



The rise and fall of New Labour

What is old and what is new? A balanced assessment of Labour's achievements and failures should inform our ideological reconstruction

Anthony Giddens

The era of Labour hegemony is over. How should we assess its legacy? It is conventional these days to disparage the record of Labour in government over the past thirteen years. Even quite supportive observers tend to argue that little of substance has been achieved. For the more swingeing critics, Labour in power – Labour as New Labour - has been more than a disappointment, it has been a disaster. The party led an onslaught on civil liberties, betrayed leftist ideals, failed to make any impact on inequality and, worst of all, embarked upon a calamitous war in Iraq. New Labour promised a New Dawn and many feel betrayed. I'm not without sympathy for these criticisms. Yet one can mount a robust defence of many of Labour's core policies, and a balanced assessment is needed if an effective future path is to be charted. A realistic baseline for so doing is to compare Labour's period in government with the fate of its sister parties in other countries over roughly the same period, such as Bill Clinton and the Democrats in the US, Lionel Jospin's socialists in France, or the SPD in Germany, led by Gerhard Schröder.

Labour managed to stay in power longer than any of these, indeed longer than any other left of centre party in recent times, including those in the Scandinavian countries. It was a signal achievement, given that the party had never previously held onto power for even two full terms before in the hundred years and more of its existence. The ideological changes associated with the invention of the term "New Labour" were in fact a large part of the reason for its electoral successes. "New Labour" was not an empty sound-bite, designed to cover up for policy vacuity. On the contrary, there was from the outset a compelling diagnosis of why innovation in left of centre politics was needed, coupled to a clear policy agenda. In outline it ran as follows. The values of the left – solidarity, reducing inequalities, protection of the vulnerable, coupled to a belief in the key role of active government in pursuing them – remained intact, but policies designed to pursue these ends had to shift radically because of the profound changes going on in the wider society. Such changes included intensifying globalisation, the development of a post-industrial or service economy and, in an information age, the emergence of a more voluble and combative citizenry, less deferential to authority figures than in the past (a process later greatly expanded by the advent of the internet).

Most of Labour's policy prescriptions followed from this analysis. The era of Keynesian demand management, linked to state direction of economic enterprise, was over. A different relationship of government to business had to be established, recognising the key role of enterprise in wealth creation and the limits of state power. No country, however large and powerful, could control that marketplace: hence the "prawn cocktail offensive" that Labour launched to woo the support of the City. The advent of the service or knowledge-based economy was coupled to the shrinking of the working class, once the bastion of Labour support. To win elections henceforth, a left of centre party had to reach a much wider set of voters, including those who had never endorsed the party in the past. Labour could no longer be a class-based party. In Tony Blair, not a Labour tribalist by any description, the party seemed to have found the perfect leader to help further this aim.

During its years in government, Labour's policies evolved over time. Some core threads remained the same, however. Economic prosperity, against the backdrop of the globalised market-place, had to have primacy of place – it was seen as the precondition of effective social policy. An increasingly prosperous economy would generate the resources to fund public investment without the need to increase tax rates. Labour sought to break away from its previous predilection for tax-and-spend. "Prudence"

was Gordon Brown's watch-word as Chancellor. Prudent economic management could generate the resources needed both for increasing levels of social justice and for rising welfare spending. In each of these areas Labour had to struggle against a disastrous inheritance from the Thatcher years. Inequality had increased more steeply in the UK during those years than in any industrial country save for New Zealand (which had also followed Thatcher-style policies). The welfare system had been starved of investment and was threadbare. Investment in public services, coupled to reforms designed to make them more flexible, geared to job creation, and more responsive to the needs of their clients, became a guiding thread. Labour should not be the party of the big state, but of the intelligent state, interacting creatively not only with markets but with civil society.

A further important strand of New Labour policy was: do not allow any issues to be "owned" by the political right – instead, seek to provide left-of-centre solutions to them. This position became a focus of attacks by critics worried about implications for civil liberties, but was vital to Labour's longevity in power. Social democrats fell from government in many other countries because of their failure to develop a comparable standpoint. In the past the left tried to explain away, rather than directly confront, questions to do with crime, social disorder, migration and cultural identity, as if the concerns citizens felt about them were misplaced or irrelevant. It was assumed, for example, that most forms of crime resulted from inequality; once inequalities were reduced, crime would inevitably decline. Without denying the connection, New Labour broke away from such a view. Tony Blair's formula "tough on crime, tough on the causes of crime" was not just a slogan, but was offered as a policy principle.

It might seem a long distance from these concerns to a further strand of New Labour thinking – the need for an activist foreign policy – but it is not. Because of increasing globalisation, domestic and foreign policy overlap far more than in previous times. Increasing levels of migration, for example, reflect the yawning division between rich and poor in world society. Britain faces no visible threats of invasion from other countries, but must be prepared to assume an active role in the wider world. Interventionism is a necessary doctrine when national sovereignty has lost much of its meaning and where there are universal humanitarian concerns that override local interests. Trans-national terrorism, itself a creature of globalisation, becomes a threat far greater than the more local forms of terrorism prevalent in the past.

How far did these emphases and policies in fact bear fruit? Labour's record is distinctly patchy, but it would be difficult to deny that it has had far more impact than any of the other centre-left governments mentioned above did in their respective societies. I summarise only very briefly here. The UK enjoyed ten years of unbroken economic growth, not to be dismissed as simply based upon a housing and credit bubble. That growth took place together with the introduction of a national minimum wage. Large-scale investment was made in public services and significant reform achieved, both in the areas of health and education, whatever the problems and limitations of the policies adopted. Overall economic inequality was contained, although not significantly reduced. The position of the poor, however, improved substantially. Targets to reduce child poverty were not met, but prior to the recession 600,000 children were raised out of relative poverty; measured against an absolute standard, the number is about twice that figure. The New Deal, Sure Start and tax credit policies have all had their difficulties, but have mostly proved their worth. The much-derided PFI deals have on balance worked, when measured against public procurement. Devolution of power to Scotland and Wales has largely been successful. Legislation was introduced whereby city mayors could be chosen by election, an option of which a number of large cities, including London, took advantage. What looks like a lasting peace has been achieved in Northern Ireland. Crime rates have come down substantially in the UK as a whole, and Britain has made a more fruitful adaptation to increasing cultural diversity than most other European countries.

For a party so often seen as illiberal and authoritarian, there were some substantial achievements in the opposite direction. Labour signed up to the Social Chapter of the EU, together with the European Convention on Human rights, introduced a Freedom of Information Act and endorsed civil partnerships for gay couples. Britain is a more liberal and tolerant society than it was and Labour's policies played a

part in this change. In foreign policy overseas aid was increased well beyond anything preceding Tory governments had managed. The military interventions in Bosnia, Kosovo – where Blair played a key role in persuading the Americans to contemplate deploying ground forces – and Sierra Leone were widely regarded as successes. If only he had stopped there! Nothing corroded Blair’s reputation more than his ill-starred decision to become George Bush’s main partner in the invasion of Iraq, where the prime reason given for fighting the war, Saddam’s possession of weapons of mass destruction, proved not to exist.

Other far-reaching mistakes were made. The experiment with spin and media management during Labour’s early years in power back-fired: it helped to create the impression that Labour was all about presentation rather than policy content. Blair did not succeed in integrating Britain more closely into the EU, and some of his closest relationships with other European leaders, notably with Silvio Berlusconi, were puzzling to say the least. It was right to argue that Labour should become business-friendly and to recognise the importance of the City to the economy. It was a fundamental error, however, to allow the prawn cocktail offensive to evolve into a fawning dependence and turn the UK into something like a gigantic tax haven. The idea that Labour “should be relaxed about people getting filthy rich” not only exacerbated inequalities at the top, but helped create a culture of irresponsibility. The bosses protected themselves from the risks they asked their employees to bear. I don’t accept the simplistic idea that New Labour was simply a continuation of Thatcherism – that Tony Blair and Gordon Brown were the “sons of Mrs Thatcher”. Labour’s policies involved extensive government intervention in economic life, although mainly on the supply side. There was a genuine preoccupation with increasing social justice, a notion alien to Thatcher and Keith Joseph, along with their guru Milton Friedman. Yet the party’s leaders should have made it much clearer than they did that recognising the virtues of markets is quite different from prostrating oneself before them. Market fundamentalism should have been more explicitly criticised and its limitations exposed. As for PR and wider constitutional reform – well, surely Labour should have endorsed these as a matter of principle, not as a result of political expediency.

The other parties have had to respond to the agenda that New Labour set. The Tories now endorse gay rights, accept the necessity of reducing poverty, support the Climate Change and Energy Acts that Labour introduced, will continue most of the labour markets reforms that were made, and have no truck with Thatcher’s assertion that “there is no such thing as society”. In propagating the idea of the “big society”, the Conservatives are drawing upon the same communitarian traditions Tony Blair also endorsed. Of course, in government there could be a retreat from these emphases, but at the moment they look genuine.

Along came the global financial crisis, foreseen by very few, if anyone. It seemed to put an abrupt end to the world which was the backdrop to the evolution of New Labour. Suddenly all has gone into juddering reverse: Keynesianism and government economic intervention are back; not only can we seek to regulate financial markets, which once seemed so omnipotent, we must do so; severe spending cuts dominate the domestic agenda, the opposite of the expanding social investment upon which New Labour policy was built; fiscal prudence has ceded place to massive borrowing and very large accumulated debt; a tax on world financial transactions, previously dismissed as unrealistic, is now on the cards; it is, after all, possible to elevate the tax rates of the rich; there is talk among all the main parties of a return to active industrial policy and of a renaissance of manufacturing; climate change and other environmental risks, which Labour did little to confront until late on, now intrude into the heart of mainstream political concerns; planning, for years in the shadows, is once more on the agenda.

New Labour as such is dead, and it is surely time to abandon the term itself. Yet some of the core social and economic trends to which it was a response are still in place and significant parts of its policy framework remain relevant. The party in the future will still need to attract mainstream, affluent, voters, against the background of a changing political field where the electronic media and the internet have a growing role. It makes eminent sense to aim to reduce the dominance of the financial sector in the economy and encourage a renaissance of manufacturing, especially in areas linked to reducing carbon emissions and improving energy security. However, the UK will continue to be a post-industrial

economy, with service and knowledge-based occupations dominant. Welfare reform will brook as large as ever, even more so when efficient spending will be a priority. The problem of sustaining progressive policies in respect of immigration and multiculturalism without losing voter appeal will remain, as will that of how to reduce citizens' anxieties about crime. So too will that of finding an appropriate balance between civil liberties on the one hand and protecting against the very real threat posed by international terrorism on the other. Keynes is in fashion again, but there can be no return to Keynesian demand management as practiced several decades back. The challenge in front of us is to preserve, and enhance, the flexibility and creativity that markets engender, while turning these qualities to long-term and socially desirable goals.

Fundamental rethinking is needed and a fresh set of policies has to be created. The key problem for Labour out of power will be to minimise the internal squabbling that afflicts so many parties, especially on the left, following an election defeat. Ideological reconstruction could have a decisive role here. The starting-point should be to redefine the role of the public sphere. "Blairites", it could be said, leaned more towards the market than "Brownites", who were keener on the state. However the public sphere is distinguishable both from markets and the state, and can be used as a platform for reconstructing both. A groping towards this notion appeared in Labour's attempts, following the financial crisis, to reintroduce the idea of mutualism in to political debate. These rather primitive efforts should be further developed and applied to the task of constructing a form of responsible capitalism, coupled to a sophisticated approach to issues of sustainability.

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