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*Editorial*

BLUE LABOUR?

**T**HE CLEAR WINNER of the British election, declared the *Financial Times* on May 8, was ‘Sir Gus O’Donnell and the Civil Service’. For the *Guardian*, too, Cabinet Secretary O’Donnell was ‘the hero of the hour’. A few months before the poll, when a hung parliament looked likely, Conservative leader David Cameron had announced his firm intention of leading a minority government, if the Tories won a plurality of seats. He would seek a pact with the Liberal Democrat Party on key legislation, rather than invite it to join a coalition ministry, and then call another election. Historical precedents—the close-run results of 1964 or 74—indicated going back to the country within eighteen months. There was sharp criticism from Conservatives of Cabinet Office plans to suspend the return of Parliament while a coalition was brokered: ‘The idea that a courtier like Sir Gus O’Donnell will decide this is straight out of the Victoria and Albert Museum.’<sup>1</sup>

To the despair of election-night commentators, the May 6 count produced no uniform pattern. On a slightly increased turnout of 65 per cent, there had been a swing of only 4 per cent to the Conservatives, who took 10.7 million votes, a 36 per cent share of the ballot, and 306 seats, short of the 326 needed for an overall majority. New Labour slumped to 8.6 million, down by 6 points at 29 per cent of the vote; but the electoral system’s bias in its favour and a stronger result in Scotland gave it 258 seats, some 40 per cent of the Commons. The LDP saw a swing of only 1 per cent and a popular vote of 6.8 million, increasing its share to 23 per cent, with 57 seats. Britain awoke on May 7 to the likelihood of a weak Tory government and a return to the polls by 2012.

With protests raging in Greece against the PASOK austerity measures, and acrimonious disarray among European governments on how to deal with Eurozone banks' imbrication in the looming sovereign-debt crises, this was not an outcome Whitehall or the City of London wished to see. Measured by GDP the British government's debt was larger than that of Greece. An unprecedented monetary and fiscal stimulus—zero interest rates for 18 months; £200bn of electronically devised 'quantitative easing', some 14 per cent of GDP, poured into government bonds; £117bn in cash and an overall £1 trillion government guarantee for the stricken banking system—has failed to ignite even a flicker of growth in the UK economy. Inflation, rising towards 4 per cent, is higher than in any other OECD country; household debt is also at record levels. A hike in interest rates, pencilled in for 2011, will bring a concatenation of defaults and bankruptcies, with knock-on effects for the troubled banks, insurance giants and pension funds. By tacit agreement, a stocktaking of the economic and financial devastation had been kept out of the 2010 election campaign; party leaders referred synecdochically to the need to 'tackle the deficit', only one aspect of the mess. Austerity measures had been delayed until the May 2010 election was out of the way. The prospect of a minority government, battling to push through closures and redundancies under the shadow of further popular reckoning, was not one that Britain's rulers could contemplate with equanimity.

Within five days that prospect had been ruled out of court. As a *Financial Times* report explained: 'The Cabinet Secretary has positioned the civil service to take maximum advantage of the political uncertainty'.<sup>2</sup> The House of Commons was suspended, on the basis of a draft constitutional handbook which MPs had not been permitted to debate, while teams of functionaries helped to coach party leaders towards a mutually beneficial outcome. The next election would be delayed until 2015, with the instant introduction of fixed, five-year parliamentary terms. The majority needed for a no-confidence vote in Parliament would be raised to 55 per cent. Conservative and Liberal Democrat manifestos were elided into a single statement, with a pledge of future referenda to broker the two key areas of difference: electoral reform and further EU treaties. On 12 May, Cameron explained to the waiting press corps that he and Liberal Democrat leader Nick Clegg had come to realize, over the course of the negotiations, that the idea of a minority Tory government was 'just so uninspired'. The

<sup>1</sup> Unnamed Conservative, quoted in Nicholas Watt, *Guardian* blog, 4 May 2010.

<sup>2</sup> 'Whitehall's God set to make government', *FT*, 8 May 2010.

Lib–Con coalition government, announced by the two youthful, telegenic party leaders in the sunshine of the Downing Street garden—‘just like a wedding’—was greeted with almost universal applause. The *Financial Times*: ‘A seamless transfer of power—a good week for the pragmatism and commonsense of the British constitution.’ The *Economist*: ‘The best possible outcome, given the ropey electoral numbers—we welcome it.’ The *Guardian*: ‘The public seem pleased with the coalition . . . This is surely the right response.’<sup>3</sup>

### *Realignments*

What manner of beast is the Lib–Con coalition? Though the Tories dominate in political heft—306 out of 363 MPs; 19 out of 24 Cabinet seats—the ideological complement brought by the Liberal Democrats is the decisive hegemonic component. Firstly, although the main planks of the programme (the economy, welfare, education, etc.) are dismally familiar, given Britain’s tri-partisan consensus, the Liberal Democrat input situates the coalition agreement minimally, but self-consciously, to New Labour’s left: a bill to roll back Blair’s surveillance state; a commission on the Glass–Steagall-style separation of investment and deposit banks; a mildly redistributive capital-gains tax. Cameron has spoken of reducing inequality in the public sector: salary ratios should not exceed 20:1. In Washington, Foreign Secretary Hague pledged support for ongoing imperial campaigns, but ‘not in any slavish way’.<sup>4</sup> The liberal intelligentsia, viscerally anti-Thatcher and accustomed to think of itself as centre-left, seems for the most part surprised and pleased to be swept up in the Lib–Con tide. Will Hutton will be chairing a commission of inquiry for the government; Frank Field has also been offered a job. John Lloyd is typical of many coming to terms with ‘the paradox’ that ‘we look to a Conservative-dominated government for some form of egalitarian collectivism’.<sup>5</sup>

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<sup>3</sup> Respectively: *FT*, 13 May 2010; *Economist*, 13 May 2010; *Guardian*, 25 May 2010. Aspects of the coverage recall Claud Cockburn’s response, reported by Richard Ingrams, to the hacks’ discovery in 1964 that Sir Alec Douglas-Home was ‘really very nice’: ‘Nice? The words that come to mind are Stoat. Weasel. Toad.’

<sup>4</sup> ‘Hague affirms “unbreakable” ties’, *FT*, 14 May 2010.

<sup>5</sup> ‘Britain wrestles with the Con–Lib paradox’, *FT*, 26 May 2010. A few are moving in the opposite direction: ‘There was a point in voting Liberal Democrat when they could claim to be the party of insurgent democracy. There is no point in voting for them merely because they have buttressed Cameron’s Whiggish statecraft . . . Neo-liberal theory is a phantom, whose pursuit has led to a shameful increase in inequality and eventually to a catastrophic fall in employment and output—a deeper and richer realignment is desperately needed.’ David Marquand, *Guardian*, 26 May 2010.

For Cameron, leveraging the Conservatives' scant 36 per cent of the vote into a healthy, 80-seat coalition majority has also helped to contain the Tory Euro-sceptic right, which dominated the parliamentary party's first two terms in opposition, having given the Major government much grief. When Cameron launched his 2005 leadership bid as a self-declared 'heir to Blair', with a mission to 'make people feel good about being Conservatives again', he received overwhelming support from the membership, but won only a plurality of Tory MPs—90, against 57 and 51 respectively for Thatcherites David Davis and Liam Fox. His 'Blue Labour' faction, as the right dubbed it, made some headway before the 2010 election. Dozens of pliable new Tory parliamentary candidates were selected on the basis of 'diversity'—youthful, brown-skinned, female, gay. Party chair Sayeeda Warsi, born in 1971, is the daughter of a Pakistani mill-worker turned small-businessman, from Dewsbury. Nevertheless, Thatcherites would have constituted over a third of a minority Tory government. Cameron has shown himself quite as authoritarian and opportunist as Blair in his handling of the party. An attempt to bulldoze the backbench 1922 Committee to allow frontbench participation was rammed through by 168 votes to 118, although Cameron then had to row back, under a storm of protest.<sup>6</sup> But if backbench revolts offer little threat to legislation, the Thatcherites are made of sterner stuff than New Labour's Campaign Group. They also have a section of the press behind them: a much-debased *Daily Mail*, the *Spectator*, parts of the *Telegraph*. Already the Lib Dems' number two at the Treasury, David Laws, has had to resign over a sex-cum-expenses scandal, subletting from his clandestine boyfriend with taxpayers' money, as revealed by the *Telegraph*. The honeymoon may be shortlived.

The Liberal Democrat left, like the Tory right, has qualms about the Lib-Con coalition, which leaves them with no currency as an anti-Tory option. But Clegg can argue that this is a once-in-a-century opportunity, finally opening the way to electoral reform.<sup>7</sup> The Liberal Democrat demand for an Alternative Vote system, if passed by referendum, will only dilute

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<sup>6</sup> 'Cameron wins bid to "neuter" backbenchers', *FT*, 19 May 2010.

<sup>7</sup> The remnants of Gladstone's Liberal Party were consigned to the Celtic fringe from the 1920s, after being suffocated in the embrace of a Tory coalition during World War One, while losing electoral ground to Labour. The pro-Europe, anti-union Social Democrats that split from Labour in 1981 brought a more metropolitan constituency to the Liberal Democrat Party fusion. Since the 1980s the LDP has won around 20 per cent of the vote—an electoral base twice the size of the German FDP's—but hitherto the first-past-the-post system has consigned it to political irrelevance.

the present first-past-the-post arrangement; the Electoral Reform Society has estimated that the LDP's 57 seats in 2010 would rise to 79 under AV, mostly at the expense of the Tories. Under a transparently proportional system such as Germany's, it would have 149 seats, New Labour 188 and the Conservatives 234. But virtually any change, even one as minimal as AV, will increase Liberal Democrat leverage within the political system. The party also stands to benefit from being so visible in government, the fresh-faced Clegg constantly by Cameron's side on TV.

In fact, both partners in the Lib-Con coalition have an interest in redrawing the electoral system. The Tories' pledge to equalize the size of constituencies may have farther-reaching effects than AV. Just as Attlee in 1951 won the popular vote, but lost the election due to Labour's crowded and homogeneous northern constituencies, so Tories now suffer from the population drain to southern England. New Labour draws a scandalous advantage from the current boundaries, which on some reckonings award it a windfall of 60 extra seats.<sup>8</sup> At this point, it can only lose from electoral reform. Ironically, in 1997 it could have benefited, had it implemented the Jenkins Commission's PR proposals, building a long-term Lib-Lab bloc that could have kept the Conservatives out indefinitely. But the Blair government complacently missed its chance, and New Labour now risks the boot being on the other foot—a British version of the Kohl-Genscher coalition, commanding the support of 60 per cent of the electorate. The new regime stands to gain both material advantage and media kudos from opening the box of political reform, and holding up the Blairites' record by contrast.

### *Opposition*

New Labour's defeat will take its place within the wider story of the disintegration of European social democracy, from above—leaders enlisted in the neo-liberal project—and from below: deindustrialization, privatization, and downward pressure on wages from immigrant workers. In Germany, social democrats split to the left and remained organized in die Linke; future realignment with the SPD is still a possibility. In Italy, the left has been comprehensively disarmed, institutionally and ideologically. In France, the PS is solidly entrenched at municipal level, but has failed to recover as a national project from the disappointments of the

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<sup>8</sup> In 2005, the Conservatives' 8.7 million votes cashed out in 198 seats; Labour's 8.6 million votes in 2010 brought 258 seats.

Jospin years. Judged by the candidates for the post-Brown leadership, New Labour's intellectual degeneration outstrips all peers: witness the younger Miliband's struggle to 'draw a line under Iraq';<sup>9</sup> while the elder, having provided staunch support for Britain's torturers, muses that 'Labour was not good enough at making teachers, nurses and police feel like real entrepreneurs, with the power to reshape lives'.<sup>10</sup> The soft-left Compass faction fears that the Lib-Con coalition could become 'a hegemonic force that, like Blairism, camps out on the centre ground'—'it could leave us in the wilderness for fifteen years.' Compass writers fret that the new mantra of the Milibands, Burnham and Balls—'immigration, immigration, immigration—shows a zeal to 'outflank the Lib-Con coalition from the right'.<sup>11</sup> The war in Afghanistan does not rate a mention.

Institutionally, the party still has the fillip of 40 per cent of parliamentary seats. It can hardly fail to draw some benefit from popular resistance to the coming austerity measures, with the bonus that, henceforth, the only effective anti-Tory vote in England will be for New Labour. The argument that 'Tory cuts will be worse' succeeded in lopping the healthy 10-point lead the Conservatives had enjoyed throughout 2009 by 6 points, when the Shadow Chancellor incautiously announced a cosmetic £6bn 'efficiency savings' cut. Though this was peanuts compared to the £40bn the Treasury had already pledged to slash in 2011–12, the Tories never recovered the ground. New Labour turnout among (mainly public-sector) clerical workers in northern England was markedly increased. Opposition to 'Tory cuts' may not be enough to return New Labour to government, but it could help to sustain what might be called Corbynism, after the Member for Islington North: niche socialist activism of an honest and sometimes effective kind, but yielding nothing for the longer run except another parliamentary seat to count

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<sup>9</sup> 'The combination of not giving the weapons inspectors more time, and then the weapons not being found, I think for a lot of people it led to a catastrophic loss of trust for us, and we do need to draw a line under it. History will judge the outcomes for Iraq and that is important, but I think it is just clear to me because we went to war on a particular basis and when that basis turned out not to be correct even apart from the people that were against the war in the first place, that caused a big loss of trust for us: what I am not saying is that the war was undertaken for the wrong motives but what I am very clear about is what my position was at the time and the way I look at it in retrospect.' See: 'Ed Miliband: Labour's catastrophic loss of trust on Iraq', *Guardian*, 21 May 2010.

<sup>10</sup> See *Progress*, May 2010.

<sup>11</sup> Compass, 'Post-Election Statement'; John Harris, 'Labour's new motto', *Guardian*, 21 May 2010.

towards the reigning Labour politics—and renewal of the illusion that, one day, the party will be made afresh.

New Labour can also look to Scotland, which now supplies nearly a fifth of its MPs. Politically, Blairism's establishment of a Scottish parliament has proved its greatest success. Holyrood has been a decompression chamber for Scottish nationalism: the SNP has been tarnished by office, while the ideal of Celtic Tiger independence, on the model of Ireland, has taken a battering post-2008. Of Scotland's 59 Westminster seats, New Labour has 41, the Liberal Democrats 11, the SNP 6, Conservatives only one. New Labour's vote actually rose by 2.5 per cent in Scotland, compared to its 7-point drop in England and 5-point fall in Wales. The SNP had hoped for major gains, but saw only a 2-point swing and two by-election victories reversed; the LDP vote dropped by nearly 4 points. The new Liberal Democrat Secretary of State for Scotland is moving to implement the Calman Commission's proposals for increased fiscal independence for Holyrood, in a bid to outflank New Labour and land the devolved government with more responsibility for cuts.<sup>12</sup> But Scottish parliamentary elections in 2011 may bring further solace to New Labour.

South of the border, Brown's appeal to the voters that had abandoned the party in June 2005 to 'Come home to Labour' met with a patchier response. Revulsion at the carnage in Iraq and poisoned atmosphere at home—sacking of BBC heads for broadcasting a claim that Saddam had no weapons of mass destruction, armed police raids across Pakistani and Bengali communities, imprisonment of hundreds of Muslims without trial; the London Tube bombings and shooting of De Menezes came in July—brought a swing of nearly 4 per cent from New Labour to the Liberal Democrats in 2005, as the only party (mildly) to oppose the Iraq war. New Labour's share of the vote fell by 5 points to 35 per cent, or 9.5 million; a mere 21 per cent of the overall electorate. Blair retained a 66-seat majority only thanks to the biased constituency system and the fact that the Tory vote rose by only 0.6 per cent; the racist innuendo of Michael Howard's campaign—'Are you thinking what we're thinking?'—fell flat. The once-loyal Muslim vote, in particular, swung away from Blair. In 2001, 53 per cent of Muslim voters had supported New Labour and 24 per cent the Conservatives, with minimal numbers

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<sup>12</sup> For further analysis, see John Curtice, 'Across the Divide', *Holyrood*, May 2010; David Runciman, 'Is this the end of the UK?', *London Review of Books*, 27 May 2010.

for the LDP. In 2005, Muslims' New Labour vote dropped by 28 points, to 25 per cent; their Conservative vote fell to 10 per cent; their support for the LDP rose to 40 per cent.<sup>13</sup>

In 2010, professionally focused campaigns poured New Labour largesse into swing-seat Muslim communities and mobilized against a BNP threat that was, for the most part, overblown. Muslims 'came home' to New Labour by 13 points: its share of their vote was up to 38 per cent, compared to 8 per cent for the Conservatives and 24 per cent for the Liberal Democrats. Inner London constituencies with anti-Blairite MPs—Jeremy Corbyn, Frank Dobson—also benefited from small swings among working-class voters and under-27s, as well as boundary changes. But these counter-flows were no match for the continuing flight of the mainly white working class, manual and clerical, in the Midlands and the Greater London region. In 2001, New Labour won perhaps 60 per cent of working-class voters, and a majority of the urban middle class, albeit from an electorate hollowed out by Tory abstentions. By 2005, the only swing to Blair came from 'managerial-class' voters. Over 50 per cent of clerical and manual workers in southern England and the East Midlands favoured the Conservatives, with Liberal Democrats also getting an increased share of their vote. In the West Midlands, New Labour retained only a bare advantage among clerical and manual workers in 2005. It could count on majority working-class support only in its heartlands: northern England, Scotland and Wales.

With New Labour's electoral hold already undermined from within, a 4-point swing to the Conservatives in 2010 was sufficient to mop up 26 Midlands seats, two dozen more from the Greater London region and the southeast, and a further 21 in the north.<sup>14</sup> In addition, there are

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<sup>13</sup> Data here and in what follows is drawn from the University of Essex British Election Survey spreadsheets for 2001, 2005 and 2010. The figures are soft, since they are based on pre-election surveys; but, correlated with election results, should be robust enough to indicate trends. Many thanks to David Butler, Mark Stuart and Rosie Campbell for helping NLR researchers access the datasets; they bear no responsibility for any statistical or analytical errors.

<sup>14</sup> In the Midlands, Conservatives won seats in Wolverhampton, Stourbridge, Nuneaton, Redditch, Rugby, Loughborough, Lincoln and Northampton. Greater London gains included Brentford, Croydon, Battersea and Ealing; in the south-east, previous Thatcherite strongholds in Basildon, Harlow, Stevenage, Bedford, Chatham, Crawley and Dartford. In the north, a pronounced swing to the Tories among over-65s may have helped Cameron take seats in Blackpool North, Carlisle, Chester, Crewe, Dewsbury, Keighley and Stockton South.

around 30 New Labour marginals in the Midlands (seats in Birmingham, Walsall, Derby, Chesterfield, Nottingham), Yorkshire and Humberside (in Sheffield, Wakefield, Grimsby, Middlesbrough, Hull) and Lancashire and the Greater Manchester region (in Blackpool, Bolton, Oldham, Rochdale, Stalybridge) where the Euro-sceptic UK Independence Party skimmed a few thousand votes from the Conservatives, allowing New Labour to scrape in.

### *After the crash*

As elsewhere in Europe, working-class desertion is in part a disaster of Blair and Brown's own making. Thatcher famously dealt with the problem of Britain's chronic economic decline by tearing up the welfare-state settlement and throwing the City of London open to Wall Street financiers. But it was only under Major, with recovery from the crippling recession and post-ERM sterling devaluation of 1989–92, that a new model began to emerge. Tax revenues from the fast-growing financial and business-service industries fed a reflation of the public sector, now opened up to private capital on the most favourable terms.<sup>15</sup> Under Blair and Brown, the City of London was pumped up into the most deregulated trading centre in the world, just as global financial activity entered Minsky's 'Ponzi moment', a phase of accelerating and unsustainable speculation. For a brief spell, the Anglo-Saxon model was the wonder of the Western world. In the UK, a high pound ensured cheap imports and easy credit. In a miniaturized version of the US economy, household debt and house prices, led by the southeast, began to soar; the value of a London home went up by 500 per cent within a decade.

The New Labour years saw the rise of a new financial 'mass elite'—half-a-million sterling millionaires—and a property-rich rentier middle class, owning a disproportionate fraction of the housing stock. They also brought a levelling-down for the 'property-poor' who live by their labour. The median wage is £21,000 and 80 per cent of Britons earn under £35,000. Crippled by the high pound, domestic manufacturing has shrunk to 13 per cent of GDP, a significant proportion of which is made up by the heavily subsidized arms industry. British manufacturing has shed a million jobs under New Labour, the majority from the medium-sized firms of the Midlands and Greater London region. Blair's decision

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<sup>15</sup> See Tony Wood, 'Good Riddance to New Labour', *NLR* 62, March–April 2010.

in 2004 to reward the ‘New Europe’ countries’ support on Iraq by flinging open the door to their job-seekers, at that time barred from Germany and France, led to the largest influx of immigrant labour Britain has ever known.<sup>16</sup> Educated, hard-working young East Europeans flooded the service sector, especially in southern England, toiling for minimal wages, cash in hand. UK unemployment started to rise in 2005, with the official number over 2.5 million by 2009; another 7.7 million are in part-time jobs, or have taken reductions in their hours and wages. It is workers in these regions that have deserted New Labour in greatest numbers over the past decade—in many instances, constituencies that swung to Thatcher in the 1980s, turned New Labour in 1997, and have now gone Conservative again.

A richer country, in some respects Britain faces a more advanced and complex crisis than Greece or Spain. The Anglo-Saxon model crashed in 2008. A perilous unwinding of its mega-banks and ‘quantitative easing’ lies ahead, with no prospect of growth on the horizon. The UK’s principal market, the Eurozone, is undergoing a severe retrenchment; the immense stimulus applied to the US economy will be coming to an end; in China, the CCP has slammed on the brakes to prevent overheating, to as-yet unknown effect. Post-crash Britain may be returning to a new era of chronic decline. At any event, a period of sharp restructuring lies ahead, as its rulers attempt to squeeze higher profits for investors from public-sector pensions, wages, taxes, hospitals and schools. As Wolfgang Schäuble recently pointed out, each European government can use the crisis to push through capital’s wish list of structural reforms: in Germany, softening up the labour force by cutting unemployment benefits; in Spain and France, stripping out the gains—‘rigidities’—of older employees; in Italy, slashing the Mezzogiorno public sector.<sup>17</sup> The widely proclaimed end of neo-liberalism looks more and more like the continuation of its agenda by other means.

For the time being, the political fall-out of the global economic crash remains in suspension. New Labour’s defeat is the result of a longer-term erosion of support, and response to the crisis in Britain has been delayed by pre-election stimulus measures. Mobilizations against Papandreu in Greece, Zapatero in Spain, Sócrates in Portugal or Cowen in Ireland

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<sup>16</sup> *FT*, 28 May 2010.

<sup>17</sup> Interviewed by Quentin Peel, ‘Berlin’s Strictures’, *FT*, 19 May 2010.

must also reckon with the fact that their political opposite numbers, if brought to power, would do just the same. It could be said that the crisis itself has not yet produced any major anti-incumbent swing. A pattern seems to be emerging in which moves towards restricting finance, or making it foot some part of the bill for the crisis, are taken under political pressure: the Merkel government banning naked short trading after the loss of North Rhine-Westphalia; the European Commissioner issuing a harder directive on hedge-fund regulation, following the turmoil in Greece; Obama, after the loss of Massachusetts, calling in Volcker and telling Goldman Sachs he was 'ready for a fight'. Without real political will behind them, such measures are swiftly eroded by the back-room influence of the financial institutions, as with Congress's finance regulation bill. It hardly needs to be added that, in the US, leave alone in Britain, there are no signs to date of a capitalist alternative to the Wall Street model. But these are still early days.