

That was the New Labour that wasn't

The New Labour we got was different from the New Labour that might have been, had the reform agenda associated with stakeholding and pluralism in the early-1990s been fully realised. *Stuart White* and *Martin O'Neill* investigate the road not taken and what it means for 'one nation' Labour



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LABOUR CURRENTLY FACES a period of challenging redefinition. New Labour is emphatically over and done. But as New Labour recedes into the past, it is perhaps helpful and timely to consider what New Labour *might have been*. It is possible to speak of a 'New Labour That Wasn't': a philosophical perspective and political project which provided important context for the rise of New Labour, and which in some ways shaped it, but which New Labour also in important aspects defined itself against. What was this alternative, this road not taken? And what relevance does it have for Labour today?

The New Labour That Wasn't

What we might call the New Labour That Wasn't found expression in a number of important works from the mid-1980s to the mid-1990s. Perhaps the key early contribution was David Marquand's *The Unprincipled Society* (1988), followed by Paul Hirst's *After Thatcher* (1989) and *Associative Democracy* (1994). Will Hutton's *The State We're In* (1994) arguably pulled the ideas together in the way that had the biggest impact. Another important feature of the context was the rise, from 1988, of Charter 88 as a pressure group and wider political movement arguing the case for comprehensive constitutional reform.

The New Labour That Wasn't put forward a reform agenda with three core elements.

1. The stakeholder economy

All three writers – Marquand, Hirst and Hutton – argued that the UK's economic problems had deep institutional roots. In *The State We're In*, Hutton argued that the UK's

competitiveness in manufacturing had been undermined historically by the short-termism of the City, making for an excessively high cost of capital and consequent underinvestment. German capitalism, he argued, offered an alternative model based on long-term, 'patient' industrial banking. It also illustrated the benefits of structures of governance of the firm that incorporate not only long-term investors but also labour as long-term partners – 'stakeholders' – in enterprise management.

For Hirst, the UK's economic revival depended on manufacturing renewal in particular. At its heart would be small and medium-sized firms adapted to 'flexible specialisation': production of high-quality goods, targeted to the needs of varied customers, on the basis of highly and broadly skilled workforce. Institutionally, Hirst argued, this kind of production is supported by 'corporatist' arrangements that facilitate collaboration between labour and capital. Appropriate finance is also crucial. Focusing on examples such as the Emilia-Romagna and Veneto regions in Italy, and drawing on Michael Piore and Charles Sabel's important work on industrial strategy, *The Second Industrial Divide*, Hirst argued for a strong regional dimension to economic growth strategy. Labour's job should be to help create regional infrastructures of industrial finance and corporatist negotiation in support of innovative small and medium-sized firms engaging in flexible specialisation.

2. The pluralist polity

The second key plank of the New Labour That Wasn't was the advocacy of a pluralist polity. Charter 88's platform, which formed the core of this agenda, demanded: the creation of devolved assemblies in Scotland and Wales; a

Bill of Rights for the UK; electoral reform for the House of Commons, specifically proportional representation; a democratic, non-hereditary second chamber; and freedom of information, all tied together through a written constitution for the UK. Charter 88 began as an initiative of the *New Statesman*, under the editorship of Stuart Weir, and drew on the support of a wide range of left and liberal intellectuals. Marquand, Hirst and Hutton all shared in the main objectives of Charter 88. Hirst was chair of the Charter's executive committee and, in the view of Alexandra Runswick, important in giving the organisation intellectual support and practical leadership.

'Pluralism' here is a complex notion and we can only touch on some of its aspects. First there was the pluralism involved in devolution to Scottish and Welsh assemblies. For some, such as Hirst, this was a stepping-stone towards a fully federal UK with much stronger structures of regional government. Second, pluralism involved getting away from one-party majoritarian government towards a wider representation of parties in assemblies and government through coalition. This was envisaged as applying both at the UK centre – through PR elections to the UK parliament – and at devolved national and regional levels. A robust UK Bill of Rights and Freedom of Information Act would provide the individual citizen with a strong platform on which to base their own association and participation in these new, pluralist structures.

Pluralism implies diversity, of course, but it also comes, in the New Labour That Wasn't, with an idea of cohesion and the common good. Pluralism is the context for the shared negotiation of common goods, at firm, local, regional and national levels – what Marquand termed "politics as mutual education". In this sense, pluralism could be seen as expressing a 'republican' recasting of politics, and was explicitly described as such by both Hutton and Marquand. The individual citizen should be able to argue their case in dialogue with other citizens both in the workplace and in the wider public sphere.

3. The interdependence of economic and political reform

The third key element of The New Labour That Wasn't lies in the claim, or hypothesis, that economic and political reform are *necessarily connected*. A stakeholder economy demands a pluralist polity. Stakeholder capitalism is itself a kind of pluralism. Power is shared across parties: industry and finance, labour and capital. But, so the argument went, it is difficult to create the framework for this kind of pluralism to flourish when the state itself is so centralised and majoritarian. The latter, according to Hirst, militates against the creation of "a collaborative political culture" and the development of "other forms of corporate consultation". As Hutton put it in *The State We're In*:

"The constitution of the state is vital not only for its capacity to express the common good but also as the exemplar of the relationship between the individual and the wider society. The extent to which the state embodies trust, participation and inclusion is the extent to which those values are diffused through society as a whole...If creative companies orchestrate the voices of all stakeholders into a common enterprise, embodying

such a conception in company law is impossible if the state is genetically programmed to view the business of governance as the exercise of sovereignty, and the duty of the governed to obey."

The New Labour That Was

As suggested, actual New Labour was partly inspired by this current of thought. But it was also defined, in some important ways, by a strong rejection of it.

On the economy, New Labour briefly, and somewhat superficially, adopted the language of stakeholding. However, Hutton's relational idea of stakeholding gave way to a much more individualistic understanding of the term, a matter of individuals holding assets (skills, financial assets) which increase their options in the marketplace. This reflected a key strategic decision on Labour's part to accept the existing financial system and (to a large extent) the rules of corporate governance. The aim was not to try to convert British capitalism into something closer to the German model but to try to inflect the British model with a more egalitarian character by means of in-work tax credits, universal public services and a limited degree of 'asset-based welfare'.

While New Labour took a much weaker line on reforming the economy, on the side of political reform, New Labour of course adopted and delivered on a number of the pluralists' commitments. As Helena Kennedy has put it: "... that first term of Labour in office produced more far-reaching reforms than anything seen since the Great Reform Act of 1832". In addition to devolution, there were gains in terms of freedom of information (though not as much as campaigners proposed) and the Human Rights Act. Labour also tried, unsuccessfully, to establish new regional assemblies. There were, however, also some major elements of the pluralists' agenda that Labour did not deliver on and which arguably reflected a lack of commitment to do so. While most hereditary peers were removed from the House of Lords, Labour did not go further in reform of the second chamber. The Jenkins Commission on the voting system reported in 1998 only to be politely but emphatically shelved.

This was not accidental. Labour's attitude to Charter 88 was marked at the outset by wariness and a degree of hostility. John Smith was sympathetic to many goals of the Charter, and gave an important speech in March 1993, under the Charter's auspices, calling for a new constitutional settlement. After Smith's death, the new leadership inherited many reform commitments, such as devolution, but did not share the pluralists' underlying philosophy.

The pluralist republicans saw political process not simply as a means to an end but as valuable in itself. By contrast, New Labour adopted a decidedly more instrumentalist view, and took a significantly more managerialist approach. As Anthony Barnett put it in 2000:

"New Labour looked to modern business management to teach it how to deliver, Blair comparing himself to a chief executive. By setting targets, policing delivery, insisting on outcomes, advocating joined-up administration, ministers project themselves as a businesslike team. There is not a pluralist vision of the state."

Over time, and especially after the September 11 terrorist attacks, New Labour's managerialism evolved in what many liberals saw as a markedly authoritarian direction, towards the 'database state'.

One nation Labour?

This brief narrative offers an interesting way of looking at the emerging perspective of 'one nation' Labour.

On the one hand, there are some clear similarities between one nation Labour and the New Labour That Wasn't. This is particularly true around the economy. First, there is the judgment that economic revival must involve industrial renewal. Second, there is an interest in exploring what lessons the German and Nordic economies might have for achieving industrial renewal. This is evident, for example, in Ed Miliband's recent speech on regional banking. As Jon Stone has recently argued, it is also reflected in Labour's interest in placing workers on firms' remuneration committees and in a stronger emphasis on apprenticeships and vocational training. Although, just as Robert Heilbroner famously talked about the idea of a "slightly imaginary Sweden", it seems like Labour's current thinking is perhaps influenced by the example of a 'slightly imaginary Germany', more egalitarian and democratic than its real-world counterpart.

But what about the political pluralist dimension of the New Labour That Wasn't? Here, thus far at least, the similarities are much less marked.

Will Hutton and David Marquand will offer their own views on the continuing relevance of the pluralist reform agenda (Paul Hirst sadly died in 2003, aged just 57). In fairness, however, it is not clear that pluralist republicans today could or should simply go back to the demands of Charter 88, in the spirit of 'one more heaven'. As Anthony Barnett has argued, the context has been radically changed by those reforms Labour did deliver and by the emergence of issues, such as the growth of corporate power within the state and political process, which the Charter 88 agenda did not address.

But there are, perhaps, important ways in which Labour's politics could be usefully informed by the spirit of pluralism we see in the New Labour That Wasn't.

To give just one example, if Labour is serious about radical economic change then it needs to consider how it can build an alliance of social and political forces to support it. Of course it will call on people to join and vote Labour. But it must recognise that many people whose support and energy it needs will belong to other parties or to none. In the constitutional reform process of the 1990s, Labour found a way to work with other parties and social forces, for example in the Scottish Constitutional Convention and (so far as other parties are concerned) in the Cook-Maclennan agreement that formalised Labour and Liberal Democrat co-operation on constitutional reform in the UK parliament. Is there a lesson here for the politics of economic reform?

Positive economic change requires a broad movement and Labour cannot credibly claim simply to *be* this movement. Nor can it just demand that others follow. It must try to earn leadership through argument in open debate with others – including trade unions, religious groups, community organising initiatives and anti-cuts campaigners, to

name but some. Labour should remember the value in the practice of 'politics as mutual education'.

It is encouraging to see that Labour is starting to grapple with the need for serious economic reform. The party is beginning to make arguments that our current predicament requires a radical rethink of industrial finance, corporate governance, taxation and financial regulation. But if there is a lesson to be learned from turning back to the insights of New Labour's road not taken, it is in seeing that economic reform and political reform are closely intertwined. One nation Labour is a project that is developing in what is now a very different country to the United Kingdom of the immediate post-Thatcher years, but many of its central ambitions concerning the more equitable distribution of economic power are closely allied with the now-eclipsed agenda of the New Labour That Wasn't. As the party thinks hard about creating the political conditions for real economic reform, it should take what is best from both its own real history, and from the counterfactual history of what New Labour might have been. **F**

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