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Will New Labour leave a lasting legacy?

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Challenging ideas – Changing policy

Will New Labour leave a lasting legacy?

Only now that the party has been ushered into opposition can we properly reflect on New Labour's lasting contribution to progressive politics, say Carey Oppenheim and Lisa Harker. In this article they reflect on four aspects of New Labour's approach to domestic politics: its view of citizens, its guiding economic model, its approach to the state and its attitude to political renewal.

New Labour, in our assessment, has made the United Kingdom a fairer, more democratic and more open society and in so doing has pulled the political centre of gravity leftwards. However, New Labour's unwillingness to chart a clear ideological course has undermined its ability to make lasting change. By embracing pragmatism in means, if not ends, New Labour was unwilling to confront the tensions between some of its goals and failed to articulate a sufficiently strong set of values and vision in support of its objectives. While jettisoning some major shibboleths of the left was critical to New Labour's political success, it also led to timidity in its vision and actions. In short, too much triangulation left people wondering what it was for. New Labour could not transform itself from a project into a movement.

The future not only of the Labour Party but of progressive politics more widely now depends on the party's willingness to establish a distinctive set of beliefs and goals that are fit for the next wave of economic and social challenges.

New Labour's view of the citizen

There are three distinctive strands to New Labour's view of citizenship: a 'positive' rather than 'negative' view of freedom which was to enhance many rights but underestimate the intrusive power of the state, a strong focus on responsibilities to match rights in both rhetoric and policy, and a view of human fulfilment that was too narrowly centred on economic success. In each case New Labour advanced the party's thinking. Its period of office left Britain a more liberal and tolerant nation. But it was also cautious in adopting a rather narrow view of what it is to be a citizen.

New Labour's view of freedom as 'positive', one of empowerment underpinned by state – runs through many of its policies. In government it ushered in a new legal framework and a raft of entitlements for previously neglected groups, notably through the Human Rights Act and the signing of the Social Chapter of the Maastricht Treaty. Along with changing social attitudes, these have altered the everyday experience of many citizens. Rapid and lasting change has been particularly apparent in relation to sexuality, New Labour's legacy most evident in the consensus now found across the political parties.

However, an overemphasis on legal rights to eliminate discrimination, combined with cumbersome machinery of enforcement, produced less obvious lasting change. In the end New Labour turned to legislation to eliminate inequalities because it lacked alternative mechanisms. Deep seated socioeconomic disadvantage and a lack of power and autonomy were to remain barriers to success for some groups.

Alongside this expansion of rights came incursions into our freedoms. Some posed significant challenges to civil liberties (take the DNA database or the use of the terrorism legislation for 'stop and search'). Others were just overzealous and ran against common sense (for example not trusting parents to come to their own arrangements to

pick up friends' children). New Labour took for granted the 'negative' freedom from an intrusive state too readily in some areas.

New Labour also emphasised that with citizenship came certain obligations: a marriage of communitarianism and social liberalism. This blending of rights with responsibilities was largely driven by the need to rid the electorate of the view of Labour as strong on rights but soft on social obligation. And it was also an effective policy tool in many areas. It played out most clearly in welfare policy, where increased support for the poorest in society was often accompanied by stronger social obligations, but permeated other policies, such as the drive to tackle anti-social behaviour.

Yet while New Labour's particular blend of rights and responsibilities appeared to be a departure from old Labour thinking, it was not especially distinctive. It was not a position that divided the mainstream political parties, nor does it today. In practice, the 'bargain' that was struck between the state and the citizen served to underpin and legitimise state intervention: help and support in return for responsibility. But it was limited in two key respects. In practice increased responsibilities were almost entirely directed at the least powerful in society. It was only after the financial crisis in 2008 that attention was paid to the obligations of the better off, namely the 'non doms' and the bankers. Even then, the attention was sporadic rather than sustained. And, importantly, the deal that was struck was conceived as an exchange between individual and state. The deeper notions of reciprocity between individuals, families, neighbourhoods and communities got lost in a view of our relationships as 'contracts'.

Finally, while strong in challenging the traditional Left view of citizenship as 'rights-based', New Labour did not question the prevailing orthodoxy. Although the right of everyone to fulfil his or her potential was a very powerful motif for New Labour, its vision of human flourishing was heavily focused on economic success and individual consumption. To thrive was often expressed exclusively in terms of social mobility, clearly a desirable goal but also a limited one. Perhaps the most important aspects of human fulfilment – caring for others, fostering relationships, contributing to our communities – were underplayed, despite a plethora of new rights for working families.

New Labour thus leaves a mixed legacy in terms of citizenship. On the one hand it developed a powerful legacy of positive freedoms and going with the grain of social attitudes. On the other, New Labour failed to confront the dominant view that places economic activity at the forefront of what it is to be a citizen and as a result neglected deeper notions of reciprocity.

New Labour's economic model

New Labour's approach to the economy will be judged inevitably through the prism of the events surrounding the 2008 financial crisis. But it is what went before that tells us more about New Labour's legacy. New Labour transformed the party's economic thinking but did nothing to challenge macro-economic orthodoxy.

New Labour's over-arching ambition in 1997 was to ensure economic stability – throwing off the reputation of economic incompetence that had dogged past Labour governments. It jettisoned some of the core tenets of its social democratic heritage and focused on equipping individuals to thrive in a largely unregulated capitalist economy through investment in education and employability. Social justice and economic efficiency were seen as mutually reinforcing; growth was a prerequisite to an effective

social policy, flourishing citizens necessary for a strong economy. Where there was a concern with tackling disadvantage, it was poverty and social exclusion that mattered rather than inequality.

With such a strong commitment to social justice, New Labour altered socio-economic policy for a generation: the introduction of a statutory minimum wage, stronger employment rights and enhanced in-work payments are now permanent features of our labour market, unlikely to be undone by future governments. Some of these new rights originated in Europe, an indication that on some fronts New Labour was much more interested in opening up the UK to some elements of the European social model than the previous Conservative administration was. And while the ambitious target to halve child poverty in 10 years was not met, Labour has changed the terms of the debate: now all three parties are pledged to eradicate child poverty, and legislation to meet the 2020 target is on the statute book.

Meanwhile, New Labour's early prudent economic management eschewed tax and spend in favour of wealth creation: economic growth rather than tax receipts generated resources to improve the lives of the poor. This had some important spin-offs: it forced Labour not simply to think about redistribution but also about how wealth can be generated. It also led to a very different relationship with business – New Labour actively sought to woo the City and establish itself as the party of enterprise. As such it fully endorsed a lightly regulated financial sector.

This brought obvious success: New Labour oversaw 10 years of unbroken growth and with it high levels of employment that compared favourably within the OECD. But it did not anticipate the consequences of an economy that was being driven by a housing boom that had fuelled unsustainable consumption and debt levels. Not only was this financially unsustainable but it also took little account of environmental sustainability. Labour's record in some areas of action on climate change is a proud one but it failed to place those concerns at the centre of its economic growth strategy, instead bolting on these issues, too little, too late.

While there was a good deal of redistribution – despite reluctance to talk about it – the instrument of redistribution was virtually entirely benefit and tax credit policy; the tax system itself was not made fairer under New Labour (or not until very recently). These policies contained inequality – a not inconsiderable achievement given the economic drivers prising incomes apart and the legacy of the previous 18 years – but they were unable to narrow the gap. Galloping earnings at the top, driven by the booming finance sector, provided what seemed to be an endless source of cash for the public coffers that was to underpin New Labour's social investment. This Faustian pact allowed New Labour to achieve many of its biggest successes – investment in the NHS, schools, transport and so on.¹ But New Labour was wrong to be 'intensely relaxed about people becoming filthy rich'. The soaring incomes of the top one to two per cent not only increased inequality: behind this phenomenon lay the financial bubble that was to bring the financial system to its knees.

Of course New Labour was far from alone in embracing the neo-liberal economic model. This was accepted wisdom across the political spectrum (with some honourable individual exceptions). It was also an orthodoxy that went largely unchallenged by the media, business, academe or think tanks. New Labour may be remembered for its

¹ Thanks to Mike Jacobs for this particular insight.

fawning dependence on the City but it was little challenged at the time. New Labour did not chart a new approach to the economy – it simply went along with what seemed to be the only game in town.

Yet Labour's adherence to a dominant model of relatively unfettered markets, and with it the pre-eminence of finance capital, was to prove profoundly flawed. The economic stability which was sustained for 11 years turned out largely to be a chimera which masked growing levels of personal debt and latterly stagnation in average real wages. The crash highlighted the dominance of the financial sector in our economy and public finances (and indeed in our culture). Meanwhile manufacturing was moving in the opposite direction. Until 2009, New Labour's vision for the drivers of the economy was very partial; it is only recently that the party has felt confident about articulating the case for a much broader industrial policy.

It could be argued that 2008/9 marked a fork in the road – Labour was prepared to regulate, it had the confidence to tax incomes at the top and its fiscal stimulus contained a strong element of sustainable green investment and jobs. But it took a crash of enormous proportions for Labour to see itself as having a role once more in moulding rather than being a servant of capital. And the actions taken by no means amount to a lasting change: the challenge now for progressives is to develop a new economic model that relies neither on unfettered markets nor on old-fashioned Keynesian demand management. A new form of capitalism is called for, one based on a greater diffusion of power.

Political renewal

It is easy to forget that New Labour's arrival in 1997 came amidst the sleaze of the latter years of the Major government – at the time there was seen to be 'a national crisis of confidence in our political system' (Labour Party Manifesto 1997). By the standards of the last year, the political storm of the mid nineties now seems rather mild in comparison. But Labour had large ambitions – to clean up politics, to restore trust and to put behind it the bitter struggles between Left and Right. It set out to undertake a major programme of democratic reform which encompassed the devolution of power, reform of the House of Lords, party funding, a referendum on the voting system, the Freedom of Information Act, greater transparency and the entrenchment of human rights.

The political architecture and manner of governing in the UK changed in two profound ways under New Labour's watch – with both the devolution of power and the end of deference. New Labour made significant changes yet even its boldest steps were overshadowed by a sense that reform was too timid and too slow. Leaving office in the wake of the expenses scandal reinforces the impression that New Labour failed to achieve the political renewal it desired.

Without doubt, New Labour's most significant reform was the shift of power to Scotland, Wales and Northern Ireland. Devolution in the first instance saved the Union – appeasing Scotland, which had been threatening to break away for years. This was accompanied by a move to proportional representation. Coalition government became the norm; Labour found itself working with the Liberal Democrats in Scotland and Plaid Cymru in Wales. Policies took different forms on different sides of the borders and the new administrations demonstrated a different way of governing. These reforms are not

complete: far from it. But they have paved the way for much greater public acceptance of different forms of governance and voting reform.

In 1997 deference was still deeply embodied in our political system, most symbolically in the continued presence of hereditary peers in the House of Lords. An early success of the new administration was to abolish hereditary peers, but it never had the courage to go the whole way and move to an elected chamber – despite the promises of four manifestos. There were other measures which established a more transparent and less deferential political culture, not least the Human Rights Act and the Freedom of Information Act.

These changes in our democratic life moved the country in a fundamentally progressive direction – our politics is now more plural. Yet New Labour's timidity held back progress. Had it followed through its proposals on reform of party funding and voting reform it would have transformed our political landscape. The former may have prevented the cash for peerages scandal that was to rock the last year of Tony Blair's administration. Had Sir Hayden Phillips' reforms been implemented, they would certainly have put in place a system which would have vastly reduced political parties' reliance on private funds. Arguably, Labour's failure to grasp the nettle on changing our electoral system was one of its great missed opportunities. It is only in the face of defeat that Labour changed its mind, too late and too partially.

There were other flaws in New Labour's approach to democratic renewal. The failure to renew local democracy particularly stands out. The proposals to reform local government in 1997 were modest: democratic innovations like elected mayors, a review of business rates and ending council tax capping. The Lyons Review of local government finance came up with a radical set of reforms, but was quietly buried. The public voted with their feet – turnout for local elections came to an all-time low. New Labour's reluctance to radically devolve power downwards derived from an eagerness to get on with the business of change using speedier central government levers, a fear of the heavy hand of local government bureaucracy and concern about the 'postcode lottery'. But this was a real missed opportunity.

So what to make of New Labour's legacy on political renewal? There were profound changes in the constitution that have devolved real power, created more transparency and allowed more plural ways of governing, laying the path to the deal that has now been struck between the Conservatives and the Liberal Democrats to hold a referendum on the Alternative Vote. This would have been unimaginable a few years ago. But at a deeper level our political culture is severely battered and the bond between citizen and politician frayed by the expenses scandal and scepticism about the ability of politicians to achieve change. Neither was New Labour able to challenge the professionalisation of politics which led to the recruitment of politicians from an increasingly narrow social band, leaving many people feeling increasingly distant from the political class. In short, New Labour started bold but ran out of steam on political renewal. Only if Labour finds new ways of empowering citizens to shape decisions and to devolve power more radically can it repair the damage.

The role of the state

Central to any account of the distribution of the power is the role of the state itself. New Labour stands accused of hoarding power and relying on an overly statist approach. But such accusations are too simplistic. For a start, there are more than two

accounts of the state: in addition to 'big' and 'small' government, there is the 'intelligent' or 'strategic' state, one that has strong capacity to direct change but does not run everything itself.

What's more, it is wrong to interpret New Labour's view of the state along such fixed parameters. New Labour was on a journey. Its public service reforms, in particular, moved through several phases over 13 years. The question remains: does the centre-left now have an account of the role (or roles) of the state, or is it still in the making?

In many ways it is unsurprising that the picture is unclear. New Labour travelled ideologically light and was unashamedly pragmatic – as the 1997 manifesto put it, 'what counts is what works'. In the reform of public services the priority was to reverse the many years of under-investment and here Labour was undoubtedly successful. New Labour's command and control approach remains a defining feature of its time in office: top-down initiatives from the centre, combined with tough performance measures.

Together with significant investment – total managed expenditure increased from 36 per cent of GDP in 1999/00 to over 43 per cent in 2008/09 – the command and control approach to public services yielded powerful benefits from reduced hospital waiting lists to improvements in child mortality and survival rates for heart disease and cancer, better exam results, and tangible improvements in our infrastructure – from school buildings to trains.

But while in power New Labour also recognised the limits of command and control and began to adopt other strategies: firstly driving reform through choice and competition and then increasingly focusing on personalisation of services and citizen empowerment. It became clear that record levels of investment had not yielded the changes that New Labour had sought and public sector productivity did not increase in line with additional funding. Many entrenched social problems remained unchanged despite investment and reform. Targets were scaled back and the focus shifted to a set of 'citizen entitlements'. Increasingly, policies designed to change behaviour rather than ameliorate symptoms were recognised as important, although they remained underdeveloped.

Yet command and control was never entirely abandoned; despite late conversions to localism and talk of the need for 'double devolution', the shift in power remained only partial and largely rhetorical. What emerged was a rather confused approach to reform, with the centre simultaneously willing and unwilling to let go. Foundation hospitals, for example, were granted significant independence but ordered in 2007 to undertake a 'deep clean' to combat MRSA infection. Academies were set free of local authority control but were measured by centralised targets.

New Labour also seesawed in its view of local authorities, initially bypassing them by setting up new bodies and institutions outside their control (such as Sure Start and Connexions) or freeing up services from local authority control (most notably schools), and then in turn giving local authorities new powers (in further education and on the Every Child Matters agenda).

During a long period of increased investment to public services such contradictions went untested. But in tougher economic times it will not be so easy to ignore them. Progressives now need an account of public service reform that is not reliant on high growth in public spending; the latter would confuse 'means' with 'ends'.

Overall, New Labour's legacy on public services amounted to an acceleration of the post-war trend of centralisation. The centre itself remained largely untouched: where reform took place it was entirely 'downstream' on public services rather than 'upstream' on Whitehall. Despite devolution to Northern Ireland, Scotland and Wales, New Labour's appetite for sharing power did not extend much further. It cannot claim to have fashioned a 'new localism', despite repeated talk of doing so.

Labour has left office without a strong account of the future role of the state and embattled by increased hostility towards central government, expressed largely in terms of anxiety about the size of public spending. The emergency budget has ushered in deep and rapid cuts in public spending that will substantially reduce the size of the state and overturn some of New Labour's successes.

Yet for progressives to revert to an overly simplistic view of the state would be to dismiss the lessons of the last 13 years. Rather than big, small or smart state we need an account of the state that is prepared to address the tensions that are presented by the need to protect, enable and empower citizens, balance national fairness and local flexibility, and shape behaviour but give citizens the freedom to determine their own future.

Conclusion

It is of course impossible to detach policies from their wider context. New Labour was a product of its time, shaped by the particular political and economic realities of the mid nineties. New Labour modernised social democracy to capture the centre ground and recover from four election defeats. As a political project it was remarkably successful. Its audacity was in rethinking Labour's traditional positions. But this led it to be timid in addressing structural problems in our economy and setting out a more ambitious view of how we might live as interdependent citizens.

As the Labour party seeks renewal and the Liberal/Conservative coalition is put to the test, New Labour's record will be mined for success and failure. The next wave of progressive ideas is beginning to gestate. Not only do we need to learn the lessons of the New Labour era, but also to imagine the world as it will be in the decade to come – the next set of ideas and policies will need to be fit for a very different economic, political and social context.

This article draws on discussions with staff at ippr and a series of seminars chaired by Tony Wright named ['Where next for Progressives?'](#)

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