

# A Third Way with teeth

Last autumn saw a great flurry of debate about the direction of New Labour, both from the advocates of its 'Third Way', and from its sharpest critics yet, the authors of 'Wrong', the one-off issue of *Marxism Today*. However, those who hoped that these interventions would begin a reflective discussion of where 'the Project' was headed, well into Labour's first term of office, were quickly in for disappointment. In the United States, where a well-publicised seminar on the Third Way had taken place between President Clinton, Tony Blair and their advisors, Clinton was soon facing impeachment. In Britain, the resignations from office of Peter Mandelson, Geoffrey Robinson and Charlie Whelan have revealed deep antagonisms at the centre of the New Labour project (although one needs the skills of a Kremlinologist to decipher what if any ideological or programmatic significance these differences may have).

New Labour's 'Third Way' was described recently as a brand-image in search of a product. Its rapid fade from the headlines, and lack of intellectual substance, suggests that this description has considerable truth. In fact, there have been at least two previous 'Third Ways' in the history of the left, and it has not added to enlightenment that this new version has presented itself as if it were entirely new-born. Examining New Labour's relationship to earlier 'Third Ways' can give an insight into its current practices.

## **Third Way 1: Social democracy**

The first of these 'third ways' was social democracy itself, which emerged in the 1880s as a parliamentary, or democratic, alternative to authoritarian socialism, or Communism. The mainstream of social democracy aimed

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throughout its history to limit and complement the productive powers and energies of capitalism via a democratic state, taxation, a mixed economy (usually with a substantial public sector), strong trade unions, welfare guarantees, and a commitment to a measure of equality. Edouard Bernstein, Anthony Crosland, and John Kenneth Galbraith, with his ideas of 'private affluence and public squalor', and 'countervailing powers', were leading exponents of this tendency. The right-wing version of this tradition was prepared to settle for a mixed economy, and for a long-term balance between state and market, private and public sectors, democracy and capitalism. It wished to balance, not sacrifice, the benefits of free markets, and was fearful of excessive state or trade union power.

**T**he left-wing version of democratic socialism was more ambitious, and aimed for the long-run abolition of capitalism by democratic means. This was the intention signified by Clause 4 of the Labour's Party's constitution, setting as a distant objective the common ownership of the means of production and distribution. An enlarged public sector, industrial democracy, and the Swedish wage-earner fund proposals in the 1970s, were means to achieve these ends. Arguments about how far and how fast to go along this road were central dividing issues between left and right in the Labour Party, over several generations. The idea of 'stakeholding', promoted most effectively by Will Hutton, is a recent attempt to give new life to this argument, proposing to create more democratic forms of governance of capital whilst accepting the benefits of markets and a continuing dominant role for private share-ownership.

The advocates of the New Labour 'Third Way' have defined their project against a particular form of social democracy - Keynesianism, corporatism, 'the welfare state as we know it', and the male breadwinner family - equating the whole social democratic tradition with the specific forms it adopted in the post-war period, and especially with the failures of the Labour Party in the 1960s and 1970s. But while New Labour formulations establish a convenient definition of 'modernisation' as that which is not 'Old Labour', they misrepresent the essence of social democracy. This insisted, in both its right and left wing variants, on the fact that capitalism generated systemic problems, of inequality and instability, and that the primary task of social democracy was to confront these holistically. Without capitalism as one of its antagonists, the idea of social

democracy would have had no meaning.'

New Labour does of course address issues in the real world, even if the proscriptions of 'Old Labour' ways of speaking restrict its vocabulary for talking about them. Whereas social democracy used to present itself as a countervailing force to the market, the Third Way positions itself mid-way between 'neo-liberalism', whose excesses are to be curbed, and the abuses of government. The New Right turned attention away from 'market failure' to 'non-market failure' (ie failures of the state and of collective provision). It has been one of the worst legacies of Thatcherism that New Labour has continued in the same vein. It is far more critical of the problems of social democracy than it is of capitalism. The development of an 'active labour market' policy to increase employability, via education, and training - which should be a complement to reducing inequality via the tax system as in Sweden - is instead presented as its 'modern' alternative; the endemic tendency of markets to generate cumulative inequalities is redefined as the problem of social exclusion; it is noted that the irresponsible powers of private capital have globalised themselves, and Anthony Giddens in his book *The Third Way* says that something must be done about this; the government has an environmental policy, but the systemic connections between global market forces and environmental risk are not identified.

**N**ew Labour thus constructs a piecemeal debate about the local (or global) excesses of the market system without acknowledging that these problems are systemic, and that alternative forms of power must be asserted, if only as counter-balances to capital. Since in its depleted and confusing theoretical landscape, nothing is meaningfully connected to anything else, its political outcome can only be pragmatism. We have 170 manifesto commitments, but what model of society, and of the balance of power within it, their fulfilment would amount to, no-one can say. Thus, in identifying a particular form of social democracy as its only possible form, New Labour has deprived itself of a crucial part of its critical armoury.

### **Third Way 2: The New Left**

The second of the 'Third Ways' in whose shadow the new version exists is

1. Chantal Mouffe in *Soundings* 9 criticised the emptiness of a politics without antagonisms.

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the 'New Left', which defined itself, from its beginnings in 1956, against Stalinism on the one hand, and Fabian social democracy on the other. This connection has been valuably made by Mark Perryman and Anne Coddington in their introduction to *The Moderniser's Dilemma*, a useful and forward-thinking collection of essays on these issues.<sup>2</sup> The politics of the new left were defined as anti-capitalist, but also as anti-bureaucratic and anti-statist. The new left was also the first political formation to identify a post-materialist and thus modern political agenda, which included among other issues the 'quality of life', the meaning of work, democratic self-activity, and the creation of an expressive and democratic culture. The new left had several phases of development, which encompassed an anti-nuclear internationalism (another 'Third Way' between the two poles of the Cold War), the idea of a cultural politics, a renewal of Marxism as a flexible theoretical perspective, the turn to feminism, and the lasting emergence of a radical presence in many academic disciplines - for example as popular history, in a theoretically-informed social and cultural geography, and in the emergence of cultural studies. Perry Anderson perceptively described these developments as 'a culture in contraflow', pointing to the paradox that an enriching of radical intellectual and cultural life continued right through a long period of political defeat, in the 1980s and 1990s. Successive moments in this new left trajectory were the foundation of the *New Reasoner* and *Universities and Left Review*, their merger as *New Left Review* and its own subsequent, transmutations, *The May Day Manifesto*, *Beyond the Fragments*, and *Marxism Today*. Through the GLC, this tradition became briefly a part of government.

**T**he most direct influence of this tradition on the New Labour project came from *Marxism Today*, and it is this which explains some of the bitterness of the MT authors towards the misappropriation of their contribution to the left's renewal. 'New Times', MT's own brand-image for a reconstructed though still socialist politics, was cousin or ancestor to New Labour. However, those who spent their youth in waving the banners of the politics of the young - this is what the label 'new' usually signifies - must not complain too much when they too are eventually cast into the camp of the

2. Anne Coddington and Mark Perryman (eds), *The Moderniser's Dilemma*, Lawrence and Wishart, London 1998.

outmoded. As the New Left constructed the Old as its imaginary other, so New Labour has defined 'Old Labour', though without the commitment to dialogue and continuity which were fundamental to the new left, from its early days of revisionist and dissident Communism in the 1950s onwards.

What New Labour has taken from the 'New Times' position is an insistence on the need for a new political project - and new vocabularies and images for this - a rejection of merely statist or as we might also now say 'Fordist' programmes, a critique of simplistic class-politics, an attention to feminist agendas, and a commitment to democratic renewal, via constitutional reform. The 'post-material' agendas of environmental conservation, and attention to cultural meaning and expressive style are also part of the package.

It has however been a very selective appropriation.<sup>5</sup> Perhaps its deepest weakness has been its rejection of the intellectual heritage not only of social democracy, but of the new left too. It seems to be impossible to construct a serious debate about alternative futures, about the limits of what is possible (arguments within democratic socialism have always concerned the limits of the possible, in electoral and other ways), about how programmes and policies might conceivably be different from what they are. The significance of Geoff Mulgan's attack on the irrelevance of academics in the special *Marxism Today* is its virtual dismissal of theoretical argument itself. The MT issue plainly wounded some feelings, but its invitations to open debate have not been taken up.<sup>4</sup>

One reason for this failure to engage in debate is that New Labour has adopted a quite different model of politics. The New Left sought to go beyond a politics that was merely electoral, or 'psephological' as Edward Thompson used to say, and was identified with the new social movements from CND onwards; but New Labour has decided that the electoral is more or less everything. Politics has never been more professional, and the professionalism that counts, and which represents the most innovative dimension of the project, comes from the field of marketing. The Clintonisation of Labour, which we described in an earlier editorial, has meant taking from the New Democrats in the United States a 'super-realism' of the political marketplace. What matters

3. On this see articles by Michael Kenny in *Soundings* 6, and Alan Finlayson in *Soundings* 10.

4- The personal rivalries that seem so pervasive in this government, and which have found semi-public expression through press briefings etc, are a destructive substitute for disallowed political debate.

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is to construct a political product that will sell, and to sell it unrelentingly. With Clinton's difficulties, and now the fall of Peter Mandelson - the whiz-kid of the new professionalism - the wheels have fallen off this vehicle unexpectedly quickly. The current crisis of New Labour has exposed how dependent its project is on its presentational strategies. What else, after all, is it about? What values, beliefs, long-term purposes, enduring alliances, can it call upon to sustain itself through difficult times? A broader concept of politics is called for.

So far, in fact, three things have happened in response to New Labour's current difficulties. The first was a flurry of somewhat contentless statements by Prescott et al implying some revival of 'basic' commitments of a social democratic kind. The second was the announcement of a campaign of concerted speeches, led off by the Prime Minister, to restate the New Labour script. This 'reiterating the message' approach was reminiscent of the Major years, where innumerable relaunches of this kind took place, all presupposing that the political problem was in communication, not substance. One was just thinking that the Thatcherites - real strategists of hegemony they - would have acted differently, and dreamed up some new idea to push forward their permanent revolution, and to locate new enemies on the other side, when the third response appeared. Blair (in South Africa, of all places) and Blunkett announced their plan to take failing schools into private ownership!<sup>5</sup> Is the New Labour project to take the Thatcher privatisation programme even further than the Iron Lady did herself?

**A**rguments which attempt to maintain some connections between New Labour and these earlier attempts to define a Third Way' have been important to *Soundings*, and we will continue to make them. It does however become wearying to see serious arguments, like those of the MT special issue, dismissed just because they remain connected to earlier socialist debate. We are therefore going to propose some new areas of discussion, by focusing on the Third Way as those close to New Labour, such as Demos, define it. We are going to explore the idea of an enlarged social space which is genuinely distinct from both market and state.

5. Sally Tomlinson's article 'Education dilemmas in a post-welfare society', *Renewal* Vol. 6 No. 3, 1998, explains lucidly the extreme contradictions of contemporary education policy, in which the competitive struggle for positional advantage by middle-class parents in fact dominates policy, and the relative disadvantage made inevitable by this is blamed on 'failing schools' and their teachers.

### Third Way 3: Giving substance to the social

David Marquand, in a recent pamphlet, pointed out the huge opportunity for a lasting political realignment that has been seized by New Labour.<sup>6</sup> The idea of reuniting the traditions of collectivist liberalism and social democracy, after a hundred years of division, and of casting the Conservatives into marginality, is not to be lightly dismissed. Labour constitutional reforms are the most robust elements in its strategy of realignment,<sup>7</sup> but Marquand rightly points out that these are not enough. He looks, as New Labour itself has done, to an amplified idea of 'the social' as a way of building a larger progressive coalition. The problem is to know what substantive meaning can be given to this idea, especially if, for Blair though not for Marquand, the destructive aspects of capitalism are excluded from the debate.

In the Blairite Third Way, 'the social' denotes a terrain - elsewhere described as 'civil society' - lying somewhere between the market and the state.<sup>8</sup> The idea of social responsibility has always been a distinctive theme of Tony Blair's own speeches.<sup>9</sup> Through this he has sought to identify a politics that is not Thatcherite - competitive, individualist, callous, etc - but is not statist or collectivist either. This emphasis on the social rather than the socialist has indicated the affinities of Blair's politics with a collectivist Liberal, Christian tradition, rather than with the more materialist framework of socialism. (There are strong affinities between Blair's visceral anti-Marxism and the founding culture of European Christian Democracy.)

We can usefully distinguish the social from other forms of organisation.

6. David Marquand, *Must Labour Win?*, Fabian Society, 1998.
7. Andrew Gamble argues this case compellingly in *The Modemiser's Dilemma*.
8. In authoritarian regimes, civil society has been taken to mean everything outside the control of the state. But in societies where power is mostly divided between powerful corporations and government, it is better to define civil society independently of corporate power.
9. E.g.: 'By contrast, socialism as defined by certain key values and beliefs is not merely alive, it has historic opportunity now to give leadership. The bases of such socialism lies in its view that individuals are socially interdependent human beings - that individuals cannot be divorced from the society to which they belong. It is, if you will, social-ism.' Tony Blair, *Socialism*, Fabian pamphlet 565, 1994; and, 'Human nature is cooperative as well as competitive, selfless as well as self-interested, and society could not function if it were otherwise. We all depend on collective goods for our independence, and all our lives are enriched - or impoverished - by the communities to which we belong.' Tony Blair, *The Third Way*, Fabian pamphlet 588, 1998.

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The American sociologist Amitai Etzioni (one of the inspirers of communitarianism) in his early work distinguished between coercive, instrumental, and normative organisations.<sup>10</sup> Coercive organisations obtain compliance through sanctions, instrumental organisations win compliance through material and other rewards, and normative organisations gain compliance from identification, altruistic commitment, and moral belief. The institutions which broadly correspond to these are prisons and armies (the coercive), firms operating in the market (the instrumental), and families, churches, and voluntary associations (the normative). In practice all organisations make some use of each of these forms of compliance, and considerable boundary-crossing takes place. Military units give great importance to morale and solidarity, firms have command structures, churches and voluntary organisations operate (increasingly) in the market place. But the broad distinction seems clear.

What would be involved in extending the scope of this normative or 'social' form of organisation and relatedness in late capitalism? It would require a lessening of the domination of society by the institutions of both the market and state. It would also mean moving towards more value-oriented, humanly-respectful, and communicative modes of co-operation *within* the market and state sectors. It would require opening up an agenda of debate about goals and values beyond those of consumption and personal enrichment. Such a programme really would amount to a 'Third Way'.

**T**he practical limit of New Labour aspiration thus far seems to be that Gross National Product will rise in a consistent way by two or three per cent each year, and that it will become possible to provide decent welfare services within a roughly constant balance between public and private expenditures. In other words, the social good is equated largely with rising personal consumption, so long as a basis of social entitlements, more generally available employment, and some enhancement of political citizenship are achieved. This vision might even encompass some degree of surreptitious redistribution, if Labour stayed in office long enough.

There may however be the beginnings of recognition that the New Labour project needs a concept of ends and values which goes beyond a more inclusive

10. A. Etzioni, *A Comparative Analysis of Complex Organisations*, Free Press 1961.



version of consumer capitalism. David Marquand's pamphlet, a Demos collection entitled *The Good Life*<sup>11</sup>, and a recent speech by John Prescott on quality of life indices, have recently raised these issues in suggestive ways, though with few practical recommendations.

The major traditions of political theory each pay at least formal homage to the idea of intrinsic goals and satisfactions, placing these above and beyond the merely instrumental or selfish. Conservatives, like Roger Scruton today, give weight to values embedded in tradition and continuity. Liberals, like Mill or Berlin, give their emphasis to individual self-development and its achievements. The concept of the social has always been crucial for socialists. The socialist imaginary was of co-operative, social activities, pursued for their own sake. Marx's hope of abolishing involuntary labour, William Morris's world *of* artisan self-expression, Raymond Williams's democratic culture; each envisaged a world beyond materialism and self-interest. This is also the significance of Michael Walzer's various 'spheres of justice'. These are fields of intrinsic or social satisfaction, such as are obtained in many relationships of family and friendship, in institutions which depend on voluntary commitment, on callings - even the production of little magazines - which people pursue mainly for enjoyment or out of belief. One of the reasons why the public becomes identified with professional sports stars, or musicians (as in Radio 3's Artists of the Week' or 'Private Passions') is because their working lives have dimensions of expressive as well as material satisfaction, dimensions which many working lives don't have to this extent.

Socialism always envisaged that this sphere of altruistic activity would grow, and the sphere based on coercion and acquisition would eventually diminish. It was in this spirit that the GLC sought to devolve resources to varieties of community groups. The plans for the recycling of domestic waste that are being developed by Robin Murray for example, following many Continental and North American precedents, which ask householders to sort their domestic waste carefully into different containers for recycling, have an ethical and an aesthetic, as well as practical dimension, imagining domestic waste recycling as a kind of social education in sustainability. And there is no purpose in a magazine such as *Soundings* if no future can be envisaged beyond that of the acquisitive and consumer society.

11. Ian Christie and Linda Nash (eds), *The Good Life*, Demos 1998.

### **Expanding the social sector**

New Labour's own *gestures* towards the values of the social have not so far been very enticing. They have been more directed towards remoralising the poor and deviant than towards a new version of the good society. There seems to be an idea that greater social connectedness can be achieved by moral preaching. Geoff Mulgan has argued that the role for new-style government should be to set moral agendas, to shape minds rather than change institutions.

Such institutional strategy as there has been has focused on the deficiencies of the public sector, not on market failures. But even in the public sector what has usually been proposed has been more regulation and competition, with methods often based on adopted and already-outmoded models of business management. Recent government proposals to improve services to children in care resort primarily to coercive regulation, not to investment in better training or to more reflective institutional practices. 'Failing schools' are now liable to be taken over by private companies; it is a long time since we heard the countervailing suggestion that failing private firms, however important the public needs which they serve, should be taken into the public sector. The suspicion of 'producer interests', whether of professionals or trade unions, sits ill with the idea that services depend on the dedication, skill and capacity to learn of their workforces. Rather than moving the public sphere in democratic and normative directions, New Labour policy is continuing to force it towards the norms of business. What should be expected of a centre left government is that it be at the very least objective and impartial between the claims of state and market, but this is not New Labour's position.

**M**eanwhile the private sector's contribution to the development of the social sphere is meant to come from the spirit of 'partnership'. There are, however, severe limits on the extent to which private firms in the market, governed by overriding pressure to make money for their shareholders (at present their only stakeholders), can afford to divert resources to social goods. Firms that went far down this road would risk jeopardising their position in competition with those who don't, 'free riders' as far as social benefits are concerned. If 'partnership' is to become more than a pious and often hypocritical ideal, some different framework of corporate obligations is needed.

We think there needs *to* be a rebalancing of the scale of private, public, and voluntary or non-profit sectors, and a significant strengthening of the third of

these. The relative weight of non-profit agencies might be taken as one index *of* the strength of civil society, and of social wellbeing. A tangible measure of the strengthening of the non-profit sector would be the increase in the proportion *of* national resources which it disposed of during New Labour's term of office. This sector currently accounts for about 4 per cent of employment in the economy. One might aim to see its size double over a period of a decade.

This would require decisive government action, not (only) in 'old' social democratic mode to tax and spend resources through its own agencies, but instead to ensure that national resources are devolved to self-active associations of many kinds, operating under a regulatory regime which would have to be developed from present charity law.

**H**itherto, such resources as have gone to 'the voluntary sector' (for example, housing associations) have largely been redistributed from what was previously public, usually local authority provision. The resources have come ultimately from individual taxation. The culture of 'contracting out' of public services has increased provision by non-profit, and profit-making, organisations. This has had the effect of reorganising existing public provision, in the context of its quasi-marketisation, not of a rebalancing of private and public provision. It has been at the expense of the public, not the market sector.

We propose something quite different. This is that private corporations of above a specified turnover should be required to devote a proportion of their pre-tax profits (e.g. one per cent rising eventually to five per cent) to the social good. To meet this requirement, firms would be obliged to contribute this resource to organisations, which they would choose, but which would be recognised and regulated by law as charities. This could include agencies which firms could themselves set up as charitable agencies. There is no good reason to deny firms the reputational credit of association with 'good works' that they might directly organise and sponsor, as many socially progressive firms already do. There is every reason why corporate decisions about the disbursement of such funds should be made jointly by employees as well as managers and shareholders.

The Charities Aid Foundation recently reported in its 'Generosity Index' that the average corporate contribution to charity as a proportion of pre-tax profits is a meagre 0.22 per cent. All but two of the largest ten corporate givers, in

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absolute terms, give less than 0.7 per cent of pre-tax profits to charitable purposes. It is clear that compulsion on firms to contribute to social goods in this way would make a substantial difference to the resources available for the non-profit sector.<sup>12</sup>

How could such a radical step be justified? Why should even a small proportion of shareholders profits be appropriated in this way? The reason is that the ownership of capital should involve some social obligations and responsibilities. Although this is currently recognised in the liability to capital taxation, there are good 'Third Way' arguments why even elected governments should not have monopolistic control over all social goods, and why responsibilities for them should be more widely diffused. What an obligation of this kind would do is to impose on all substantial companies responsibilities already voluntarily accepted by the best.

A second reason for this proposal is of course the great social and community benefits that could be expected. The voluntary sector would be immeasurably strengthened by the large increase in its material resource-base, and by the human resources which would flow from this. (Of course it is crucial that this should be an addition to 'social expenditures', and not, as the Lottery has become, a regressive alternative to taxation.) We might expect that many companies would commit expertise and skills to ensuring that 'their' resources were expended in ways creditable to them. We could hope to see a burgeoning of value-oriented activity, giving priority to goals and projects other than enrichment and consumption as such. This would be a way of replacing the generosity of investment in cultural and community goods that took place in medieval and early modern cities through churches and mosques, by secular agencies.

A number of sectors of public provision, including schools and residential care, could be fields in which 'voluntary sector' providers could take over a significant part of provision. Should it be possible for a non-profit association to set up a neighbourhood school, and bid for funding for it? Should we not value the diversity that would result from a larger number of social providers?

12. The CAF reports that British companies donate about £270 million per year to charities, of which £195 million comes from the top 500 companies. A one per cent contribution from all companies would increase this amount five-fold.

Already the cultural sector - theatres, arts centres and the like, much of community-based sport, and much environmental protection activity - substantially depends on this 'third economy' of subscriptions, grants, and frankly self-sacrificing work by individuals for the satisfaction of the work itself, and the social recognition that comes from doing it.

We might expect that such a development would win public support. The idea that corporations, and their shareholders, have some social obligation (extending to between one and five per cent of their pre-tax profits) would be likely to be widely accepted. The corporate sector is not as popular as the government seems to imagine. Many citizens are already involved in voluntary and community activities of some kind, and might be expected to identify with measures which give more support to these. The idea that more work would become available, of a kind which individuals could choose, would also be popular. The development of this sector offers an opportunity to widen the social alliance which supports New Labour, and feels identified with its achievements. The latent idealism expressed in the rejection of the Conservatives needs to be given some tangible expression.

**T**here is, as Claus Offe has pointed out, a contradiction between the 'norm' of capitalist society, which enjoins and requires full-time paid work both to meet identity-needs and to earn the right to participate in the consumer culture, and its reality, which is of ever more citizens displaced from the labour market under one definition or another. The commodities which citizens wish to buy need a declining number of workers to produce them.

Some resolution of this dilemma should be sought in the expansion of a 'social' sector, distinct from the market or the state. We might hope that individuals would devote a proportion of their working lives to this sector, through intrinsic satisfaction and commitment, and for social and material recognition. There is especially a problem now that the state seems unlikely itself to take responsibility of employer *of last resort*.

In fact, relationships of family and friendship already have this intrinsic character. Stein Ringen in an interesting Demos pamphlet argued that one reason why higher standards of living have not generated a greater sense of well-being in America in recent years is because employees (especially women) have been forced to withdraw time and commitment from family and personal life in order to maintain their family earnings. If everyone works all the time for

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money, there is no time to have meals, conversations, to play, or go out together. Or to devote time to children, or aged parents.<sup>15</sup>

Two theme issues of Soundings - *The Public Good* (No 4) and *Active Welfare* (No 8) - have previously touched on these questions. The arguments of the current theme ruminate on the very different element of 'the personal' which is necessarily involved in many forms of labour. Several articles describe forms of work which are not motivated and organised just by bureaucratic edict nor by market incentive, but involve people joined together by values, beliefs, and a shared relation to task. Of course, in reality, such motivations and relationships inspire work in the private and state sectors, as well as those activities which are formally voluntary.<sup>14</sup> The voluntary sector has its own modes of compulsion and sometimes of exploitation. But still, the balances of motivation are often different between these spheres.

**T**hose who choose to work in occupations felt to be most intrinsically satisfying (as actors, dancers, musicians, for example) already pay a premium, in lower incomes and less security, than if they chose their employment solely on material grounds. The same is true of other work involving a large element of social service - nursing and teaching, for example. The enlargement of the social sector, and the development of a larger national income stream to support it, would generate more work of intrinsically fulfilling kinds, providing an alternative to alienated but profitable employment on the one hand, and exclusion and isolation on the other.

### Three sectors, not two

Social democracy has traditionally supported the existence of two major sectors, the public and the private, and has sought to establish some balance between

13. Stein Ringen, in his pamphlet *The Family in Question* (Demos 1998), points out that a huge proportion of national wealth is in reality generated by labour undertaken within households. He argues that our material standard of living would be less than half of what it is now if it were not for family production and co-operation. A question is how far such voluntary modes of co-operation can be extended outside the household.

14. Henry Neuburger, in an intervention in a Soundings discussion made a few weeks before he died suddenly in December, pointed out that the public sector, for example in the NHS or in schools, is to a great degree sustained by intrinsic loyalty and commitment. He argued that it is wrong to polarise the state as coercive, and the voluntary sector as altruistic in character. This valid observation suggests that how the public sector is organised is as crucial a question as how large it is.

them. This had relevance to employment as well as the balance of public and private services. The public sector offered greater security, and greater social protection, to its employees, at the cost of lower average wage and salary levels.

Our argument, which if implemented might give the Third Way some teeth, is for the recognition of three sectors, not two - a market, a state, and a dynamic non-profit sector. A social sector expanded by a contribution from corporate profits would need new forms of legal regulation, systems for allocating increase resources, and dedicated forms of education and training. There would need to be reflection on the likely consequences, both intended and unintended, of such a development, to make it work. Demos has taken considerable interest in this third sector, in its pamphlets on civic entrepreneurs and social entrepreneurs. However, the social sector from New Labour's point of view has been seen primarily as an alternative to the state, not equally as an alternative to business. The 'individualism' of the emphasis on the social entrepreneur reveals that what is envisaged is not so much new forms of social agency as a transfer of the qualities of business initiative to public services which are deemed to be bureaucratic and moribund.

Advocates of the 'Third Way' argue that new environments require new politics. More substance could be given to these ideas, by arguing that as well as the traditional social democratic countervailing powers to capitalism, there is scope for new kinds of counterbalance.

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