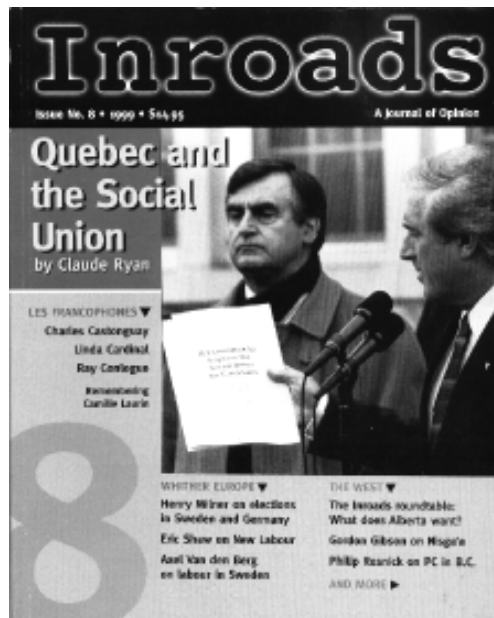


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# New Labour's Third Way

## ABSTRACT

THIS ARTICLE ANALYSES New Labour's practical "operational code" which, Eric Shaw suggests, consists

of five operating principles: an emphasis on individual responsibility, a moralistic view of community, the importance of government provision of equal opportunity, pragmatism in choice of governing instruments, and faith in the social competition state (which combines government regulation with free markets).

The novelty of New Labour lies less in innovative policies than its synthesis of differing traditions. Shaw is skeptical about the success of New Labour because it has abandoned equality (however defined) as the normative principle underpinning policy. New Labour's creed is meritocratic: to ensure that all can avail themselves of material betterment through participation in the labour market.

BY NEW LABOUR I AM NOT REFERRING to the party itself, as it has been transformed, but to one tendency within the party, albeit the hegemonic one which controls the government. In what way is “New Labour” new? Is the much publicized Third Way, as Tony Blair has described it, “a modernized social democracy, passionate in its commitment to social justice and the goals of the centre-left, but flexible, innovative and forward-looking in the means to achieve them?”<sup>1</sup> Or has it abandoned these goals?<sup>2</sup>

A leading intellectual champion of the Third Way is Tony Giddens, prominent sociologist and Director of the London School of Economics. Writing in the *New Statesman* in 1998, he described it as “social democracy, revived and modernized,” having transcended both “old-style social democracy” and neo-liberalism. Stuart Hall is a leading academic critic. For him the Third Way has capitulated to neo-liberalism, as witnessed by “the deregulation of markets...the continued privatization of public assets, low taxation, breaking the ‘inhibitions’ to market flexibility, institutionalizing the culture of private provision and personal risk, and privileging in its moral discourse the values of self-sufficiency, competitiveness and entrepreneurial dynamism.”<sup>3</sup> Which – if either – is correct?

Too much of the debate over the Third Way has been couched in rather abstract terms. My prime focus here is with the Third Way as New Labour’s “operational code” – a frame of reference that defines the key problems as its adherents see them, provides a diagnosis of these problems, identifies the values and goals to be realized and supplies the criteria for

selecting appropriate policies. New Labour’s operational code, I suggest, consists of five main operating principles. These can be summed up as responsibility, community, opportunity, pragmatism, and the social-competition state. Although they are obviously interrelated, I shall treat them separately.

## Responsibility

Giddens has suggested as “the prime motto of the new politics *no rights without responsibilities*” (emphasis in the original). The concept of responsibility constantly recurs in government speeches and policy documents. The basis of “modern civic society,” Blair declared in a June 1997 speech, “is an ethic of mutual responsibility or duty. It is something for something. A society where we play by the rules. You only take out if you put in. That’s the bargain.” Given the importance assigned to the concept of responsibility by New Labour, it may be useful to explore its ambiguities in more depth.

One can distinguish five overlapping meanings. First is causal responsibility, which refers to the factors which have

produced a particular phenomenon or event. Second is moral or personal responsibility, a normative idea that one should be held accountable for one’s acts. This, of course, implies that one was causally responsible for them. In addition, it embraces the notion of duties or obligations that one is morally or legally required to discharge. Third is social or mutual responsibility, the duties one owes to others and to society as a whole. Fourth is behavioural responsibility, the capacity for acting rationally in accordance with socially expected moral standards – as in “she is a responsible person.” Fifth is individual responsibility, counterposed to collective responsibility, or the belief that (as far as possible) responsibility for protecting people from the vicissitudes of life should lie with the individual rather than with some public authority.

New Labour employs the concept in all its various meanings, and often in a manner that blurs distinctions among them. Underpinning references to responsibility is the belief that government should create circumstances in which individuals can act in an autonomous manner and control the direction of their own lives. Perhaps the major point of attack by New Labour on the collectivism of “Old Labour/Left” turns on the doctrine of social entitlements, the belief that people have a right – derived from their status as citizens – to expect the state to meet their basic needs.

This doctrine overlooked, argues New Labour, corresponding responsibilities or duties. Absolute social rights to benefits from the state has been a morally corrosive

idea, for it undermines (able-bodied) recipients’ self-reliance and, ultimately, their self-respect. It is a modern day equivalent of the Roman’s free distribution of bread. A social security system which fails to tie handouts (to use the parlance New Labour has inherited from the right) to matching responsibilities chains people to passive dependency instead of helping them to their full potential. Such a system passively hands out money “rather than helping as many people as possible ... achieve independence.”<sup>4</sup> The assumption is that dependency – in the sense of relying on social benefits for one’s main source of income – causes psychological dependency, a state characterized by passivity, lack of self-reliance, even indolence. Once large numbers of people grow accustomed to relying on state benefits, a culture of dependency emerges. In turn, this culture of dependency severs people from the structure and rhythms of work which alone can promote self-discipline, diligence and independence. Hence psychological dependency becomes self-perpetuating.

A government source summed up the Third Way by saying that the state “can all too easily institutionalize poverty rather than solve it, lock people into dependency rather than give them the means to be independent.”<sup>5</sup> The system inherited from the Tories, Blair insists, was “encouraging dependency, lowering self-esteem and responsibility in almost equal measure.”<sup>6</sup> Unchecked welfare erodes the moral fabric of the nation by enabling people to evade responsibility for themselves; it rewards fecklessness, idleness, and benefits fraud,

all of which become rampant and a heavy burden on the taxpayer.

“Our ambition,” the Green Paper on welfare reform proclaims, “is nothing less than a change of culture among benefit claimants, employers and public servants – with rights and responsibilities on all sides.” Hence New Labour’s resolve, in the words of the Social Security Secretary, is “to end the something-for-nothing approach that has characterized the past” replacing it by a new approach in which everyone of working age will get advice but where the option of taking benefits and going home is no longer there. People have a clear responsibility to help themselves.”<sup>7</sup>

According to Tony Blair, a modern welfare state must (1) “be active not passive,” (2) be “delivered through an enabling government in which public and private sector work together,” and (3) “combine opportunity and responsibility as the foundation of community.”<sup>8</sup> Precepts (1) and (3) have been put into effect by stipulating, under the government’s New Deal for Young, that those aged 18 to 24 and unemployed for over six months are guaranteed one of the following: a job which will also give them training; work helping the elderly, sick or handicapped; a post with an environmental task force; or up to a year’s full-time education or training. There will be “no fifth option” and those who refuse all offers will be penalized by progressive loss of benefits. The New Deal for Lone Parents requires lone parents with school age children to attend interviews for advice on jobs, training and child care. Future benefit claimants (i.e. those

not now receiving benefits), including lone parents, the unemployed and people claiming incapacity benefits, will be required, from 2001, to attend employment advice interviews or lose benefits.<sup>9</sup>

In addition, steps are being taken to continue the Conservative policy of tightening eligibility for disability and sickness benefits. A distinction is being made (or revived) between the “able-bodied” and those (pensioners, the severely disabled, etc.) incapable of work who receive benefits as a right of their condition. Work is promised for the former; security for the latter. In effect, the government is seeking to shift the dividing line between those who are expected to work and those who are not, with a greater proportion of lone parents and people with disabilities included in the labour force.

In what sense does this constitute a Third Way in welfare rather than simply a continuation of new right policies? The key theme here is opportunity: just as welfare recipients have an obligation to seek work, so too does the government have an obligation, an obligation to provide recipients with the opportunity to find work. This does not mean a Keynesian-style commitment to full employment, for New Labour accepts the free market proposition that only the market can generate real jobs. Crucial to the Third Way – something which does lend it a distinctive air – is the theme of employability. It has been defined as “the development of skills and adaptable work forces in which all those capable of work are encouraged to develop the skills, knowledge, technology and adaptability to

enable them to enter and remain in employment throughout their working lives.”<sup>10</sup> The government’s responsibility is to provide opportunities for work by removing the barriers restricting the ability of job seekers to find a niche in the labour market. These barriers may be lack of skills or appropriate qualifications or, for groups such as single mothers, lack of adequate child care facilities.

## Community

Both mutual and moral responsibility are vital because they form the bedrock of community. To traditional social democrats the idea of community has been inextricably bound up with social solidarity. Solidarity entails a belief that the risks and vicissitudes of social and physical life (birth, sickness, unemployment, aging) can be most fairly and effectively met through schemes of collective protection. It presupposes relationships based on a generalized reciprocity, an anonymous helpfulness in which benefit entitlements are disconnected from the size of one’s contribution. Community is held to be rooted in the redistributive principles of equity and need: people in similar circumstances will be treated in a similar way – as exemplified by the National Health Service’s principle of treatment according to need rather than ability to pay.

According to New Labour, by contrast, an emphasis on rights without a corresponding sense of responsibilities creates an imbalance that promotes a self-centred, self-seeking ethos which disregards community

obligations and corrodes social cohesion. The source of community is seen to lie in the shared commitment to moral precepts. “The only way to build social order and stability,” argues Blair, “is through strong values, socially shared, inculcated through individuals, family, government and the institutions of civil society.”<sup>11</sup>

The Third Way dispenses with the traditional social democratic definition of social responsibility with its presumption that society as a whole has an obligation to care for the disadvantaged and impoverished. “Without responsibility to each other,” Blair declared in a 1996 speech, “we create a nation where community evaporates.” He is not referring to the responsibility of the more comfortable for the welfare of the less, or to the need for collective risk protection against the vagaries of life; he is

**The Third Way dispenses with the traditional social democratic definition...that society as a whole has an obligation to care for the disadvantaged and impoverished.**

referring to those (on benefit) who “take without giving, enjoy rights without accepting obligations.” Taking no responsibility for their own lives, supposes Blair, they feel no responsibility to others: those who live on benefit develop a self-centred ethic in which they lose their sense of morality. They neglect their own responsibility to their children so that, as Blair put it in a 1997 speech, “thousands of truant

children spend their days hanging round on street corners.”

Whilst there can be no genuine community without real opportunity for all, so too there can be none without a general acceptance of civic responsibilities. The cohesiveness of a community depends on respect for its moral code. Whilst New Labour is much more reticent than was Old Labour to intercede in the economic realm, it adopts a pro-active role in the social one. In return for opportunity “we are entitled,” Blair has stressed, “to demand law-abiding behaviour.” New Labour’s communitarianism is, in this sense, highly prescriptive: people “want a society free from prejudice but not from rules.” It is the legitimate responsibility of the state to intervene to foster obedience to the rules, using sanctions if need be. Hence, a range of measures taken by the government to crack down on youth offenders, stiffen penalties for crimes, toughen up the youth justice system, appoint a tsar to campaign against drug-taking, attack truancy and indiscipline at school and ensure that parents take responsibility for their children. Youth Offender Teams are being established “to nip young offending in the bud.” Young children wandering the streets at night will be subject to Child Protection Orders. Above all, steps are being put in place to prevent the welfare system being “fleeced by fraud, abuse and people playing the system.” Blair concedes that some will regard a “tough crime policy” as “harsh and authoritarian” (as indeed has been the case) but, he insists, crime “weakens the very social bonds we need to make us strong.”<sup>12</sup>

This discourse is often contrasted with the alleged permissiveness of Old Labour. As usual, when the contrast with Old Labour is invoked, this dichotomy is misleading. Traditionally, there have been both conservative and liberal elements within the Labour Party – with a more conservative minister generally holding the Home Office portfolio. The only real novelty of New Labour is that conservative elements have strengthened their grip.

Whether the government genuinely believes its crackdown on crime will work – the overwhelming weight of research suggests a punitive policy of incarceration does not work – is unclear. But a major consideration has always been a strategic one. Blair has for years been determined to wrest from the Conservatives their public reputation as the party best able to handle issues of law and order and, with this tough rhetoric and action, he has done so.

## Opportunity

For New Labour, the theme of opportunity is tied both to responsibility and community. If the unemployed and deprived have to take responsibility for redeeming their plight, the government has the corresponding duty to provide them with the opportunities to do so. The Tories’ bequest, it is argued, has been whole neighbourhoods populated by the jobless living in poverty, urban squalor and despair. The excluded are “an underclass of people cut off from society’s mainstream, without any sense of shared purpose.” They are a workless class “playing no role in the formal economy,

dependent on benefits and the black economy.” They are trapped in decaying, crime-ridden and drug-filled council estates. Lacking skills, jobs and opportunities, the workless class becomes detached from society. The outcome is fatalism, “the dead weight of low expectations, the crushing belief that things cannot get better.” In such circumstances, shared values and rules unravel and social cohesion crumbles. “Worsening inequality, hopelessness, crime and poverty undermine the decency on which any good society rests.” Lack of a job leads to idleness and then crime. “The scourge of many communities is that young people with nothing to do are sucked into a life of vandalism and drugs, and make life hell for other citizens.”<sup>13</sup>

A strong community requires an inclusive society where all have a stake. Social exclusion is defined in terms of detachment from the world of work. “The best way to tackle poverty is to help people into jobs – real jobs,” stated the 1997 Labour manifesto. As a result of tax and benefit traps and the absence of adequate child care facilities, many people faced a situation where the lion’s share of every extra pound earned went in tax. Taking a job meant foregoing a range of means-tested benefits, such as those to cover the costs of housing, and then incurring costs which absorbed much of what was earned. Whereas the Conservatives sought to push people into work by holding down benefits, Blair’s aim has been to make work pay whilst conserving the flexible labour market it inherited and welcomes. In his three

budgets so far, Chancellor Gordon Brown has introduced a host of tax and benefit changes with the object of increasing the inducements – and removing the impediments – to work. These include introduction of a minimum wage at a rather modest £3.60 (Cdn. \$8.60) an hour for those over 21, and 60p (Cdn. \$1.40) less for those between 18 and 21, a Working Family Tax Credit (WFTC), and child care tax credits.<sup>14</sup> Reform of tax and benefits has been coupled with the £5 billion (Cdn. \$12 billion) Welfare to Work programme (financed by a levy on the excess profits of privatized companies) announced in July 1997. The aim is to help young people, lone mothers, the long-term unemployed and the disabled back into work.

Gordon Brown has played Robin-Hood-by-stealth. Universal child benefits have been increased, new child-care allowances introduced, and a new 10 per cent income tax band established. Labour’s three budgets have pushed up the incomes of the poorest

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20 per cent of households with children by around 15 per cent. The most significant gains are for the poorest pensioners who, under the title of a minimum pension guarantee, will see significant improvements in their incomes. The post-1979 Tory tide of

redistribution from poor to rich has been “gently turned.”<sup>15</sup>

These steps have been largely financed by fiscal changes borne most heavily by the rich, such as withdrawal of the new children’s tax credit from better-off families and the abolition of tax relief on mortgage interest payments. Further, the government has launched a whole range of pilot projects designed to combat poverty and urban squalor.<sup>16</sup> According to Gordon Brown’s first budget speech in 1997, what matters is not *how* resources are distributed but whether all people have the

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opportunity to better themselves by dint of effort, ability and enterprise. Inequality and poverty are due to the lack of requisite personal qualities or resources – especially poor education, poor basic cognitive skills and inadequate training – which operate as impediments to entry to the labour market, and thereby constitute the main road block to fulfilling one’s potential.

The success of this strategy depends crucially on the validity of New Labour’s supply-side analysis of unemployment: its assumption that if people are employable, then the jobs will be found. If macroeconomic policy failures or external events

lead to job losses, then a major vacuum will open in the Third Way.

At the heart of Labour’s traditional critique of capitalism has been the conviction that the superior power of business, the ability of the wealthy and powerful to perpetuate their privileges and the very dynamic of the private accumulation of capital, generated a highly unequal and grossly unfair distribution of resources. If the market apportioned resources inequitably, then a fairer pattern of distribution secured by the exercise of public power was justified. The scale and intensity of class-based differences and the most appropriate means of compressing them have long been debated within the Labour Party, but with the common presumption that such differences exist and should be narrowed. The whole notion of class structure and inequality has vanished from New Labour’s lexicon. The discourse of class is regarded as obsolete. Indeed, the conception of a social order composed of structurally differentiated social positions, to which correspond markedly disparate life-chances, cannot be easily reconciled with the Third Way image of a fluid and individualistic society based on free and voluntary transactions.

The Third Way largely legitimizes the distribution of rewards generated by the market. Distributional outcomes are seen to reflect individual qualities of energy, merit and expertise. That riches require justification and, if lacking justification, should be taxed in the interests of equity and expenditure raising is rejected as “the politics of envy.”<sup>17</sup> Blair has signalled his

support for “a tax regime where, through hard work, risk and success, people can become wealthy.”<sup>18</sup> In other words, it is not only the means that have altered but the ends too. The Third Way is meritocratic rather than redistributive: the state’s responsibility is not to narrow inequalities but to ensure that the race of life is an open and equal one, to enable all to place their feet on the first rung of the ladder: “First, the state levels the playing field. Only then does the game commence. Having won in fair competition, the winners are entitled to their gains”<sup>19</sup>

## Pragmatism

Crucial to the Third Way, argue its adherents, is a willingness to dispense with outdated ideological formulae, and transcend now-obsolete oppositions between public and private, state and market. “The best means are whatever achieves the best combination of ends, whether the means concerned involve the market, the state or some combination,” states Julian Le Grand, an economist sympathetic to New Labour. “There is no a priori reason to prefer private provision over state provision, state finance over private finance or vice versa; it’s just whatever combination gets us closer to our destination in terms of ends.”<sup>20</sup>

Pragmatism has manifested itself in two ways: first, a freshness and openness of approach, a questioning and critical attitude to all established policies, a willingness to consider policy options irrespective of their provenance. But,

second, it reflects a decline in confidence in the efficacy of collectivist solutions to public problems. “There is no overriding reason” Blair has avowed, “for preferring the public provision of goods and services – particularly where those services operate in a competitive market.”<sup>21</sup> Many within New Labour’s ranks believe that publicly delivered services are less efficient, less responsive and more wasteful than private ones driven by competition and market incentives. Hence New Labour is redefining the role of the state as the guarantor and regulator, but not necessarily the direct provider, of public goods. The role of government should, the prime minister has declared, no longer be “to provide all social provision, and fund all social provision, but to organize and regulate it most efficiently and fairly.”<sup>22</sup>

Thus priority is being given to the expansion of public-private partnerships. Though portrayed as Third Way pragmatism, in reality they are for the most part privatizing initiatives pioneered by the Tories and, as *The Economist* observed, “in many cases amount to little more than an accounting trick to take public spending off the balance sheet.”<sup>23</sup> The most notable and contentious example of this is the Private Finance Initiative (PFI), a system whereby new hospitals and other public assets will be built and owned by private companies and leased out to provide public services. When introduced by the Tories, Labour opposed the PFI as “creeping privatization.” Since arriving in power, it has massively extended its use, notably in the building of new hospitals. Experts are virtually

unanimous in agreeing that the lifetime costs incurred by government will be heavier under PFI than under public investment (largely because borrowing charges are lower for the state than for the private sector), though due to the Treasury's peculiar accounting rules these costs will not figure as government spending. According to the Observer, the net effects will be to saddle hospitals with steep interest charges which they will be able to meet only by reducing the amount and quality of services for patients. The combined impact of the Private Finance Initiative and the new Primary Care Groups being created at the general practitioner level will be to undermine seriously the capacity of the National Health Service to offer all citizens equitable access to care. Indeed, U.S. multinationals are already considering buying PFI hospitals and Primary Care Group trusts.<sup>24</sup>

Though presented in the guise of pragmatism, in practice choosing what works amounts to a shift in values. The notion that public services are preferable because they help to institutionalize the ethos of communal responsibility is regarded as obsolete. The Fabian faith in the dispassionate, public-spirited and professional public servant has been largely dissipated. New Labour no longer subscribes to "the notion that public goods should be provided by public authorities, animated by an ethic of public service to which market norms are alien."<sup>25</sup>

A notable feature of New Labour's creed is support for marketization of social life: the extension to social activities of the market mechanism "based on profit motives,

determined by competitive attitudes, and governed by a utilitarian value scale."<sup>26</sup> For example, in the teeth of fierce teacher resistance, the government is determined to introduce performance-related pay into schooling, a system likely to sow mistrust and resentment, undermine co-operation and erode the sense of shared obligations and goals. "People are not separate economic actors competing in the marketplace of life," Blair affirmed in a 1996 speech. But the plausibility of a performance-related school pay scheme derives from the opposite premise, that people are indeed separate economic actors.

## The social-competition state

A major Third Way refrain is that profound changes in the global economy require traditional modes of thought to be revised. Structural changes in the international economy have obviously reshaped the context in which national policy-making occurs. The ability of the nation-state to control economic processes by means of monetary, exchange rate and fiscal policy has dwindled, and the penalty for pursuing what financial markets deem to be unsound is likely to be a flight of capital, a rapidly depreciating currency and rampant inflation. The limits imposed by globalization is a point constantly reiterated by New Labour. Investors in global capital markets, Gordon Brown declares, now have "more choice and more freedom than ever before.... Today the judgment of the markets – whether to punish or to reward government policies – is as swift

as it is powerful." To succeed, New Labour has concluded, a government has no option but to "convince the markets that they have the policies in place for long-term stability."<sup>27</sup>

The Third Way views globalization not only as inevitable but as desirable and economically beneficial, a spur to greater productivity and competitiveness, and a force for modernization. As Lord Eatwell, former economic advisor to Neil Kinnock explained, "credibility has become the keystone of policy-making in the nineties. A credible government is a government that pursues a policy that is 'market friendly;' that is, a policy that is in accordance with what markets believe to be sound."<sup>28</sup> The confidence of the financial markets has been secured by implementing "a rules-based approach to macroeconomic policy, an independent central bank with an inflation target and a framework of medium term fiscal targets."<sup>29</sup>

The Third Way is also highly solicitous of business interests. It is committed to retaining the essentials of the tax regime inherited from the Conservatives, a regime which protected high-income earners and the corporate sector from the fiscal demands of the state. Similarly, though New Labour has shifted the balance of power back slightly toward the unions through a minimum wage, accepting European social legislation and union recognition, it values the labour market flexibility inherited from the Thatcher era.

New Labour espouses what can be labelled the social-competition state. Unlike the social-democratic left, it does not

believe reconstituting the Keynesian welfare state possible but, in contrast to the right, it continues to affirm a role for active government. "We must be competitive and, to be competitive, knowledge, skills, technology and enterprise are the keys, not rigidity, unnecessary regulation," summarizes Tony Blair.<sup>30</sup> The welfare state sought to protect people from the impact of market forces; the social-competition state aims to equip people to adapt to market forces. This in turn is linked to another Third Way concept, that of human capital. In the high-tech, computerized and ceaselessly changing modern economy the most valuable resource has become skilled

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labour, i.e. human capital. The key to competitive strength is a skilled, well educated, highly qualified, motivated and adaptable workforce which can best be provided by energetic state action. Hence a top priority has been higher educational standards and the dissemination of skills through better funded and more functionally oriented education and training programmes that facilitate adjustment to changing market conditions. The fiscal and benefit system should operate as a

transmission belt to convey claimants from dependency to remunerated work, thereby cutting the social security bill and freeing resources for productive investment in human capital.

## Conclusion

The novelty of New Labour lies less in innovative policies than its synthesis of differing traditions. In many policy areas New Labour is persevering with policies bequeathed by the Conservatives. This includes transformation of the benefit relationship from one of status to contract, extension (often in the guise of public-private partnerships) of privatization, and the shift from universality to selectivity in the social security system. "Welfare reform," the Observer commented, "is but another way of describing the salami slicing of welfare benefits and the rebasing of the welfare state around means-testing rather than universalism and income redistribution."<sup>31</sup> In the social-competition state, eligibility for help is dependent not upon citizenship but upon willingness to accept paid work. Community is disconnected from social solidarity and collective protection against risk, and is reinterpreted in morally prescriptive terms – the entrenchment of values and norms required to sustain social cohesion, order and stability. Thus, whilst the state retreats from active management of the economy, it assumes greater responsibility for preserving the moral order.

Admittedly, New Labour has used surplus revenue not to lower overall

taxation but to finance higher public spending in health and education. "It couples welfare minimalism and economic orthodoxy with a social-democratic core," summarizes the Observer.<sup>32</sup> It has pursued redistribution by stealth so as not to disturb its more prosperous supporters, and is embarked on a serious drive to end social exclusion. Steps have been taken to ensure that the poor receive a disproportionate share of the increments of economic growth, though such is the inequality created in the last two decades that Britain will continue to remain a society with huge disparities in wealth, income and power. But the normative principle underpinning the creed is no longer equality (however defined) but "the mobile society," and the role of government is to ensure that all can avail themselves of material betterment through participation in the labour market.

The objective of New Labour is enhanced opportunity, not more equal material outcomes. Whilst this implies a commitment to raise the living standards and improve life-opportunities of the poorest, the goal is a more meritocratic society, not an egalitarian one. "Hurdles which bar the path to personal advancement must be torn down and prizes must be awarded to those who have covered the ground most successfully. In short, life should be a flat race not a steeple chase. The distinction between winners and losers must remain," concludes Roy Hattersley, a senior Labour statesman.<sup>33</sup>

For years the Labour Party has been wracked by dissension about what it aspires to achieve: a socialist party endeavouring to

radically transform the socio-economic order; a social-democratic party aiming to create a Swedish-style universal and redistributive welfare state; or a social-liberal one seeking to combine the free market economy with a mixed public/private system of welfare thereby fashioning a socially mobile, rather than more equal, society. For the foreseeable future the issue is resolved. New Labour's Third Way signifies the triumph of the third. ■

## Notes

<sup>1</sup> Tony Blair. 1998. *The Third Way*. London: Fabian Society.

<sup>2</sup> A point of caution. Not all policy decisions reflect the Third Way. Many initiatives bear little more than the signature of ministers: they are products of the routine policy work of senior civil servants. Only a relatively small – though generally highly significant – proportion of policy output is politicized. Nor should one attribute too great a coherence to the policies of the new government. Politicians are not theorists but practical people responding to immediate problems, swayed by perceived electoral considerations, constantly balancing the claims of competing interests, groups and personalities. Much of New Labour's ideological eclecticism is due to electoral and strategic exigencies, that is to pursuit of electoral popularity. This is true of increased spending on health and child benefits which fits into New Labour's project of melding a coalition pivoted on "middle England."

<sup>3</sup> Stuart Hall. 1998. "The Great Moving Nowhere Show." *Marxism Today*. Special edition (November/December).

<sup>4</sup> See A. Deacon. 1998. "The Green paper on Welfare Reform: A case of Enlightened Self-Interest?" *Political Quarterly*. 69:3.

<sup>5</sup> *Guardian* 2 June 1997.

<sup>6</sup> Quoted in Deacon 1998, Op. cit.

<sup>7</sup> A. Darling. 1999. "We make no apologies for our tough benefits regime." *Independent* 10 February 1999.

<sup>8</sup> Quoted in Deacon 1998, Op. cit.

<sup>9</sup> *Guardian* 29 October 1998. It is estimated that these measures will eventually affect 1.5 million claimants a year. First-time claimants refusing three calls to interview would forfeit all benefit. Those already on benefit will also gradually be called in for interview; those who refuse three times would see their benefit docked. However, as the *Guardian* (11 February 1999) reported, certain groups, "such as the terminally ill and severely mentally handicapped" will not be required to go for interviews. Martin Barnes, director of the Child Poverty Action Group, criticized the introduction of compulsory interviews on the grounds that, while seeming quite reasonable, there are already many barriers to claiming benefit: "The prospect of means tests, medical examinations and home visits to check domestic arrangements fills many people with dread. Benefit rules themselves are detailed and complicated, with regulations running to hundreds of pages. No one receives benefit unless an official is satisfied that they are entitled to it – there are many hoops to jump through" (*Independent* 11 February 1999).

<sup>10</sup> HM Treasury. 1997. *UK Employment Action Plan*.

<sup>11</sup> Tony Blair, quoted in S. Driver and L. Martell, 1997, "Labour's new

Communitarians," *Critical Social Policy*, 17:3, pp. 34-35.

- <sup>12</sup> The ideas and quotes in this paragraph are from speeches by Tony Blair in 1997 and 1998, including his address in Paris in March 1998.
- <sup>13</sup> The ideas and quotes in this paragraph are again from speeches by Tony Blair in 1997 and 1998.
- <sup>14</sup> Low-paid families will be guaranteed a minimum income of £190 (Cdn. \$450) a week from October 1999, as a result of the joint impact of the national minimum wage and WFTC, whilst unemployed workers over 50 have been given a new employment credit. According to official treasury figures, low-income single-earner couples with two children earning £11,000 (about Cdn. \$26,000) a year will be £41 (Cdn. \$100) a week better off in 2001; the £15,000 (Cdn. \$36,000) a year family £34 (Cdn. \$80) a week better off; tapering down to the £36,000 (Cdn. \$86,000) a year family, at which point families begin to be worse off. The new children's tax credit of £416 (Cdn. \$1,000) will go to around 5 million families.
- <sup>15</sup> See *Financial Times*, 10 March 1999; *Observer* 14 March 1998. During the Conservative years, non-earned income of the minority swelled with the rise in value of capital assets, whilst higher job and income insecurity – and the cuts in scale and tighter eligibility for social security transfers – eroded the material position of the less fortunate. In 1979, the number of people living below half average income (the unofficial poverty line) was 5 million; by 1992/1993 it had almost trebled to 14.1 million. See Paul Johnson (*Guardian* 28 July 1997; *Guardian* 28 April 1997). According to Eurostat, the European

Union statistics agency, Britain has more children living in poverty than any other European country. New Zealand apart, Britain witnessed the most rapid growth of inequality of any industrialized country (*Guardian* 28 April 1997).

- <sup>16</sup> *Guardian* 1 October 1998.
- <sup>17</sup> Tony Blair, introduction to 1997 Labour Party manifesto.
- <sup>18</sup> Tony Blair, *Electronic Telegraph* 17 September 1996; 14 November 1995.
- <sup>19</sup> David Marquand. 1998. "One year on." *Prospect* (UK journal) (May).
- <sup>20</sup> Julian Le Grand. 1998. uk-policy@netnexus.org
- <sup>21</sup> Tony Blair, *Guardian* 8 April 1997.
- <sup>22</sup> Tony Blair, 1997, addressing the TUC.
- <sup>23</sup> *The Economist*. 1998. "The Third Way" (18 December 1998).
- <sup>24</sup> See *Observer* 3 August 1997; 2 May 1999. Marquand, Op. cit.
- <sup>25</sup> Karl Polanyi, quoted in J.R. Stanfield, 1986, *The Economic Thought of Karl Polanyi*. New York: St. Martin's Press.
- <sup>26</sup> Quotations in this paragraph are from Gordon Brown, *Economic Thought of Karl Polanyi*. New York: St. Martin's Press.
- <sup>27</sup> Quotations in this paragraph are from Gordon Brown, Mansion House speech 1997.
- <sup>28</sup> John Eatwell. 1993. "The Global Money Trap: Can Clinton Master the Markets?" *The American Prospect* No. 12
- <sup>29</sup> Vincent Cable. MP. *Independent* 2 November 1997
- <sup>30</sup> *Guardian* 10 June 1997.
- <sup>31</sup> *Observer* 14 February 1999.
- <sup>32</sup> Will Hutton. *Observer* 26 April 1998; 20 September 1998.
- <sup>33</sup> *Guardian* 14 September 1998.

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