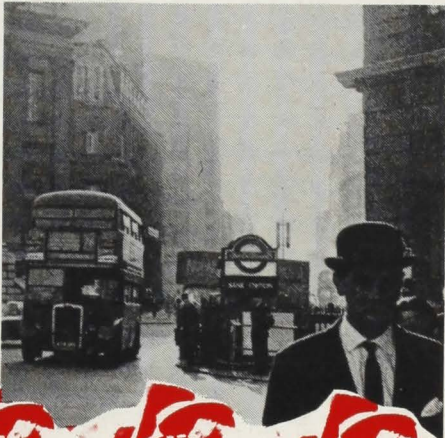
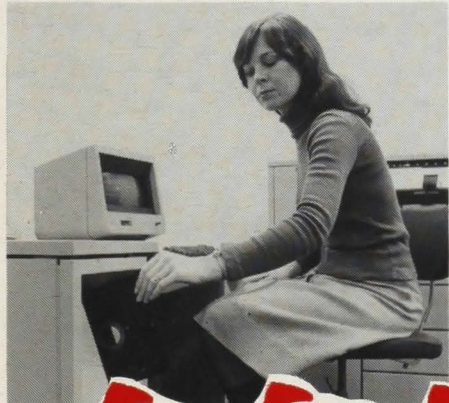
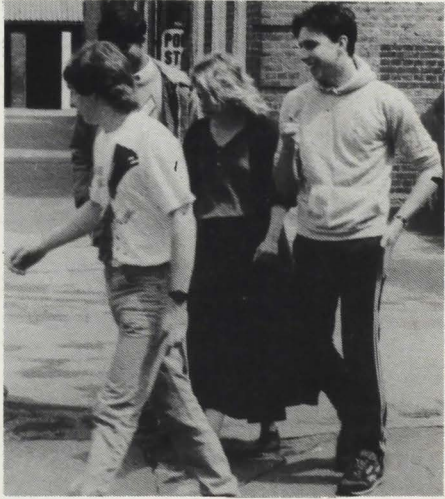


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The politics of prosperity



Charles Leadbeater

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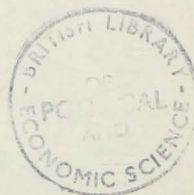
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Introduction

If Labour is ever again to win power it must develop a strategy which offers a resolution to the problems of Britain in the late 1980s and 1990s. The left's credibility as a political force will not be significantly rebuilt either by its preparedness to amend past policies, or by an attempt to absorb the less unpalatable policies of the Thatcher governments.

Neither Labour's past policies nor Thatcherism's current policies offer adequate or acceptable measures of the credibility of Labour's future strategy. Credibility will be rebuilt only by developing a strategy which realistically addresses, and offers some resolution to, the problems of modern Britain. These can be characterised in all kinds of ways, but essentially they resolve into two key issues—the growing divisions and inequality in Britain, and the continued underlying weakness of its economy.

These two issues cannot be addressed in separation. In this respect Mrs Thatcher is right. Progressive social

policies can only be built on a strong economy. One reason we have had such disastrous social policies in recent years, is because we have had such inadequate economic policies. Labour will never win power if it presents itself primarily as the party of compassion, which sees the problems of modern Britain as mainly a social and distributive crisis. It must also have a strategy to promote economic efficiency and international competitiveness. Only with a strategy which promotes both economic competitiveness and social citizenship will Labour have a credible strategy for the 1990s.

1. The growing divide

The starting point for a new political strategy must be a picture of the kind of society we are becoming. The most alarming aspect of that is the growing division in British society. There are many indices of this growing divide. But the most fundamental is the decomposition of the British workforce.

In the 1950s and 1960s, full employment provided the base for the social democratic consensus. Unemployment was about 3 per cent, and most of the unemployed were on the dole for short periods. Part-time work, temporary work and self-employment were relatively small proportions of total employment. Full employment, by and large, meant male, full-time employment.

The social democratic consensus and the full employment base reinforced one another. As demand management by the corporatist state promoted full employment, so full employment stabilised the political order.

The full employment base for the political order began to break apart in the 1970s with the growth of unemployment after 1973, and the rise in part-

time employment. In the late 1970s and early 1980s the foundations cracked apart with the rapid rise in unemployment.

The established corporatist style of decision making was dismembered in line with the rejection of full employment as the chief goal of economic policy.

But the savage upheavals of the early 1980s are over. Britain now faces a different kind of problem. Not rising unemployment but sustained, persistent mass unemployment. Not upheaval but a new stability built on the foundations of a divided workforce. It is from this new stability that the development of a political strategy for the 1990s must start.

The British workforce has decomposed into at least six clear groups. Firstly, there are the long-term unemployed, the more than one million people who have been out of work for more than a year. They suffer a kind of permanent exclusion from society. It is they who have borne most of the chronic costs of the restructuring of the British economy. It is they who were made unemployed in the name of the fight against inflation. But it is others who have enjoyed most of the benefits.

Secondly, there are the recurrent unemployed. Those unemployed for less than twelve months still make up the majority of the unemployed. Once unemployed, someone is highly likely to be made unemployed again in the future. The jobs they get tend to be unskilled, on the bottom rung of the ladder in companies' internal labour markets. As a result they are the most vulnerable to redundancy.

Thirdly, there is the growing army of peripheral workers, part-timers, freelancers, temporary workers, the self-employed. Their number has grown partly because of the continued growth of the service sector which is the predominant employer of part-time and temporary labour. But some of the growth in the peripheral workforce marks a change in companies' employment policies since the end of the recession

in 1983. Peripheral workers are cheaper than full-time, core workers, because companies often save on pensions, sick pay, holiday pay and national insurance contributions. Moreover, peripheral workers offer companies the opportunity to vary employment in line with fluctuations in demand and output. So peripheral workers often provide security for core workers, by acting as a buffer against changing business conditions.

Full-time

Within the full-time workforce there are at least three different segments. Firstly, on the fringes of the core are the unskilled and semi-skilled workers. They are the most vulnerable to redundancy, the least likely to be reskilled to use new technology. Nevertheless they are likely to identify with their company and their fellow workers more closely than they identify with the unemployed and peripheral workers.

Secondly, there are the genuinely core workers. The skilled working class. These are key workers for companies, the source of productivity gains and high quality products. The core workers will have been retrained to use new technology, paid to motivate them to higher performance, encouraged to identify more with their employers' business goals through share schemes and employee involvement.

And finally, there are the managers, the executives, the directors, stock-brokers and bankers, who have enjoyed enormous gains in the last few years.

This decomposition of the workforce has gone along with other dimensions of division. There is greater inequality between regions, but also within them. The South-East is more prosperous than the North-West, but the leafy executive housing estates in Cheshire are more prosperous than either Hackney or Mosside. And certain groups in the labour market have suffered more than others, particularly the young, women, workers from ethnic minority back-

grounds and, perhaps surprisingly, older white men.

This decomposition and division raises three types of question which any political party has to address if it is to have a credible strategy.

Firstly, there are distributional and social questions. Both the growth in inequality, or its reversal, requires a politics which legitimises the transfer of resources from one group to another, or the relative disadvantage of one group at the expense of another.

Secondly, such a distributive view has to be integrated within an approach to economic restructuring, the common root for these divisions. Both the relative affluence of the core and the insecurity of the periphery have been created by an economic strategy aimed at reducing inflation and raising competitiveness.

For example, long-term unemployment is the consequence of the redundancies of the early 1980s, the weakness of growth since then, and the inadequacy of programmes to create skills and jobs. The high real earnings of skilled workers reflect companies' need to motivate them to higher performance, the recent improvement in profitability and the introduction of new working practices along with new technology. These divisions are an economic creation. They cannot be overcome by redistributive policies alone. It will also require a strategy to restructure the economy in a different way. But whatever the character of that strategy it must be aimed at promoting growth and competitiveness. For the kind of social policies Labour would need to adopt requires a growing

economy to support them.

Finally, a credible political strategy needs to be exactly that—strategic. Winning authority is not merely a matter of image, nor of ideas, nor of working out detailed policies. A credible political strategy must recognise the enormity and significance of the changes which have taken place in the last decade. It must not simply modernise past policies, or extend past plans. It must be strategic in a forward-looking sense. There must be some vision of what kind of society this strategy would create.

This implies taking clear strategic positions on the role of the private sector, the market, competition and individual initiative, as well as the state, collective finance and public provision, in contributing to equity, security, efficiency and choice.

It will also have to be a strategy in which the levels of the programme fit together. It must be built up from the foundations of the cultural identities and lifestyles it sanctions and approves (eg home ownership), through the institutional mechanisms which promote and maintain these (eg council house sales), to the higher political ideology (eg the market, private ownership).

So any authoritative political strategy for the 1990s will have to have three components. It will have to have a clear distributive direction, it will have to have a view of how economic restructuring and growth should be promoted and to what end and it will have to be strategic. With these criteria in mind it is clear why Labour lost the last election. For on all three counts the Tories appeared to have a more coherent, powerful strategy.

2. How the Tories won

When Mrs Thatcher came to power she arrived with economic policies very different from those of previous post-war governments. But the form of the politics of Thatcherism retained one crucial element of continuity with the past. It offered to be inclusive.

Britain had deep-seated problems, which needed a bitter and painful cure. All would play a part in this, all would bear burdens in the restructuring that would follow from monetarism. But all would benefit from the leaner, fitter, more competitive market economy that would emerge. The sense of national crisis that Thatcherism engendered was a powerful part of its popularity.

But now its popularity rests on exactly the opposite kind of political strategy. It rests not on offering to include, but on promising to exclude. The gains of the 'insiders' in British society have partly been won at the expense of the 'outsiders'. The Tories won the last election because they tacitly, but quite clearly, gave the 'insiders' the message that their gains in higher pay, tax cuts, rising house prices, booming consumption, would not be challenged for the sake of the 'outsiders'.

That crude core of the strategy has over the last year developed a more sophisticated fringe. The government's commitment to raise spending on health and education, is a pragmatic appeasement of the social consciences of the 'insiders'. In its third term, Thatcherism sees its goal as consolidating its economic success, with a cultural counter revolution to bring choice to those left behind by economic growth, and weaken their reliance on and support for public services.

This was complemented by its approach to the economy. Thatcherism has engineered a complete shift in the idea of efficiency and growth. In most of the post-war era, the state played a vital role in ensuring efficiency and growth, through its management of the

economy. Many people now believe that the task is beyond government. While the government can set a stable framework for companies to operate within, and it can temporarily stimulate the economy through macro-economic policy, it cannot deliver efficiency and long-run competitiveness. Many people believe that that task lies more narrowly with companies, as they restructure to face competition. The really important economic decisions which will affect whether people have jobs or not are taken by managers and shop stewards, not by civil servants and politicians at one remove from the real economic choices.

Efficiency

Along with this shift in the idea of where the important economic decisions are taken, there has been an enormous change in the content of the idea of efficiency. In the post-war era, efficiency and growth had a social purpose. Through policies to promote full employment and the welfare state, the benefits of growth were meant to be widely spread. In the late 1980s profitability is the vital measure and purpose of efficiency. Companies are not in business for social purposes, they are not even in business to make products, they are in business to make profits.

With the government disavowing any ability or duty to ensure that growth leads to social benefits, and companies arguing they have no responsibility for what goes on beyond their walls, the whole idea that growth should have a social purpose goes down the drain. So

the economic ideology of the Tories has narrowed and atomised people's views of the economy.

Moreover, the Tories have delivered five years of growth at between 2 to 3 per cent per year, and real earnings gains to those in employment which outstrip anything provided by the last Labour government. Large parts of the economy *are* more efficient and competitive. This does not amount to turning the economy around. Providing a consumer boom in the South-East, ensuring that companies have become more profitable in the short term, does not ensure that the whole economy is on the path to recovery, that unemployment will fall, that companies really are in a position to grow into new markets. But after the high inflation of the late 1970s and the recession of the early 1980s, the Tories have provided many people with a period of stability, security and prosperity.

And finally this distributive and economic strategy has been gathered into a strategic view of the Tories' project. This has not been immutable, nor is it consistent. But over time the links between the levels of policy have been

forged. Take privatisation and share ownership for instance. The great state corporations which towered over people during the 1960s and 1970s have been humbled by millions of share transactions carried out by ordinary people through banks and building societies. The policy has changed people's sense of themselves, if only in a limited way, and has enlisted their support for the privatisation programme, which has in turn fuelled the government's economic policies, and contributed to its ideological goals of curtailing the state and passing control of the economy into private hands.

But the Tories' programme is also strategic in a forward-looking sense. It attempts to mould many of the aspirations of the affluent working class. Aspiration implies more than desire. It also implies some judgment about what a good, justifiable way to live is. The Tories have quite simply offered to meet many of the affluent working class's aspirations to move up in the world, to own a home. For many of the new working class, Thatcherism offers to create a society in which they can see they will have a stable favoured position.

3. Labour's failed response

The Tories have been able to mould the aspirations of working people within their political strategy only because of the paucity of the alternatives.

Labour fought the election primarily on its social policies. Even these were woefully inadequate. But more importantly they were not supported by a credible programme to create a dynamic, internationally competitive economy. Mr John Smith, the then shadow trade and industry spokesman, did talk about the need to sharpen the economy's competitive edge. But neither occasional press conferences nor glossy policy documents were going

to establish an association between Labour and economic dynamism. To many it seemed Labour either could not face, or simply did not understand, the unavoidable, hard choices thrown up by the demands of competitiveness.

Ordinary people, managers, and workers have to resolve these questions. They cannot wish them away. If Labour cannot even clearly address the questions people have to confront in their daily economic lives, it is no wonder

that many thought the party was not fit to govern.

Nor was Labour's response strategic. Its vision, such as it was, gave no sense of how the lifestyles of people who have done well over the past few years, would fit in the kind of society that Labour wanted to create.

The economy

There is no doubt that much of Labour's economic policy was popular. Cutting unemployment, rebuilding manufacturing industry, are policies that large parts of the electorate would support. The key weakness was not in policy as such, but rather in Labour's general stance towards the economy.

A large number of people, particularly in the South, particularly among the affluent working class and the private sector middle class, feel they have gained something in recent years. And they also feel Labour would somehow ruin it, or take it away from them. This doubt about whether a Labour government would really be able to maintain their prosperity stems from the left's confused response to the recent performance of the economy.

The efficiency of the economy has been enhanced at unacceptable costs in terms of unemployment. It has also led to a greater managerial assertiveness. To recognise that those firms which have survived the recession are more efficient, competitive and profitable seems to condone mass unemployment and managerial assertiveness. But on the other hand to continue to argue that the Tories' management of the economy has been a disaster—and thus by implication that Labour would do something different—clearly worried the affluent working class. At best it simply did not chime with their experience that higher profitability had led to higher earnings. At worst it produced terror that Labour was going to wreck everything.

Workers may not like changing working practices; they may not trust managements more than they used to;

and they may not identify with companies more closely. But there is a resigned recognition that security is provided by having a competitive job in a competitive company. Questions of economic competitiveness cannot be wished away, as many of the left seem to imagine. The election exposed the left's great failing—its unwillingness or inability to think economically.

Many on the left argue that Labour should not dirty its hands with these questions, because it is only employers and financiers who have an interest in promoting profitable companies. To talk about competitiveness and profitability as vital goals of Labour's programme, they say, is merely to move on to the Thatcherite ground. But to accept this argument implies Labour will always have an arm's length relationship with the motor of the real economy. It implies Labour believes its task is to take out of the economy what it needs for social policies, without really answering the questions of managers, investors and workers about how the competitiveness of the economy will be maintained.

A clear Labour strategy spelling out the roles of the market, the private sector and the state in promoting competitiveness and profitability is essential to give credence to Labour's policies on unemployment and social issues.

Social policies

Labour fought the election on its social policies, on its compassion, on its argument that the task of government was to reintegrate a divided society. These social policies were the strongest suit in a weak hand, but they were far from strong.

Social policy has to be conceived broadly: it should not be seen as just the range of actions the state will take to address social problems. It must be an approach to the whole social world, including those areas where people want to and can be self sufficient. Social policy should not be seen just as that range of things that Labour commits

itself to do for people through the state. It should also be seen as a range of things it permits, encourages and supports people to do for themselves.

One of the important social changes that Labour has yet to come to terms with is the shift between work and 'non-work' as a source of people's interests, as a centre for their concerns. This shift has not come about suddenly but it has been accelerated in the last seven years. For most people the possibilities for fulfilment and advancement at work are limited.

It is outside work in the private, home-centred, family world that people are able to express themselves, to mould their world more as they like, to feel a sense of power and freedom. At work men and women have to adapt, change their working practices, to respond to the changing preferences of consumers. The freedom of consumers creates in turn imperatives that workers cannot escape. Outside work people enjoy some freedom in the shopping centre, through enjoyment of time at home. Individual consumption and ownership offers workers some limited chance to have their own back, to be on the right side of the line that divides consumers from workers.

Labour has enormous problems coming to terms with the individualisation, the privatisation, the consumerism, of how the good life is constituted. This is partly because it is seen as the party of workers rather than the party of consumers, even though over the course of the century the working class has spent less and less time at work, and more and more time in consumption and leisure.

But Labour's problems in coming to terms with the social life of the affluent working class, for instance, goes beyond that general point. Many of the left see consumerism as the expression of false consciousness. What the working class believe they want is not necessarily what they need. They have been duped into wanting things which do not match their true, underlying needs. So, the argument goes, the left should not respond to people's desires as they are

immediately expressed but rather seek to reveal their true underlying needs.

Many on the left also believe that it is somehow wrong that there should be enjoyment, pleasure, prosperity, when there is so much deprivation and misery. At times this comes close to accusing the affluent working class of collaborating in the creation of deprivation, close to accusing them that their affluence is immoral and undeserved—particularly as they have won it thanks to a Tory government. They have turned their backs on their natural party, so their natural party will turn its back on them.

In short, Labour's proper concern with deprivation, injustice and poverty has meant that it seems out of touch with the culture of consumerism.

Labour's social policy seems aimed at grey social collectivities. It seems to submerge people in these collectivities. For too long the left has understood the way that society works in terms of abstract, depersonalised structures. Individuals are seen as the hapless bearers of these structures. Labour's concentration on depersonalised collectivities helps to persuade people that the party is not interested in individuals. Moreover, it seems that wherever Labour is concerned with the social it has to have a policy. The enactment of social policy is seen as active state intervention to solve people's problems for them, rather than intervention to create a space within which people can be enabled to have some choice and power over their lives.

But even with the arena of social policy traditionally conceived, Labour's plans were weak and unimaginative. This was symbolised by its tax and social security proposals which seemed confused. But at a much more general level, Labour had no effective counter to the Tories' social ideology. Thatcherism has created a powerful opposition between the state and collective provision, which is associated with uniformity, inefficiency, indignity and lack of choice, and the market and self sufficiency, which is associated with choice, efficiency, rising living standards.

Labour found no way through this dichotomy. Old-fashioned state solutions which stress uniformity clearly do not meet many people's aspirations for greater choice and control. But the individualism of market solutions to social problems leads to growing inequalities. Labour needs policies which stress the importance of collective provision in securing equitable access to minimum standards of provision in, for instance, housing and health care. But these have to be combined with a vision which shows how public services can also provide flexibility, efficiency, local control and choice.

Strategy

Finally there was no sense in which Labour's programme was strategic. People can see that their world has changed enormously since the late 1970s. At work they operate with new technology, under new competitive pressures. In the shopping centre they see new shops and products. They carry credit cards in their wallets. And yet Labour seems to drag its feet reluctantly

into the 1980s, still hankering after the late 1970s.

Labour still seems to want to say that some of the key transformations of British society in recent years are unimportant, temporary or too unpleasant to think about. An alternative would be to encompass these changes within a political view which makes them attractive without implying that they have to lead to division or exclusion.

The spread of home ownership, share ownership, the persistence of unemployment, the enormous contraction of manufacturing, privatisation, the changes in the role of unions, companies and the state, these are not temporary changes. They have created an entirely different terrain for politics from that of the 1970s.

Given its inability to come to terms with the changes which have taken place in the last decade, it is unsurprising that Labour was not able to articulate a powerful vision of the kind of society it wanted Britain to become. It gave no sense of how the lifestyles of the affluent, and aspirant, working class would flourish at the cultural base of that society.

4. A social coalition for change

What then should guide Labour in its attempt to develop a strategy for the 1990s? It will have to combine a distributive and economic approach in a strategic view of the party's goal. But Labour will have to build a social coalition for change if it is to win power.

Labour polled strongly among the unemployed, unskilled, semi-skilled and among the university-educated, public sector, middle classes. But only about one-third of skilled workers voted Labour, 60 per cent of trade unionists voted for another party, 80 per cent of white-collar workers, and less than a

third of workers owning their own homes voted Labour. On the other hand the middle class is not a homogenous political block, with more than 40 per cent of the professional and managerial strata not voting Tory.

Labour can only win power by constructing a programme which appeals

across the divides in British society. Labour's programme must address the needs of the dispossessed; any attempt to sanitise the party of the politics of the disenfranchised would be wrong and pointless. These people suffer fundamental disadvantages which Labour must continue to address. Indeed this is a task well beyond that set for the welfare state in most of the post-war era. But Labour must also address the other new classes in Britain—the aspirant and affluent working class and the middle class. At the moment Labour is not appealing to either adequately.

Constructing a social coalition is not a simple matter of electoral sums, of drawing up lists of superficially attractive policies. There must be some underlying, unified, coherent political drive—something which is sadly lacking on the non-hard left.

For too long the left has been trapped by defining itself through comparison. The soft left is defined by its rejection of the politics of the hard left, by its criticism of the SDP as sub-Thatcherite, by its ideological opposition to Thatcherism. Policy reviews are judged internally by how far the party should move away from its past commitments. The soft left is not held together by a positive, distinctive programme, but by a refusal to be drawn towards the programmes of others. The challenge for non-hard left is to build a sense of itself from an external orientation to real issues. That means answering this question. How would a Labour strategy change investment, production, work, consumption, ownership, to mould the transformation of society in a different direction?

Any strategy formulated now needs to be forward looking rather than addressing the reasons why Labour lost last time. If Labour does not do this, it will be lagging behind the game when the next election comes. There are three reasons for this. Firstly, Thatcherism's agenda is moving on, particularly to

attack what Mrs Thatcher calls the dependency culture created by the welfare state. The new ideas on housing, education, inner cities, privatisation, workfare and rates, will be ingrained parts of the political agenda by the time the next election comes.

Secondly, the economic situation is likely to change within the course of this Parliament. A future downturn brought on by imbalances in the world economy will expose how fragile industry's recovery from the recession has been, the limits of the government's programme to promote jobs, and the mountain of personal debt which has been built up over the last few years. It is by no means obvious that a downturn would lead automatically to support for Labour. It may be that most of the 'insiders' in British society will want to stick with the devil they know, rather than risk trusting a Labour government which might push up inflation, and taxation, at a time when their gains look in peril. But a downturn would undermine the Tories claim that prosperity is written into the fabric of comfortable Britain.

Thirdly, the Tories do not have an inextricable hold on the aspirations of the affluent working class. The task for Labour is to find a way of accommodating these aspirations within an alternative programme, but also to tap and articulate emerging aspirations.

A strategy for change based on a combination of economic competitiveness and social citizenship could accommodate and unify these social forces. Labour should aim to establish a profitable, efficient, internationally competitive economy which is also socially responsible, compassionate, inclusive. It must promote the creation and development of profitable, efficient firms which will provide secure employment. But it must also once again show that efficiency can and should have a social purpose.

5. Economic competitiveness

Britain faces two key economic problems. What can be done to bring down unemployment? What can be done to promote the competitiveness of the British economy to provide a solid foundation for future growth?

The decline in oil and gas production, the continued advance of the newly industrialising countries, the likely decline in the dollar making the US more competitive, the possibility of a recession within the next few years, all raise the question of competitiveness as an urgent issue.

These two problems, unemployment and industrial competitiveness, can only be solved together. Britain could move back towards full employment with slow economic growth, cuts in working hours and low demand for both energy and imports. But the cost of such a strategy would be long-term restraint on the growth of living standards. Britain would be a fully employed but relatively poor country. The only way to promote both rising living standards and falling unemployment is through higher growth. And that in turn will require a significant modernisation of both leading manufacturing and service sectors.

So first and foremost Labour must have a strategy for building a competitive economy. In the 1950s and 1960s, the guiding idea for economic policy was the goal of full employment via demand management. In the mid-1970s and early 1980s this was replaced as the guiding idea by reducing inflation through monetary and fiscal policy. In the late 1980s and 1990s the key economic idea will shift towards competitiveness to secure the economic base for a new social and political equilibrium. The question is, how should this be pursued?

Developing a strategy must start from the position, as Eric Hobsbawm has put it, that much of British industry in the late 1970s was in need of a kick in the

pants. Some of the economic developments which have taken place since the late 1970s are either good or ambiguous, and could be encompassed within a left economic programme. These include the growth in competitiveness in some sectors, the introduction of new technology and new working practices, the development of more flexible forms of working, the expansion of employee share ownership. None of these is straightforwardly bad, indeed all of them could be extremely positive if they were moulded within a left strategy. For instance, part-time work can suit some workers; it does not need to be exploitative. To condemn it out of hand would be misguided; to accept things as they stand would be inadequate. The left needs an approach which promotes both flexibility and security.

Then there are changes which may be unwelcome, but which simply may be too costly to reverse or not worth reversing. Full-scale renationalisation of British Telecom and British Gas fits into this category. A new strategy is needed for the social ownership of these corporations. But more important is a strategy to ensure that these lumbering monopolies, whether publicly or privately owned, deliver a decent service to the consumer.

And finally there are economic changes, the persistence of unemployment, the loss of competitiveness in some sectors, which can and must be reversed.

Profitability

The left may not like the way that enhanced efficiency has been achieved.

But nevertheless if Labour had been in power over the last five years and had delivered growth of around 2 to 3 per cent, earnings growth of about 7.5 per cent, and lower unemployment it would have been championing its ability to run the economy. It would not have mattered that much of this growth would have been delivered through privately-owned companies becoming more competitive and profitable. And the same will be true in the future; Labour will and should be glad to operate with companies that are efficient and profitable.

Building competitive companies requires more than just new technology production techniques. Companies win higher market shares or open up new markets through innovation. But this requires attention to all aspects of a business, from research and development, design, production control, working practices, marketing, finance, to sales and distribution.

This in turn carries implications for the organisation and ownership of the economy. Companies cannot be turned around and made more competitive by civil servants and politicians. They simply would not know what to do. Competitive companies can only be built through the efforts of managers, union officials and workers on the ground. This is not a sufficient condition for competitiveness. But it is necessary to accept that there can be no grand plan imposed from the centre.

This acceptance of the need for decentralised decision making in turn implies two things. Firstly, given the constraints on resources it would simply be impossible for a Labour government to take large manufacturing and service companies into public ownership. There would be far more urgent priorities for the resources available to a Labour government. Secondly, and more importantly, whether these companies operate under private or public ownership they have to operate primarily through the market. Simply because it is the most efficient way to co-ordinate lots of decentralised economic decisions.

So if we accept the need for private

ownership, decentralised management and the market, we must accept profitability as an important measure of efficiency. There has to be a very good argument for an economic activity which does not make money. There are important limits to the use of profitability as a measure of efficiency. Short-run profitability is not necessarily a guide to long-run profitability. The calculus of profit and loss for companies is not the same as the social costs and benefits of their decisions. An unprofitable pit is not necessarily an uneconomic pit, if the miners due to be made redundant will spend a long time producing no output at all because they are unemployed. But nevertheless, profits are a vital measure of whether or not something is successful. They also provide incentives for effort and investment. As stated before, companies are not in business to make products, they are in business to make profits.

Any viable left programme, aimed at creating more commercially competitive companies, must give a big role to private ownership and investment, decentralised management and decision making, the market, competition and profitability.

The role of the state

Does this mean then that the state should play only a limited role in the economy? That Labour should support the aim of profitability without any other goals?

Clearly the state will have a crucial role to play in promoting socially-responsible competitiveness. But judging what role it should play will require a reassessment of some of the guiding lights of economic strategy, especially past commitments to particular institutional forms of intervention such as public ownership. It needs to start from very simple goals. How can the state help to develop and maintain competitive, secure jobs for workers and good quality products for consumers?

With these goals as a starting point it

becomes clear that there can be no dogmatic solutions, no blanket policies. Labour must look at a greater diversity of ways that the state should mould the economy.

A start can be made with plans for social ownership. Rather than get tied up with trying to construct acceptable formulae for social ownership, Labour has to focus more on social control. The reasons for this are simple. Ownership does not guarantee influence or control, and in many cases ownership is not needed for influence or control.

Most of the British textile industry for instance is at some point in the year preparing for a visit from one of the most powerful people in the industry: the chief buyer from Marks & Spencer. It exerts control via contracts, not ownership. Sock Shop exerts control over its retailers by its system of franchising out sites. It does not own them but sets retailers certain goals to meet.

And in an increasingly internationalised economy, ownership will simply guarantee control over management offices and production lines rather than investment decisions and production itself. If Labour owned Ford Dagenham, home of the Fiesta, it would have little or no control over the transmissions which come from France, the wheels which come from Belgium, the body panels which come from Spain and the suspension components which come from West Germany. So Labour needs a strategy for social control of which social ownership would be one component.

British Telecom

The most pressing case for a review of Labour's social ownership policy is British Telecom. Labour's approach to BT, the economy's largest company, will be taken as a signal for its approach to social control of other utilities, and the economy as a whole. The vital question is not whether BT should be privately or publicly owned. What people want to know is how the business should be

structured to provide them with a good telephone service. A future Labour government should clearly put itself on the side of the consumer against the monopoly.

The basic telephone network should be publicly owned: competition in providing the basic network would be wasteful, if not impracticable. Moreover, there are positive reasons why it should be publicly owned. The future digitalised telephone network will carry all kinds of information. It will be the infrastructure of the information technology economy. As such it will require high levels of investment to develop it, and it is right that such a vital infrastructure should be developed to a social as well as a commercial purpose.

But combined with public ownership of the infrastructure a Labour government should also introduce competition. BT is able arrogantly to disregard the consumer because it is a monopoly. This arrogance would not be eroded by taking it back into public ownership as a monopoly. BT should be broken up into a series of regional or district companies. These would be superimposed upon public ownership of the network. The regional companies would be granted franchises to operate telephone services in their area, by leasing lines from BT. Through this franchising BT, or a telecommunications authority, would be able to set requirements about services to telephone boxes, or pensioners, as well as requirements about abiding by collective bargaining agreements with the unions. Every five years there would be a review of the management's performance in delivering a good service. During this review it would be open to others to offer themselves as potential managers for the region, just as consortia bid for the ITV franchises. The possibility that management could be turfed out and replaced would create some pressure on them to respond to consumers. The selection of the management team could either be made by a government-appointed panel, or by a simple vote of the telephone subscribers in the area. Competing

management teams would have to campaign on the basis of telephone service manifestoes to win votes.

This combination of public ownership of the infrastructure, franchising, competition and democracy could be used as a model for social control of other utilities.

Regulation

There is an important lesson in the BT case for Labour's approach to the rest of the economy. People confront big corporations in two ways—as workers and as consumers. Labour has always been in favour of shifting the balance of power towards workers and away from employers. But it should be equally interested in shifting the balance of power away from corporations and towards consumers. Large oligopolistic companies, unhindered by regulations, or anti-trust laws, deny value for money to the consumer. The Tories have done little to protect consumers from large companies. Tighter restrictions on monopolies on behalf of the consumer must play a key part in Labour's programme. Whether it is in the credit card market or European air travel this means going for a regulated form of competition.

Moreover, it is clear that while Labour should encourage the growth of profitable companies, it should not support companies extracting supernormal profits. One way of dealing with this would be to change corporation tax to ensure that companies making profits well above normal rates would have a clear tax incentive to reinvest them in research and development or training. This would be a socially responsible use of profits, for it would ensure that they went continuously to rebuild and strengthen the economy.

There are areas where the state needs to play a more direct role, for instance, in the electronics industry, where size is becoming crucial to success. Entrepreneurship, efficient working practices, labour laws, all pale into insignificance

when compared with size. Developing new microelectronic products requires large amounts of cash, which can only be generated through big revenues. This in turn requires a big market share. Japan, the United States and West Germany are not alone in giving the state a large direct role in developing their electronics industries. Thomson, the French publicly-owned electronics company, is pursuing a rapid growth strategy through acquisition. It has just bought the last British-owned television manufacturer. The French state is helping to buy market share now to ensure that its industry will have a major stake in the microelectronics industry of the turn of the century. It is pointless dogma to argue the British state has no useful role to play in this sector. But the approach needs to be selective and clearly aimed at boosting competitiveness.

This kind of approach needs to be complemented with measures to promote more social ownership among small and medium-sized companies. In this sector, employee share ownership plans are a far more attractive form of social ownership than direct stakes taken by the state. These schemes are not a panacea, but they are a useful way to provide workers with some involvement in decisions affecting their businesses, and a greater share of the benefits.

Training

A concomitant part of a strategy to promote competitiveness will be a much improved training system to provide the skills to go along with modernisation. The relatively low skill level of the British economy is one of the most important constraints on its growth. Investment in training both helps to promote more competitive companies as well as providing workers with greater employment security and higher earnings. Left to their own devices companies have not done enough to train their own workforces, let alone workers

they plan to or have made redundant.

There is a clear need for state action. But Labour's plans at the last election looked more like a tax to punish companies for their lack of training rather than a positive programme for promoting training. While many industrialists recognise the need for more training, most reject the kind of grant and levy scheme that Labour proposed. The old Industrial Training Boards, which ran such schemes in the 1960s and 1970s, did little to improve the quantity or quality of training. Moreover, any scheme to promote training cannot rely on boards, at one remove from commercial reality; it must give a vital role to managers and workers to decide on what training is required and to organise its delivery.

An alternative would be to require companies to provide, say, at least five days off the job training a year, or training of equivalent value. The finance for such training would be organised through joint funds, established by employers, the workers and some initial government help. These funds would be managed by joint committees set up at company level. Individual employees would have an annual entitlement from the fund. There would be no need for the costly policing and bureaucracy which made training boards cumbersome and unpopular. Workers and unions would carry out the policing to make sure that employers were giving value for money in training.

Moreover, these training funds have two further attractions. Firstly, they could form the basis for job security agreements, where security of employment and training are traded off for flexible working practices. Ford unions in the UK have suggested just such an approach in their latest wage bargain,

after the United Automobile Workers signed an employment security agreement along these lines in the US earlier this year. Secondly, when combined with employee share ownership schemes, these funds would allow workers much greater involvement in decisions affecting production and investment. Training programmes could only be planned with information about future investment and production decisions. Together training funds and employee share ownership plans could form the building blocks for expanding workers' knowledge about and influence over production.

So a strategy to promote economic competitiveness should give a big role to the market, private enterprise and profitability. Just as there must be no dogmatic belief that the market can cure all economic problems; so the state's role in a left economic programme must be more diverse than previous plans have suggested. It must intervene in a variety of ways through regulation, taxation and legislation, as well as ownership. And it must have a variety of goals, in some cases promoting competition, in others promoting collaboration. Throughout, the aim must be to promote a competitive but socially-responsible economy, which provides secure jobs for workers and good products for consumers.

This strategy carries consequences for other parts of Labour's programme. Firstly, what will the impact be on unemployment? A stronger manufacturing sector is vital for sustained economic growth. But manufacturing will not provide that many jobs. Secondly, Labour needs to integrate this strategy with policies to distribute the benefits of growth more widely.

6. A new approach to work

An emergency programme to cut unemployment must be a central part of Labour's electoral programme aimed at ensuring that all the economy's resources are used efficiently. It will also play a vital role in meeting the social goals of achieving a more equitable distribution of income. But to be credible such an emergency programme needs to be part of a strategy which addresses the long-term transformation of work in most advanced societies.

This requires two things:

- a rethinking of the character of the full employment Labour aims to deliver;
- a more integrated view which links employment policy to economic strategy and social policy.

This rethinking needs to address two strategic issues. Firstly, the long-term jobs programme must be clearly linked to the capacity of the real economy to promote jobs. Secondly, Labour needs to address the link between work and welfare. From being a relatively small part of social security spending, supporting perhaps 2 to 3 per cent of the workforce, benefits for the unemployed have become a major part of the social security budget, entirely supporting more than a million households. Unemployment benefits can no longer be seen as temporary supports while the economy moves back towards full employment and people find work. So any strategy for work needs to be systematically linked on either side to a programme to promote economic competitiveness, which will bring real jobs, and a social policy which will address income distribution, as well as providing people with work impossible to find in the labour market.

An appropriately conducted reflation will be vital to an emergency programme to reduce unemployment significantly. But even if Labour was successful in creating one million 'jobs' this

would leave us well short of any acceptable goal of full employment. A longer-term vision of how Britain might move back to full employment requires a view of how the real economy will develop to provide real jobs. A reasonable goal would be to promote 1 per cent employment growth per year, creating about 200,000-250,000 jobs a year over the long run. This implies a goal of reducing unemployment to about 500,000 in the period 2000-2005. This is not reneging on full employment: it is simply articulating a realistic and credible goal.

But what kind of full employment would be created by the combination of an emergency programme and a longer-term strategy? It is unlikely that the internationally competitive sectors, including manufacturing, will provide that many extra jobs. This means that the extra jobs will come from services, both public and private, and construction. This in turn carries implications for the kind of jobs that Labour will create, the kind of full employment it will deliver.

Labour flexibility

Both the public and private service sectors are large employers of part-time, women workers. So a Labour jobs programme which gave a major role to the expansion of service sector employment would not eradicate the divided workforce—it would expand it. While Labour

employment spokespersons would be attacking the Tories for fiddling the employment figures by creating part-time jobs, they would themselves be arguing for a programme which would create part-time jobs at a faster rate. The left must analyse what is good and what is bad about part-time employment, to devise supportive strategies to ensure that Labour does not promote the expansion of exploitative part-time employment.

This implies a thorough overhaul of employment law, covering maternity rights, sick pay, holiday pay and pensions. It also requires looking at women's demands in employment much more seriously by, for instance, finding ways to provide much more extensive child care facilities. This social policy would be a major investment in the home-centred, family world, which would also give women greater flexibility over how and when they work. Various forms of labour flexibility are important to the economy, but these must be turned more to the advantage of workers to ensure that flexibility is compatible with security.

Improved employment rights, however, will not address these workers' need for some security and predictability of income as they bob in and out of employment. This dovetails with another question. Even after an emergency jobs programme there would be about two million people unemployed. Offering all of them a full-time job guarantee would be unrealistic, but a reform of income maintenance might make it easier for them to move into at least part-time work without losing their benefit entitlement. Similarly, part-time workers could have their income topped up by a limited income guaranteed by the state. An alternative is a guaranteed minimum wage paid *pro rata* to hours worked. Whether the resources to boost the incomes of peripheral workers come through the social security system or through a minimum wage, they will have to come from somewhere. Labour has to choose the system which leads to minimum dis-

ruption to the rest of the economy.

Special employment measures

Similar dilemmas about the links between work, the economy and social security are thrown up by the growth of special employment measures. Special employment measures will play a crucial role in cutting unemployment, partly through taking people off the register and into state-funded employment, and partly through helping to generate new real jobs. Special employment measures can no longer be seen as a transient phenomenon, an extension of the idea that unemployment benefits are a temporary payment while people find their way back into work. They have a grey, indeterminate status somewhere between social security and employment. This stems from their dual role: they are partly measures to promote real jobs, but they are also social measures to mitigate the effects of the very unequal distribution of unemployment. These dual roles need to be clarified if special employment measures are to have a much larger role in the organisation of work in the economy in general.

This can partly be addressed through integrating these schemes more closely with the way the economy creates unemployment and employment. For instance, should there be some fairly automatic link between redundancy and training to ensure that as people leave employment they do not drift into long-term unemployment? These schemes also need to be recast as economic development programmes, which systematically lead to the creation of small businesses, or alternatively to employment with an existing company by being more closely tied into recruitment and investment plans.

Both these suggestions highlight what in general needs to be done to give these schemes a more settled position within the economy. This is an area where the principles of the market have failed almost absolutely. The labour market is

merely a mechanism which sets wages to allocate workers to work and in return channels an income to them. The market is conspicuously failing in this task and will continue to do so for some time despite attempts at reform or stimulation. Through special employment schemes the state offers the only reasonable alternative, through planning the allocation of work. But if we are to achieve a fairer distribution of employment and income it will not be enough merely to plan within the area of special employment measures. The state will increasingly have to influence the distribution of work in general, including employment within the labour market. Special employment measures need to be seen as one part of a strategy to provide a fairer distribution of the benefits of employment and the costs of unemployment.

In the last few years employment and unemployment have increasingly concentrated among sectors of the workforce. Employment has concentrated among people aged between 25 and 54, who are frequently in two-earner couples. The proportion of households with no paid workers rose from one fifth in 1971 to one third in 1985.

Unemployment has also concentrated among the young and the old. Moreover, long-term unemployment has grown significantly as a share of total unemployment. There are two extreme ways in which a 13 per cent per annum unemployment rate could be distributed through the economy. Either everyone is unemployed for 13 per cent of the time, or 13 per cent of people are unemployed all of the time. The growth of long-term unemployment means that Britain is close to the second extreme, with most of the costs of the economy's unemployment rate being borne by a minority of its workforce.

Working hours

Special employment measures are one

way to mitigate the costs of this unequal distribution of the burdens. But they should be complemented with other ways of sharing unemployment and employment more fairly. To achieve this a left strategy to mould the transformation in the character and distribution of employment should include the long-term goal of reducing working hours. Such a reduction is vital if productivity growth in manufacturing and services, to raise the competitiveness of the economy, is to be combined with cutting unemployment. It should be a strategic goal to reduce weekly working hours for the workforce as a whole, including part-time workers, from 35 hours to 30 hours by the late 1990s.

This would achieve a number of goals. Shorter working hours would appeal to core workers threatened by the productivity gains from new technology. It would be a consumers' demand as much as a workers' demand, for short working time would expand that free area outside work, in which people feel some sense of self expression and power.

The reduction in working hours would also help to bridge some of the divisions within the workforce. Part-time hours are judged in relation to the full-time, 40-hour week. If the sacred 40-hour week is undermined then this will also help to undermine the sense in which part-time workers are peripheral workers. It could contribute to a convergence of working hours and conditions.

An emergency jobs programme and long-term employment growth should be central parts of Labour's programme on economic and social grounds. But the emergency programme needs to be set within a long-term approach to the restructuring of work. This requires a rethinking of the character of full employment; policies to build more systematic links between labour market employment and work and training provided by the state; a strategy to distribute employment more fairly, and a view of employment policy which integrates it with economic and social policy.

7. Social citizenship

Labour faces acute problems winning support for redistributive policies within a society which has become more divided.

Many of those on the inside of comfortable, affluent Britain feel the gains of recent years are too hard won, too insecure, the list of unfulfilled desires too long, to be able to allow for social conscience and redistribution. But winning support for a redistributive social programme is not merely a matter of material or financial calculations. People will not be won over merely by a clever tax and social security policy which seems to add up.

There is a much deeper political problem which has to be addressed. While there continues to be strong support for national health and education services, Thatcherism has consistently undermined the legitimacy and effectiveness of collective provision through the state. This doubt has been reinforced by the cultural divide between the public and private sectors, which has deepened in recent years. Collective state provision is associated with uniformity, inefficiency and the denial of choice and self improvement. Private provision, through the market, is associated with variety, efficiency, choice and self sufficiency. The positive characteristics ascribed to the private sector has weakened confidence in public services as a way of tackling social problems. But they also undermine the sense that public services provide people with an acceptable standard of living in a world which increasingly judges worth in terms of consumerism and the market.

Winning support for a redistributive programme will require some sharp thinking on the detail of tax and social security. It will also mean bridging the divides in British society to establish that some of those who have benefitted from growth over the past few years have an obligation to those left behind. But it also requires a strategy to reform

collective and state provision to strengthen support for this kind of approach to social issues.

This means the left has to sort out a set of intersecting questions:

- What should be collectively financed and what should people provide for themselves?
- What should be provided by the state and what could be provided through the market, or non-state institutions such as housing associations regulated by the state?
- What part of ensuring people have a minimum standard of living implies uniformity and universality, and what should be open to choice and variation?

It is clear that in social security, health, education, some housing, public transport, collective finance is crucial. It is both a fair and an efficient way of financing provision of minimum standards of social goods which people should have access to as a right of citizenship.

It is less clear what this implies for how these benefits and entitlements should be provided and delivered. The state must continue to play a central role in guaranteeing the infrastructure which supports the delivery of these services and benefits. But need the state actually deliver all of them? Responsibility for delivering many of them could be franchised out to more localised forms of control (tenants' groups on housing estates) as long as the state sets some limits on how these semi-autonomous organisations operate. The question is how these services and benefits will be most efficiently delivered in a way that ensures that minimum standards are met.

Choice

Labour should encourage greater choice over how rights are met. While people may be owed a minimum standard of provision this does not mean that this should be uniform throughout. Recipients of public services should be given greater influence over how their rights are met.

Because choice has been wrapped up with the private sector and the market there has been a tendency for the left to concentrate on the negative side effects of the choices of the affluent. Certainly in some cases choice has unwelcome side effects. Giving school governors and parents the choice to opt out of the state education system will have a damaging effect on local education authorities' ability to deliver a coherent, comprehensive system to the rest of the school population.

But there are three aspects to choice which seem to be undeniably good. The first is that it allows people to pick their preferred option from among many possible ways of satisfying their wants. The second is that choice thereby creates an incentive for providers of services to respond more to the wishes of recipients. Thirdly, choice brings a sense of control, which contributes to people's sense of well-being above and beyond satisfying their wishes.

So Labour has to establish people's right to a minimum standard of living. But it also needs to adopt more flexible ways of ensuring these minimum standards are met, which allows for greater choice within collectively-financed provision. Equitable standards of provision must go along with efficiency and choice in their delivery.

What does this mean for a strategy to bridge the divides in British society to build a coalition for redistribution?

At a general level Labour has to rid itself of its apparent dislike for the culture of consumerism and self sufficiency. This is not a simple matter of saying the party is not opposed to share buying or home buying. Adapting to the culture of consumerism is in a sense the easy part.

The difficult part is coming to terms with the economics of consumerism. A strategy to improve the competitiveness of the economy is in this sense the foundation for much of what should be Labour's social policy. Creating a dynamic economy which will provide sustained growth in real incomes for those people who can afford to by and large provide for themselves will be the most important social contribution Labour can make for this group.

But Labour needs to combine this with a strategy to support redistribution towards the poor and disadvantaged. It should do this through pursuing the theme of social citizenship.

There are several attractions to this idea. It would establish that Labour's social policies were aimed at individuals rather than grey social collectivities. It would directly address the social decomposition of Britain. The growing divide between the 'insiders' and 'outsiders' in British society has thrown in doubt the idea that both belong to the same society. As the 'outsiders' fall further and further behind they become to look less and less like the people 'insiders' mix with at work or socially. The 'outsiders' look less and less like people who inhabit the same kind of society as the 'insiders' and thereby owed the same expectations and rights.

The idea of citizenship challenges this directly by stressing that it is part of being a member of a civilised society that people should be owed some set of minimum rights. Traditionally, citizenship has been seen as a political or legal concept. Minimum rights have been cast as the right to vote or the right to a fair trial. Labour needs to extend this into a social concept, to encompass rights to the resources which are needed to play a full role in the normal life of a community.

This bundle of social resources should clearly include income, health, education, housing, transport, but also possibly consumer durables, a capital stake and holidays. But whatever the bundle of goods or resources, social citizenship should also include the right to

choice over how these rights are delivered. Choice is a vital ingredient of what it is to be a citizen in modern society.

How would this idea of citizenship affect social policy in practice? Take housing as an example.

Labour would start from the position that about 60 per cent of the population would be reasonably well provided for through home ownership. Ensuring that this group lives at or above the minimum standards requires continued economic growth and keeping interest rates under control.

The vital group to concentrate on are those who want to, but cannot afford to buy control of their own homes. Why should Labour not reform mortgage provision in favour of the first-time home buyers struggling to get into the booming housing market? But it also needs to fund much needed improvements in the council housing stock. No amount of local control will by itself improve delapidated council housing, or reduce bed and breakfast provision.

Combined with this investment in the public-housing infrastructure, Labour should also consider introducing a common housing allowance paid to home owners, council tenants and housing benefit recipients, which would replace housing tax allowances and benefits. This common entitlement would build a reference point for both council tenants and home owners. It would not eliminate political battles over housing finance but it would set them on a different footing.

Labour should also endorse greater choice within public sector provision. For instance, housing departments within a borough could be split up into

smaller units to provide services for different estates. The techniques of the more efficient and responsive could then be extended to other areas. Control of estates could be franchised out to housing associations or tenant co-operatives. In both cases the state would be a guarantor, not necessarily a provider, of services.

Clearly, any model along these lines needs to be handled with care. While Labour now supports the right to buy in housing it should not support the right to opt out in education, as this would start to create havoc with education provision in general. Similarly, in education there are clearly very difficult choices over what should form the minimum standard of provision. While there seems to be a growing consensus that there should be some national guidelines on curriculum there is little agreement on how tight these should be and what should be included within them.

Nevertheless, the general principles stand. A redistributive social programme should be based on principles of citizenship which apply across society rather than just to disadvantaged groups; collective finance will be vital to fund improvements in service to bring some groups up to the minimum standards of provision implied by citizenship; an essential component of citizenship should be the right to have some choice and control over how these minimum entitlements are met. This last principle implies more flexible responsive forms of delivery, in which state provision could be complemented by other forms of provision properly regulated.

8. Conclusions

Labour's 1987 election manifesto had two striking features: the elegant width of its margins, and the vagueness of the accompanying text. Of course, elections are not won on manifestoes, nor on image or policies. But elections are affected by a party's general stance on economic and social policy. The vagueness of Labour's election programme reflected the lack of any confident, driving sense of direction about how the economy should be restructured and the state transformed to deliver individual well-being.

Labour's chances of regaining power hinge on two factors. If the Tories continue to deliver growth of between 2 to 3 per cent a year, with rising real earnings and stable unemployment, they will be in a strong position to win again in 1992. It is reasonably unlikely that this will be the case. A recession brought on by imbalances and tensions in the world economy would break the Tories' spell. Unemployment, taxes, interest rates will rise; house prices, share values and credit card debt could come tumbling down on people. But if Labour is to capitalise on such an eventuality it must develop a strategic programme which would appeal to a coalition of social forces. That programme cannot be purely social or distributive in character. It cannot, Canute-like, attempt to resist the transformation of society in the last decade. It must attempt to encompass and mould it within a different strategy.

Above all it must stand on a programme to build a competitive economy in the 1990s. The 1930s were a period in which the major industrialised economies adjusted from the coal-based technologies of the 19th century to the new technologies based on oil and electricity. This affected the character of production, work and consumption. The mass consumption industries these new technologies spawned provided the industrial bedrock for full employment.

The major industrialised economies are going through a similar transformation at the moment as they adjust production, work and consumption to the advance of the newly-industrialised countries, and the impact of microelectronics and information technology. Labour's programme must mould this transformation. It must be a programme in which economic competitiveness and social citizenship reinforce one another.

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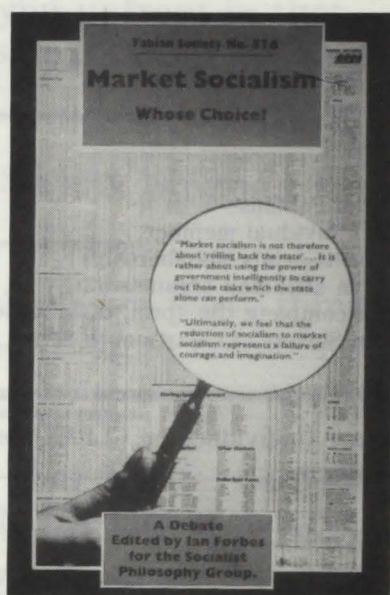
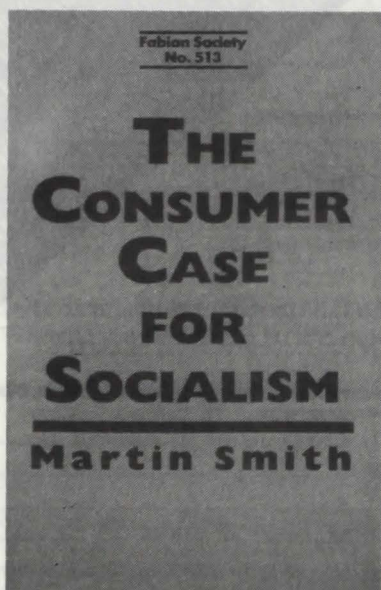
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The politics of prosperity

The Labour Party is embarking on a major policy review in the aftermath of its third successive general election defeat. This pamphlet examines how the party can broaden its appeal to those who have benefitted from the Thatcher years—including the affluent working class and yuppies.

Charles Leadbeater examines the appeal of Thatcherism in an increasingly divided society and the failure of Labour's response to it. A major weakness in Labour's programme at the last election was its economic policy. The party failed to convince a large section of the electorate that it could run the economy efficiently. Now Labour, he argues, must devise a strategy which comes to terms with the economic changes of the 1980s, and which offers to deliver growth and increased competitiveness. Only then will Labour be able to win support for a redistributive programme.

Even within such a programme, there will be difficulties in uniting 'insiders' and 'outsiders', Charles Leadbeater believes. It would be easier to create a social coalition for change by pursuing the theme of social citizenship. This would promote the idea that to be a member of a civilised society it is necessary to be given the resources to play as full a part as possible in that society.

And while it would stress the importance of collectively financing services for all, an essential component of a social citizenship strategy would be the right to choice and control over those services. Old fashioned state solutions which stress uniformity will not satisfy the developing aspirations to exert freedom over consumption and ownership encouraged by a consumerist society.

Fabian Society

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