the success in long-term policies such as education and training, Labour had to gather the acceptance of capital as the suitable even the preferred party for the British economy. This, at first, implied taking for granted the rules and restraints put by global capitalism, avoiding Keynesian economics. Second, corporate taxation and regulatory burdens had to be kept low with the low wage increases (Leys, 1997: 21-22).

The formula - at least the electoral part - did work. On 1 May 1997, with what some call landslide, the Labour Party won the elections. It polled 44 per cent of the total vote which meant a 10 per cent rise, and gained 419 seats in

⁷ In a similar vein, Sopel (1997) notes that the very voters Blair needed to attract to win were conservative with a small 'c', cautious and those who still harbour doubts about what a Labour government would do. They were aspirant middle classes whom Mrs Thatcher won over with her popular capitalism.

Parliament. This massive swing in popularity from Conservative to Labour was the largest registered by any party since 1945. Conservatives polled 31 per cent, and had 165 seats, slightly more than half the 324 seats they had held before the election. Liberal Democrats' rate of vote remained almost the same, 17 per cent, compared to 18 per cent in 1992, but they doubled their number of seats (46) in Parliament.

4.4 The Mastery of *New Labour*

Now, let us focus on the substantial features of New Labour. At the centre of our analysis will be economic policy of New Labour. Next, the social policy, then the welfare policy of New Labour which was accorded in tune with the economic policy will be examined. As it was shown in the third chapter, since the mid 1980s Labour had already introduced a series of exercises –whether successful or not- for changing its policies. Under Kinnock and Smith, let alone the abandonment of unilateral nuclear disarmament, Labour had already given up its two former pledges: (re)nationalisation of the privatised utilities, and the restoration of trade union immunities. Full employment was also dropped from among the priorities⁸, largely because Labour had announced support for the membership to Exchange Rate Mechanism.⁹ In this context, Labour was confined to the management of British economy, in a way that can no longer be defined as mixed one. The only crucial difference in economic policy was the tax increases

⁸ Although, the Commission for Social Justice had attached special importance to full employment, its impact on the Party's official policy had remained vague.

which were released and defended by Smith; however since they were thought to be responsible for the electoral defeat in 1992, in the *modernisers'* eye, taxation policy was to be one of the targets to be changed. And as a conventional notion of the party equality, was being perceived within a more liberal context, equality of opportunity. However, looking at the changes as a whole, one could see that this exercise of Labour was not phrased in strictly and coherently defined ideological terms, but more in pragmatic terms as an electoral strategy. Now what was left to Blair was to complete the ideological repositioning of Labour at the *centre* of the British political spectrum.

4.4.1 New Economic Policy

New Labour's economic policy was illustrated in a series of documents, in the speeches and pamphlets of Tony Blair and Gordon Brown, articulated between 1995 and 1997.¹⁰ The main theme in all is that the world has undergone a fundamental economic change and old policies have become irrelevant to new realities. The most powerful of these realities are said to be globalisation, post-Fordism, post-industrialism, and basically free and flexible markets. Thus, before all, the era of Keynesian economics and public intervention was closed and free market and its principles are the primary rules of conduct in the new era. The role of the government is to provide the essential framework for

⁹ Interestingly enough, after not such a long time Labour declared its support, ERM proved to be disaster in 1992 and the Tory government, having joined in it 1990, left from the ERM.

¹⁰ The most important of those are: *Vision for Growth: A New Industrial Strategy for Britain* (1996), and *A New Economic Future for Britain* (1996); and of course the 1997 Manifesto, *New Labour: Because Britain Deserves Better* (1997). References to the lectures, speeches and books will be given in the text.

competitive markets. This was argued to be so-called new model of intervention in which state and market are conceptualised as complementary partners.

4.4.1.a We Are All Globalised Now

The understanding that we do live in a globalised world is one of the keys to the New Labour economic approach in general, and to the abandonment of Keynesian economics in particular. (Driver and Martell, 1998: 42). We must recognise, Blair says, “that the UK is situated in the middle of an active global market for capital – a market which is less subject to regulation today...Since it is inconceivable that the UK would want to withdraw unilaterally from this global market-place, we must instead adjust our policies to its existence” (The Mais Lecture, 1995). A country, for Blair, has to dismantle barriers to competition and accept the disciplines of the international economy (Speech in Tokyo, 1996). Thus, the argument continues, in a global economy, within which the capital is highly mobile and the demand is subjected to the factors beyond national boundaries, governments can neither control capital nor manage demand, but can deal with the supply side of the economy. The key here is the competition, since if being a part of globalised world is the first step, keeping up within the global race is the second one. “To compete in the long term”, says Blair, “a nation must also constantly be investing in new capacity and above all in the flexibility and aptitude of its people” (Speech in Tokyo, 1996). This would be done by ensuring labour quality, and providing skilled labour force to the needs of capital. Of course, what is called flexible labour market is a *sine qua non* of this agenda because skilled labour force

and flexible labour markets (which also mean cheap labour) are the keys for global competitiveness.

4.4.1.b Living in *post* times

As a part of the globalisation rhetoric, post-Fordist and post-industrialist arguments occupy a significant place in the formation of Labour's supply-side economics. Post-Fordism offers a transformation from the Fordist world of mass production through economies of scale oriented to long-term production of standardised goods by the labour of semi-skilled and unskilled workers. What occurs under post-Fordism is the manipulation of flexible technology, articulated by skilled and flexible workforce for the short-run production of highly diverse goods to diversified markets. In this context, markets and consumers, rather than production process, become the determinants of the economic cycle. Post-industrialism (see: Daniel Bell, and Alan Tourine), another tenet, suggests that there has occurred a shift from manufacturing industries to the service economies in which information/knowledge play decisive roles. The conventional definition of class based on the certain position of people to the means of production and their place in the relations of production is argued to be obsolete. Therefore, it was said, we can not speak of class in general and working class in particular which is disappearing and leaving its place to the middle classes.

New Labour, write Driver and Martell, sees its supply-side policies as uniquely matched to a post-industrial and post-Fordist economy in which individual skill, knowledge, information and creativity are crucial for success and

growth (Driver and Martell, 1998: 44). Of course, these theories also provide a powerful intellectual support to New Labour which aims to completely give up its image of (labourer) class party.

Indeed, many of these ideas had already been on the agenda of British left. Both post-Fordism and post-industrialism were hotly discussed within the journal *Marxism Today*, through the series of *New Times*, in the 1980s. Considering these changes, *Marxism Today* sought to draw a new perspective and route to the British left for the times in which working class politics entered into the crisis since their social base was disappearing. It was half right and half wrong. On the one hand, it is undeniable that what is explored in these post-anything theories highlight structural transformations. On the other, however, looking at the changes solely in terms of the 'systemic or functional consequences of technological innovations in which dominant technology allied to an appropriate form of social organisation was held to give shape to a whole social system', reduces the analysis to a socio-technical determinism (Rustin, 1994: 73) in which power relations are strictly unproblematised and the fact that these transformations carry the signs of class strategies as well as technological improvements are widely underestimated. Therefore what is at the stake is not just a set of technological developments. Post-Fordism flourished significantly not because the technology was developed only, but also it enabled employers to use a divided workforce at the lowest price. Rogers and Streeck notes that,

[Post-Fordist strategies] characteristically feature more advanced attention to logistics and quality, and more intensive utilisation of front-line workers, usually organised in teams. But they are associated with just as fierce downward pressures on wages, and just as much hostility to collective worker representation. World-wide, both 'sweating' and 'lean' firms are increasing their market share...[and] they have become the icons of 'flexible' production, with most of the costs of flexible adjustment to unstable demand visited on workers (Rogers and Streeck, 1994: 131).

However, these debates do not mean much to New Labour since it closes the doors to getting involved in any attempt to go beyond the orthodox interpretations of these transformations. Indeed these debates about post-industrialism, post-Fordism reminds us that class analysis is an unavoidable analytical tool for both making of the unorthodox political science as well as the articulation of left-wing politics. However, the point is to be able to look at the matter at the widest sense i.e. in terms of labour and labouring process within the capitalist economy. If we define the frame of working class in terms of the people working in the industrial factory, then inevitably working class appears to come to an end, and we would argue that class does not matter. But, when the emphasis is on the notion of labour which is still subjected to unequal relations of power and exploitation, then class still matters. Therefore, the matter is to catch the changing forms of class relations. When this is done appropriately class can serve as a highly

explanatory conceptual tool in order to analyse either the service or information sector employee as well as the worker in the Toyota factory.¹¹

4.4.1.c Golden Rule of the Government

The second implication of globalisation for New Labour is on the *proper* rules of conduct for government. Here the key is again global competitiveness. Today, the role of the government, according to Blair, is not to command but to facilitate. Government, he says, “should not run business, but nor should it duck its responsibilities where these are necessary to fulfil the national interest” (Speech to the annual conference of the Federation of British Industry, 1995) The responsibility of the government, in addition to the supply-side policies mentioned in above pages, should be the creation of an attractive framework for companies. Therefore, governments have to keep inflation and taxation at the lowest levels, especially favourable to the competitor countries in the global system (Speech to the annual conference of the Federation of British Industry, 1995). Labour, during the election campaign pledged tough rules for government spending and borrowing, ensuring low inflation which is not higher than 2.5 per cent in a year, improving competition and revitalising private finance without state intervention, all of which were supposed to bring growth in an economy through well functioning free markets. Before the general election, Gordon Brown, now

¹¹ In an attempt to use class in order to understand a modern capitalist system, Cannadine (1999) offers to conceptualise class through three lines. First, class can be conceptualised as a hierarchy of status and rank. Second, as class estates linked to economic and power functions: an elite, a professional managerial class, a mass of wage-earners and underclass of unemployed. Third, in the Marxist sense: the propertied and proletariat.

Chancellor, declared that a Labour government would neither increase rates of income tax in the lifetime of a Parliament, nor would it shift the Conservative government's spending commitments¹² (Seyd, 1998: 61). The 'golden rule' that public borrowing would be used to finance only investment and not consumption, and the budget should balance over the economic cycle, has become the motto of New Labour (Mandelson and Liddle, 1996: 80; Driver and Martell, 1998: 63). In Brown's words: "the war on inflation is a Labour war...Brown's law is that the government will only borrow to invest, public debt will remain stable and the cost effectiveness of public spending must be proved...nobody should doubt my iron resolve for stability and fiscal prudence" (Brown, 1995 quoted in Leys and Panitch, 1997: 250). In brief, macro economic stability and low inflation, through inactivism on the demand side, and activism on the supply-side, constitute the basis of New Labour's economic policy.

New Labour has been extremely sensitive to end the 'high tax' image of the party at the domestic level, which was believed to have lost the 1992 election for Labour. Taxes had to be nationally low and internationally competitive. It was ceaselessly announced that 'the days of reflex tax and spend politics are over, and the aim is "fair taxes, not high taxes" and "there would be no return to penal rates of high taxation". Labour even pledged to reduce starting rate of income tax to 10 per cent as a longer-term goal (Coxall and Robins, 1999: 110). In his first budget, then, Gordon Brown, adhered to the pledges. His major sources

¹² This plan was regarded with doubt even in the City as implausibly strict, even. Labour was said to tie its hands to an unprecedented degree (See: *The Economist*, Special Election Issue, 1997).

of new revenue were the long-anticipated windfall tax, to raise £4.8 billion over two years, and abolition of the tax rebates received by pension funds on dividends on their investments, to raise £6.2 billion in the same period (Anderson and Mann, 1997: 61). Meanwhile, as was promised, the Labour government has reduced the VAT on fuel, brought about a small cut in corporation tax, and has not raised income tax at all.

4.4.1.d The Labour Party, Business World and Trade Unions

The Labour Party under Blair, gave a primary importance to gain the trust of capital in general, and the City in particular, by ensuring that their businesses would not be interrupted, rather improved. Before the 1997 elections Blair and colleagues attended a lot of meetings and receptions with business people –some satirically call these prawn-cocktail- to explain their commitment to work in partnership with business.¹³ (Driver and Martell, 1998: 67). Before the election, Blair declared a five point manifesto oriented to prove that New Labour was ‘the entrepreneur’s champion’. He said: “We want Britain to be a great place to do business. We want business in Britain to succeed and deliver healthy growth, good profits, rising living standards and more jobs” (The Guardian, 12/April/1997).

The five pledges were:

1. Stable prices with an inflation target of 2.5 per cent or less, coupled with tough rules on borrowing and spending and no rise in income tax.

¹³ After the elections, as a symbolic gesture, Lord Simon, the former BP chairman, was appointed as the trade minister.

2. A new impetus for the Private Finance Initiative to speed up improvements to the infrastructure.
3. To upgrade the quality of workforce by cutting class sizes, setting new targets for literacy and numeracy, and setting up a University for Industry for lifelong learning.
4. To spearhead the fight for more competition in the single market while keeping an open mind on the single currency.
5. Full backing to small business, with legislation to end late payments to small firms and give them extra support to help them grow.

New Labour has not only turned its scepticism towards the private sector into a deep trust, it also wishes to overcome the old dichotomies like nationalisation/privatisation, intervention/deregulation, with what is called public-private partnership. Although at the first sight this might imply the creation of a public sector oriented to public interest instead of profit-making, what it actually proposes is business-friendly state policy. For instance, it undertakes the state supported investment in areas that exceed the power of the private sector, or which the private sector is less willing to fund, such as Research and Development, transportation, or high-tech industry. Blair is very cautious to stress that it does not mean a replacement of private sector by public, which might be reminiscent of the Old Labour policy. He says that “while it may be a mix of public and private enterprise. It can not be government at all but the private sector given a competitive framework in which to exist...that can deliver service” (Speech to the News Corp Leadership Conference in Australia, 1995). In this context, overall, Thompson

observes that, the government's role in the partnership becomes conceived in terms of framework provision, providing the institutional and legislative structure within which business and finance can function freely, and competitively (Thompson, 1996: 45). Actually, Labour's pre-election guarantee¹⁴ to business that a Labour government would be cautious and responsive to the demands and the needs of the private sector clarifies what public-private partnership would mean at its crudest: Instead of the three cornered corporatism of the post-war era, here are the roots of new two cornered corporatism of the post-modern times, from which labourers and unions are successfully excluded.

Expectedly, the project of wooing Middle England and the City would have been deficient if Labour had not altered its links with the trade unions. Severing the link with them, as was done by organisational changes mentioned in previous pages, would not be enough. During the 1980s and the 1990s, as the power of the unions in the party's decision-making mechanism was increasingly severed, policy commitments to them were also diminished (Leys and Panitch, 1997: 254). Then, Labour under Blair moved to take a relative counter position to them.¹⁵ Before the elections it was repeatedly stated that "New Labour is the political arm of none other than the British people as a whole" (The Election Manifesto, 1997).

In opposition, Labour had rejected the report *Working Life*, including the enlargement of employment law to all workers, effective protection

¹⁴ The ultimate expression of this was embodied in the slogan: "We are a pro-business party"

¹⁵ Indeed, taking a counter position to unions had started under Kinnock who harshly criticised and counteracted the *Miners' Strike* between 1984-85, which ended with the victory of the government.

of workers' rights and fairness at work, regulation of working hours in accordance with European Union standards. The answer was direct: "The Party would not be responding to impossible demands" (The Independent, 4/9/1996). Blair engaged in no attempt to reverse the anti-union legislation of the 1980s; in the election campaign it was even declared that Labour government would leave British law as the most restrictive on trade unions in the Western world (Leys and Panitch, 1997: 254), and there would be no simple pressing of the rewind button in union legislation (Blair's Speech to the GMB conference, 1995). Sometimes Blair's approach was more cautious. He stated that the unions would get things they want – a minimum wage, the Social chapter and recognition- (The Guardian, 25/3/1997), but, this, according to Blair must not lead to rigidity or to inflexibility in labour markets (Speech in Tokyo, 1996). As a result, although new government passed Britain's first minimum wage law, at \$6 an hour, and signed the E.U. Social Chapter last year it also came into conflict with unions since the Labour administration confirmed that government would oppose the legislation to require employers to set up consultation procedures for the workforce (The Guardian, 17.3.1998).

The new right was hostile to trade unions, which were regarded as collectivist, socialist organisations that were seriously disrupting the running of market forces. The argument was that unions distort supply and demand in the labour market through upward pressure on wages and reduce investment. As different from the prices and incomes policy of the post-war era which included the unions in economic management and controlling inflation, new right monetarism

relied heavily on the marginalisation of trade unions. Thatcher governments, between 1980 and 1990, acted through step by step legislation, in order to further restrict union freedoms. When Thatcher left the leadership, union members were limited to secondary picketing, the closed shop and eligibility for social security as well as new protection for non-strikers (Coxall and Robins, 1998: 234-235). The ultimate aim was to transform trade unions into workplace representatives instead of organised interest groups acting in behalf of a class.

It is understandable for a party, which somehow has to reach to a wider electorate in order to win election, to reconsider its links with the organisations which by their nature represent and defend the interests of a class. Especially under a hegemonic construction in which people are motivated to think more in individual terms and distanced from class identity, such an attitude might be important to an extent. Furthermore, some criticisms which have been made against the unions, to a degree, might be rightful, especially on their oligarchic and undemocratic structures or narrow visions. However, while attempting to democratise the unions, making them more accountable and responsible, and seeking to break the hegemony through such a project would be an appropriate option for a party carrying the brand labour, New Labour is again in full accommodation with the Tory legacy. Let us finish this section with an interesting example. Consider these words: "It has been recognised that an increase in the labourer wages which does not pave the way to inflation and curb the power of a firm, is possible only by developing the effectiveness and especially global competitiveness of the firm." There is no reason not to think that these are the

words of Blair since it completely fits his discourse. However, these words belong to Coskun Koca, a famous Turkish conservative MP and columnist, and this quotation is from a recent article in which Koca explains why unions are evil organisations and they are dangerous to the existence of the state (Sabah, 16/August/1999).

4.5 Political Economy of New Labour: A Theoretical Analysis

Although it is a decisive dimension of the New Labour's economic policy, analysing the matter solely in terms of globalisation would be deficient since it does not fully illuminate the real ground on which the transformation of economic policy has occurred. Therefore, we offer to analyse New Labour's economic policy in terms of one of the basic themes of political economy: state-market relation.

In the post-war era, the basic difference between the classical free market (*laissez-faire*) view and Keynesianism was the emphasis on the role of government and its relation to the market in the management of the economy. The classical free market view rests on the principles that a) prices and wages are relatively flexible; b) aggregate supply is determined independently of aggregate demand; c) people's price and wage expectations adjust rapidly to shifts in aggregate demand; and thus d) fiscal and monetary policy are ineffective in changing the levels of output, employment and growth. In this context, government interventions are nonsense, and the market should be allowed to function *freely*

according to its own rules. (Deans, 1998). However, the Keynesian perspective, granting the market as the basic mechanism for organising economic transactions and effective resource allocation, did hold the opinion that capitalist economies are inherently unstable and market forces suffer rigidities and co-ordination failures preventing them from restoring equilibrium, full employment and potential output level. In this sense, it rests on the belief that a) prices and wages are inflexible downwards; b) aggregate supply depends on the level of aggregate demand; c) people's expectations of prices and wages adjust slowly to shifts in aggregate demand; and thus d) fiscal and monetary policies are effective tools in altering levels of output, employment and growth (Deans, 1998). In this respect, the argument on the market as a self-adjusting mechanism does not make sense and government intervention to stabilise the economy is essential.

Indeed, the new right relies on the post-war reformulation of classical economics that is called neo-classical. This analysis is classical since it assumes that wage and price flexibility restore the economy to a position of potential output. It is also new since it supposes that this wage and price flexibility is almost instantaneous due to the operation of rational expectations. In this system government cannot directly influence output and employment by monetary or fiscal policy, as the effects of these measures will be anticipated and counteracted (Deans, 1998). What government has to do, then, is to reduce public debt, maintain a limited budget and control inflation. 'Intervention' is left to the supply

side measures like liberalisation and deregulation in order to develop market flexibility.¹⁶ Recall that New Labour speaks the tongue of supply-side.

As is well known, Keynes himself was a liberal, and not a supporter of Labour, but Keynesian economics, with justifiable reasons, fit well with the sceptical and critical position of Labour towards the free market and its egalitarian (distributive) aspirations. Furthermore, the Labour Party had achieved to settle the logic of its project (necessity of intervention) as the basis for the management of the British economy for a long period. Three decades later, the first denouncement of Keynesian economics came in 1976 by Denis Healey, the Chancellor under the Callaghan government, in the face of an international economic crisis. Following this, Tory governments swept what remained from Keynesianism in the name of neo-classical economics, and installed this as the new basis of economic management. As a response, following the defeat of the New Left which hopelessly battled against Thatcherism, Labour, in the mid 1980s, moved to accept the superiority of free market over public initiative, then under Blair, positively

¹⁶ The neo-classical view is also backed by the concept of *the natural rate of unemployment*, developed by Friedman (1968). The argument says, contrary to the Phillips curve argument which places a strong correlation between inflation and unemployment, each economy enjoys a certain natural rate of unemployment which is determined by the supply-side factors. If unemployment is above the natural rate, inflation would fall until the equilibrium point; if it was below the natural rate, inflation would rise. Therefore, the requirements, as can be expected, are minimal and non-interventionist state, privatisation, ensuring flexible labour markets, and keeping the budget low through lesser public spending; all of which in turn are said to pave the way to low inflation and low natural rate of unemployment. For more than two decades, then, new right governments manipulated *the natural rate of unemployment*, in order to justify their policies oriented to cope with inflation. And the statement of the Mervyn King, deputy governor of the Bank of England, demonstrated that the same idea continues to be in charge in the management of British economy. He said: "Looking ahead, some rise in unemployment is likely later in the year, and is probably necessary to contain pressure on wages and earnings" (The Guardian, 20/August/1998).

welcomed it together with the neo-classical economics now wrapped in a rhetoric of globalisation which denies other courses of action.

To sum up, the passage from Keynesian economics to the neo-classical echelons highlights the background of New Labour's economic policy.¹⁷ Once this is noted, then it is much easier to place the policy details -such as the emphasis on supply-side, limited public spending- into their places.

However, having explored this does not still explain why this set of policies, which originally belong to another party, namely the Conservative Party, brought a party which had challenged these policies for decades, to the ranks of government. In other words, what made New Labour economics appear to promise a different trajectory than Conservative economics? In order to find the answer we have to clarify what New Labour added, or asserts to add, to the Thatcherite free-market view. Only after this point is fully recognised, the remaining questions can be answered.

Indeed we have already provided the elements of what New Labour added to the Thatcherite free-market view. We showed that New Labour enjoys a rhetoric of supply-side economics. In a time when basic supply-side measures of neo-liberalism, precisely deregulation and liberalisation reached to their edges, i.e. fulfilled their tasks, what is left to New Labour is to add a new set of supply-side measures. These are formulated as to provide stable and competitive market

¹⁷ Although there are efforts to reformulate it at especially the European level, it is true that Keynesian economics may not be an adequate answer for contemporary economy, but it is equally true that warmed over neo-classical economics can not be a policy option for those who argue that whose replacement with Tories would make difference.

conditions, ensuring the flow of skilled labour to the market, and being responsive to the needs and demands of capital. When we analyse this in terms of the positions on the state-market relation, it can be easily recognised that New Labour seeks to formulate a *complementary* relation between the state and market. However, the point is that this complementary relation, unlike Keynesianism is not based on the fallacy or inadequacy of free markets, but on the role of the state to ensure the well-functioning of them. What is implied with the supply-side economics is the daily policy dimension of this understanding, and what is implied with the golden rule for the government is a set of essential measures in order to keep the domestic economy *stable*. It is argued, only such a set of policies can help country to integrate into the global economy at the widest level.

With this section, we have finished investigating the dimensions of the New Labour's economic policy. The following subsection attempts to explain why this economic agenda could gain the acceptance of both masses (widely the middle classes) and British business circles. In order to explain this, we need to place it within the political economy of Britain in the last two decades since the conditions prepared the victory of New Labour lay in it.

4.5.1 The “End” of Thatcherism and The Economics of Opportunity

Perhaps we should begin by recalling some parts from the new Constitution of Labour which had replaced the old *Clause IV*.

...and for all of us a community in which *power, wealth and opportunity are in the hands of the many not the few...*

...in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and cooperation to produce the wealth the nation needs and the opportunity for all to work...

The notion of opportunity is the buzzword of New Labour's ideology. It was stated everywhere and in every context from nursery education to health, from transportation to employment. The offer was simple: unlike what occurred under Thatcherism, New Labour, without giving up the neo-classical economics and economic individualism of the new-right, suggests a change in the exercise of the new-right economics. In Driver and Martell's words, to the masses, it offers a new conception of *social justice* on the basis of 'equality of opportunity.' And to the capital, it offers a developed structure to make profit. To understand the meaning of this offer, we need to begin with an analysis of Thatcherism.

Despite the neutral-sounding *winner takes all* rhetoric of Tory individualism, in the final analysis, the new right implied redistribution (of wealth) towards the better off (Philo, 1994: 49). Privatisation, which actually meant the transformation of public monopolies into private monopolies is one obvious example. Or, the conservative obsession with lower taxation and limited public spending, together with the low wage policy, also meant the redistribution of money towards the rich. Although the powerful egalitarian ethos of the post-war era had been an obstacle to the implementation of those immediately at the

beginning Thatcher administration, finally, achieved to transform social democratic reallocation system (in which redistribution was towards the lower income groups) into a new form of capitalism on the basis of neo-classical economics. Tough monetary and fiscal policy, anti-unionism, free markets, and deregulation were the essential means of this project. Meanwhile, as a strong hegemonic project with a relatively coherent ideology, Thatcherism influenced and reshaped the world-view of large groups -including all classes, but especially the middle class as the primary carriers (although not the main beneficiaries) of the new settlement, by invoking their imagination of being better-off somehow and by creating a *there is no alternative* conjecture which was difficult to oppose especially in the absence of a liberal or socialist counter project.

However, this project was not to continue boundlessly. It inevitably had its limits and as it advanced, it brought its own end since the system it created was also being transformed and the outcomes were being revealed. As successfully put by Rustin, in the end, the programme of the new right conflicted and confused the immediate interests of the middle class, together with the long-term interests of capitalism (Rustin, 1994: 86). This is to say that, at one side, the middle classes of Britain began to realise that Thatcherism had not much worked in their favour since, compared to the ten per cent of population having the bulk of the national wealth, middle classes' relative position and wealth, similar to the poorer section of society, was highly weakened while their ambitions, which were largely shaped by Thatcherite market culture remained strong.

Meanwhile, at the other side, the overall consequence of the continuous redistribution of wealth widely towards a minority of society implied the violation of the basic mechanism of capitalism, namely the exchange relation. In other words, in the end, “there has been deep confusion in the project of the radical right between the technical or functional objective of realising the potential benefits of an expanded system of market exchange, and the social objective strengthening the power of propertied class and defeating the forces resistant to it” (Rustin, 1994: 85). This was in contradiction to the well-functioning of capitalism since at its crudest, the nature of capitalism is based on the continuous accumulation of wealth, not merely “on its distribution to the advantage of the successful and to the disadvantage of the rest” (Rustin, 1994: 74). In other words, in the end the new-right economics began to work also against the interests of those who once benefited much from them, since the overall cycling of exchange was slowed down. Recall that economists call such a case recession and during the years of Major, Britain highly suffered from it.

To sum up, we argue that proficient functioning of Thatcherism i.e. succeeding in its goals, brought itself to its own “end”, both as a specific hegemonic project, and as a specific economic agenda. And this condition is *the post-Thatcherite vacuum*.

However, we should not go much farther. The Post-Thatcherite vacuum is a condition whose parameters are heavily defined by Thatcherite exercise and hegemony of last two decades. And especially at the absence of an anti-Thatcherite project which was defined by totally different parameters and

offers an alternative 'vision' post-Thatcherite vacuum does not imply the complete reversal of Thatcherism. Rather the vice versa since a moderate project which would fill this vacuum had to satisfy two conditions: First, as a part of the strategy towards the middle class, a post-Thatcherite project has to be developed on the basis of the sort of (economic) individualism shaped by Thatcherism. In other words, we are all customers, clients, entrepreneurs now, instead of employees, workers, officers. Second, as a part of the strategy towards the City and capital, principal mechanisms of the establishment, free market and neo-classical economics, and low (corporate) taxation, had to remain untouched; rather, they would be warmly welcomed. And, as it was shown in this paper, New Labour has *successfully* satisfied these conditions. In other words, it successfully perceived this vacuum, and instead of developing to counter agenda which would be more difficult to popularise, it filled the vacuum by accommodating what remained from Thatcherism, and promoted its agenda which *appeared* to remedy both the pains of British middle class and British capitalism as a whole.

Therefore, with a strong emphasis on free market, and within the parameters of neo-classical economics, New Labour, through its supply-side measures, offers a capitalist system in which individuals will be given more opportunity (better education, employment etc.) –which the Thatcherite understanding of free market did not provide- to have individual wealth on the basis of his/her merit and hardwork¹⁸. And it promises that their wealth would not be taxed for *redistributionary* aims neither towards the better off (Thatcherism) nor

towards the poor (Keynesianism). In other words, if the equality of opportunity, (or inclusion as Blair likes to say) is one aspect of this project, the warranty on the individual manipulation of what was gained from this opportunity is the second aspect. “I want a tax regime”, says Blair, “where through their hard-work, risk-taking, and success people can become wealthy” (Speech to the Annual Conference of the Confederation of British Industry, 1995).

The whole rhetoric of New Labour -supply side reforms, enskillment, lifelong learning, fair competition, and low taxes- are oriented to persuade people to this agenda of individual opportunity and full (individual) control of its outcomes.

In the other part of this agenda which was oriented towards the capital, New Labour does not only ensure that private capital would not be disrupted, it also adds that private capital would be listened to and responded to—as the notion of public private partnership implies- and would be given the chance of being in better conditions with more profit since the government, New Labour promises, would seek to develop infrastructure for the competitive market, keep corporate taxes low, directly support and invest in areas where capital needs help, and ensure a skilled labour force within flexible labour market conditions. By this way, not in terms of Thatcherite redistribution, but in terms of overall *efficiency*, *productivity* and *flexibility*, capital would again be able to make money.¹⁹

¹⁸ Perhaps, at the roots of the fact that New Labour distanced itself from monarchy, lords, hereditary peers, and supported constitutional change, lies this meritocratic logic.

¹⁹ It should also be noted that in an era when the Tories’ Euro-scepticism has been intensified, New Labour’s commitment to Europe and the single market has helped to make it more acceptable in British business circles. New Labour widely uses this chance. Blair said that, “there is another area

Now, in the following section we will analyse this agenda to find answers to the questions of whether it implies anything that can be defended in the name of the left, and whether it can realise its promises.

4.5.2 The Meaning and the Feasibility of New Labour Economics

First of all, with all its elements this is a one-nation project. It is one-nation since it does not see -rather it explicitly denies - any tension between the classes, or between the various segments of society. Blair explains that his aim is “To build one nation socially, to work as one nation economically. To put aside the dogma and divisions of the past” (Speech to the Annual Conference of British Industry). If, as ironically stated by Cockett (1996), “Thatcher was the first *Marxist* prime minister of Britain, [since] she openly preached class warfare against the ‘enemy within’ to return the country to a state safe for capital to fructify”, then Blair is the first *liberal* leader of the Labour Party, who sees no tension between labour and capital, celebrates the end of class with the birth of new world order. In other words, he announces the end of the war. Consider these words: “ [this is] not a matter of ideology but of national interest. The philosophy of one Britain, one nation, in which we put behind us the old debates and focus on what we know needs to be done to make our country strong, is an economic as well as social

where Labour and business have common interest- Europe...British business has a real interest at stake in the debate on Europe...We need a government putting positive ideas of its own for the reform of Europe” (Speech to the Annual Conference of the Confederation of British Industry, 1995).

philosophy”. After a few words, he concludes: “Good for business Good for Britain”. (Speech to the Keidanren, Tokyo, 1996).

Against the overall background of the previous section, one can ask two questions. The first one, to which we have a clear answer is: Does this agenda have anything to do with the left? Our answer to this is a resolute ‘no’. One should not pay much attention to the marketing rhetoric such as *ethical socialism*, *stakeholderism* -both of which are already becoming much and much less used by Blair now- or the other notions such as *the radical centre*, *centre left*, or *the Third Way: Renewal of Social Democracy*, since, contrary to what they argue, they do not indicate an alternative path beyond left or right; rather they are only beyond left since in the final analysis they have nothing to do with the principal values or the political economy of the left. The New Labour project offers nothing more beyond the conventional Anglo-Saxon model under a different rhetoric. More importantly, all these notions (of this rhetoric) refer to the attempt of New Labour to redefine the substance of the centre with the essential terms of the new-right, which inevitably implies the moving of the centre of the British politics towards the right.

Putting it in terms of a more conventional discussion, at its crudest, the rightward shift of Labour to the echelons of the neo-classical economy occurs together with a shift in the perception of the individual and the place of individual enterprise in the economic sphere. As is well known, the rational individual as the self-maximiser of its interest lies at the heart of the neo-classical political economy. And this view does not see any tension- rather draws a positive correlation- between individual wealth and public welfare. Recall that the objection to such a

conceptualisation of the individual has been one of the fundamental tenets of socialism of any kind, parliamentary, Marxist, revisionist, ethical or Christian. Thus, Labour can be said to experience its deepest turn away from the left.

Furthermore, it must be noted here that the new-right which indeed heavily relied on the neo-classical economics, has differed from it by rejecting the possibility of reaching collective/public wealth by means of individual wealth creation. However, paradoxically, New Labour, on the one hand does not give up the economic priorities of the new-right, i.e. the golden rule for the government, low taxation etc., on the other hand, it insists on the compatibility of these priorities to an objective initially rejected by the new-right, i.e. opportunity and wealth for all, while this project itself has nothing to do with a sense of left due to the reasons stated above. As a result, the New Labour project itself becomes nothing more than an oxymoron.

The second question is whether this project can succeed? Here one may think of the success in two different contexts: First, in terms of being a hegemonic project, second in terms of realising what it promised to do- A capitalism in which everybody is the winner.

Let us answer the second question first. Our answer is again 'no' since, let alone the socialist principles to which it has nothing to do, this project is barely able to realise some liberal (not neo-liberal) inspirations due to its economic conservatism and oxymoronic feature. In other words 'the spectre' is in charge and Thatcherism, whose principles are embraced in post-Thatcherism hardly permits the success of New Labour. Having become committed to supply-side and macro-

economic stability, a government, in our view, can hardly be progressive. Perhaps the most significant fact is that Thatcherism had not promised a world in which everybody could win, or everybody would be given an opportunity; it promised to lower inflation, limit public spending, and to destroy unions. And Mrs. Thatcher knew the means of doing this. However, now New Labour argues for the compatibility of the modification version of the same means to a different goal. This is hardly convincing. Having committed to the regressive tax regime of the Tories, together with fiscal and monetary orthodoxy, the best that New Labour can do (and does) is to steer the economy not worse than the Tories. Of course, there would be (and there are) nuances, but New Labour's record, as expected, is far from being progressive.

Finally, can New Labour, or its project now named as the *Third Way*, be a hegemonic project? Our simple answer is that the success of a hegemonic project depends on the success of its programme. Therefore, since we do not believe that this programme can be successful, we also do not believe that New Labour can constitute a powerful hegemonic bloc. Once the public mood reverses, and the record of the government starts to be seriously questioned, the success of its hegemony is uncertain. One might argue that Labour's election manifesto was already limited in terms of five specific pledges. This is true, but, no one should expect that a government would be publicly judged only in terms of its five pledges since the ethos it sought to create –or it has created for the time being– will require much more than the realisation of five pledges.

With this section we finished our investigation and analysis of the political economy of New Labour. Now we will briefly examine another central element in the ideology of New Labour: its social policy, or rather the transformation of its social policy into a conservative territory.

4.6 Social Conservatism of New Labour

If the Conservative Party had been a shelter for neo-liberalism in the last decades, it was actually the natural haven of classical conservatism as its title implies. And indeed the marriage of British conservatism with neo-liberalism was been a difficult one since *there is no such thing as society* argument once articulated by Mrs Thatcher was a bit too much for the conservatives who for long years sought for an ordered society, obedient and religious people, and strong families.²⁰ Of course the authoritarianism of Thatcherism and its emphasis on strong state were all welcomed, but it was not consistent with a conservative reflection on society.

Having accommodated to neo-classical economics, which were repackaged under a different rhetoric from that of neo-liberalism, it would not have been imagined for New Labour not to seek a consensus with the views of the traditional owners, more importantly the traditional voters of the Conservative Party. Indeed the ground for such a consensus were already laid and it would be unfair to say that this was just an electoral strategy -of course it was an important part of electoral strategy- since looking at the worldviews of the creators of the

New Labour one can see that they have a different sense of community, other than what the term used to mean in the Labour Party circles such as the occupational community. The basic elements of this new understanding are strong family, law and order, toughness on crime, mutual responsibility, rights and obligations. Therefore, on the one hand, New Labour is honest in pushing forward these notions, but on the other hand, it is a fact that they are originally conservative notions which throughout its history had not found much place in the Labour Party.

It should be said that this agenda helped the popularisation of New Labour. First, by appealing to the hearts of the conservative voters who were unsatisfied with Thatcherism, precisely with the socially destructive, fragmentary, and alienating consequences of Thatcherism.

Second, by appealing to the philosophy of conservative thinkers who were unhappy from the lack of a sense of community in Thatcherism, but for years stayed away from Labour since its Labour's understanding of community and the other policies of the party was totally alien to their *Weltanschauung*. Now this gap could be bridged since New Labour was taking for granted the *homo-economicus* as well as without neglecting that *homo-economicus* is also a social entity that finds its place within the boundaries drawn on the basis of a set of moral values and duties. And the new world-view of (New) Labour which was headed by a faithful Anglican Tony Blair was a good offer. Famous conservative thinker John Gray was one of the firsts who welcomed this offer and declared his support for New Labour. Let us now have a fast look at the elements of this offer.

²⁰ One should recall that the roots of British conservatism goes back to Edmund Burke and his

Citing from Downes and Morgan, Driver and Martell note that Labour's stance on law and order was shaped by a number of associations which can be called 'hostages to fortune'. The most prominent of those were, first the historic link of the party to the trade unions; second, Labour's commitment to underprivileged groups; third, Labour's connection with political movements such as Campaign for Nuclear Disarmament, or civil disobedience movements. It is obvious that all of these under various conditions (for example strikes or demonstrations) would fall in conflict with *law and order*. Of course, the conflicts with law and order in these cases are indeed the sort of conflicts with the conservative conceptualisation of law and order. Therefore, Labour, unlike conservatives, had not suggested *law and order* as its priority as a matter of principle. Furthermore, again unlike conservatives who insist on the individuality of crime and refuse to link it to social and economic conditions, social democracy had insisted on the prominent role of social and economic deprivation, lack of education, and inequality in the emergence of crime. Thus, the primary role of social policy had to be eradicating the causes of crime (Driver and Martell, 1998: 114). Of course this is not to say that Old Labour supported burglars or murderers against victims, but it was just trying not to neglect the social causes of crime and did stay away from developing a conceptualisation of law and order which might be conservatively manipulated against any sort of movement that seeks the enlargement of social or individual rights and liberties. Because of this it had been frequently accused by the Tories of being soft on crime.

critique of French Revolution.

Contrary to Old Labour, the contemporary Labour Party makes the fight with crime and maintaining law and order as primary priorities of home affairs, and forwards this under the slogan of 'zero tolerance' (The Labour Party Election Manifesto, 1997). We have already stated that New Labour is strictly committed to the union legislation of the 1980 which is full of restrictions. Here we will mention some other points.

Indeed the policy change had begun soon after Jack Straw returned from the USA, having been inspired by the 'zero tolerance' strategy of mayor and police commissioner of New York (Anderson and Mann, 1997: 256). Although his proposals, such as the introduction of blanket curfew powers on children and teenagers, were faced with hostility in the party and Straw lost his seat in the NEC; with the full backing of Blair he kept his post first as Shadow secretary and then as minister in the government.

Throughout the election campaign, now Labour was accusing Tories of being soft on crime, while both sides were relentlessly producing tougher legal proposals, longer sentences, tougher policing and zero tolerance (The Election Manifesto 1997; Anderson and Mann, 1997: 260-62). After the election, Straw's first move became the publication of *Crime and Disorder Bill* which abolishes the law stating that children aged between ten and fourteen are incapable of telling right from wrong, introduces safety orders and curfew for the under tens linked to anti-social behaviour, and introduces anti-social behaviour orders for the over tens (Driver and Martell, 1998: 117). However, in order to see Starw's last bright idea one had to wait until June 1999 when he proposed a new *Freedom of Information*

Act in which public access to state documents was forbidden and the secrecy of state documents were increased. The proposal was strictly protested and counteracted by a campaign as a result of which government agreed to rewrite the controversial clauses (The Guardian, 21/June/1999).

While Straw was competing with the Tories on crime and punishment, Blair was pushing forward family values through what some call a 'moral crusade'. Single parents were one of the targets of this moralist agenda. After he showed his disapproval of single parents on ITV's Walden programme after arguing that children are best brought up 'in a normal stable family', Blair was harshly criticised and protested followed his statement. Here was a party leader, said a rioter, "contributing to the restriction of a freedom to choose how to live and how to care for other human beings" (McSMith, 1996: 339; Anderson and Mann, 1997: 263). Another article written by Blair probably escaped from the caution: He wrote to *the Sun*, "We want a government that recognises that *women want to balance family and work*, and helps them to do so (The Sun, 31/March/1995; italic added).

Indeed this emphasis on family (as well as law and order) was synchronously tied to a new sense of social morality. As these words reveal: "Both family and community rely on notions of *mutual respect and duty*. It is in the family that we first learn to negotiate the boundaries of *acceptable conduct* and to recognise that we owe *responsibility* to others as well as ourselves (Speech to the Family Breakdown and Criminal Activity Conference, 1994). Indeed what New

Labour seeks to install is a new understanding of community.²¹ We call it new since it is significantly different from what the notion of community used to imply in Britain.²² This changing conceptualisation of community can be traced through four different lines. First, it has transformed from occupational/class to a one-nation meaning in which the individual, rather than any other aggregate of people, is the main unit. Second, New Labour's understanding of community does not refer to social rights and help by the paternalistic state for the poor but is widely formulated with ideas of rights being conditional on responsibilities (Driver and Martell, 1998: 163). This means that in return for having an opportunity (such as education or employment), or rights, individuals have obligations towards it (take the job offered, or be obedient citizens to the proposals of Jack Straw). Third, this community is thought to be built and kept united on the basis of moral values, rather than a universal provision of a minimum socio-economic condition to all members. Therefore, this is a moral communitarianism instead of an socio-economic one. Fourth, these values – such as valuing 'normal' families at the expense of single parents- themselves are originally conservative and morally prescriptive. Anderson and Mann note that the most distinctive feature of such a communitarianism is its intrusiveness into spheres like the family which are referred to as private by liberal politics (Anderson and Mann, 1997: 246).

Finally, with few exaggeration, one can argue that New Labour managed to reconcile the partners of a difficult marriage, conservatism and neo-

²¹ In a discussion via Internet, a participant ironically stated that: 'Blair seems to value something called 'the community', defined as 'ordinary hardworking families who play by the rules'.

²² On the other hand, it is not so new since it has its origins in American communitarianism.

liberalism under a new roof other than the Tory party. Or, looking at from a different angle, the new right's objection between collectivism and individual 'freedom' has become displaced by a new formulation between the two, but with the collectivity described as a community of individuals whose economic life is individualised. The ideology of New Labour, having heavily relied on the economic individualism, seeks to offset the consequences of such an individualism in social illiberalism. Perhaps, as Driver and Martell observed, "In a way no longer thought possible for the economy, New Labour in government looks set to be interventionist in social matters...Whatever the problem...New Labour seems poised to reach for the legal pen " (Driver and Martell, 1998: 119). The most absurd thing is that some New Labourers are tend to interpret this communitarianism as the socialist dimension of New Labour's ideology. For example, Anthony Wright, a leading moderniser and MP, does not hesitate to call this ideology as liberal socialism. He says that " [liberal socialism] qualifies socialism as a doctrine of community and responsibility, with a liberal reminder of...the importance of individuals pursuing their own purposes in their own way. In it fusion- of state and market, public and private, common purpose and individual purpose- it opens up a whole policy agenda" (Wright, 1996: 140). Nothing would distort the idea of socialism better than this prescription. Perhaps this was what Tony Blair intended to say when he contemptuously expressed his idea of socialism as *social-ism*.

4.7 From Welfare to Nowhere

As was stated in the second chapter, the welfare state was one of the most important grounds of the post-war settlement and it was the greatest achievement of Labour in the mid 1940s. The primary goal was quite clear: To reduce poverty and narrow the inequality gap between people on the basis of need rather than merit. However, to Labour intellectuals, it was more than just a practical set of policies in order to deal with poverty. The provision of welfare on a universal basis was first a mechanism of delivering the socialist goals of equality and social justice; second it was seen as the mark of the citizenship, as developed by Marshall (1950) in the modern society. In this context, welfare state and equality were not just means but also significant ends in themselves. In the party, this was rooted so powerfully that neither revisionist intellectuals, who mostly challenged the idea of public ownership, did think to revise it, nor revisionist Labour governments, like that of Wilson, did question the necessity welfare state. Even the Tories until Thatcher did not dare to touch the welfare state.

4.7.1 What Happened To the British Welfare State

The assault started in 1979 by Thatcher. According to the new right, many of Britain's problems, such as economic underperformance and social indiscipline, could be attributed to the growth of the welfare state. It was displacing the essential disciplines and incentives of the market place, undermining the incentive to work (Castles and Pierson, 1996: 235). Nevertheless, the basic reason

was that welfare provisions were very costly for state, and an important source of deficit in the budget.

Conservative governments introduced tougher rules on eligibility for benefits, increased spending on benefit fraud investigators and implemented huge cuts on benefit and pension rates, the level of child benefit was frozen, earning related unemployment and sickness benefits were abolished, and the values of many benefits were reduced while some were taxed (Anderson and Mann, 1997: 211). After 1983, social security was reconsidered: supplementary benefit was renamed and reduced in value, housing benefits were cut, death and maternity grants were abolished, the system of one-off payments to needy claimants was replaced with a system of loans. Most dramatically, the government scaled down entitlements to SERPS and provided tax cuts for people who opt out of it into private schemes, and after 1987, child benefits were frozen and entitlement to income support was tied to tougher 'availability for work' rules (Anderson and Mann, 1997: 212). The outcome was expected: a massive increase in poverty and reliance on the means-tested 'safety net' while the better-off were able to pay for private security provision and pension. According to the latest figures, the poorest tenth of the British population is worse off in absolute terms than it was before Tory government, and nearly a quarter of British people live on less than average income. One in six people now claims means-tested income support, compared to one in twelve in 1979 (Anderson and Mann, 1997: 212). According to the UN Development Reports, under Tory years, inequality has increased faster in Britain than any other western country except for Australia (UNDP Human Development

Report cited in Independent, 21 July, 1996) where a so called Labor Party which had experienced an ideological *modernisation* towards the right before British Labour, and was led by Paul Keating who was very admired by Blair, was in power (For a useful analysis on the effect of Australian Labor Party on British Labour, see: *Beyond Labourism and Socialism: How the Australian Labor Party Developed the model of 'New Labour'*, written by Boris Frankel, New Left Review , No.221)

Until 1987, Labour had been responding to these policies by promising to reverse them and to bring the universal welfare provision back. Since 1987, as we showed, the party watered down most of its daily policies while the principal ambitions on the vitality of welfare state remained. However, since the early 1990s, a new perception of welfare had been matured. At the core of this new perception, as we stated in the third chapter, was the idea that 'people should be (equally) given to opportunity' but the equality of outcome through redistribution, was no more at stake.

New Labour took this perception as its basis and tied it to its economics. Let us explain how.

4.7.2 Displaced Case of the Labour Party

First of all, unlike classical social democracy or some branches of liberalism, New Labour does not take poverty/inequality (now in its popular jargon it is called excluded) as something to be dealt with as a matter of class interest or moral requirement since they are evils for human beings. Rather, New Labour

takes it in terms of cost and benefits calculated in the context of global competitiveness. For example, Blair says,

The existence of what is sometimes called underclass – a group excluded from society’s mainstream- is an enormous drain on public spending – directly in welfare; indirectly in crime and environmental decay. It destroys the sense of common purpose and effort essential to sustain a country as a working society and economy... This is why we have launched new proposals to help a forgotten generation (Speech to the Annual Conference of the Confederation of British Industry, 1995).

Of course, these words explicitly illustrate an objection to the conservative idea that some degree of poverty and inequality are essential to force individual upward mobilisation. However, when thought carefully, they also reveal the depth of the ideological transformation that the Labour Party experienced. Placing the fight against poverty (which is the most explicit exposé of inequality) as a case, or as an ultimate goal tied to a set of moral and political values is one thing. And placing equality as an impediment to national growth or global competitiveness is quite another since at least in the purely theoretical terrain, this implies a conception of the world developed on grounds which are totally far from anything humanitarian i.e. acceptability of poverty if it had not been risking competitiveness. This, in microcosm, notes Ellison, is social Schumpeterianism at work in which the traditional welfare element – the top-down attempt to confer

equality for its own sake- is underplayed while ‘quality’ and ‘relevance’ are promoted in the name of social and economic efficiency (Ellison, 1997: 55). One might say that an economy can not be governed on purely moral grounds but, according to us, such a separation of ethics from politics is quite unacceptable and it might prove detrimental due to its long term social consequences

Expectedly, Blair’s spin doctors do not fall behind their master in calculating the costs to economy:

When families breakdown and inadequate parents simply cannot cope with problem children, or are not fit to cope with them because of violence and sexual abuse, it costs a local authority £40,000 year to purchase a place in a private or voluntary home- three times the fees of the best public schools in Britain. It is a massively high-cost policy, with a small chance of successful pay-off (Mendelson and Liddle, 1996: 129).

In this context, our critique to new Labour, it must be said, is on a much fundamental ground. It is not just a matter of unions’ link with the party, or how much nationalisation/privatisation would be enough or too much, since *New Labour’s* principal problem lies in its *new* understanding of what a just and good *system* is. Perhaps Bewes’ diagnosis was quite right when he wrote: “The abysses at the heart of the New Labour is precisely a metaphysical absence, which is filled by nothing more profound than the global logic of capital” (Bewes, 1998: 208). The words of Grayson illustrates how New Labour is far from even a liberal philosophy: “ [New Labour] seems to have no sense that people should have social rights as well as political ones. It does not seem to realise that inequalities...and the

effect of living in poverty severely limit the life chances, and therefore the liberty of individuals” (Grayson, 1998: 38).

4.7.3 Welfare Policy of New Labour

New Labour has taken for granted the new right view that welfare state is an important drain on the budget and make it impossible to follow the ‘golden rule’ on limited public spending and low inflation. In other words, welfare provisions are unaffordable and there can be no return to the pre-Thatcher levels of welfare expenditure. In the Queen’s Speech (1997), he stated that Britain has reached the limits of the public’s willingness simply to fund an unreformed welfare system through ever high taxes and spending. If there would be no more taxation, it is hardly possible to create new sources to pay for the welfare. New Labour seeks to overcome this matter first by ‘welfare to work’, second, what is called ‘internal restructuring’.

The idea behind welfare reform, which was initially pushed forward by the Commission for Social Justice, is to transform it from a ‘safety net in times of trouble to a springboard for economic opportunity’. New Labour argues that welfare to work would be a hand-up to people, instead of hand-out. This means that, in an era when distributionary economics is over, people would be given the opportunity to be educated/trained, and develop themselves, so at the end they will, through their own work, not depend on welfare benefits. Theoretically welfare to work is a good idea (no defender of the welfare state would principally object it)

but it is barely feasible due to three basic reasons which are not exogenous to New Labour economics. The first is about the workability of the idea. Driver and Martell remind that welfare to work schemes face displacement and dead-weight problems: some of those who found work will displace existing workers, and some would have found jobs anyway, so the number of jobs created each month becomes relatively modest (Driver and Martell, 1998: 110).

Secondly, it is clear that welfare to work is a supply-side policy in general, and it is about increasing the quality and quantity of labour in particular. However, this does not tell anything about the vital question on the demand side: What if there are no jobs? It is not a secret that welfare to work policy has its contemporary origins among the Democratic Party exercise in the USA. However, warns Driver and Martell, one important aspect of the American economy becomes seriously overlooked: its attention to demand side of the economy (Driver and Martell, 1998: 112). Leaving the question whether the supply-side reforms worked well or not, the Federal Reserve, unlike the Bank of England which made inflation its sole target, allows the US economy to grow at higher rates than Britain, while low inflation did not absolutely prevailed over the high employment. By contrast, as we mentioned in the previous pages, the Bank of England still talks about the natural rate of unemployment. Robert Reich, one of the great defenders of supply-side reforms in the USA, wrote in *The Guardian* that “fiscal and monetary policies have to be adjusted to maintain adequate demand near to full employment” (*The Guardian*, 14/July/1997). Larry Elliot writes that “job subsidies and bringing [people] back into the workplace will merely have the effect of driving down real

wages unless the supply of jobs is expanded". (The Guardian, 9/June/1997). In fact, thinking a bit sceptically and regarding what we referred to as the 'displacement of the case of Labour', there is enough ground to share the argument of Marqusee who says that welfare to work, in the context of New Labour, was originally developed in order to compel workers into the labour market advantageous to employers as well as to reduce state spending (Marqusee, 1997: 127).

The third point is simply about the cash: where from will the money be found, and if there would be no new source how will this scheme (of welfare to work and supply-side reforms) run? Those remain unanswered, and the present record of the government is still far from being successful in solving it. As Hutton once observed while investment in skills and the infrastructure is arguably a 'good thing', to argue solely in these terms leaves the ground to conservative economics, and undermines the social democratic and liberal case. Thus, only if a government is prepared to tax to pay for them, it can equip the unskilled with skills or boost spending on education (The Guardian, 1/April/1996) Therefore, the budget and tax limits of New Labour makes it quite difficult to deal with welfare to work.

What is called 'internal restructuring' is thought to overcome these problems. It actually refers to making (marginal) modifications in welfare agencies instead of channelling extra resources to them, or bringing tough supervisions to ensure that they work more efficiently. We call them marginal because they do not mean a reversal of marketisation of welfare implemented under the Tories. Blair once said: "If the Tories say there is no money to fund better public services, then

let us tell them the cuts they could make” (The Speech to the Labour Party Conference, 1994). Education and health are the best examples of this.

On the National Health System, Labour is obsessed to cut cost by removing the bureaucratic processes of the internal market. The money saved was said to be around £100 million. However, Driver and Martell notes, compared to the fact that more than £30 billion is spent on health per year, or that the NHS’ debt in April 1997 was £200 million, £100 million means almost nothing. Notwithstanding with this, New Labour is adherent to the purchased-provider split in the internal market, another Tory legacy. The only reversal plan is to swing the assets of the trusts to the NHS, while the management of trusts remain in the hands of the trust’s managers (Leys and Panitch, 1997: 256; Driver and Martell, 1998: 94).

Education is said to be one of the priorities of New Labour. It is a vital supply-side area, and constitute the basis of welfare to work. Although, a certain amount of money, supplied by one-time windfall tax which was taken from privatised utilities, was injected to the program for cutting class sizes.²³ New Labour seeks to improve education at little or no more cost,²⁴ for instance by placing inspection on schools, removing ‘failing’ teachers, or asking teacher to be more hard-working, or closing ‘failing’ schools²⁵ (McSmith, 1996: 340). Parents

²³ New Labour also plans to provide extra money to this project by abolishing the Assisted Places Scheme which enables a number of poor children to attend private schools, and has a £120 million budget.

²⁴ Blair once made his motto the words of the Permanent Secretary at the Department of Education, who argued that ‘there was room for a 30 per cent improvement in the education system within existing budgets’.

²⁵ It is worth-caution that in the case of failure or inefficiency, New Labour dares to remove teachers or close schools, but when it comes to private sector, it is quite silent.

are also asked to be more responsible in the education of their children. For example, they should check to see that whether their children did their homework or not (The Spectature Lecture, 1995; Mendelson and Liddle, 1996: 92) No reasonable parent denies the importance of doing homework but, indeed this example explicitly shows New Labour's acceptance of government's incapability on affairs that need public initiative. In another speech on education, Blair did not hesitate to state that, though social conditions can *of course* affect a school's performance, *it is wrong to say that because a school exists in a poor or deprived neighbourhood, it can not succeed* (Speech at Didcot Girls School, 1996; italic added). At the core of such speeches, for us, lies an attempt to overshadow the decisive importance of socio-economic conditions in education or any relevant area. In other words, New Labour says that "we supply *ethos*, but do not expect much money".

As a matter which was once fundamental to the party, New Labour dropped its earlier promise to bring back the comprehensive principle in secondary schooling by the reinstalling local authority over schools that had opted out of it under the Tories (Leys and Panitch, 1997: 255). Ironically, the Blair family had decided to send their oldest son to the London Oratory, Roman Catholic school, which was one of the firsts that opted-out to become grant maintained. Then, having faced animosity from within the party, the Blairs gave up. This matter was important for the party since, in 1993, partially as an attempt to privatise education, and partially to curb the local power of the Labour Party which usually enjoys more authority in local government, every comprehensive school were compelled

by legislation to decide whether to apply for grant maintained status. Then, more than 99 per cent of (23,475) schools decided not even to hold a ballot. In 99 schools out of 210 the majority voted against a change in the status of school. In almost every ballot, notes McSmith, Labour Party members helped to organise 'no' campaign, and thousands of party members argued against holding a ballot at all (McSmith, 1996: 342).

In November 1997, New Labour government published the Teaching and Higher Education Bill which ended free tuition in university education (Time, 12/October/1998). The argument was that university students who would expect a life-long above-average income, should contribute to their higher education. The Bill abolished the student grant which would include the full costs of the university students' maintenance, too. In July and December 1997, with the white papers *Excellence in Schools*, and *School Standards Bill* respectively, the government introduced new inspections on the Local Education Authorities, (LEA) and strengthened the (central) power of Department of Education over LEAs (Driver and Martell, 1998: 101).

CHAPTER V

THE THIRD WAY

5.1 What is The Third Way

Historically the term itself has a far-reaching past preceding the contemporary debate. As can be expected, it implies a political trajectory different from that of the left and right. In the course of the twentieth century, this is not the first such kind of attempt to identify an alternative trajectory. For example, in the 1920s and 1930s, it was popular among national socialist and fascist movements as a way of asserting their position within the ideologies of the West. In British politics, we can consider social liberals or the Fabians of the late nineteenth and early twentieth century, both of whom, within the wildest years of *laissez-faire* capitalism, offered a middle way or human-face capitalism with a sense of public interest. Some, moreover, interpret the post-war settlement of Western Europe, the consensus politics on the welfare state and mixed economy, as a sort of third way. In the mid 1970s, the term was also coined by those who sought to formulate a market socialism, which ceased to be a popular debate now.

Returning to the Third Way, in this chapter we address, first of all the issue that as an ideological position it is still not one that has found complete approval and usage both in public and the Labour Party circles. Rather, it sometimes leads to disagreement while some of the members of Labour who actively took place even in the formation of New Labour demonstrate their disapproval as it has become more realised that the Third way (as articulated by Blair and Clinton, and as theorised by a staff around them) seeks to sweep all values of social democracy for the sake of installing its own hegemony. For instance, in the spring of 1998, two prominent Labour modernisers, Simon Buckby and Neal Lawson, in a jointly written article titled *Third Way? No Way Tony*, asked the government to revive the values of social democracy rather than flirt with the ideas beyond the left and right (*New Statesman*, 13/March/1998). Nevertheless, the term, for the time being, is strongly pushed forward by the leadership of the party together with the support of some think-tank intellectuals and few academics.¹ Although all other leaders of European left-wing parties are not enthusiastic to employ it, Tony Blair, Bill Clinton, and also Gerard Schroder are passionately committed to describe such a kind of novel political route. Their co-operation is not unknown.

¹ Prominent figures of the Third Way debate are: Anthony Giddens, David Halpern, Mark Leonard, David Miliband, and Geoff Mulgan. Will Hutton, whose ideas once influenced Blair also can be counted but for the time-being he distances himself from *the Third Ways*. Tony Blair himself, in 1998, published a Fabian Pamphlet, titled *The Third Way: New Politics for the New Century*. Meanwhile, Jack Straw, Gordon Brown, and Robin Cook, the Labour Party MPs and ministers, got involved in the public debate through interviews and writings.

Lloyd and Bilefsky note that developing such a term is urgent for them since it would give a narrative to these administrators: To Clinton for what he has done, to Blair (and Schroder) for what they claim to do (New Statesman, 27/ March/1998). In any case their governments need an ideology, a framework of ideas to bind their themes and to assert their distinctiveness. Putting it in terms of hegemony, for example Blair has to do what Thatcher achieved: to make his ideas shape the minds of millions. Blair desperately needs it also to counterbalance the attack on New Labour from liberal and left circles, to convince them that New Labour is not a warmed-over version of Thatcherism.

One should also recall that, if it can become an ideology or a hegemonic project, the Third Way will have followed the same trajectory Thatcherism had followed. Beginning without a coherent ideology, but with a more or less certain attitude on economics, these ideologies are motivated by a determination to be different from their predecessors, looking across the Atlantic for inspiration and across the Channel for sisters (Wallace, 1998: 15-16).

The New Labour Project has not started as a Third Way project; it started as a project of modernisation (of the Party and proposal for the country whose detailed investigation was made in the previous chapter). Indeed, New Labour leadership, since 1994, has been seeking to offer a number of different brands for their project. Once it was *ethical socialism*, next it turned to be *stakeholder capitalism*, then *the third way* was in fashion. Nowadays, according to the recent news, Blair is claiming to be the political heir to Gladstone, the liberal politician of the nineteenth century. However, the essence what was given under

different titles does not change much: Overcoming both social democracy and neo-liberalism (or socialism and liberalism) and reaching a new synthesis beyond them. And the program of this so-called synthesis is essentially what we saw in New Labour. Therefore, there is nothing wrong in equalising New Labour with the Third Way. This is to say, of course, the latter is exposed to all criticisms we made about the former. However, in this chapter, our purpose is to leave the daily policy details aside and briefly introduce some underpinnings of the Third Way project on the basis of the writings of Tony Blair and his guru, Anthony Giddens.

At the very heart of the Third Way agenda lie two basic assumptions. First, the allegedly failure of social democracy to deal with the changing economic and political conditions, primarily globalisation and its implications, and its inadequacy to deliver economic stability. Second, the failure of neo-liberalism to provide equal opportunity to people, and deal with the social and moral problems in which the free market plays a decisive role.

Indeed it would be better to recall Hutton since he has for several years been arguing that "The difficulty is not [Britain's] attachment to capitalism. The problem is more complex, rooted in the highly unproductive way in which British social, economic, and governmental structures lock together. The solution is neither to pursue the current path, nor to attempt any return to the failed corporatism of the 1970s. Rather it is to strike out in a new direction altogether, escaping polarities of collectivism and individualism...towards a new conception of the stakeholder economy and society" (Hutton, 1997). Echoing the Polanyian themes, he argued that other countries manage their 'moral economy' better than

Britain does, their markets are embedded in a network of social and political institutions giving them values and priorities in their own conditions. The problem for Britain, he says, is economic short-termism and selfishness and the solution should be a total solution: “A written constitution, the democratisation of civil society, the republicanisation of finance, the recognition that the market economy has to be managed and regulated both at home and abroad, the upholding of welfare state that incorporates social citizenship” (Hutton, 1995: 326).

Some interpreted this prospect as a kind of socialism meeting a kind of capitalism (Wright, 1996: 140). This was not a correct diagnosis but meanwhile, for many who consider themselves on the left, especially for those on the social democratic terrain, Hutton’s ideas were to a large extent agreeable ones. What he offered was able to both challenge neo-liberalism, and help to develop a social democratic strategy. Tony Blair too found some useful elements for his project in what Hutton suggested.

The term stakeholder, which was borrowed from Hutton, was frequently employed among the New Labour circles. Stakeholderism or stakeholder capitalism, for Hutton, meant a society in which firms have obligations, codified in law, not just to their stakeholders but also to some combination of their suppliers, bankers, consumers and workers, as well as responsibilities to the environment and to local communities (Hutton 1995; Anderson and Mann, 1997: 39). However, for Blair and Gordon Brown, this ‘German social market model’ was something to be carefully avoided with its high social costs, high wages, strong unions and employment protection which

precludes the competitiveness of *laissez-faire* economics in a global economy. For New Labour, stakeholderism meant a system in which companies go about their business as usual but in which every citizen will have the chance of having a stake. (Anderson and Mann, 1997: 40). One can substitute stake with opportunity in order to understand what it simply implies for New Labour. However probably due to the popularisation of the term (in Hutton's context) among the conventional social democrat i.e. Old Labour circles, New Labour ceased to enjoy the term and immediately jumped to the Third Way.²

5.2 Lost in The Third Way

As stated above, the Third Way heavily relies on the assumption of the failures of social democracy and neo-liberalism. According to Anthony Giddens, it can provide a framework for political and economic thought that cuts across the old divides of social democracy and neo-liberalism (Giddens, 1998a: 18). For Giddens, the overall aim of the Third Way politics should be to help citizens pilot their way through the major revolutions of our time: globalisation, transformations in personal life, and our relationship to nature (Giddens, 1998b: 64). For Blair, the Third Way stands for a modernised social democracy, passionate in its commitment to social justice and goals of the centre-left, but

² However the popularisation of stakeholder among social democrat circles should not lead the reader to think that it is really a challenging idea that can be defended in the name of the left. Maltby and Wilkinson (1998) point out that although *stakeholding* can be interpreted as a challenge to the Thatcherite claim that there is no such a thing as society, it is a concept which owes its appeal to its imprecision, and is unworkable in practice and that its deployment, rather than imposing accountability on capitalism, merely represents an attempt to make free market capitalism look more acceptable. In this respect, the claims that it will make companies both efficient and socially

flexible, innovative and forward-looking in the means to achieve it (Blair, 1998: 1). Blair also argues that the Third Way marks a third way within the left since, to him, the debate within the left had been dominated by two unsatisfactory positions between the fundamentalist and revisionist wings (Blair, 1998: 1-2).

In his *New Statesman* article which can be seen as a draft version of his later book , *The Third Way*, Giddens introduces some the basic aspects of the Third Way as such:

| Social Democracy | Neo-liberalism | Third Way |
|---|-----------------------------|------------------------------------|
| Class politics of the left | Class politics of the right | Modernising movement of the centre |
| Old mixed economy | Market fundamentalism | New mixed economy |
| Corporatism | Minimal state | New democratic state |
| Internationalism | Conservative nation | Cosmopolitan nation |
| Strong Welfare state, protecting 'from cradle to grave' | Welfare safety net | Social investment state |

Giddens says that with the rapid shrinking of the working class and the disappearance of the bipolar world, the salience of class politics has declined and scientific and technological change cut across the left-right divide or recast it (Giddens, 1998a: 18). Therefore, he argues, appealing to a wide constituency the Third Way represents a new modernising movement of the centre. Although it accepts the socialist value of social justice, he says, the Third Way rejects the class politics of the left (Giddens, 1998a: 19-20).

responsible are empty of content. This is a matter worth-investigating but within the limits of this

On economy, what Giddens calls the new mixed economy, in contrast to old notion of a mixed economy, does not refer to a distinction between public and private initiative, but it implies a balance between regulation and deregulation; and between the economic and the non-economic in society (Giddens, 1998b: 100; Giddens, 1998a: 19). However, the goal of regulation in Giddens's context, as different from what the term conventionally implies, is basically the province of government to enable markets run effectively, and to preserve competition. Thus, it can be interpreted as the equivalent of Blair's public-private partnership. Then, Giddens, as if asserting a radical agenda, adds that new mixed economies should develop alternative methods of regulation through a blend of incentives and controls to ensure that the Third Way notion of 'rights and responsibilities' becomes the value of business. Perhaps this is a perfect illustration of what journalist Ian Mcwhirter meant when he wrote about New Labour:

A decade and a half of free-market Thatcherism has reproduced levels of social inequality unseen since Victorian times, and the social fabric is being destroyed by mass unemployment. *New Labour has no particular remedy other than to ask businesspeople to be more responsible* (The Observer, 19/November/1995).

On the state, the Third Wayers argue that instead of being keen on expanding or shrinking the scope of the state and government what is necessary is

study we will not further the discussion.

reconstruct them (Giddens, 1998a: 20). Only this, Giddens says, can go beyond the 'government is the problem' or 'government is the answer' approaches. Although this gives the impression that Giddens is searching for a balance between public interest and private entrepreneurship, what he means by reconstruction is absolutely political: the reorganisation and democratisation of British state. For the stability of what he calls the new democratic state, Giddens uses devolution and the non-orthodox forms of participation like referenda as the keys. Surely these are very important points but, first, it is very deficient to limit the agenda with *the political* reconstruction while socio-economic dimension is widely ignored, second, this proposal contains no undertaking, for instance, to reverse the Thatcherite transfer of authority from the central civil service to quangos. Further when one consider the attitude of New Labour government to the reconstruction/democratisation, except for devolution there seems no intention for local government empowerment, nor is there a sign for the democratisation of the state.

On civil society, Giddens has an interesting proposal. He says that the government should play a basic part in the regeneration of civil society (Giddens, 1998a: 20; Giddens, 1998b: 73). Such an idea, the construction of civil society by means of the state, appears in great contradiction with liberal democratic (let alone the Marxist critique of civil society) discourse of civil society.

Furthermore, discussing civil society within the Third Way framework, Giddens does not hesitate to reduce the notion to neighbourliness, good friendship and family relations (Giddens, 1998b: 85). Indeed this is a good example of what some complains about the Third Way, depoliticisation of politics. In the

absence of a real alternative agenda, the Third Way politics, inevitably, becomes reduced to such proposals. Meanwhile, Giddens would not even use the notion of civil society because New Labour's popular term is a community which consists of individuals who are expected to be relentless entrepreneurs at work, obedient citizens before the state, couples in a 'normal' marriage, and good believers on Sundays.

5.2.1 Welfare: The Nightmare of The Third Way

As for welfare, the scapegoat of the new right, both Blair and Giddens begin by stating that some of the criticism made by the new-right are valid (Giddens 1998a: 20). Giddens adds that the welfare state is essentially undemocratic, its motivating force is protection and care, but it does not give enough space for personal liberty (Giddens, 1998b: 112). The problem is that Giddens proposes this critique as if it was the core of the criticism of the new-right. He does not bother to recall that the main criticism of the new right with regard to welfare was due to its concern with budget austerity and rolling back the state. If the new right has a criticism regarding the lack of liberty in the welfare state, it was based on the conceptualisation of liberty, like the 'choice', within the framework of what can be called 'profit ethics'. Therefore, persistently underestimating these points, Giddens overshadows the fact that if there was a real inquiry of welfare state in terms of liberty as we understand in the political philosophy, it comes from the left rather than the right. Giddens travels light to give away the notions of the left to the hands of the right. Then, comes his offer.

First of all, call it either the Third Way, or the New Labour, there is a very basic point in their understanding of economics and the welfare. There is no more redistribution. The only distribution, Giddens says, can be the distribution of the possibilities (Giddens, 1998b: 101). In Blair's words: "I fully recognise that the private sector, not government, is at the forefront of wealth creation and employment generation. Yet government has a vital role in promoting competitive markets, encouraging long-term research and investment, and helping to equip citizens with the skills and aspirations they need in the modern economy" (Blair, 1998: 10).

What Giddens offers in this sense is something he calls *social investment state* whose main guideline is that wherever possible investment in human-capital, rather than direct payment of benefits, will establish a new relation between risk and security on the one hand, and individual and collective responsibility on the other. For him, social democrats have to shift the relationship between risk and security involved in the welfare state, in order to develop a society of *responsible risk takers* in the spheres of the government, business enterprise and labour markets (Giddens, 1998b: 100).

In order to reach this sort of welfare understanding, expectedly, Giddens first of all has to discuss the notion of equality and needs to redefine it. He chooses to define equality as *inclusion* and inequality as *exclusion*³ (Giddens, 102). The former refers to citizenship, civil and political rights and obligations that all members of a society should have, not just formally but as a reality of their lives. It

³ Please note that Blair prefers to use the term *excluded* instead of the *poor*.

also means opportunities (the buzzword!) and involvement in public space (Giddens, 1998b: 102-103). On exclusion, Giddens marks two forms of it. The first is the exclusion of those at the bottom, cut off from opportunities of society. The second is the exclusion of those at the top, withdrawal of affluent elite from the public life (Giddens, 1998b: 104). The second point might hold the truth but what it has to do with equality in the discussion of the welfare state in terms of social democracy is not clear.

When discussing the first form of exclusion, Giddens is unstoppable. He without reservation subscribes to the view that “the gap between the rich and poor will keep growing and no one can stop it” (Giddens, 1998b: 106). Blair would not dare to be so explicit, not because he has a different idea but because he wants to be re-elected. The very problem with this view is that it is so unwilling to see that inequality has significantly increased, not accidentally but by deliberate policies, under the Tories. Therefore, it can also be something that can be decreased if a government has enough determination and will.

Giddens gives an interesting example in order to delegitimise the emphasis on equality. He says: “ A basic influence upon the distribution of income is growing sexual equality. Here income inequality is decreasing, contradictory to the *simple statement* that society is becoming more unequal” (Giddens, 1998b: 107; *italic added*). Indeed this is a typical the Third Way exercise: In order to justify their ideas and to assert their so-called difference both Blair and Giddens do not hesitate to play with terms or moves the points of the debates to irrelevant contexts.

For example, Blair, in his pamphlet, goes to assert that there is not much difference between liberalism and democratic socialism. The former stands for the 'primacy of individual liberty in the market economy' while the latter aims at 'social justice with the state as its main agent'. He finds 'no necessary conflict between the two' (Blair, 1998: 1). Within this pseudo rhetoric, as one commentator rightly observed, he winds up more than 200 years of political debate (New Statesman, 25/September/1998). Of course the intention behind this argument is simple: To justify the attempt to synthesise the left and the right in the name of the Third Way.

Similarly, Gordon Brown, the Chancellor, in a book assertively titled *Reinventing The Left*, does not hesitate to write that "socialism has always been much more ambitious in its aspirations than the removal of poverty, unemployment and squalor..." (Brown, 1994: 113) while he does not bother to clarify either what these aspirations are. However, more importantly, Brown obscures the fact that realisation of the socialist aspirations –which according to us finds its ultimate expression in the phrase 'from each according to his ability, to each according to his needs'- primarily require the removal of what Brown seeks not to deal with.

5.2.2 Globalisation: More Royalist Than the King

Globalisation, as we showed in the previous chapter, plays a decisive role in determining the Third Way policies. The starting point is the acceptance of globalisation as a fact, with all its consequences for the economy within a highly competitive and deregulated market and the type of jobs it makes available (Mayer, 1999: 298).

Indeed, Giddens deals with this issue for a long time and his analysis of globalisation is sometimes more explanatory than some other explanations. He rejects speaking globalisation as if it is the force of the nature. He also does not underestimate the fact that states, business corporations and other groups have actively played significant roles in the formation of it. He perceives the term not only in terms of economy but also recognises the multi-dimensionality of it. However, when it comes the policies of *the Third Way* towards globalisation, most of those are significantly forgotten. He is content with saying that “the third way politics should take a positive role towards globalisation in its broadest meaning” (Giddens, 1998b: 64).

Thomas Mayer notes that the undifferentiated use of the globalisation argument is to a high degree ideological, mainly designated to delegitimise labour demands, macro-economics and the claim of all political responsibility for the outcome of the economy, rather than depicting the new reality accurately (Mayer, 1999: 298). However, Giddens does not hesitate to limit the room of criticism of globalisation by identifying this territory as that of the far-right (Giddens, 1998b:44). He sees no reason other than being a nationalist to argue

against globalisation. Indeed Giddens acts tricky here since indeed the objection of the right to globalisation is in largely in cultural terms while there is not much dissent, in the right, to the economic aspects of globalisation, while the main concern of the left, which is by its nature internationalist, is the economic dimension of globalisation, basically the domination of capital against immobile and fragmented labour, and the power of deregulated finance capital which can even dictate their priorities to political agencies.

Giddens' degree of the uncritical thinking is such that, on the future of the global governance, he offers the integration of the World Trade Organisation, IMF and the World Bank, after welcoming what these institutions have done by now (Giddens, 1998b: 151). He perhaps has no intention to reconsider what have been the social outcomes of these institutions' favoured policies all around the world.

Fortunately, there are still some others who both correctly perceive globalisation and do not surrender to orthodox formulations. For example Ethan Kapstein, in his search for a global third way, offers the multilateral regulation of mobile capital which necessitates a global co-operation of political bodies, basically through taxation and enforcement of social policy (Kapstein, 1999). Of the programs of the Bretton Woods organisations, he says that placing social welfare rather than the macro-economic stability at the centre of every reform package would provide a useful corrective to their current way of doing business. Meanwhile he is very aware of the fact that such an attempt entails significant

reforms within these organisations, not just in the countries they are meant to serve (Kapstein ,1999).

Perhaps the most interesting fact is that the Third Wayers unconditionally commit themselves to the orthodox rhetoric of globalisation at a time when globalisation itself starts to be questioned even by the economic and political actors of the global order. In the face of the recent economic crisis, having realised the rising instability and fragility of global balances which widely rest of the domination of the finance capital, radical reform programs on the architecture of the global financial system are being proposed (See for example Soros⁴ *The Crisis Of Global Capitalism*, New York, Public Affairs, 1998; Mandel and Foust, *How to Reshape the World Financial System*, Business Week, 12 October,1998; Block, *Controlling Global Finance*, World Policy Journal, Fall, 1996; Stopford, *Multi-National Corporations*, Foreign Policy, Winter 1998-99; Smadja⁵, *The End Of Slackness*, Foreign Policy, Winter 1998-99).

A large number of economists today also accept that wrong macro-economic choices, rather the macro-economic suspension and emphasis on supply-side, are highly responsible for the weaknesses of the domestic economies as a whole against the manipulations of finance markets (Naim, 1998).

In the second chapter we had stated that, in 1930, the first government experience of the Labour Party under MacDonald proved to be a disaster since, having obsessed with demonstrating how moderate Labour was, the

⁴ George Soros is the owner of the Soros Fund Management.

⁵ Claude Smadja is the director of World Economy Forum.

government failed to fight the Great Depression. Then, Old Labour, which had drawn the essential lesson from this experience, could laid the foundations of the post-war Britain in terms of its own values. There may not be a Great Depression next door but we hope, New Labour, whose leaders, as put elsewhere, seem to have read nothing written before the 1970s, would not be remembered as the second MacDonald government.

As a final word to this chapter, perhaps not without justification one may say that by unquestionably committing to an fifteen years-old idea of globalisation and macro-economic management, Third Wayers have already fallen behind, if we use the term they like to much, *the new realities*. Perhaps this is the curse of the new-right whose hegemony they successfully internalised.

CHAPTER VI

CONCLUSION

In this study, we started with a historical account of the ideology of British Labour party. This had two basic aims. First, to give an idea to the reader about the origins and the transformation of the ideology of parliamentary left in the twentieth century Britain (and Europe). Second, to be able to evaluate the current ideology of New Labour that claims to continue this tradition by adopting it to new conditions.

Having founded as a mixture of trade union assumptions and a set of groups interested in the articulation of socialist ideology, the Labour Party within a short time structured an ideology of its own and took its place in British politics. The Party was far from being ideologically homogenous and throughout its history, the debate on the policy route of the party had never stopped. However, this debate was always on the question of means while the ends, basically promotion of equality and the creation of an democratic and egalitarian society, were out of discussion. The whole ideological history of the party until the 1980s can be divided into two: First, pre-Keynesian i.e. labourist or corporate socialist ideology which finds its ultimate expression in old *Clause IV*. Second, Keynesian mixed economy and welfare state ideology which began to be developed in

the 1930s and found its ultimate expression and realisation in the post-war British state and economy. The challenge of revisionism in the 1960s was not towards the principal values of Labour's ideology, it was basically towards the place of public ownership, which was still kept as an idea embodied in *Clause IV*, but was not in the policy agenda of the party, since revisionists believed that post-war settlement had made public ownership unnecessary. In other words, when Crosland argued that public ownership could be put out of the Labour's agenda, the reason behind his offer was that modification of capitalism by Keynesian means had already solved the basic part of the question precisely an egalitarian society in which distribution of wealth was done fairly, and the post-war system could realise the goals of Labour. A strong welfare state was established, national health service was working, excessive power of the gigantic private capital was curbed, nationalised industries could run in favour of the public interest, full employment was among the priorities, and various sorts of benefits were distributed to those in need.

On the one hand, Crosland was right and post-war settlement, to a large extent, was fulfilling its objectives. But on the other, the basic weakness of the revisionist idea was that this settlement was regarded as infinite. The growth of the post-war years led to the illusion that full employment and rising incomes were now guaranteed. However, since the early 1970s, it had been realised that Keynesian economics proved to be inadequate to deal with the changing economic conditions. The crisis of the late 1970s, which the Labour Government of the era (Callaghan) moved to solve with an IMF loan, signified the *end* of Keynesianism in Britain. Indeed the condition of the crisis should not be understood alone as if it was an objective reality that

can be solved only by the new-right economics. However, combined with the power of the financial markets, in conjunction with the American state, to redefine the content of the debate over economic policy, there had been no reason for the new-right not to declare its practical victory (Thatcher government) as well as the end of theoretical debate, in the late 1970s.

Expectedly, the end of Keynesian economics did not mean a simple change of the tools of economic management. What was gone was also the redistributive and egalitarian socio-economic intentions embodied in welfare benefits, full employment, public services etc. The new right, both economically and politically, had nothing to do with those. All economic policy was sealed to a near mythical concept of macro-economic stability and free markets while deregulation released the logic of capitalist accumulation from the restrictions of the Keynesian welfare state within the Bretton Woods frame of capital controls. A new and disastrous era was to come.

The last attempt to promote an alternative agenda which was neither Keynesian nor neo-liberal came from Labour's New Left which we mentioned at the end of the first chapter. However following its defeat - which indeed occurred as a result of the combination of many factors, the rising popularity of Thatcher after Falklands victory, inability of Labour to promote its case and policies, the unwillingness of the right-wing of the party to take part in such an agenda, the division of opposition votes caused by the SDP split, and the successful anti-propaganda of the whole mainstream media - the stage was left to the new-right and another sort of the left mainly consisted of those who find solution in accommodation to the principles of the new settlement. And the story which began to be discussed in the third chapter is the story of this

reconciliation to the ideological hegemony of the new-right. At the beginning, under Kinnock, this was much imitative and lacking a sophisticated formulation while Kinnock also had to deal with organisational changes. However, under Blair, New Labour was able to promote a modified neo-liberalism with a package that appears as if it is not neo-liberalism, rather a modern social democracy. Nevertheless, as we tried to show throughout this study, this bright bundle, has neither anything to do with the left, nor does it mark a third way, rather it straightforwardly belongs to the right. Let us review why.

At its crudest, the left-right distinction is a theoretical matter. A matter of principles and values, or as we stated elsewhere in this study, a metaphysical question of *ought to*. In introduction, we stated that the case of social democracy or democratic socialism is that if capitalism, which was originally regarded to be an unjust and inhuman system, can not be abolished, the goal should be the maximisation of socialist goals within capitalism. This was possible only by behaving on behalf of a set of values and trying to realise them at the largest possibility. Historian G. A. Cohen states that, *equality* and *community* used to stand as the basic values of Labour as a democratic socialist party in Britain (Cohen, 1994: 7). They were the values distinguished Labour from other parties at Westminster, and indeed, they were simply the values which the Left issued as a matter of principle and the right rejected as matter of principle. Meanwhile, Cohen adds, the moral force of these values never depend on the social force supporting them since anyone who believes them believes them because she thought them inherently authoritative (Cohen, 1994: 7). What was swept by New Labour and the Third Way are exactly these distinctive values of the Labour Party in particular, and the democratic left in general. New Labour replaces equality with equality of opportunity (or

opportunity for all) which indeed has been one of the key terms of those who used to take place anywhere other than on the left in history.

The notion of community is perhaps unluckier even than that of equality since under New Labour the same term was filled with a totally different content. Especially in British context, community would refer to an occupational or socio-economic association. Considering the historical fact, the Tories, who stress an ordered society, have never articulated their agenda in terms of community since it belonged to another political tradition, would be enough to see this perception of community is alien to Labour. If we come to the specific context of this word in Labour's tradition: "I mean by community", says Cohen, "the anti-market principle according to which I serve you not because of what I can get out of doing so but because you need my service" (Cohen, 1994: 9). As we tried to show in above pages, New Labour does not only empty this substance but also fill it with what the Tories would like to mean by different terms. In this regard, the argument of New Labour that their notion of community serves to the idea of socialism (Wright, 1996: 140), or Blair's claim that the Third Way also marks a third way within the left as well as between democratic socialism and liberalism (Blair, 1998: 1) are not only meaningless but also hypocrisy.

Let us now focus on the political practice and review the policy agenda of New Labour and the substance of its offer. In brief, basic characteristics of New Labour agenda are:

1. neo-liberal macroeconomics, low taxation, limited public spending
2. supply-side economic policies oriented towards training and labour enskillment

3. unconditional acceptance of the *rules* of the global economy, basically the power of financial markets
4. complementary relation between the state and market while the role of the state is the assurance of the well functioning of free market, and being responsive to the needs and demands of the capital
5. flexible labour market conditions
6. welfare to work as a part of supply side economics

At the heart of the agenda lies the belief that under the conditions of global competition and free markets what is left to the government is not to focus on the demand side, or deal with the public initiative, but to prepare an attractive framework to the domestic and global capital by keeping markets competitive, taxes low, and provide skilled labour to the needs of the capital and market. Supply-side economics is used as the general title for the whole project.

Indeed, the supply-side agenda is not completely new for the British left. The early Fabians, for instance, believed that socialism should also be in the business of delivering a supply-side reform in order to expand output and increase 'efficiency'. Or the technological enthusiasm and modernisation discourse of the Wilson government can be interpreted in this rhetoric. Moreover, the Alternative Economic Strategy of the New Left did also emphasised supply-side developments as a part of its overall agenda (Thompson, 1996: 42). However, although all these policies were interested in the supply-side – while they did not stuck on it alone - in order to achieve economic progress whose outcomes would run for a more successful realisation of the goals of the party i.e.

transformation of unequal socio-economic relations within society, under New Labour, supply-side is oriented towards the fulfilment of the necessities of global capitalism. One can reasonably argue that there is nothing inherently wrong in the enskillment and employment of people anyhow. This is right however, when New Labour's supply-side is placed in its whole agenda including neo-liberal macroeconomics, flexible markets and restrictive union legislation, its offer, theoretically, does not go beyond the exploitation of the largest quantity of labour power with the lowest wages. Furthermore, when one adds into the scene another New Labour theme, conditionality of rights in return of responsibilities, the complete meaning of the offer becomes "you either accept the job given to you under these conditions, or forget even the unemployment benefit which you had got until now because you are not fulfilling your responsibility." Stripped of all its colourful dress this is the *New Labour order*.

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