

Labour in a time of coalition

Sally Davison, Stuart Hall, Michael Rustin and Jonathan Rutherford

A roundtable discussion on what the future holds for Labour.

Mike What is the significance of the Coalition? It appears from the coalition agreement that the Lib Dems have been able to achieve some significant concessions in their negotiations with the Tories. The Lib Dems were on several issues - Cable's attacks on the banks, constitutional reform, some tax policy - to the left of Labour during the election campaign. And some of the measures proposed in the coalition agreement - the constitutional reforms including the Alternative Vote Referendum, capital gains rates brought in line with income tax, the civil liberties proposals on ID cards, etc - look acceptable. The credit crunch has produced a shock to the system in which it has become obligatory for everyone to talk about greater fairness and accountability. Is Cameron now making use of the necessity of Lib-Dem support to impose changes which he did not previously have enough power to do inside his own party? Do we have to take him more seriously as a moderniser than many of us might have been inclined to do prior to the election?

Stuart I am less sanguine about it all. I think what you say is partly right - and there are issues on which the Lib Dems are more progressive. But they are more progressive, not more to the left. And the Tories are not old-style Conservatives but anti-statist neoliberals. Toryism since the Thatcher revolution is a formation that has

Soundings

become solidly neoliberal. The crisis has provided excellent cover for ideological anti-statism and the Lib Dems have never been far from that position. It has always been about the private individual, individualism and so on. There is a kind of dovetail between Cameron's modernisation - for instance on education, with all that rubbish about free schools - and, in a funny way, Lib-Dem localism. Both of these notions appear to be democratic but have exactly the same function as the notion of choice. There may be one or two issues on which they go for more equality - but I regard 'fairness' as one of those terrible words - cypher double-shuffle words - like 'stable government in the national interest' or 'big society'.

But in any case the question now is the balance of power inside the coalition, and the Lib Dems will be inside the Tories' pockets (see Vince Cable, *passim*). Cameron is delighted to have them inside because he has always wanted to move the party more to the centre, always wanted to do the equivalent of Blair and have his Clause IV moment with the backwoods in the party. So of course he is going to welcome them - they provide excellent cover. But they're not going to give the Lib Dems a really major influence in terms of the real centre of power or policies. They will do the odd compromise, such as lifting some of the poorest out of tax - they have to show a bit willing to keep Lib-Dem supporters quiet. But in terms of the basic orientation of the economy and ideology, I don't see it.

Mike The great difficulty the coalition has is that they are committed to a large public sector cuts programme. The problem for Labour, which is also an opportunity for them, is for them to show that what they have done to improve and develop the public sector over the last thirteen years is a ratchet-like development: they can argue against rolling it back, because people value it too much. And when the government start making those cuts, throwing people out of work, damaging services, that is an opportunity for Labour to say 'What are you doing? This is why you got voted out before, and why you lost three elections'. A case could be made - they started doing this during the election campaign but only very late on. Another thing that has started to happen is that those very markets that have been saying you must cut the deficit are now becoming frightened. Because if you cut the deficit there won't be any growth. Growth is necessary in order to sustain the markets but there hasn't been any other kind of investment in the economy apart from public spending for quite a long time.

Roundtable

Stuart I think they will encounter these problems, but they will encounter them later than you think. The first thing they think they have to do is attack the deficit. This is what Cameron wants and it is what they are committed to. That was what Labour was committed to too. And it is also ideologically in their interest because they want to shift the economy away from the public sector and towards the private. Behind much of the detail, a major shift of politics and the state is going on - the second stage in the fundamental rolling-back of the welfare state.

Jonathan Does the coalition represent a major realignment such as took place, for example, during the Lloyd George coalitions of the first world war and afterwards? Is it just a blip or is it a major reconfiguration of the centre ground? Clearly there must be an anxiety that Labour has been pushed back to its heartland and will stay there. There has been very little private sector investment in the North East, Wales and in the areas where Labour is strong. These are areas that have been excluded from global markets and globalisation. They are only sustained by the public sector and so they are going to pay a heavy price as the deficit is cut back. Labour gained only 16 per cent of the vote in the South East. What does the coalition mean for Labour in the longer term if its basis of support is in areas excluded by finance capital, excluded from markets, where there is no growth, no private sector jobs, and there is a dependence on the public sector, which is going to be cut? Trade union membership in the private sector is down to 15 per cent. The danger is that Labour will become a regional, sectoral interest party. But I think its support even amongst public sector workers is not that solid. I don't see how it politically grows itself out of that, how it rebuilds support amongst the middle class. There were sections of the population who bought the New Labour dream of 'earning and owning', but for many it is proving unachievable: the private sector is too weak and the British economy too unbalanced.

Sally In fact the Lib-Con coalition in some ways makes it more difficult for Labour to construct a coalition of the middle class and working class, because a lot of the things that an appeal to the progressive middle class could be made on - the environment, civil liberties, all the liberal issues (though of course these issues are not exclusively middle class and other issues are also important to the middle class) - have been delivered by the Coalition, because of the presence of the Lib Dems. This allows Cameron to talk about progressive politics, and do a lot of things that

Soundings

Labour should have done. And this, again, is a complete indictment of what Labour have been doing for the last thirteen years. They have become a party that doesn't appeal to the progressive middle class on these issues. And that makes it harder for Labour to reassemble a middle-class/working-class coalition.

And this will have consequences for the Lib Dems too. A large section of the Liberal Democrats are socially liberal but also economically liberal, and for this constituency a lot of what they are going to get out of the Coalition is fine. The other part of the party, the part that faces more towards Labour and is more social-democratic, are not going to like it, but they are likely to become marginalised within the party. And incidentally, I don't think the strategy to deal with this is to constantly attack the Lib Dems. I think it is better to constantly point out to them that in fact they share common ground with Labour, and to keep open the door to a different kind of coalition at some point in the future.

Mike If the coalition strategy doesn't produce growth but produces misery, the government will come under a lot of pressure, and Labour will be able to say that they could have managed the economy much better. They might be in a position to bounce back quickly, contrasting the long period of relative prosperity and public sector improvement under Labour and the rapid regression to the 1980s under the Coalition. On the other hand, if the Coalition decides to function in a more-or-less middle-of-the-road way, as the coalition agreement tries to suggest they will, that could make things more difficult for Labour. If the Coalition sticks to an agenda like that, Labour would have to wait until the thing starts fraying and disintegrating, and their opportunity might not come for some years. They would need to put forward somewhat more radical measures to deal with the underlying crisis.

Sally But what do you think these 'somewhat more radical measures' might be? That takes us to the question of what the Labour Party might do if their rethinking was a bit more radical and self-critical, for example if they accepted that light-touch regulation and giving finance everything they want hasn't been a very good recipe for the economy. Labour has got to have a counter-position. A counter policy can't be just 'delay reducing the deficit for a year' - that's not really a position, is it?

Mike It might be that we should be arguing for a different priority vis-a-vis cuts

Roundtable

vs deficit. For example we should be arguing about the financial sector, and how important that should remain in Britain - which it plainly is - but insist that it's got to pay a much larger share of its way than it previously has done. And some rebalancing of the economy has to take place - there is a perfectly decent argument they can make about that, without killing the golden goose. And there's also an argument to be made on the need for infrastructure investment and its importance for future growth. But it is going to be very difficult for Labour because they have been so wrong about some things. On the third Heathrow runway, for example, we have got to the position where the Tories and the Lib Dems are the ones scrapping the runway. It's completely daft that this should have happened, and it shows how in hock Labour has been to the corporate lobbies. They need time to readjust themselves, and it may lead to their moving into a different position than they have been in when in government. I feel some sympathy for their position, because I think being in government inevitably brings constraints which are not always visible from outside. Any party that gets into government is liable to end up being suffocated by lobbying, interest groups, the civil service and so on.

Sally But basically that implies that they wanted to do some of the things we would have wanted them to do, but in fact they had no desire whatsoever to do them in the first place. They basically carried on the work begun by Thatcher of acting as cheerleaders of deregulation, including internationally - the Anglo-Saxon model. The reason why we are in the mess we are in is because of the neoliberal global strategy which they themselves were promoting. They weren't victims of it, they were proponents of it. So unless they recognise that - not just saying 'oh dear we've got a deficit what shall we do - let's have a bit of Keynesianism', but asking what went wrong with the economy - 'is neoliberalism a good way of running the economy? No, it isn't' - if they don't do that they're not going to make any progress.

Mike But for ten years it worked quite well. For ten years we had substantial growth, we were able to fund substantial public sector programmes, and we didn't know the bloody wheels were going to fall off. And they fell off first in New York.

Sally But they should have known. Lots of economists were predicting this but they didn't want to listen.

Soundings

Stuart Was increasing credit and investing in the win-win economics really 'doing well'? They were doing exactly the same thing as all those individuals running up debt on their credit cards. They set up PPPs and PFIs just for electoral purposes. They thought, 'oh well, the consequences of this will be later on. No-one will actually ever understand how much they will have to pay for this till two generations on'. They didn't want to make the argument that you have to pay for things. So they have a responsibility for the deficit. There is no win-win economy. They can't get rid of boom and bust. Brown was the architect of that and he was more in favour of it than the Tories are, and he was more articulate about it.

Mike But under Clarke and Brown it delivered thirteen years of relative prosperity. Why would they want to apologise for that?

Jonathan But isn't the issue what is the nature of that prosperity? What's left of it? In terms of jobs we are back to 1997. The productive manufacturing economy has probably shrunk. Whole areas of the economy are propped up by government spending, which is now being radically reduced by the deficit cuts and the drop in tax revenue. The public sector didn't crowd out the private sector. It filled the gap caused by the absence of private sector investment. The banks undermined economic capacity with their pursuit of short-term profits and mergers and acquisitions. The big banks have been making huge profits not out of lending but by selling dodgy financial products. The bail out and quantitative easing has stopped the economy collapsing into depression, but it's done nothing to alter the thirty-year transfer of wealth to the banking oligarchy and a wealthy elite.

Mike I don't regard the existence of a large public sector as a prop or a waste. Obviously it is important that there should be various competitive private sectors that can earn export money, whether making things or making films. That's absolutely crucial. But the public sector is also important. Labour had an arrangement whereby quite a lot of the surplus generated by banks and the financial sector was used to fund schools and hospitals. And as far as it goes it is not a bad arrangement. But you have to have something else and they didn't have something else, and that is the problem.

Roundtable

Sally But a lot of the finance wasn't coming from taxation, it was coming from private finance initiatives - it was being magicked up out of nowhere. It wasn't the economy doing well, it was an accountancy fiddle.

Mike They recognised that the private sector was weak and uncompetitive, while the public sector was big, so they tried to rescue capitalism by allowing it to occupy and colonise the public sector. That's what happened there.

Stuart Very successfully. They drove the public sector with private initiatives, blurring the boundaries between private and public, and then there was no way of making a defence of the public interest of any kind. They are now beginning from a much weaker base, ideologically and politically, than you think, Mike.

Mike That may be true, but the question is what can be done to reconstruct an intellectually coherent base for what they should do. It will take a bit of time to come up with an intelligent way of strategising where we are.

Jonathan I agree, but it is interesting that the argument here has been about what New Labour was. And it seems to me that that is going to be a principle source of contention and difference - what judgement people make about the last thirteen years will define the arguments for the future. Whether people think that New Labour was basically successful, that they did enough important things, like the new public services, Sure Start, etc, etc, that the basic political economy was okay, and it just needs a little bit of fine tuning and adjusting for the future. Or whether they think that actually it left some major structural problems in the economy untouched and unreformed, and set in train a dynamic that was always going to end in disaster. If you think the latter you are going to think differently about the future of Labour. But the problem seems to be that if Labour has retreated to its heartlands, how does it build support outside of that? How is it going to rebuild support in the South without reverting to the New Labour strategy, which is finished? It has to win back its working-class support, but what's the appeal to the middle classes? Clegg and Cameron have electoral reform, civil liberties, etc, why would the middle classes vote for what is socially a quite conservative party, which has been responsible for a large deficit?

Soundings

Stuart I agree with you. I think it is going to take more time than many people think before the coalition runs into trouble - but who has an idea about an alternative? Who has sat down and really thought about another model. Who seriously in the leadership contest believes that something is wrong not with the way that we did it, but with the whole model? I don't see anyone. Every Labour leadership candidate wants to 'make contact with our grass roots supporters'. None of them has a single idea how to do this or why they have been deserting Labour in droves.

Sally They need to step back a little further rather than just thinking about electoral calculations, and where you might tweak a little here and there. And I think this is the *Soundings* position, if there is such a thing. On the one hand we know you have to be both strategic and tactical - you can't just be maximalist, and think that all the things you believe in have to go in the manifesto. But before you get to tactics you have to have a sense of what the overall picture is - where the economy is, the political balance of forces, the cultural balance of forces - as well as being clear about the things that we want - equality, the celebration of diversity, sustainability, democracy, etc - and then you have to try to agree about what we do next - what do we do next in politics to try to win people to that.

Stuart And you have to have decided at that point that these are the short-term things that will realise these long-term goals. You have to decide what things you can do first, and work out what can be achieved, and whether things are leading in the right direction.

Mike Perhaps the balance of possibilities and forces has altered as a consequence of the Tories trying to modernise themselves?

Stuart I think it does represent a certain sort of shift but not in the underlying social forces. I don't see that at all. It suggests a political shift, a shift in policy and orientation, etc. But it is a shift precisely towards the neoliberal centre ground. There are some Conservatives who don't want that, just as there are some people who want to go back to old Labour.

Roundtable

Mike I have never regarded neoliberalism as the centre ground. I regard it as the right.

Stuart The whole point about the Blair/Brown version of neoliberalism is that it became the common sense of the middle. In fact it became the common sense of the whole bloody society.

Sally The centre is what is constructed as being the centre. It is not something that pre-exists.

Mike What Thatcher accomplished in her period in office was to greatly weaken both democratic and labourist forces. And on the question of whether Blair and Brown accomplished anything in their period in office, I think they did. I think they accomplished the idea that the public sector has to be regarded as essential and fundamental to a decent society. That is an accomplishment that might count for something. And I think that is what accounts for the fact that the Tories and Lib Dems decided that they could only attain power and stay in position if they said they were going to protect the NHS, to give priority to education, etc, etc. Of course they will inflect that, in all the marketising and privatising ways that we know that they will, but they nevertheless had to say that that is what they would do. I think that some kind of step change has occurred, in terms of public expectations, in a way that is antipathetic to the original Thatcherite programme, and that means that the Coalition will be in trouble when it starts chucking nurses and teachers out of work - which is what it will have to do.

Stuart I think Thatcherism accomplished more than that. It accomplished a deep and profound change in the political culture and in common sense. And nothing that Labour has done reverses that. Of course it is a good thing that there has been a bit of redistribution, and a change towards the public sector, but those are changes within the framework of neoliberalism. What Labour did is to discover active government - but always providing the government isn't active in regulating the economy. Instead you tell everyone else what to do, how to live their lives, you regulate everyone else. So I don't see a profound shift. And if there is a shift, I think the long-term trajectory is towards the right. So to answer the question was New Labour neoliberal? The answer is yes, providing that you understand that

Soundings

neoliberalism has different phases within it. The social-democratic variant was of course different. If you define the ground on which neoliberalism argues - in its economic model, forwarding the interests of the private sector, defending finance capital, etc - the Thatcherite phase accomplished that by hammering the society. And at a certain point the Tories said, well that's great, we've defeated the unions, we've battered society, but we can't go on like that. And at that point you then had New Labour, making the same profound accommodation. And they did include a little bit of redistribution - by stealth - because people need it, and there's no doubt that there is that instinct. But they would never make a case for redistribution. So they were never building an alternative to the market model. They have no alternative to the market being the only way of measuring value. They never made any inroads into the notion that only the private is efficient, only the private counts.

Jonathan We have had several generations now where people have had no sense of what an alternative might be. The question is, has Labour got the political capacity to make that kind of change, to begin that process? Will the new leader recognise the paradigm-changing task confronting the party and see it as a longer term game? Or will whoever is elected leader just try to win back the centre-right ground, through democratic reform, appealing to the liberal middle classes and just holding the heartlands with the promise of a bit more redistribution by the state.

Sally Also, going back to the point about what happened in 1997. It was not New Labour that got rid of Thatcherism. People were already sick of Thatcherism, people had had enough: that wasn't something that New Labour achieved. And what Labour didn't do was use that moment to develop anything new. And not only that, they actually used their position to carry on the work of undermining Labour's natural constituencies. Unlike Thatcher, who knew who her enemies were and did her best to destroy them - destroying the unions, abolishing the GLC, etc - Labour - whose strength is in the public sector, whose strength is in the unions - carried on the battle against the same targets. I think there is an impulse in a capitalist society that things will move increasingly towards the market, and towards individualism, and that our - quite difficult - task is try to stop things moving in that way. But Labour made no attempt to do that. On the contrary, they carried on undermining public bodies, collective bodies, notions of collective solidarity, collective security.

Roundtable

They have never stood up for any of those things. They have always been about choice and individuals - going along with and reinforcing the marketisation of society rather than trying to challenge it.

Jonathan But as Stuart says, no-one can think of an alternative. We've had two generations since 1979, generations who can't figure out an alternative. There has been no significant revision of Labour or social democracy since Crosland in 1956. And he got it wrong - he thought capitalism had been transformed. We now need a major revision of Labour that is not frightened by the power of vested interests and is willing to champion democracy and have a reckoning with financial capital.

Mike Well, in my view one of the social forces you've got is elected governments from all over the world who observe the fact that their electorates continually demand that they do X, Y or Z, at the same time as demanding that they don't have too much taxation, and who also observe vast amounts of money slushing about with the multi-millionaires, speculators, spivs, criminals, etc, a whole load of people living in the stratosphere, with billion-pound incomes, paying no tax and having no regard for the existence of anyone else. If you were a government minister or a civil servant, wouldn't you say - even out of envy - why should those bastards do all this and leave us with no power to survive as successful politicians?

Stuart They'll never say that.

Mike But they might sometimes think it. They are now trying to construct an agreement amongst the countries of the world to find a level playing field whereby they can regulate financial flows and transfers.

Jonathan Angela Merkel is, because the German interest is not mainly in finance capital. But I don't think anyone is arguing for that here. Labour just would not confront the elite in this country, who were doing exactly that. Brown, in his Mansion House speech in 2007, praised what he saw as the beginning of a new golden age in the City. And don't forget that the attempt by Germany and Europe to control hedge funds was stopped by Peter Mandelson. Labour attempted to stop any regulation of

Soundings

financial activity. The Treasury is a great barrier to developing a new political economy. It is pretty much run by orthodox monetarists. Their response to the credit crunch was to close down debate on the nature of the crisis, and marginalise any possibilities for significant reform. There are no social or political forces that can challenge and transform these institutional arrangements. They may have been put into question, but, as the shift in public discourse from banking crisis to deficit crisis shows, the neo-liberal orthodoxy remains ascendant for the time being.

Mike Well I think the state is a social force in itself.

Jonathan But the state is weak. Who is the state? The Treasury won't do it. The political class is captured by the financial elite. It is quite possible that it will be the Conservatives who will do what Labour could not and bring the financial elite to heel.

Sally The power of the markets itself shows the weakness of democracy. Everyone is always anxious about how any decisions that are made - including the election results - will be received by the markets.

Stuart I do think the consensus around the market, etc, has been shaken by the crisis, but no political capital has been made out of it. Basically, at the point when Labour knew they could not win the election where they were, they had two choices. One was to move in a decisively different direction and perhaps be out of power for quite a long time but to build an alternative hegemony. And the other was to play on within the neoliberal terrain, and they chose the latter.

Mike You say chose, but when you look back at the Labour Party in the 1980s, what capacity did they have to do that? Who was going to do the thinking? At that time Marxism Today with its idea of 'New Times' was busy attacking the old left - understandably and correctly - but where were the notions of reconstruction to come from?

Stuart The person who did take charge of that situation was Blair.

Roundtable

Sally Blairism was one answer to Labour's crisis of identity in the 1980s, but that can now be seen to have failed. So we are back to the question of what the Labour Party does now. We are not arguing for the usual lurch to the left that we always get when Labour are in opposition - which is completely unhelpful. But it would be good if there was now a reconsideration of policy and what's gone wrong, involving the whole party, and involving a move to the left, but in a way that could unite the whole party round a new programme, based on an understanding of what's gone wrong and what needs to be done. That would create the opportunity for a united movement, based around the Labour Party, that could start a process of rebuilding.

This discussion took place on 21 May, two weeks after the general election, and nine days after the announcement of the coalition agreement establishing the Lib-Dem government. Its analysis draws on earlier articles in Soundings on the developing conjuncture: see for example John Clarke, 'What crisis is this?' and Michael Rustin, 'Reflections on the present', both in Soundings 43; and Stuart Hall and Doreen Massey, 'Interpreting the crisis', Soundings 44; see also www.opendemocracy.net/ourkingdom/mike-rustin/after-neoliberalism-in-britain and www.opendemocracy.net/ourkingdom/mike-rustin/deficit-mania-could-bring-down-coalition; and Doreen Massey's article, 'The political struggle ahead', in this issue. (Doreen was at the last minute unable to participate in this roundtable.)

Sally Davison is managing editor of *Soundings*, **Stuart Hall** and **Michael Rustin** are founding editors, and Jonathan Rutherford is editor.