



REVIEW

# Where next?

The challenge for centre-left politics

Tony Wright

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ippr, 4th Floor, 13–14 Buckingham Street, London WC2N 6DF  
+44 (0)20 7470 6100 • [info@ippr.org](mailto:info@ippr.org) • [www.ippr.org](http://www.ippr.org)  
Registered charity no. 800065

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## About the author

A graduate of the London School of Economics and Harvard and Oxford universities, Dr Tony Wright was a Labour Party MP from 1992 until 2010, serving as Chair of the Public Administration Select Committee in Parliament from 1999 until 2010. Retired this year from the House of Commons, Tony remains an active contributor to British political debate. Professor of Government and Public Policy at University College London and an Honorary Professor at the University of Birmingham, he has authored and edited over 20 books on British politics, and is Joint Editor of *The Political Quarterly*.

## Foreword

Centre-left politics in Britain is in flux. Not only because the Labour Party lost the general election, or because the Coalition government may usher in a permanent realignment of centre-right politics, but simply because of the passage of time itself. The principal test facing British centre-left politics today is whether it is still fit-for-purpose. Does its intellectual framework (with its corresponding policy instruments) offer an adequate response to the challenges facing the country today? Does it have a foundation in wider social movements on which to build its politics? Will it embrace a pluralist and reformist agenda rather than take a narrow oppositional stance? And can it once again generate genuine momentum for progressive change?

On several fronts, it is clear that centre-left thinking is in need of radical reappraisal. Perhaps most significantly, the 2008 global banking crisis and the subsequent recession have thrown the weaknesses of macro-economic orthodoxy into sharp relief. Barely anybody now believes that a return to a pre-crisis business-as-usual is either possible or desirable. More than a decade of unbroken growth allowed Labour to distribute significant resources to the least well-off in society and to invest in rebuilding Britain's public services. It moved Britain from an Anglo-Saxon to an 'Anglo-Social' model of how to organise a society. But at the heart of this accommodation with post-Thatcherite capitalism lay a Faustian pact tying Labour to some of the key tenets of neo-liberal economics, a pact which was neither sustainable nor sufficient to meet the long-term ambitions of social democrats and the wider centre-left. A new political economy is required.

The relationship between the state and the citizen must also be placed under scrutiny. Political debates often get locked into the exchange of caricatures of 'big' versus 'small' state. Yet, while the scope and effectiveness of public services matters enormously to social justice, it would be surprising if the relationship between the state and citizen wasn't being constantly renegotiated. Democratic power, after all, is a contract to be worked out rather than an absolute to be granted. In today's world, where citizens feel simultaneously able to shape their own lives and vulnerable to global shocks, the art of government has ever to be revisited. Whether in relation to the economy, climate change or old age, government in the 21st century will not look the same as it did in the 20th century.

But the role of the citizen must change too. Here, we are at one with David Cameron and his plans for the Big Society, if it is about enhancing the power that people have over their own lives. By its very nature, government can become leaden and managerial. But the challenge is to make it more artful, responsible and permeable, rather than simply to remove it altogether – to reform the statecraft of the centre-left rather than abandon the terrain of government in the public interest.

The challenge for centre-left renewal – and politics in general – is perhaps greatest when it comes to the international stage. Power is moving east at pace. The United States is slowly adjusting to this new geo-political reality, while Europe is struggling to define its *raison d'être*. Britain can play an important role in this new world, provided it understands its assets, configures its strategic alliances effectively, and plays its full part in global politics as an outward-facing, multilateralist country, whether through committed membership of the European Union or other forums. This is all natural territory for the centre-left. It cannot let the opportunity to redefine Britain's global role pass it by.

It was in recognition of the fact that centre-left politics requires the intellectual equivalent of a reboot that we set out to ask 'where next for progressive politics?' in a series of seminars held at the Institute for Public Policy Research (ippr) in the summer of 2010. This was no post-mortem of New Labour, nor was it intended to discuss short-term tactics. Rather, the intention was to sow the seeds of a bigger intellectual project, to sketch out a framework of ideas which we hope will ultimately shape the future of centre-left politics in Britain.

We were delighted that Tony Wright was willing to chair the series of events and to offer his own reflections on the discussion, as set out in the pages here. A (now retired) politician of immense standing, he has earned respect from across the political spectrum for his insightful analysis and integrity. This essay simply reinforces his reputation for providing the kind of thinking that will be needed to inform centre-left politics in the coming years.

The resulting conversation was frank and stimulating. An honest appraisal of what had and hadn't worked quickly gave way to forward-looking analysis of the challenges ahead. We are grateful to all those who participated and look forward to continuing the debate as we take forward further work at ippr. In the meantime, we hope this essay will provide food for thought for all those contemplating the future of centre-left politics in Britain.

Lisa Harker and Carey Oppenheim, Co-Directors, ippr (2007–2010)

Nick Pearce, Director, ippr (2010–)

## Where next?

The question was meant to be ‘where next for progressives?’. But the currency of progressivism has recently become so debased that it has ceased to be a useful means of political exchange. Instead of the ‘progressive alliance’ between Labour and the Liberal Democrats that was mooted after the election (but which, on the numbers alone, was always a fantasy), we have a very different kind of alliance, which also claims to be progressive. It even speaks the language of ‘progressive cuts’. The political world is turned upside down.

This suggests the need for some clearing of the head, not least amongst those of us on the centre-left, who inhabit the social democratic tradition. It is not just that Labour has been ejected from office (in England, emphatically so), but moreover that its whole political project seems to have fallen apart. A similar disability seems to afflict social democratic parties elsewhere in the world, confounding a plausible expectation that the crisis of financial capitalism might have provided an opening for the left.

For the moment at least, Labour seems to be on the wrong side of the big political arguments. When the need is for deficit reduction, Labour risks looking like the last of the big spenders. When the state is thought to have become excessively bloated, Labour is charged with having caused the bloating. When a ‘big society’ is offered as the antidote to a big state, Labour can be portrayed as the bureaucratic, top-down centralisers.

Much of this is caricature of course, but it is dangerous and damaging caricature. Having invested so much political energy in establishing a reputation for economic prudence, it is fatal if Labour’s legacy becomes that of the government which, in the misguided levity of its own leaving note, had ‘no money left’. The ‘winter of discontent’ disabled Labour for a generation and this could have a similarly enduring effect.

There may even be a realignment of politics in Britain taking place, but not that realignment on the centre-left – of Labour and Liberal Democrats – so long envisaged but never delivered. Instead, what may be in process is an audacious realignment on the centre-right, in which pro-market Liberal Democrats provide the ‘progressive’ ballast for a new Conservative hegemony. Far from the post-election coalition being an arrangement of necessity, an unwelcome expedient forced by electoral arithmetic and the need to reassure the bond markets about deficit reduction, it may be the harbinger of a more enduring political choice.

There is another version of events. On this view, fiscal retrenchment is taken too far and too fast, killing off a fragile recovery and promoting a new and more profound recession, vindicating Labour’s economic analysis. Even if this does not happen, once the need for austerity in public finances is converted from a general proposition into actual loss of services and jobs then its political impact will change too. Labour will lead the resistance and reap the rewards, under the party’s new leader.

This version of events becomes much more likely if the Conservative-led coalition comes to be perceived as engaging in deficit reduction not as an unwelcome act of grim economic necessity but on account of an inviting political opportunity to advance an ideological project, viz of shrinking the state. Having formerly promised to match Labour’s spending plans, because that seemed to be good politics at the time, the Conservatives have taken advantage of the financial crisis to link an austerity programme with a broader project to replace ‘state’ with ‘society’ across a range of services and activities. However, it is not clear that reluctant support for the former will be converted into enthusiastic support for the latter.

None of this should be allowed to bring false comfort to Labour or to social democrats, or to relieve them of the necessity of thinking their way through the situation in which they now find themselves. Waiting for electoral popularity to return as the coalition runs into trouble (as it surely will) is not a strategy. Nor is merely opposing spending cuts without specifying alternatives, having already assented to the need for a major programme of deficit reduction (through a mix of spending cuts and tax increases). Nor is simply defending the state in all its forms against those who would interfere with it. Social democrats will have to do better than this, if they want to be listened to again.

## Reflections on New Labour

Part of doing better will involve a critical appraisal of New Labour in government. There will be many detailed audits of this period, producing different verdicts, but much that is positive to be said. Public services, notably the NHS, were rescued by sustained spending and improved by sustained reform. From the minimum wage to Sure Start, life chances were enhanced. Redistribution through tax credits put more money into the pockets of low income families. Poverty was reduced. Major constitutional reforms – from devolution to freedom of information – changed the way we are governed. A successful economy was run for an extended period and, when the banking crisis struck, meltdown was averted by decisive action. In terms of practical social democracy, this is not a record to be ashamed of.

The debit side is also evident. The obsession with spin and control may have seemed clever at first but it eventually came to contaminate – and define – how New Labour was perceived. This style of politics undermined its purpose. It also contributed directly to the disaster which was Iraq, something a more open and critical kind of politics could have avoided. It was all made much worse by the self-indulgent rivalry at the heart of the government which consumed so much of its time and energy. The war in Iraq did not cause domestic terrorism but it undoubtedly fuelled it, in turn producing a ‘security state’ that seemed increasingly careless of liberties. Moreover, there was no reversal of the accelerated inequality that had taken place during the Thatcher years.

Yet an instant balance sheet of this kind does not tell the whole story. What is more remarkable is the way in which people simply stopped listening to what Labour was saying, becoming cynical about its endless initiatives, and unsure what its continuation in office was for. Of course, some of this disconnection was simply the fate of a party that had been in office for a long time, but it was exacerbated by Labour’s loss of an ability to tell a story about itself that was convincing and compelling. Labour did have such a story in 1997, which was famously about combining economic efficiency with social justice. This was New Labour’s mantra, part of a larger enterprise of reconciling apparent opposites (such as rights and responsibilities) in an over-arching unity that could command the political landscape. It was remarkably successful too, and for an extended period. That period has now ended, and a different story is required.

In one sense, it is a moment for some fundamentals. One such fundamental, in the face of widespread civic disengagement, is about politics itself as the activity which enables citizens to confront common problems without recourse to violence. It is invariably disappointing to impatient consumers, but it is indispensable to citizens. When anti-politics sentiment is rife, as it is now in different forms, it becomes urgent to mount a defence of politics itself and to find a way of doing it that is honest and authentic. This may involve constitutional reforms, but it would be a mistake to believe that this is the foremost requirement.

Another fundamental, when politics seems to be conducted on the same narrow territory, is to be more explicit about political traditions. All roads may seem to lead to the same place in policy terms, but they lead from very different starting points. The Labour government was often criticised by its friends for being coy about the fact that it was engaged in active redistribution, preferring stealth to ideological assertiveness, and this was to prove a disability when it came to explaining itself.

## Towards a progressive political economy

At its simplest, social democracy is the political project that wants everyone to have the chance of a decent life irrespective of birth, wealth or condition. Some call this a politics of capacity or capability, but it is best captured by Tawney’s phrase about people having ‘access to the means of civilisation’. This is a much richer concept of human flourishing than some versions of equality, not least because it carries with it the ability to exercise power over one’s own life.

The policy positions that accompany this concept are various. They are likely to include a dissatisfaction with market distributions of ‘goods’ like health and education, the promotion of collective solutions when these deliver fairer outcomes, and the use of taxation and spending to even up life chances. In Britain, this kind of social democracy – sometimes called ‘ethical socialism’ to denote that it, unlike Marxism, was rooted in a politics of moral choice – was nurtured at the end of the nineteenth century in lively conversation with liberalism. This was the period which produced New Liberalism, combining a traditional attachment to liberty with an understanding that individual freedom could often be enhanced, rather than diminished, by the actions of the state. One leading

Liberal, LT Hobhouse, even coined the phrase 'liberal socialism' to describe this new dispensation, a combination of liberty and equality that formed the contours of social democracy. It is not surprising, against this historical background, that the search for a modern 'progressive alliance' has usually looked in this liberal-socialist direction.

This same period – running into the early part of the 20th century – is interesting for another reason, with direct reference to contemporary arguments about the role of the state. On the British left, some of the most fertile discussion centred on how the market could be dethroned without enthroning a centralised state in its place. As GDH Cole argued, the democratic principle applied 'not only or mainly to some special sphere of social action known as "politics", but to any and every form of social action'. The aim was to make a reality of self-government, in all the significant areas of life, including where people worked and where they lived. The origins of ideas of mutualism and localism are to be found in this period, and for a time they promised to carry all before them. The ideas were reflected in the dense associationism of working-class life and in the collective self-help institutions of the labour movement.

This is why social democrats, drawing on this heritage, should relish the opportunity opened up by David Cameron's 'big society' initiative to revisit arguments about the proper size, shape and role of the state. If the Cameron initiative is vacuous, or merely cover for retrenchment, something more substantial should be offered in its place. The social democratic ambition should be to give people more power over their lives, in relation to both the private power of the market and the public power of the state.

In this sense, social democrats should be permanent insurgents, asserting a public interest in the face of both market power and state power. Both markets and states are useful instruments, no more or less than that. Markets are generally the most efficient way of running economic life, but their defects have to be remedied and there are areas where their writ should not run. The state both regulates markets and undertakes activities which markets could not or should not, but it ought never be allowed to get too big for its boots.

Recent events have provided a sharp, and unexpected, reminder of these elementary propositions. The banking crisis was a monumental example of market failure, requiring states to step in with massive bail-outs and take concerted action to stabilise the financial system. Only states could do this, and there was more than a little irony as the ideological free marketeers lined up with their begging bowls. Yet it was a significant example of state failure too, as the regulatory system proved wholly inadequate for its task, both domestically and globally.

What was also exposed were the limitations of the economic programme of New Labour. The underlying assumption was that, with prudent management, the economy would continue to grow and the dividends of growth would be available for public investment. Any regulation, especially of the dynamic financial sector, should be light-touch; a relaxed attitude should be taken towards very high incomes; old-fashioned industrial policy should be replaced by a supply-side emphasis on skills and training; and income taxation should be held in check. In this way, economic efficiency would sit hand-in-glove with social justice.

While it lasted, this programme was remarkably successful. It seemed to solve the problem of providing modern public services without the levels of income taxation needed to pay for them. The financial sector provided an abundant income stream to the Treasury and it was obviously sensible to keep it flowing. Then the explosion happened, and everything changed.

The implications are still unfolding, but some things are clear. Globalisation is not benign if it allows finance to get out of control, and effective regulation at the global as well as national level is imperative. In the domestic economy, the financial sector had become too dominant, fuelling an asset bubble, and a new balance has to be achieved. Gross income disparities have been exposed to public view – above all, the eye-watering rewards for what Adair Turner has described as often 'socially useless' activities – and the public rightly wants something to be done about it.

Policy attention has focused on the public sector in this respect, and there is certainly work to be done here. But top-end public sector salaries have been inflated by read-across from the private sector and that has to be the focus of our attention too. If shareholder power is inadequate for this, then it should be supplemented by other means. There are interesting ideas emerging about a

transparent ratio between earners at the top and bottom of an organisation. Discussion of tax levels should no longer be off-limits either.

Nor does the idea of an active industrial policy seem quite so old-fashioned now. Everyone knows that a massive shift in the global balance of economic power is taking place and that we have to find ever-more inventive ways to pay our way in the world and find work for our people. 'We can't all work in Tesco's, can we?' is a question increasingly heard. This is not a matter of the state propping up industries that are in decline, or even of 'picking winners': it is a matter of stimulating new technologies, promoting business networks and ensuring sources of finance. Nowhere is this more necessary than in the green technologies required for a transition to a low-carbon economy. It is the idea of leaving all this to the market that suddenly looks old-fashioned.

States need markets and markets need the state, and both need the discipline of public interest. The left has always been more comfortable, for good reason, identifying the defects of markets; it has been less ready to engage with the defects of states. It is not enough simply to 'defend' the state and all the services it provides, in the form that they currently take, against those who want to change them. Indeed, those who are most committed to public services of high quality, and to persuading people that it is sensible to pay taxes to provide them, should be at the vanguard of public service reform, to ensure that the principles of public service are consistently put into practice.

There will always be argument about the size of the state, in terms of the share of national income that it takes. What the state-shrinkers want is evident, but it would be a mistake for their opponents therefore to be seen as state-expanders. Those who believe in public provision are not relieved of the obligation to define priorities or to accept that doing more of one thing will often mean doing less of something else. Whatever the exact size of the state at any point in time, the standing obligation on those who want to argue for public provision of services is to ensure that they work well. In this sense, New Labour was right to give relentless attention to public service reform, even if its approach was sometimes muddled. By the time of the election, it had attached itself to a system of public service guarantees, which promised much, but by then people were simply no longer listening.

### **Power and the new state**

Where New Labour was also right was in its attention to the neither-state-nor-market terrain, a 'third sector' that it sought to nourish and develop, able to take on contracts for the delivery of public services. Not only is this an obvious precursor to Cameron's 'Big Society', but it identifies its deficiencies. It is not enough simply to withdraw the state and expect 'society' to take on its tasks (and, presumably, to blame society if it fails to rise to the challenge), especially if the real agenda seems to be less about liberating society than shrinking the state. If the services in question are not charitable 'nice-to-have' activities, but rather core public functions, then the state has an active role in developing the sector for these tasks, underwriting the activity with its guarantee, and ensuring proper accountability. This may well bring benefits to the services themselves, but what it will not do is get the state out of the picture altogether.

Yet there is an important idea here struggling to get out, one which taps into the best traditions of social democracy and the labour movement: the traditions of collective self-help and empowerment. We should not be content with a 'civic atrophy' in which individuals are expected only to be consumers in the market or passive recipients of the state. There is no quick fix here. It is certainly not just a matter of getting the state (or the market) out of the way and hoping that 'society' will somehow fill the gap. What is required is a sustained process of institution-building and culture-changing, with lots of pump-priming along the way.

There should be no unrealistic expectations either. We start from a long way back and people will not all become citizen-activists overnight, nor should they. At a practical level, people are busy parenting, working and caring, often struggling to keep afloat; they will only have time and energy for civic activity if good support systems are in place, and if the activity itself seems worthwhile. At the same time, though, the financial crisis has provoked new interest in institutions that people can trust and feel part of, from credit unions to the John Lewis partnership, the Co-Op to not-for-profit social enterprises. The demutualisation of building societies is now seen as a serious mistake.

More broadly, there is widespread lament for the loss of community in modern life, the fraying of social bonds and the dominance of an atomised materialism. It is not clear that getting richer has

meant getting happier, and the general coarsening of behaviour suggests that merely throwing off old restraints has failed to bring the expected gains for civilisation. Certainly the habit of citizenship seems to have become badly eroded, and it is a habit that has to be regularly exercised if it is to be kept alive, not just at the ballot box but in all those areas of life where power is exercised and people have some claim to share in it. The tools of conviviality have to be sharpened, and put to good use.

Cultivation of the civic is inescapably concerned with the politics of place. Nowhere is the hollowing-out of civic life felt more than in the erosion of local democracy. After devolution, England stands as a monument to centralism, yet it is at the local level that the sense of attachment has the greatest potential to be converted into civic energy. This is not just about re-asserting the powers of local government, with a funding base that allows for real accountability to its citizens; it means exploring all the ways and all the levels at which the power of place can be mobilised. In cities, for example, this might mean urban parishes and neighbourhood councils – in which local decisions can be taken by local people – deliberative assemblies, referendums, and all the contents of the democratic kit.

On the other hand, the financial crisis has provided a reminder, if one was needed, that some power can only be held to account at a supra-national level. In the same way, some issues – climate change is the exemplar – can only be engaged with effectively at that level. The European Union makes similar claims for power that operates and activities that occur at a regional level. It is easy for citizens to feel that they have little ability to exercise any real power over many areas of their life; and it is notoriously difficult to deliver effective supra-national controls except via the national states that citizens are attached to. This is partly a matter of understanding that power is necessarily exercised at different levels for different purposes, but also of insisting on a principle of subsidiarity that brings power as close to home as possible. In this way, in democratic terms, the global and the local can sit together.

As for ‘constitutional reform’, the trouble is that it often does not seem to be about citizen empowerment, even when (as with human rights or freedom of information) it clearly is. The promised referendum on voting reform will be determined by which ‘side’ wins the argument about voter empowerment. The particular proposal in question, the alternative vote (AV), does give slightly more power to the voter, and so deserves support, but it also essentially props up the existing system rather than establishing one that would deliver serious empowerment. There was an opportunity to devise a tailor-made electoral system, after a proper inquiry, and have it put to the people in a referendum. It is highly unlikely that AV would have emerged as the proposal from such a process.

The traditional argument for the first-past-the-post electoral system is that it provides a rough-and-ready way to kick a government out and put another one in. In other words, for all its democratic deficiencies, it delivers a brute accountability and a governing capability. These are not inconsiderable attributes, except that they have ceased to work. Once governments started to be elected with scarcely more than a third of the votes, legitimacy was diminished even if majorities were not; now, with the Coalition government, that consequence has broken down further. The ability of the first-past-the-post electoral system to prop up a winner-takes-all political system has finally collapsed. We are going to have to get used to doing politics differently, not as a temporary expedient but as a permanent obligation. This should be welcomed, but it will at some point require a genuinely different electoral system too.

### **Britain’s role in the world**

A different approach is also needed to Britain’s role in the world. Here the New Labour government had much to its credit, not least on aid and development, and – latterly – on climate change. Under the banner of liberal interventionism, there were real successes in Sierra Leone and Kosovo. Yet the credentials of this doctrine were cut to shreds by the Iraq war, while the conflict in Afghanistan has taught its own harsh lessons about the limits of projected power. By signing up so unreservedly to the propositions of President Bush’s right-wing US administration, and seeing this relationship as the key British strategic interest, the Labour government became unable to play the role in Europe that it should have done, damaged multilateralism and helped to enfeeble the UN.

In crucial respects, a different approach is now being enforced not by a strategic re-evaluation but by the uncompromising necessity of bringing the defence budget into line with realistic commitments. Yet something more than this is required, involving a genuine rethinking of Britain’s

place in the world. This means understanding that Britain is no longer ‘special’ as far as the United States is concerned, and that there is now a complete mismatch between the actual distribution of power in the world and the formal structures of power embodied in the major multilateral institutions. At some point this mismatch will have to be remedied. The aim for Britain should not be to ‘punch above its weight’ by trying to be a mini-US, but rather to be an active player in the shaping of this new world order.

The long and painful adjustment from empire to the role of a middle-sized European power in relative decline is still not complete. But simply to talk of ‘decline’ is misleading, since it misses the real opportunities that are opened up. Britain has huge assets to deploy when it comes to the soft power that confers influence in the international system. In law, diplomacy, finance, culture and – crucially – language, Britain genuinely is a world leader, and it is high time we played to our strengths.

A progressive foreign policy would throw itself into furthering the causes of justice, democracy and sustainability in an increasingly multipolar world. It would mean forging a reformed multilateralism, looking beyond traditional friends and alliances. Far from being a passive role, it would be vigorously active.

A different role for Britain need not mean a diminished one. It would certainly distinguish between wars of necessity and wars of choice, but it would actively promote conflict prevention. It would not accept that there is an irreconcilable tension between ethics in foreign policy and the demands of realpolitik. In this way, the kind of global issues that motivate people to campaign and donate would be at the heart of the country’s foreign policy.

### **Direction: where now?**

Yet we know that a progressive foreign policy of this kind will only become possible if the centre left can restore itself domestically; and not just politically, but intellectually too. In some ways, the political part is the easy bit. Labour did not leave office divided and mutinous; there are none of the sectarian disputes of the past, and much of its record is creditably social democratic. For much of its life, it changed the terms of political trade in a progressive direction. Under its new leader, and with an austerity government inevitably becoming unpopular, poll leads will return and by-elections will be won. The danger is that this political comfort will obscure the need for intellectual renewal.

Such a renewal is not a matter of turning left or right, but of being relevant to the circumstances in which the country and the world now find themselves. The adage about political success coming from occupancy of the centre ground remains true, but the identity of the centre ground is forever shifting and is regularly re-made as experience and argument meet. Nowhere is this more evident than in the banking crisis, and the political response to it. In significant respects the centre is a political construction, not an immutable fixture.

For the moment, the commonsense of the age is about the need for deficit reduction and a stabilisation of public finances. This is an obligation upon the centre left as much as it is upon everyone else. Fiscal responsibility is not an optional extra, but a precondition for any serious political venture: fiscal incontinence is the fast road to political irrelevance. Of course, there is an argument about the precise balance between tax increases and spending cuts in deficit-reducing strategies. But none of this removes the obligation to take deficit reduction seriously, with the associated obligation to identify spending (and cutting, and taxing) priorities. That is why the centre left has to think seriously about the shape and size of the state.

There is another reason too. It is already clear that behind the immediate fiscal crisis there are long-term ambitions to re-order the relationship between the state and the market. The centre left will be required to remake the case for collective provision of services on grounds both of equity and efficiency, and for the taxation necessary to pay for them. This will require rather more intellectual and political confidence than was required during the New Labour years, when the cash cow of financial capitalism could be relied on for its painless largesse. The elementary propositions that a decent society has to be paid for, and that taxation and civilisation sit together, will have to be revisited with some conviction.

At the same time, a centre-left project that was associated only with tax-increasing and state-expanding would not get very far. The British public’s proclivity for complaining about taxes while demanding high-quality services – to want to be America and Sweden at the same time – is well established. Before the next election, the Conservative-led coalition (if it is still a coalition by then)

will almost certainly seek to wrong-foot Labour by offering tax cuts as a reward for austerity. It will not be enough for Labour just to defend state services (and the taxation needed to pay for them): it must offer a kind of state that people themselves will want to defend and pay for. Those critics (from the left) of New Labour's public service reforms are notoriously silent about the reforms that they think would drive continuous improvement in how the state operates – genuinely empowering users in the process – preferring instead just to defend the principle of public service and demand that ever more money be spent.

This kind of conservatism has no future. It will certainly not persuade people to pay for public provision. Necessity invites innovation: there should be a spirit of radicalism in relation both to the state and to the market (and to ways in which they can be put to work together, enlisting the creative spirit of the third sector too). The state may be leaner; but it will certainly need to be smarter as well.

A different kind of capitalism will be required too; more regulated certainly, but also less short-termist and more socially responsible. New forms of enterprise will be cultivated. It is possible that a new settlement of this kind – which some may want to call a 'fourth way' – will turn out to be the enduring legacy of the financial crisis.

There is no shortage of policy work for this kind of social democracy to do, both in protecting against insecurity and expanding opportunity. A rapidly ageing population requires the security of collective provision if the care needs of all are to be met. Enabling parents to combine work and life requires an infrastructure of support. A determined assault on low wages and low skill-levels is urgent. Constructing a welfare system in which everybody has a stake is vital. Making a house less of an asset and more of a place to live is long overdue. In all these areas, and more, the relevance of social democracy – in finding solutions that combine equity and efficiency – is demonstrable.

Yet policy relevance alone is not enough. The centre-left needs a kind of politics that resonates with the public. Policy wonkery does not win hearts and minds. Politics inevitably disappoints, as rhetoric collides with reality, but it should also inspire. This means engaging in a real conversation about identity, community, family, solidarity and reciprocity in a way that grounds policy in a set of values. This was, after all, exactly what the 'ethical socialism' that was the foundation stone of British social democracy was all about. Reversing the escalator of inequality, with all its consequences for every aspect of life, and for the idea of community itself, is as pressing a cause now as it ever was. If contemporary politics sometimes seems arid and technocratic, and if there is growing civic disengagement, then this may be at least part of the remedy. A revived party needs to be rooted in a civic project, and a civic project needs to express a concept of a good life and a good society.

The style of politics matters too. It should be open and inclusive, not imposed and manufactured. New Labour eventually (but inevitably) paid a high price for a style of politics that was more about responding to the party's disputatious past than fostering an engaged democracy. It seems likely that the future shape of democracy in Britain is going to require a very different kind of politics to that of the past: much more pluralist and less adversarial, requiring agreements to be reached and alliances to be made. This should be welcomed, and embraced. Then it may indeed be possible to construct a 'progressive alliance', not in the undignified scramble for a post-election fix but as a durable partnership of principle forged for a noble end.