The next British centre-left

Labour and the Liberal tradition

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policy network paper

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Labour's position as a majoritarian party of political power and social purpose is under threat. The party needs to recognise the strategic opportunity which the British political landscape now presents: the vacation of the centre-left by the Liberal Democrat leadership combined with the steady drift of the Conservative party towards the right presents an opportunity to forge a new electoral coalition that stretches from the centre-ground across a range of constituencies on the centre-left. A progressive alliance of social democracy and social liberalism is a necessary first step in creating a powerful new ideological force to address the big questions of the age , including a new British model of capitalism, the state, the constitution, relations with the European Union, and the future of the United Kingdom. This paper reflects on the strategic approach which is most likely to underpin such an alliance and deliver a coherent, centre-left programme for Britain. It makes the case for a 'realist' bridge-building strategy that positions the party both as an agent of security for the hard-working majority, and as a vehicle for progressive reform in British society.

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Introduction: Reviving a historic coalition

The future of British social democracy is inextricably intertwined with the fate and prospects of the Labour party. The relationship between the two has never been straightforward, with Labour only rarely espousing the kind of social democratic thinking that has been the lodestar of its continental European cousins. In the broadest sense, however, the social democratic lineage has been kept alive most visibly within and around the Labour party – both by party intellectuals such as Anthony Crosland, and by a host of independent thinkers and academics. That tradition has played a crucial role in shaping the party's sense of values and strategic purpose.

In this paper, we argue that the current malaise gripping the party is not just the product of its serious electoral defeat in May 2010. Opposition parties are prone to focus on tactics and short-term positioning, and the instability of the Coalition government has only encouraged this. We call attention to a missing element of current debates about Labour's plight and difficulties – the imperative for it to develop an overarching strategy which manages the challenging task of promoting the party both as a vehicle of progressive reform in society at large, and as an agent of security for working- and middle-class citizens facing growing economic uncertainty. Tough as it may be to envisage and construct such a strategy, without it, the party may be out of power for at least a generation.

Labour's current woes then are as much intellectual as they are political. They are linked to the reality that social democracy itself has come to a historic crossroads, gripped by an abiding uncertainty about which direction to take, lacking confidence in some of the most fundamental propositions that gave it life. Those across the centre-left with a stake in social democratic politics and values, we suggest, need to adopt a 'realist' stance in relation to the political situation which they face, acknowledging the entrenched nature of many neo-liberal assumptions across much of society and the state[1], even as they consider how to dethrone them.

At the same time the centre-left needs to strike a more ambitious posture, accepting the need for a new kind of programme for the coming decade that still reflects social democracy's enduring values. While the position facing the British left today is in some respects more perilous than at any time since the early 1980s, the historic mission of this lineage, as articulated by Andrew Gamble and Tony Wright, still endures - 'the constant search to build and sustain political majorities for reforms of economic and social institutions which counter injustice and reduce inequality'.[2] While this general orientation remains as valid and necessary as ever, the social and political circumstances in which it is to be promoted are extremely inhospitable. It is time that Labour reflected on these challenges with greater vigour and creativity.

We suggest in particular that Labour needs to start by undertaking a balanced assessment of its record in office, and attempt a more serious engagement with the history, achievements and failings of New Labour.[3] The strategic assumptions that informed the centre-left's modernising project in the mid-1990s are undoubtedly less relevant than they once were, but that does not imply that Labour can simply abandon the need for a political strategy altogether.

From the mid-1990s, Labour sought to create a robust tactical prospectus for winning elections, and a closely associated strategy for governing. Some of the caution and 'control-freakery' of the early years in office were no doubt unduly influenced by its tactical focus. Nonetheless, voters still had a coherent idea of what New Labour would do in a number of key areas encompassing social, economic and constitutional reform. New Labour's strategy in the mid-1990s was to create a 'big tent' that would dominate the centre-ground of British politics – the basis for a new majoritarian social democracy.

1. Colin Crouch, The Strange Non-Death of Neo-Liberalism, Cambridge: Polity Press, 2011.

2. Andrew Gamble and Tony Wright, 'The New Social Democracy', Political Quarterly, 1999.

3. Patrick Diamond and Michael Kenny, Reassessing New Labour: Market, State and Society Under Blair and Brown, Oxford: Wiley, 2010.

However, circumstances have changed in the intervening twenty years. On the one hand, the base of electoral support and the party system have fragmented. On the other, the Liberal Democrats have largely vacated the centre-left of British politics, as they compete for votes with the Conservative party on the terrain of the centre and centre-right. This presents an opportunity for Labour to forge a new electoral coalition that stretches from the centre-ground across a range of constituencies on the centre-left. However, this will undoubtedly require a less tribal and more pluralistic approach to politics if the party is to command this breadth of support. This paper reflects on the strategic approach which is most likely to underpin such an alliance and deliver a coherent, centre-left programme for Britain.

At present, too many social democratic parties across Europe, British Labour included, are contenders for power with little clear programmatic idea of what to do if they ever achieved it. Parties more often lose elections not because they lack a sense of ambition or idealistic purpose, but because voters simply do not have confidence that they will deliver on their promises. While the party certainly should not unveil its manifesto for the next election so early, it should signal that it has undertaken serious rethinking about its strategic aims and likely programme in the context of the last thirteen years in power, as well as taking into account the country's worsening economic prospects. The key argument of the paper is as follows:

• **A new coalition of ideas is required in British politics - a marriage of social democracy and social liberalism -** to address the big questions of the age on capitalism, the state, the constitution, relations with the European Union, and the future of the United Kingdom. Every successful Labour government in history has sought to fuse the values of social liberalism with social democracy and democratic socialism.

• **There is a compelling case for principled co-operation with progressive Liberal Democrats to fight for centre-left causes**: maintaining Britain's role as a constructive partner in the European Union, and preventing the break-up of the United Kingdom. Making the case for co-operation in the Labour party is hard given the drift of the Liberal Democrat leadership to the right on deficit reduction, tuition fees and the NHS. But that does not make it wrong.

• **The present climate represents a unique opportunity for Labour, reaching out to swathes of voters who have deserted it since 2001**. However, the party has to recognise that an increasingly fragmented electorate and the emergence of a multi-party system may make coalition governments more likely. Recreating the 'broad-based' coalition of New Labour will be much harder. Labour must forge a new politics for a pluralist age, building new alliances across the centre and the left.

• **Labour needs a coherent set of governing ideas that position the party both as an agent of security for the hard-working majority, and as a vehicle for progressive reform in British society.** The paper makes the case for a 'realist' political strategy: a coherent perspective on what is happening to our society, combining a clear set of governing principles with a vision of the future. Since the 2010 defeat, the Labour party has been caught between a tactical politics based on 'spin' and presentation, and a utopian politics based on vision and values.

1. Labour's record in power

The fundamental task for Labour is to address some of the abiding associations it has accrued in the minds of the electorate following its time in government. There has been remarkably little systematic effort to understand the reasons why the party lost so much support between 1997 and 2010, despite the traumas associated with events such as the Iraq war, the relentless battles between Gordon Brown and Tony Blair, and the growing evidence that the living standards of lower and middle income families declined dramatically during New Labour's second term. Nor has there been any proper reckoning with New Labour's own macro-economic record.

The party needs to show that it understands where it went wrong in policy terms – even if the focus on dramatic acts of apology is misguided; otherwise the quest to rebuild its reputation for economic competence will continue to flounder. The introduction of a regime of light-touch regulation in the financial sector after 1997 exposed the United Kingdom economy to greater instability, and Labour's overly tolerant attitude to tax evasion and the expansion of offshore financial centres (OFCs) gravely weakened the country's tax base. An acceptance of these failings should be blended with a stronger defence of its economic record and those areas where it can trumpet real achievements that the Coalition have either blithely ignored, or tacitly accepted. It is too easy to forget that New Labour sustained a reputation for economic competence for more than a decade; as the crisis hit in 2008, Labour still led the Conservatives over which party was best placed to manage the economy.

The current battle over the future reform of the NHS underlines Labour's success in rehabilitating the role of universal, taxpayer-funded public services after two decades of under-funding and declining performance. The NHS is no longer seen as a 'basket-case', and is a highly valued national institution. Likewise, the expansion of childcare and early year's services which Labour delivered amounts to a radical extension in the frontiers of the British welfare state which may prove irreversible, even in the current climate. But there are some more symbolic features of Labour's reputation that it needs to start to tackle if it wants to re-present itself to an electorate which has, to a large extent, switched off from the party since the 2010 election.

The central state

First, Labour became associated with a style of governing - typically couched as centralising, *dirigiste* and top-down – which developed around the conviction that the central state provided the most effective and legitimate vehicle through which the left could, once it won power, deliver more equitable public services. Yet substantial evidence has subsequently emerged to question this faith in the efficacy of centralised delivery for equity and social justice. The levers of the state may well have been pulled even harder and with greater egalitarian conviction. This undoubtedly helped to deliver a number of improved outcomes: there was a narrowing in health inequalities, as measured by mortality rates for heart disease and cancer, for example. School results improved most sharply among the most disadvantaged cohorts of pupils. Additional investment in scientific and technological research brought new jobs and industries to Britain in niche sectors such as pharmaceuticals, biosciences and advanced manufacturing.[4] And sustained investment in cities and public infrastructure helped to narrow the regional economic divide, as well as bolstering Britain's high-value service and creative industries.

But over time, this style of governance delivered diminishing returns since many of the issues government wanted to tackle – from the public health challenge of obesity to the looming threat of climate change – entailed the more painstaking and complex task of engaging citizens, seeking to alter entrenched patterns of behaviour, and forging new partnerships with communities, local institutions and a wider range of interests and actors. The repertoire of targets, regulation and incentives through

4. Anna Valero, John Van Reenen, and Dan Corry, 'The UK's sustained growth between 1997 and 2008 was fuelled by the importance of skills and new technology: rather than just austerity, the government should focus on building human capital and innovation to support long-term growth', Blog post from London School of Economics & Political Science, November 2011.

which Whitehall governed proved ill-equipped for the kind of governance that was increasingly required. While the current emphasis on mutualism and the third sector has emerged as a favoured response to these issues in Labour circles, it currently has little resonance in the world beyond.[5] There is an overwhelming need for iconic policies which signal that Labour is serious about social partnership, not state *dirigisme,* as the basis for its current policy thinking. This might, for example, involve greater collaboration between the public, private and mutual sectors to build affordable and intermediate ownership homes, particularly in the South-East of England where low and middle income earners are priced out of the housing market. Partnerships beyond the state are needed to incentivise a new generation of investment in low carbon energy, contributing to the sustainable 'green' growth agenda. And social partnerships with employers are needed to get young people off benefit and into sustainable private sector jobs with future prospects.

Fiscal responsibility

A second aspect of Labour's reputation based on its time in government concerns its association with fiscal irresponsibility. The party continues to be damaged politically by the Coalition government's presentation of the financial crisis as rooted in the levels of public and private debt accumulated under Labour. The damage done to its reputation for economic competence has been considerable, and is unlikely to abate until the public's collective memory focuses more readily on the period after May 2010 than the years prior to it. [6]

It is vital that Labour reclaims an emphasis from an earlier phase of its history on the importance of fiscal prudence and sound economic management, alongside the dangers of high levels of public debt. But it must also refuse to be cornered by the mistaken assumption that prudence means austerity. Growth, investment and a fairer distribution of the burdens created by the economic crisis are vital themes that Labour must project authoritatively around the economic policy debate. At present the party has lost ground to the Liberal Democrats by failing to talk about progressive forms of taxation, especially in relation to wealth and property. While it would certainly be unwise for the party to box itself in by making policy commitments that may well be overtaken by 2015, it must develop a more incisive and clearly articulated approach if it wants its arguments to get a fair hearing. On public spending this might, for instance, entail committing to a zero-based budgeting exercise across Whitehall so that every line of government expenditure is subject to a rigorous and detailed 'public value for money' test.

There is every chance that a politics rooted in grievance and envy will emerge along generational, regional, and class lines

The 'politics of less'

When he stood up to deliver his 'Autumn Statement' in November 2011, George Osborne reframed the debate about economic policy in the terms of austerity, even as he has continued to borrow at levels consistent with Labour's record during its final years in office. Nonetheless, by announcing that deficit reduction would outlast the current parliament, and by defining the policy debate in terms of the management of economic contraction, he established as given a remarkably bleak framework of assumptions about the state of the public finances and the prospects for the UK economy. In so doing, he has signalled the emergence of an era that can be characterised as the 'politics of less', in which distributional conflicts are heightened, and tensions between relatively affluent and disadvantaged social groups will become more salient. There is every chance that a politics rooted in grievance will emerge along generational, regional, and class lines.

In this context, Labour must provide a clearer sense of where it stands on economic management, without falling back on the assumption that a return to growth in the economy can simply be assumed. A moderate form of social democracy in Britain has flourished since the Second World War through a

5. "What Mutualism Means for Labour: Political Economy and Public Service Reform", Policy Network (eds), 2011

6. Graeme Cook, Adam Lent, Anthony Painter and Hopi Sen. "In the Black Labour: Why Social Justice and Fiscal Conservatism go hand-in-hand", Policy Network, 2011

combination of modest growth in employment and living standards, and a cautious programme of redistribution. The prospect of making centre-left politics electorally appealing during an economic downturn - when a return to growth cannot be taken for granted - is undoubtedly tough. However, there may also be an opportunity emerging for parties that want to talk more candidly about their priorities, signalling to the electorate that they are prepared to make the hard choices testing economic times require. Labour has begun this task, as articulated in Ed Balls' recent speech to the Fabian Society, emphasising the protection of public sector jobs over real wage rises. But there is much more to be done in this area. Where do Labour's priorities really lie in terms of social expenditure and public provision in a context where the cost of health and social care will continue to rise exponentially?

Equally, the party needs to speak the language of fairer burden-sharing, in a context where anger at the behaviour and excesses of the banking sector, and a growing sense of unfairness in relation to those at the top, are palpable. Labour should signal its determination to raise taxes on the wealthiest, alongside a property tax that can help to meet this purpose. At the very least this means offering support to Liberal Democrat proposals such as the Mansion Tax. At most, it means developing more expansive ideas to narrow inequalities of capital and wealth.

Even though some members of the Shadow Cabinet appear to have turned against many of the reforms which they or their colleagues championed when in government, Labour also needs to have the courage and confidence to re-enter the debate about the productivity and quality of public services, instead of simply leaving this field free for the governing parties. There is a very obvious need to reinvent and redesign public provision given the structural imperatives of changing demography, new technologies, tighter public finances, and rising expectations among citizens. The danger is that in a climate of austerity, governments will commit to sustain existing service levels, while freezing (and often reducing) budgets and squeezing out any further scope for the reform of delivery. Labour has to re-position itself as the party of social innovation: accepting that there are some activities that the state must do less of, or cease to do at all. There are some services that have demonstrably not delivered on their early promise. Other entitlements, such as tax relief on pensions and the Winter Fuel Allowance, have been poorly targeted. Not all the public investment committed by the previous government fulfilled its original purpose. Labour should have the courage to say so. Indeed, doing so is essential if Labour wishes to restore faith in the efficacy of the state.

2. Labour has an electoral mountain to climb

The second major task which Labour needs to undertake is to come to terms with the scale and impact of its defeat at the general election of 2010. The party achieved the second lowest share of the vote in a national election since universal suffrage. It lost ground among all constituencies and classes, suffering a dramatic collapse in support among C1 and C2 voters on middle and lower incomes. More generally, Labour lost over five million votes between the landslide of 1997 and the contest held in 2010, and its support is now geographically concentrated in Scotland, Wales and Northern England. Only 49 out of 302 seats in the Midlands and the South outside London are still held by Labour [7] And almost a third of working-class voters, many of whom previously voted Labour, chose not to vote at all.

Under the current first-past-the-post system for elections to the Westminster Parliament, there is an increasing likelihood of hung parliaments, and a decreasing prospect of parliamentary majorities for any single party. This trend has been accentuated by the rise in support for parties other than Labour and the Conservatives across the United Kingdom. The era of 'winner takes all' politics may be drawing to a close. Although the current pattern of decline in support for the Liberal Democrats might indicate a return to the traditional two-party model, the steady drift of the Conservative party towards the

7. Patrick Diamond & Giles Radice, "Southern Discomfort: One Year On", Policy Network, 2011

right on the defining issues of Europe and market-led NHS reforms makes it increasingly likely that David Cameron will not bring about the breakthrough that his de-toxification strategy was designed to achieve. Even a much reduced vote for the Liberal Democrats may well leave them as a partner in the next government. Labour can either pretend that such a scenario is simply unimaginable, or it can begin to assess what a Coalition government of the centre-left might entail. Interestingly, while the two parties are seemingly a long way apart from each other on economic policy, it is clear that there are senior figures in the Liberal Democrats, and many of its members and supporters, who are increasingly frustrated at the Government's inability to develop an effective strategy for growth and investment.

Equally, Cameron's decision to use the British veto in recent European negotiations, isolating the UK from the 26 other member states, has thrown into relief an area of significant overlapping interest and agreement between the two parties. While each believes in reforming the EU, both Labour and the Liberal Democrats are committed to the view that the UK needs to be centrally involved within the EU, even if from outside the Eurozone. Cameron's reckless and partisan politicking encapsulates an increasing drift in Conservative thinking towards a more partisan approach, a development which presages a much rockier period in the life of the Coalition.

The question of Europe is indirectly tied to issues arising from the significant pressures facing the other Union that is central to British fortunes – the United Kingdom. While the leadership of the Conservative party is currently attached to the Union, there are indications that a significant section of the party has grown increasingly impatient about a post-devolution settlement which is regarded as damaging to the interests and status of the English. And it is apparent that in terms of long-term political incentives, the Tories could have much to gain from the departure of Scotland from the Union. On these issues, Labour and the Liberal Democrats have overlapping interests, not least in making credible arguments for a reformed Union, which includes significant devolution within England as well as greater self-government for Scotland and Wales.

Labour can either pretend that such a scenario is unimaginable, or it can begin to assess what a Coalition government of the centre-left might entail

Whether these debates become more salient, and whether they serve to push Labour and the Liberal Democrats more closely together, is far from certain. But there is every possibility that the major political predicament facing the junior party in the Coalition, and Labour's growing unease about its painfully slow electoral recovery, may presage a change of heart. Any such reconciliation faces some serious obstacles. These include significant enmities between the parties at the local level, and the decision of the Liberal Democrat leadership to associate itself far too uncritically with George Osborne's failing economic strategy. Indeed, as the Liberal Democrats have shuffled away from their own social liberal heritage in key areas of policy, a significant opportunity has emerged for Labour to reclaim this aspect of its own history, and to realign the two great forces of the progressive tradition – social democracy and social liberalism.

However, even the most cursory political analysis ought to reveal that the two progressive parties have, over the long term, much greater interest in co-operation rather than a form of visceral competition that inadvertently produces a new phase of Conservative hegemony in British politics, unquestionably the objective of the proposed 'Boundary Review' of parliamentary constituencies. Hence there are vital areas of policy debate – not least the NHS reforms and the recent drive by the Liberal Democrats to increase investment in nursery-level provision as a spur to social mobility – where the parties should set aside their many differences and explore common ground.

Labour needs to signal that it grasps a new era of plural, multi-party politics is unfolding in Britain. This will mean swallowing some of its more traditional tribal instincts, countenancing a new approach to alliance building in order to block damaging Coalition reforms. Labour should remember, above

all, that the majority of the electorate appear to view Coalition government as essentially positive. It imposes constraints on politicians and parties in pursuing self-interested and apparently 'extreme' policies associated with the 'elective dictatorship' of the untrammelled Westminster model.

3. Towards a new social democratic strategy

As yet, these more fundamental questions about purpose and strategy have hardly been aired. Ed Miliband has responded to the economic crisis by striking out boldly, calling for a fundamental debate about the need for a fairer and more responsible capitalism in Britain. But such rhetoric needs an accompanying strategy and a clear account of what this might mean in crucial policy areas such as financial sector regulation, investment in science, technology and higher education, corporate governance, the role of government in forging a more entrepreneurial economy, and regional economic policy. Likewise the powerful critique of economic inequality and irresponsibility at the top ought to be underpinned by concrete proposals for the reform of over-mighty institutions in the financial sector. Above all, Miliband needs to stake out Labour's commitment to innovation, growth and wealth creation – a new politics of production alongside a new politics of distribution.

The linking theme across all of these challenges for Labour is the need for the party to start moving in a more coherent strategic direction. Since May 2010, there has been much venting about its core values and sense of identity, and too little focus on what kind of programme the party must assemble to win and govern in the challenging circumstances ahead. Above all, Labour needs to avoid being associated with a vapid form of leftism which pleases some of its core supporters, but speaks to few others; and it needs to disabuse itself of the notion that keeping quiet on major issues of the day is strategically astute. There is a real risk that the party drifts into a position of marginality in the public consciousness, a position that it came to occupy during the early 1980s. In the face of this threat, on what issues should the party be making a lot more noise?

A new political economy

In broad terms, the overarching goal of centre-left governments since the Second World War has been to broker a new social compact between the working and middle classes. This approach rested in part on the assumption that the rising tide of growth generated by a managed capitalist economy would lift all boats. That historical project now seemingly lies in tatters. In the UK, median income earners are experiencing an unprecedented period of wage compression. Their real incomes stopped rising by the middle of Labour's second term, and went quickly into reverse thereafter, a situation that has been made worse by the global financial crisis. Closing the yawning chasm in incomes and life chances was a central focus of New Labour's incremental approach to social democracy. But this goal proved frustratingly elusive: disparities in wealth and asset ownership largely grew during its years in government.

Beyond radical-sounding rhetoric about a 'more responsible capitalism' and conventional noises about rebalancing the economy, the constituent elements of Labour's growth plan are still hard to discern. This has enabled Cameron and Osborne to pay rhetorical lip-service to the responsible capitalism agenda, while attempting to force Labour to the left by portraying the party as 'anti-business' and antagonistic to the private sector. Nor is it sufficiently clear that Labour accepts that politically unpalatable choices await any government in current circumstances. In health, for example, the NHS might need fewer hospitals delivering elective treatment, alongside radical improvements in community-based primary care provision. The solution to the crisis of public housing in Britain is not only to build more council houses, but to develop a genuinely mixed economy of public, private and mutual house-building programmes with financing solutions to match.

Getting the state right

And what of Labour's stance towards the 'big state'? Does the project of fiscal redistribution and the management of public services 'top-down' from the centre represent the best that social democracy has to offer? The assumption that this model remains viable belies the increasing sense of disenchantment with aspects of Labour's statecraft during its years in office. For many liberal-minded voters, the state became too dominant, increasing the use of surveillance to combat 'home-grown terrorism' and widening the scope of social intervention in family and community life, paying too little attention to the precarious nature of civil liberties. These concerns have been less salient since the Coalition was formed, but the question of how state and society should work together, and how to promote greater initiative and responsibility from within civil society, remains pressing.

Labour's strategy on public spending has to accept the current reality of fiscal consolidation in the aftermath of the global financial crisis; high and unsustainable levels of public and private debt damage progressive goals, and no serious social democratic party anywhere in Europe advocates an alternative to managing the contraction in state expenditure. But this should not be run together with an argument that the British state must be permanently smaller. The question of the scope of the state and the scale of public expenditure required to fund it is a matter of political choice. New Labour raised the share of public spending as a proportion of GDP to 42.5 per cent just prior to the crisis. Estimates by HMT suggest that the ratio of spending to GDP is unlikely to fall beyond 2015-16 given long-term structural pressures on the public sector such as the ageing society and changing demography. The challenge for a centre-left political party is both to rebuild the consensus in favour of public investment, and to ensure that the state uses resources efficiently to maximise public value in the long-term.

These are serious issues that merit a genuine debate across the centre-left – rather than being swallowed up in the distracting psycho-drama of the Labour leadership question. For many voters, the state under Labour did not appear to be on the side of citizens against conservative producer interests and indifferent bureaucracies: governments failed to allocate scarce public goods such as social housing fairly, and offered insufficient support when unemployment and economic insecurity returned in the wake of the 2007-9 crisis. This is not a question of the size of the state, but rather the scope and effectiveness of the interventions it ought to undertake.

Getting its stance on the state right, and conveying this to a sceptical electorate, is therefore a challenge of vital importance to Labour, not a distraction or a luxury. As yet, there are few signs of a serious debate, as the party appears to oscillate between new-found communitarian idealism on the one hand, and an ingrained tendency to revert to state-centric solutions when it comes to specific policies on the other. There is no doubt that in the wake of the global financial crisis a more muscular role for the state is necessary – but the centre-left needs to be much more specific about the capacities and powers that are needed in order to increase its efficacy.

The party appears to oscillate between new-found communitarian idealism on the one hand, and an ingrained tendency to revert to state-centric solutions

The future of the United Kingdom

Finally, Labour appears to have become a passive bystander rather than an active participant in the increasingly fractious debate about the future of the United Kingdom, now emerging as a major issue as the result of political developments in Scotland. Labour was, until very recently, the dominant player in Scottish politics, and still has the vast majority of Westminster MPs representing Scottish constituencies. Its political collapse north of the border has highlighted Labour's inability to articulate a vision of how Scotland ought now to develop within a UK-wide context. Instead, the instincts forged

by Westminster politics remains at the fore. Labour blundered by thinking it could fight the 2011 Scottish parliamentary elections on the assumption that the Scottish people should vote Labour to stop the Tories in London, reflecting its lack of appreciation for how the debate about Scottish interests and identity now operates. Salmond's position has been considerably strengthened, and the Unionist parties at Westminster reluctant or unable to join forces in countering him. There is every reason to believe that a significant move towards greater political and economic independence will place even greater strains on the UK. But Labour's apparent ineffectiveness in the debate is a telling indication of the lack of energy and intellectual élan that bedevils the centre-left.

Conclusion: A new progressive alliance in British politics

The major focus of the 'rethinking' that has occurred since the election defeat of May 2010 has been a debate about values and vision. The Blue Labour current tapped into a swathe of competing anxieties about, and resentments towards, New Labour. While giving these an airing may well have had cathartic value, and did undoubtedly hit on some key failings in office, the debates it has generated have been strikingly unfocused in terms of policy and strategic direction. Indeed, the recurrent stress upon the need for 'new', or indeed 'old', values to re-animate Labour has arguably been overstated. For there are a number of sinuous and valuable strands of moral and political thinking available to the centre-left which can still provide a significant and relevant sense of moral compass and ethical inspiration.

We suggest that Labour draws sustenance from the lineages that have historically provided a clear sense of intellectual and ethical purpose – social democracy infused with social liberalism. From these encompassing traditions, the party developed its commitment to the promotion of social welfare and equality, and the organising idea of alleviating the injustices arising from an unstable and unregulated market economy. This broad heritage enabled progressives to expose the limitations of atomised individualism and unfettered market capitalism. This remains as pertinent in the early 21st century as the early 20th. Progressive politics in Britain has advanced most powerfully when liberalism and labourism have been in fruitful dialogue. This relationship has, at its best, resulted in a nexus of overlapping and mutually supporting arguments and narratives, and these have underpinned many of the great reforms and achievements of progressive politics in the modern era.

Progressive politics in Britain has advanced most powerfully when liberalism and labourism have been in fruitful dialogue

The Attlee government would have been immeasurably weaker without the contribution of William Beverage and J.M. Keynes, just as the pioneering social reforms of the 1960s and 1970s depended on the liberal zeal of Roy Jenkins. Throughout Labour's history, the party has drawn on the particular fusion and synthesis of equality and liberty associated with the thinking of figures such as T. H. Green, J.A. Hobson, Leonard Hobhouse, and Charles Trevelyan in order to justify an enabling and interventionist role for the state.

Despite the tensions thrown up by the Conservative-Liberal Democrat coalition, Labour must not be tempted to abandon the liberal tradition that has been at the heart of British politics. On one level, it is necessary to work across conventional boundaries of party interest in order to fight for great progressive causes: defending Britain's role in the European Union, and standing up for the UK by projecting Britain as a multi-ethnic, cosmopolitan state incorporating the diverse nations of England, Wales, Scotland and Northern Ireland. If the United Kingdom was to isolate itself from the EU, it would become much harder to win support for the model of regulated global capitalism and social protection that progressives espouse. Meanwhile, the disintegration of the Union would represent a significant

loss for British social democracy in terms of the national institutions and inter-relationships that the British state has made possible, even if it is now time for the centre-left to accept and engage with a rising sense of Englishness. [8]

Ironic as it may appear, the strategic pursuit of progressive principles may well involve Labour considering some form of co-operation with progressive elements among the Liberal Democrats, as some of Labour's leading lights (including shadow foreign secretary Douglas Alexander and shadow chancellor Ed Balls) have recently argued. But the case for rebuilding the progressive alliance in British politics goes beyond those tactical calculations. On the big political questions of the age – how to reform the British model of capitalism and how to redefine the role and purpose of the state – liberal-minded and social democratic political forces must work together to forge a new 'coalition of ideas'.

This means distilling workable proposals to tackle soaring inequalities and runaway rewards at the top of society, through new forms of wealth and property taxation. It demands an agenda for growth and wealth creation based on an innovation 'ecosystem' developed around investment in science, new partnerships between universities and industry, and a reinvigorated regional strategy that connects growing businesses to overseas markets. It also implies an industrial policy focused specifically on the companies and sectors of the future, encompassing direct strategic investment in future 'winners' supported by a National Investment Bank. This is in line with the policy thinking of many advanced industrialised countries, from Germany and Sweden to the United States. This kind of strategy will not come from a Conservative government committed to a model of deregulated capitalism that will only reinforce the low wage, low skill and low productivity equilibrium which has been a hallmark of policy in the UK since the 1980s.

Without a wider revival of centre-left progressivism in Britain, it is hard to envisage a majoritarian social democratic project in the foreseeable future

Indeed, centre-left progressives have a shared interest in their approach to fundamental questions about the size and shape of the state. Key questions which the coming decade will throw up include what should the state do more of and less of in an age of fiscal austerity? A clear set of principles is needed to define the state's role in delivering services, regulating markets, and protecting and insuring citizens from misfortune. A defensive stance towards current patterns of service provision damages the potential for innovation and the prospects for delivering services differently in the future, given that society is becoming ever more complex generating new patterns of need.

Finally, Labour needs to accept that the process of constitutional reform is far from complete in the UK, and this too ought to provide the focus for a broad-based progressive alliance. The concentration and centralisation of power in the British state makes it particularly hard to engage citizens in the difficult choices that governments will need to make in a climate of austerity. England remains one of the most over-centralised political territories in the world. Social democrats and social liberals ought to make common cause in demanding greater freedoms and democratic accountability for the local state. Local councils need greater powers and more capacity to deal with the great challenges of the age, from disengaged young people and community safety to building a new generation of affordable housing. Serious devolution within England can only be achieved through a re-animation of local politics and democracy, with local authorities given greater control over raising and distributing their own revenues.

Our contention is that the major challenges facing the UK require that progressive forces muster once more, sometimes across party lines. While many on the left will quite understandably baulk at the idea of any form of co-operation, they need to think hard about the logic and implications of Labour's current situation. Fashioning the kind of broad electoral coalition that the party needs to win requires Labour to reach a long way beyond its traditional base. Without a wider revival of centre-left progressivism in Britain, it is hard to envisage a majoritarian social democratic project in the foreseeable future.

8. Michael Kenny and Guy Lodge, 'More than one English Question', in M.Perryman (Ed.) Breaking up Britain (Lawrence & Wishart,2010).

As well as drawing imaginatively on its historical roots and founding values, Labour needs to develop a much greater sociological curiosity about the experiences and identities of Britain's many different places and communities in order to regain its confidence and sense of mission. Above all, the party has to re-acquaint itself with the insecurities and needs of an increasingly complex and heterogeneous electorate. That means posing challenging questions about what terms like 'community' now mean, and where people gain their sense of belonging and affiliation in twenty-first century Britain.

If Labour detaches itself from the complex and contradictory currents of popular sentiment, it risks drifting towards political irrelevance and repeated defeat. However, by signalling to a sceptical public that it is willing to engage with the most significant dilemmas of the age in imaginative and practical ways, the party can send a vitally important message. Labour needs to show that its ambition is nothing less than a new, post-crisis prospectus for the country, and that it has a strategy not only for winning elections, but also for governing Britain. That means a new model of British capitalism based on high-value industries and services at the cutting edge of technological change; a new public morality in which an ethos of responsibility and service are central, and where tough choices about future spending are achieved through democratic deliberation and argument; and finally, a new politics for a pluralist age which remains anchored in the progressive credo of 'conscience and reform'.

Patrick Diamond and Michael Kenny's edited collection, *Reassessing New Labour: Market, State and Society Under Blair and Brown*, was published by Wiley in 2010