
New Labour—A Survey

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This article is a—necessarily selective—overview of recent political activities in which New Labour has been involved either as pro-active protagonist or as party affected by 'events, dear boy, events' as a former Conservative Prime Minister, Harold MacMillan once said. It also focuses on the sea-change that has occurred over the last year. Another former Prime Minister, Labour's Harold Wilson, found that 'a week in politics is a long time'; Tony Blair may well have found the last twelve months an eternity.

The current parliamentary term does not end until mid-2006, yet the next general election in Britain is expected to be held much earlier. The parties have therefore begun to position or re-position themselves for a national contest in 2005, following European and local elections in June of this year. Accordingly, and consequent on the controversies of the last twelve months or so, a certain feverishness is affecting the political atmosphere.

Not so long ago the electoral outcome would not have been in doubt: the Labour government, led by Tony Blair would repeat its 1997 and 2001 performances and walk away with the third landslide victory in a row. Now however, things are less clear-cut. Labour's success is still what the analysts describe as a 'racing certainty', but it will have to be fought for, and the Prime Minister is no longer quite the electoral asset he had been. His judgement and his policies are not longer unquestioned and his leadership style, the way he manages the party and the government, no longer beyond reproach. Above all, public trust is ebbing. As to the official opposition, the Conservatives have taken a modest step towards political credibility and under a new experienced leader appear to have overcome their fractiousness, just as rifts are coming to the fore in the Labour Party.

1. Labour in Power

Over recent years Labour has dominated the political scene in Britain. After landslide victories in May 1997 and June 2001, it has enjoyed massive absolute majorities in the House of Commons of the Westminster Par-

liament, and it leads the devolved regional assemblies of Scotland and Wales. It nominates the members of the innumerable 'quangos', the quasi-governmental organisations which, largely unaccountable and secretive, carry out about as much public business affecting the citizen as do the elected bodies of the country. Over most of the period, the Labour government could legislate and act without hindrance: the parliamentary opposition was toothless. The Conservatives, demoralised and split into hostile factions, were unable to develop a set of coherent policies and to present themselves as a credible alternative government: the less so as New Labour, following Bill Clinton's strategy of 'triangulation', had occupied some of their traditional ideological space and continued some of their policies, with marginal alterations to make them more voter-friendly. The junior opposition party was the Liberal Democrats whose effectiveness as an opposition was limited by their apparent inability to agree on whether to oppose from the left or from the right and how to differentiate themselves fundamentally from both New Labour and the Conservatives. They were briefly courted in pursuit of Tony Blair's 'Project' to unite the 'progressives', in particular their influential so-called 'Social Democrat' wing, made up of rightist former Labour politicians; by splitting the Labour party, they had contributed importantly to keeping it out of power for eighteen years. But their ideological stance holds certain attraction for New Labour. Tony Blair raised the prospect of a seat in the Cabinet for the Lib Dem leader, but this idea was dropped when the size of Labour's majority became clear in 1999, as was a mooted change in the voting system for general elections. Proportional representation would have given the Lib Dems—as all smaller parties—representation in the House of Commons much more in line with the share of votes cast for them than the traditional first-past-the-post system. But expectations came to nothing and the Lib Dems ceased to be a potential ally. Only in the regions were there effective voices other than Labour: the Scottish Nationalists, Scottish Socialists and the Welsh Nationalists, who tend to combine concern for regional interests with a pronounced social agenda.

Due to the ineffectiveness of parliamentary opposition, the task of holding the government to account was largely left to the press, most of which firmly pursues a Conservative agenda: interestingly enough, many newspapers tended to combine firm hostility to Labour with general approval of Tony Blair. Opinion polls consistently favoured the Prime Minister and voting intentions invariably placed Labour well ahead of other parties.

So throughout the recent years that New Labour has been *in office* it was also fully *in power*, which gave it opportunities to better conditions for the people of Britain that earlier Labour governments rarely, if ever, enjoyed—the more so as it inherited an economy in up-swing of the economic cycle, with employment rising and unemployment falling. If it could

maintain the trend—as it did—it would have ample material resources at its disposal. And these would be urgently needed, because the new government enjoyed not only rare advantages and opportunities, but also faced rare challenges. After the increasingly comprehensive application of neo-liberal policies over two decades, first at the end of the last Labour government of James Callaghan under IMF auspices and then systematically by the governments of Margaret Thatcher and John Major—that conflated neo-liberalism with neo-conservatism—Britain was threatening to become a fragmenting, deeply divided society, in which growing riches at the top of the income and wealth scale coexisted—and arguably was causally connected—with growing poverty at the bottom. Public services and welfare provisions that cushion the impact of disparities had been badly neglected and chronically underfunded in the head-long rush out of 'the public' and into 'the private'. The mild 'progressiveness' of the tax system was further reduced: the loss of revenue resulting from the massive reduction of the high rates of direct taxation for a relatively small number of very high earners was compensated by increases in the non-differentiating indirect tax rates paid by the mass of the population. A nefarious ideological position was established that sees direct taxation not as the fair means for the provision of public services for all individuals, but an unfair imposition on 'the individual'. Its destructive potency has not gone away, its legacy persists in New Labour Britain, in spite of much evidence, for instance, in the regular 'Social Attitudes' surveys, that most people would not find higher taxes for better public services unreasonable.

The sorry state of the material and social infrastructure predetermined the main thrust of Labour's election programme of 1997 and indeed of 2001, the key priorities for post-election action were virtually self-selecting. Ministers knew and publicly acknowledged that they would ultimately be judged on their success in providing satisfactory public services. Education, health, public transport, and law and order issues were the high-profile areas to be addressed in the first place. And there was the question of poverty, especially child poverty: if this was not eradicated, said Tony Blair, 'we will have failed'. The search for greater social equality, traditionally a central concern for Labour, was not high on the agenda. And when it did merit mention, 'equality of outcome' tended to be replaced by the much more vague 'equality of opportunity' or even 'equal human worth'; the word 'redistribution' was purged from the official vocabulary. But the big push required for the improvement of public services was slow in coming: to repair the damage done by chronic underfunding new money was required without further delay, but was not at first forthcoming: Labour had promised not to exceed for at least two years the public spending plans pencilled in by the Conservatives before the election: as a 'poisoned pill' these had been kept unrealistically low.

Keeping to this self-denying ordinance was part of Chancellor Gordon Brown's, at first hugely successful, budget policy of 'prudence with a purpose' intended to convince 'the markets' of the financial orthodoxy of New Labour. But that resulted in even lower spending on investment in and the running of public services than the Conservatives and led to further crumbling of the facilities. It also meant that, when finally very substantial resources were forthcoming, they could frequently not immediately be absorbed productively, which left the—perhaps unfair—impression of little to show for them. Expectations had been raised, but not fulfilled, the announced improvements further delayed. The government now asked for more time and another term in office to reach its objectives. This was accepted by the voters who gave Labour a further massive majority in June 2001, though with a greatly reduced participation rate. 2003 specifically was billed as the 'year of delivery'. But in the event, the involvement in Iraq deflected attention from—even some of the most pressing—domestic concerns, and even after the war, and in spite of determined, almost desperate, appeals to 'draw a line' ministers found themselves unable to switch public attention back.

And by now further impediments made their appearance. The enviably healthy state of the public finances of the early years had come to an end, the surpluses transformed into deficits. To keep to his own 'golden rule' of (over the length of an economic cycle) only borrowing for investment, the Chancellor found that route of raising funds blocked.

Given the taboo of raising (visible) direct tax rates, there remained only the—by now also strictly limited by political considerations—way of increasing indirect (considered 'stealth') taxes. Or finally, again slowing the pace of additions to the funding of public services over the next financial planning period, though very high spending increases were to be maintained for 'health' and to a lesser degree for 'education'.

For many the growing uneasiness about the initiatives envisaged, or already taken, by the government to improve and expand public services is by no means confined to the slowness of progress, but at times the very *direction* of reforms. Public services are seen as a corrective to social inequality, a form of factual, if not monetary, redistribution and there are misgivings that some of the modernisation project is in danger of not countering, but reinforcing the present reality of a two-tier—or even more-tier—society.

Opposition from within the Labour movement, that was slow to develop, now tends to be most vocal from ad hoc coalitions of backbench members of Parliament, from internet-based think-tanks and in particular from the trade union movement: at present with variable, but potentially powerful success.

2. Income Inequality

In the early post-war years—first under Clement Attlee's reforming Labour government and then under administrations of all political persuasions—the very high degree of inequality of income and wealth was reduced, if only marginally, by the maintenance of full employment, the nationalisation of strategic industries, the wider provision of public services and the social transfers of the welfare state: the fruits of the 'post-war accommodation', the 'historic compromise' based on a temporary balance of power, that preserved the socio-economic system—deeply discredited though it was by its failure in the inter-war years, that had led to economic crisis, mass unemployment and crass social polarisation and finally to brutal war —, but forced it to give more space to the much strengthened 'countervailing powers'.

By 1960 the Gini coefficient of inequalities had, according to the Strategic Audit, fallen to 27 and then fluctuated around that level until the early 1970s. It fell steadily again, reaching its lowest point of 24 at the end of the 1970s when the 'social-democratic' phase was brought to an end (as the balance of power between the big corporations and the labour movement had shifted again in favour of the former). With the application of the 'neoliberalism' of the IMF policy prescription at the end of James Callaghan's Labour government and then systematically under Margaret Thatcher's version of Conservatism, income disparities grew again, and they continued to grow under the Conservatives and under New Labour—with only a brief break in trend at the end of John Major's administration—to reach a Gini coefficient of 38. Clearly no improvements in income distribution comparable to those in Attlee's Labour times were or are on the cards in Blair's New Labour years. The latest international studies rank Britain the highest of twelve European countries in the degree of inequality, about 50% higher than the four best; of sixteen countries only Portugal and Greece are more unequal.

The situation is similar with regard to poverty measured as households below 60% of median income and child poverty—children in such households: 18% of the total population live in poverty and 29% of children. By comparison: in Sweden the equivalent figures are between 9% and 10%. Of fifteen European countries only Greece and Portugal have a worse record.

The government's income transfers substantially alleviate absolute poverty and mitigate relative income inequality. The trend however is not affected: between 1980 and 2002 original income inequality has risen from 47 (Gini coefficient) to 53 and disposable income inequality (after taxes and benefits) from 32 to 41, suggesting that the redistributive effect has actually been reduced.

Figures published by the Office of National Statistics on 25.02.04 show that income inequality is also a regional and local phenomenon. There is a marked gradient of income levels descending from the south-eastern core of the country to the northern and western periphery, typically inner areas of towns, of the order of 8 to 1. Household income tapers from £86,000 to £11,000 a year.

A few figures: of the nearly 28 million gainfully employed, one tenth of adults earn less than £5,400 a year, half earn £17,000; up the scale one tenth more than £36,000 and one hundredth more than £100,000. (Average women's earnings were 82% of men's in 2003, one percentage point up from the preceding year: if this rate of catching up is maintained, equal pay levels will be achieved by 2021.) The lowest paid employment is in 'hotels and restaurants' (£16,000); not surprisingly the highest paid occupations are 'financial managers' averaging over £58,000 and 'directors and chief executives of major organisations: £122,000; of those the highest paid ten individuals average three-and-a-half million pounds. The five most fortunate of those have had pay rises averaging 40%, while the average national wage growth in the last year was 3.2%. Set against the 'tax and price index', real average earnings actually fell in 2003.

An investigation by the 'Sunday Times' found that in 2003 there were 500 people (of whom 87% were men) with annual incomes exceeding £1.75m and they had enjoyed a 31% rise over the previous year: the average earnings of the top 10 ranged from £42 million to £564 million each, averaging £170 million.

What is particularly disturbing: the very high degree of social inequality in Britain goes together with a very low—and indeed a declining—degree of social mobility; everything points to the fact that the disparities are self-perpetuating. Education is not the powerful force for smoothing them out that it is sometimes claimed to be and the education system and even some government measures to improve the quality of education tend to reinforce the divide.

The Strategic Audit presents a number of relevant tables and graphs. One table (page 75) of the earnings distribution shows that a majority of people in the lowest two quintiles remain there all their lives; a majority of people in the highest two quintiles also maintain equivalent position.

A graph (page 40) shows that 'social background is a more powerful predictor of educational outcomes by age ten than attained at 22 months: less able richer children overtake more able poorer children by the age of five' and that 'the social class gap is present by 22 months and very wide by age 5'—a gap that school does not close and (page 56) while there are exceptions 'schools with more deprived children generally do worse'.

The most striking feature of the British education system is the extreme degree of its social polarisation. This fact is well understood. Tony Blair is

on record about how in the school system very high quality of a minority at the top coexists with low quality at the bottom end. And as late as the 27th January 2004 the Education Secretary Charles Clark spoke of 'the appalling obscenity of the deep class difference that affects people who go to our universities'. That situation has actually deteriorated. But more than being unequal, it can be seen as a powerful engine for creating, perpetuating and further reinforcing the social divide. If you come from a deprived background the chances are that you will attend a deprived school and your original potential could easily fail to be realised. If you come from a privileged background you will almost certainly go to a privileged school and on to university, likely to a privileged university, to Oxford or Cambridge or to another of the nineteen members of the 'Russell Group' whose very reputation as an 'elite' institution guarantees that your degree will be worth a great deal in social and in financial terms.

A few figures: 7% of all children can afford to go to one of the expensive private, fee-paying schools, but they form 47% of the Oxbridge intake. According to a recent study by the privately-financed Oxford Centre of Higher Education Policy Studies, 90% of the children of parents in the 'highest' social class proceed to university; the proportion of the 'lowest' social class is 15%; 17% of Oxford students come from families with incomes of £60,000 a year or more, 51% from those earning £40,000 to £50,000: that leaves 32% from the 90% of Britons whose annual income is below £40,000.

No wonder that 180 Labour backbenchers signed a parliamentary motion opposing government plans that would allow universities nearly to treble tuition fees to £3000 a year. They were particularly incensed because top-up fees had been specifically ruled out in Labour's election manifesto. It was well understood that the measure would further widen the social gap between students by making it even more difficult for children from unprivileged background to attend university and that it would further widen the gap in resources between the richer and the poorer universities. The threat that the relevant government bill would be defeated forced the Education Secretary to make concessions and to keep adding to them until the number of Labour opponents was reduced to 70 who voted against and about 15 who absented themselves; in the end the government scraped home with a majority of five, whereas its nominal majority is 161.

The most significant concession wrung from the government was that poorer students would get some financial help *during* their studies and repay their loans and their tuition fees *after* their studies, when they earned at least £15,000. Even so, it is well understood how daunting and off-putting the prospect of building up many thousands of pounds of debt can be for working-class youngsters. Over much of the post-war period students were in an altogether more favourable situation: their tuition fees we-

re paid by their local authorities and they received a grant contributing to their living costs. Repayment was not asked. It must be remembered, however, that the number of university students today is a multiple of that of previous generations.

3. Public Services

In the early years of the Labour government increases in annual real spending on four high profile public services were well below the long-term annual averages but then rose massively. In transport expenditure actually declined between 1997-8 and 1999-2000 and rose only marginally the following year. Insofar as the distinction is meaningful in this context: the substantial rises refer to 'current expenditure'; annual rates of increases in 'investment expenditure' in the first six New Labour years averaged less than half those of the Tories and are at the lowest level since the Second World War: an average of 0.7% of GDP has gone into public sector capital projects such as roads, railways, hospitals and schools as against 1.7% in the first six years of Margaret Thatcher.

The government has discontinued its early practice of issuing annual 'progress reports'. The following surveys are therefore based on press notices and on the 'Strategic Audit' put on the internet by the Prime Minister's Strategy Unit in 2003 and in particular the 'Green Budget' analysis of the Institute for Fiscal Studies, the foremost independent analyst in its field.

In National Health Service spending increases were substantially above the average (not quite 4%) and are to continue to remain at just under 7.3% annually until 2007-8. As a proportion of GDP spending is not much more than half that of the EU average and the intention of reaching European levels has been downgraded from an 'objective' to an 'aspiration'.

Much of the improvement expected from this growth in spending, unprecedented in the health service's history, is at present measured in terms of numbers of people who are waiting for treatment and the length of time that they have been waiting. In-patient waiting lists rose in the early Labour years and peaked in 1998 at about 1.3 million patients and did not return to the pre-Labour level of about 1 million until the end of 2003. Waiting times are now hardly ever more than 12 months and more than six months is the target for December 2005, three months for 2008. As to out-patients, waiting times had remained substantially unchanged until mid-1999 and then risen to a peak of just over 2.1 million in early 2002. The number of prospective patients waiting over 26 weeks peaked at 146,000, but has by now fallen to 3,000. Experts are not all of one mind about the value of counting waiting lists as a measure of service delivery: exclusive focus on them provides incentives to influence the order in which patients are seen and treated in ways that are not necessarily justified by

medical considerations. Above all they say nothing about the *quality* of treatment.

What people think about the health services under Labour emerges from the regular British Social Attitudes Surveys. The latest, 2001, enquiry shows overall satisfaction out-weighing dissatisfaction by just 1 percentage point, a marked fall from the 13% recorded in 1999. 22% of respondents thought the general standard of healthcare is now better than five years ago, 39% it was worse; 37%: about the same. However this modest result is more favourable than that recorded in the 1995 survey.

About 8% of Britons can afford *private* medical care: for them waiting times to see a specialist or to have a surgical operation are counted in days, not in months. Of course, there are also no waiting times in the National Health Service (NHS) for patients in life-threatening situations. Accident and Emergency wards however struggle—not always with success—to treat unexpected arrivals in under four hours.

In opposition Labour had consistently attacked the way the Conservatives had tried to remodel the NHS in the likeness of private business. It promised to undo a system in which individual hospitals 'compete' with each other. However the introduction in 2004 of an obligatory national price list for medical procedures will return the NHS to the Conservative model of the 1990s. According to John Appleby, senior economist at the King's Fund, the authoritative health service think tank, it 'marks a return to the internal market that Labour said it was going to abolish'. A 'payment-by-results' system of internal accounting between different parts of the NHS is associated with increased use of private, fee-charging hospitals and threatens to have a 'seismic' effect on public health provision. The implications for hospitals are 'potentially immense'. As the tariff is theoretically fixed—in practice it will vary according to local conditions—at the average of present costs, half the hospitals will, according to Appleby, make a loss. But to get costs down, one of the options will be to reduce length of stay—irrespective of clinical considerations. The 'postcode lottery', the differences in treatment according to the place one lives, will become even more noticeable.

Private hospitals are already 'selling' 80,000 operations a year to the NHS. They are being paid 43% more than the cost of operations in the public sector: every year they cost the NHS up to £100. It is intended to remove the premium, but not before 2008, when the national price list is fully in force. In the meantime, the number of privately-provided surgical procedures is planned to multiply, with the government negotiating the setting up of treatment centres specialising in selected categories run by foreign companies, that can then compete with both British private and public health providers. The rationale is to reduce waiting lists—it is all about the shortage of capacity in the NHS and the difficulty of increasing it. Fears

have been voiced that some of the extra capacity provided by these private institutions is in fact at the cost of *public* capacity, as private firms already now use, and will increasingly use, NHS-trained—that is, publicly funded—doctors, specialist nurses and other staff and so simply compete with—rather than substantially add to—NHS facilities.

4. Education

In the first three years of the Labour government real increases in education spending were well below the long-term average of 4%, rising from 0.2% to just over 2%. From then on they varied from year to year, but averaged about 7% and are to rise by an average of about 5% until 2005-6. Unit funding per pupil in England had fallen in real terms in the last years of the Conservatives and was roughly unchanged in Labour's first year. It now rises at an average annual real rate of 4.5%. Labour had pledged to reduce class sizes (infant classes to below 31 pupils) and achieved this by the end of 2002, but average class sizes in secondary schools have risen slightly. The ratio of pupils to teachers remained substantially unchanged. The government set targets for a whole series of tests for children: results have improved significantly in the first few years, but they are now stuck at a plateau.

Public opinion generally acknowledges that examination results have improved, although there is some unease, that to achieve this the standard of the all-important school leaving examinations has been lowered. Experts point out that, by the nature of things, it must for some time remain unclear to what extent improvements in the exam results on which the government has focussed, has a bearing on improving those children's lifetime outcomes.

5. Transport

The privatisation of the railways by the Conservatives was supposed to improve services by allowing over two dozen operating companies to compete and to unlock private funds for the modernisation of the network, and so to reduce the government subsidy. It soon became clear that competing services were precluded by the very nature of the railways system, and in the event none of the advertised advantages came to pass. New Labour shied away from taking the system back into public ownership, but promised improved services that were 'publicly accountable'. Responsibility for overseeing the fragmented system became vested in the 'Department of Transport', the 'Rail Regulator', the 'Strategic Rail Authority' and the 'Health and Safety Executive', which, because of their overlapping responsibilities and competences got in each other's way: services deteriorated but government subsidies are actually higher than before privatisation—only shareholders are doing well. New trains purchased (part-

ly with some public money) to replace unsafe rolling stock and to improve passenger comfort were put in service late because of shortcomings of track and power supply: hundreds of trains are being mothballed—at public expense. Those that *are* in service break down twice as often as those they replaced. According to the chairman of the Public Accounts Committee (the public spending watchdog) ,thousands of passengers are condemned to continue travelling on the overcrowded, grubby slam-door (i. e. unsafe) trains'.

About a year ago ,Railtrack', the private company that owned tracks and stations, and was supposed to service them, was put into receivership by the government for being unable financially and technically to fulfil its obligations: for some time public money seemed not to flow into maintenance but to pass more or less directly into shareholders dividends, rather than into maintenance. It was replaced by the ,non-profit' ,Net-work Rail' (which is still being financed with public money). At the time the Prime Minister was quoted as saying: ,I don't care what you do to overcome the scandals, as long as you don't call it „renationalisation“'.

As to public spending: calculations by the Institute for Fiscal Studies show that in its first three years the government actually reduced annual spending on transport by over 10%, about 7% and about 4% respectively. In 2000-01 there was a small increase, in 2001-02 an increase of 20% and about half that in 2002-03. After a slightly bigger increase in 2003-04, public spending on transport is due to decline again in the following two years.

The main outputs that the government has focussed on are the related issues of the use of public transport and of road congestion which, measured as thousands of vehicles per average kilometre of road is, according to the Strategic Audit, the second worst of ten European countries at 1200 (the next worst is Denmark at about 600). The best three countries average 300. Business leaders in Britain regularly publish results of research that tries to establish the billions of pounds that road congestion costs the economy.

To reduce congestion by shifting private car use to the use of public transport, the government published in 2000 a plan to increase over the next ten years rail use by 50% and bus use by 10% and to improve the punctuality and reliability of services: after three years bus usage had increased by a mere 4.5%, rail usage by 3.2%. The most that could be claimed was that the decline in public transport had been halted. Punctuality and reliability of bus services have been relatively high and stable at up to 98.8%. After a number of rail accidents and an at best indifferent performance by ,Railtrack', the reliability record was at all times unsatisfactory. Percentages of trains arriving on time—that is of being no more than five minutes late—fluctuated between 87% and 70%; by the end of the third quarter of 2002-03 it was about 75% and was expected to improve to over

80% by the first quarter of 2003-04. Desperate to be seen to be improving punctuality, proposed solutions range from redefining it as being no more than ten minutes late, to changing the published timetables by extending contracted journey time, and to reducing the number of trains.

As to the satisfaction/dissatisfaction level of travellers: bus-users tended to be satisfied with services, the number of complaints by train-users fluctuated, but was always high and was, as one would expect, negatively correlated with performance. Accordingly it peaked at the end of 2001, when delays became routine and no more than a third of trains arrived on time. But dissatisfaction was not only over the lack of punctuality, but also about reliability (the frequency of cancellations), about over-crowding and about the low quality of service on the trains that did manage to run. Not to mention the raising of fares while the service deteriorated.

By the end of 2003 the Department of Transport appeared to reverse its priorities: the size of public subsidies for the privatised rail services came under question and resources were switched towards the road network and so to encouraging private car use: after three years the Transport Plan had—for all practical purposes—been shelved.

6. Crime

About half the money spent on law, order and civil protection comes from local authorities, the rest from the Home Office. Real increases from both sources of spending for the police were modest or negative in the first three Labour years, and relatively generous in the following three years: they were highest—well over 10%—in 2001-02, then fell back and are expected to be quite low again in the years to 2005-06. As to outcomes—in terms of greater security and vitality, greater *feeling* of security, of the population, accounts conflict. The Institute for Fiscal Studies summarises developments in three series: one shows that the total number of crimes *committed* has fallen both in the last two years of the Conservative and the first six of the Labour government, though the number of violent crimes is now rising. The second shows that the percentage of crimes reported that are *recorded* by the police has risen significantly from 50% to 70% in the same period due to a new system that makes procedures more consistent and comparable between the numerous independent local police forces. The third series shows that the proportion *detected* has changed little in recent years at less than 10% of total crime or about 20% of recorded crimes. This is in spite of substantial increases in the number of policing personnel. At this time plans are being mooted to create a *national*, centralised, force specifically targeting organised and violent criminality.

There is an ongoing debate in Britain about the effectiveness as a deterrent of increasing the length of court sentences. But perhaps this should

be redirected towards whether deterrence would not rather result from the increased likelihood of crimes committed actually being detected, and criminals actually being brought to court.

Similarly the debate on 'whether prison works': Britain has proportionately the largest number of people in prison in Europe, and a very high degree of 'reoffending'. Evidently prison does not have a *chance* of 'working': because of the high number of prison sentences—often for quite minor offences—and the consequent overcrowding of prisons, not enough rehabilitation work is possible. Sometimes inmates spend no more than two or three hours a day outside their overcrowded cells with little opportunity of recreation, never mind training and education to fit them for earning a living after their eventual release.

Public perceptions of crime seem to be independent of the actual number of crimes: the percentage of respondents to relevant inquiries who believe 'there is a lot more crime' than there was two years ago has steadily risen in the Labour years from about 30% in 1998 to about 40% in 2002-03 for national, and stands now at over 20% for local crime. At the same time the number of people who are 'very worried' about crime has actually fallen.

Summarising its look at public services, the Institute for Fiscal Studies concludes that overall no more than modest progress has been made. In the areas of health and education there is more to do if the government's targets are to be met; in transport very little has been achieved; falls in crime have not translated into changed perceptions. And overall, whatever 'the modest progress that has been made' (according to an ICM opinion poll of September 2003), most people 'believe public services to have deteriorated since Labour came to power'.

And ominously for a government that has said—though not recently—that it stakes its reputation on a marked improvement of public services and that at the next elections it will be content to be judged on it, people are also 'generally pessimistic about the *future* delivery' of public services. Recent updates both of MORI's 'Delivery Index' and ICM's 'Policy Performance Indicators' show 'that the number of sceptics about whether relevant government's policies will succeed exceeds the number of optimists'.

Delivery of further improvements in public services generally will become more difficult in the years 2005-06 to 2007-08 (the next period now being planned for by the Treasury), as money will get tighter: public spending overall will increase by 3% a year, sharply down from 4.7% under the current spending review. Education however will continue to enjoy greater increases—of up to 5% until March 2006—and health 7.3% until March 2008. That means however that the squeeze on other government departments will be that much greater.

7. New Labour and the trade unions

Historically the Labour Party is the child of the trade unions. In the late nineteenth century they relied on the Liberal Party to represent the political interests of their members. To increase their effectiveness in parliament the Amalgamated Society of Railway Servants (now the Railway and Maritime Transport Union (RMT)) proposed in 1899 the setting up of the Labour Representation Committee which, together with the Fabian Society and some other small socialist organisations, founded the Labour party in 1906. Since then most trade unions are affiliated to and a constituent part of it. Their members individually agree to have part of their union-dues—the 'political levy'—form the 'political fund', all or part of which is then paid over to the party. As affiliates the unions elect delegates to the annual party conference and to the National Executive Committee, nominally the central policy-making body: they are thus a legitimate part of the party's policy formation process. The political levy covers about half the party's expenditure. The other half comes from fees of *individual* members—whose number has dropped sharply from 400.000 when Labour came to power in 1997 to some 250.000 today—and, now that Labour is in power, from business-men donors: Lord Sainsbury, of the supermarket chain family, and Labour science minister, recently donated a million pounds for the fourth time.

More important than their financial contribution, the millions of trade unionists form the numerically strongest reservoir of voting supporters, and an important part of party activists, whose dedicated canvassing of potential voters is ultimately decisive in local as well as national elections—even in these days when so much reliance is placed on the television performance of—hopefully—telegenic ministers.

Thus there is a well understood, many-layered symbiosis of party and unions in the representation of individuals' and social groups' interests, and over the last hundred years the relationship between the two main constituents of the labour movement has always been close, though not without friction, especially when Labour was in government. At such times the common interest can easily become less clearly discernable: matters were particularly fraught in the New Labour years.

Under Margaret Thatcher and John Major unions' and their members' rights were heavily curtailed by legislation and by the toleration, if not active encouragement, of mass unemployment; working conditions came under pressure, social security provisions were under attack, public services neglected. In response the unions worked hard for the Labour victory of 1997 and looked forward to decisive changes in government-union relations and speedy improvements in people's working and living conditions.

Some of their expectations were fulfilled. Part of the Conservative anti-union legislation was repealed; where employees voted for it—though the

majority requirements are much more demanding than in parliamentary elections—big firms now have to grant unions negotiating rights; Britain now recognised the EU Social Chapter; a minimum wage was established—though the unions considered it to be too low to provide a living income; various versions of a 'New Deal' made great efforts to find work for young unemployed people and then for other groups whose participation in the labour process faced particular problems, such as single mothers and the physically handicapped. Successes of the schemes contributed to, but also were facilitated by, the general growth in employment and the impressive fall in unemployment made possible by continuing the positive macro-policy forced on the administration in the final John Major years, and on the micro-side by large numbers of jobs under 'unconventional' employment contracts such as part-time and temporary arrangements and by the proliferation of low-wage work, but also and importantly by the significant rise in public sector employment.

All these achievements of the early years meant that unions did not at first pick up the signals given out by New Labour that it wished to distance itself from its natural ally. When they were told, somewhat provocatively, that the unions could expect from it 'fairness but no favours', they were not unduly troubled. They took it as a tactical part of the government's endeavour to establish and maintain good relations with the business community and not as an expression of a real and growing ideological estrangement. Sentiments among union members and activists began to change when they began to perceive that it was business that was receiving 'favours' and that while the unions continued to have access to, and were listened to by, ministers, their demands were all too often ignored; or that the scope of measures that would benefit employees was severely curtailed after representations by employers' organisations.

A telling example: Britain has the longest working hours—to compensate for low wages and low productivity?—of all European Union countries, and yet when an agreement for a (maximum) working week was agreed and a Brussels directive to give it effect was issued, the British government, under pressure from the central British employers organisation, the CBI, negotiated a far-reaching opt out. Similar watering-down of provisions protecting employees occurs in connection with the Brussels-inspired expansion of employment and pension rights of—in Britain particularly numerous—part-time workers. A specific complaint of the public sector unions is in respect of the non-stop process of organising and re-organising work and procedures in the NHS: the views of the well over one million employees is not being sought or listened to, and the unions that represent practically all of them are not consulted, while business people are. Business methods and business-type procedures are greatly in favour, endangering the public service ethos. And last, not least, the unions

strongly opposed the government's reactivating a Conservative policy of handing out much traditionally public sector construction and management work to private companies. This saves money at an early stage but considerably increases the cost over the whole life of the proposal. The arrangements which guarantee profits for the private, but leave the risks with the public sector, go under the names of Public Private Partnership (PPP) and Private Finance Initiative (PFI).

A further grievance is the way public sector bodies are being pushed into 'outsourcing' services to private companies, who are able to provide them more cheaply by worsening working conditions and lowering wages. Only in the case of local government services have unions been successful in establishing that conditions of outsourced staff 'must not be less favourable' than those of insiders—and here the private companies have not given up on the government ultimately coming down on their side.

Ultimately a notable shift in political sentiment of union members and activists showed itself in leadership elections. When general secretaries retired or came up for re-election, candidates found that closeness to New Labour had turned from being a recommendation to being a serious handicap. The very suspicion of being the candidate favoured by Downing Street was enough to make one unelectable, explicitly distancing oneself became a necessary condition of success. Over the last year a number of new-type leaders emerged in most of the bigger unions, who left no doubt that their priority was not furthering the government's agenda, as a number of previous influential leaders with an affinity to New Labour had done, but representing their members' views and interests, where the two were not seen to coincide. They staunchly support the Labour party but want a concerted effort to 'return it to its members'.

Their disagreements with the government—on 7th February 2004 one prominent London leader spoke of Labour and the unions now being on a collision course—have not on the whole led them to weaken links with the party. Such moves were defeated at a string of union conferences.

On the contrary, the general secretaries are trying to use the constitutional means at their disposal to boost their unions' political power by fighting *within* the Labour party. Last year Unison and the GMB lobbied scores of MPs against the government's health bill, which included proposals for foundation hospitals, with partial success: the bill did go through but was much improved.

Their first major show of strength and unity was said to have surprised and shocked the managers of the 2003 Labour Party conference when the general secretaries of the four largest public and private sector unions managed to get motions very much at odds with government policy passed, including one on pensions. One passed on extending workers rights was particularly unwelcome in view of the importance the government at-

taches to its understanding with the employers' organisations on the maintenance of the 'least regulated labour market', a legacy of Margaret Thatcher. Further critical resolutions were avoided by an adroit, but hardly fraternal manipulation of the standing orders of the conference.

And: as with a resolution opposing the creation of privileged 'foundation hospitals', that many health specialists, unions and a large number of Labour backbench MPs saw as a move towards a two-tier health service, that was passed against the government's plans at the previous year's party conference, and an earlier motion against the PPP and PFI: in the end decisions of the highest policy-making forum not to their liking were simply ignored by the leadership.

Clearly this has not improved relations between the unions and the New Labour leadership. But even Cabinet minister Peter Hain is critical in the Guardian newspaper on 10.03.04: 'We must reinvigorate the party conference as a forum for debate and decision-making...denying party members a say on important policies breeds resentment... we need, too, to ensure that local parties remain engaged with the trade unions, a crucial link to working people.'

As to the unions, they are suggesting in their submissions to a strategic review initiated by Brendan Barbour, TUC General Secretary and the most important remaining 'Blairite' union leader (though he says he dislikes 'labels') that the TUC should 'reflect adequately' the political shift to the left in the unions and for it to stop 'being concerned to keep in with the government at the expense of the forthright presentation of working people's agenda.'

Evidently in response to the new mood in the union movement the TUC's contribution to the Labour Party's 'Big Conversation' of 3.03.04 recalls that 'in 1997 Labour pledged to tackle low pay and low skills, saying that Britain had no future as a low-wage economy. Almost seven years on that remains the case, and, what is more, unfairness is still endemic in Britain's workplaces.'

In a speech on 6.03.04, Brendan Bracken was specific: 'I sense a widespread feeling around the union world that the government has not done enough on our agenda, and is too often too ready to listen to business lobbyists... During the first Labour term there was a real sense of momentum.'

But that momentum has been lost in the second term... and some progressive European initiatives have been positively blocked by the government. The result is that there is too little sense of a joint agenda, and few in the unions believe that the government really shares our ambitions for the world at work...Grievances run very deep...union government relations are at a low ebb... An honest assessment of union government relations presents a very mixed picture. Important achievements made, and

arguably undervalued. But a lingering sourness on some major issues that remained unsolved.' ,We aim, he said, ,to encourage in Labour a new way of thinking about trade unionism.'

While the unions are bending over backwards not to damage the links with the party, party managers seem to be ready to take risks with the relationship. At the beginning of February 2004 they gave the RMT transport union an ultimatum to stop some of their local branches financially supporting local branches of the Scottish Socialists. When the union executive ignored the threat, the RMT was told it would now be expelled. It is the first time in a hundred years that the labour Party has excluded a union, and it happens to be the one to which it owes its very existence.

8. Prospects

This article has focussed on the efforts made by the Labour government to bring up to twenty-first century standards and requirements some key public services on which people depend for their wellbeing. The situation that the government had inherited was dire, the task of making up for a long period of neglect was formidable. Progress has been slow, halting, patchy, and modest, considering the billions of pounds that were available for spending on their improvement and the nearly seven years for bringing this about. But real progress there has been, even if—as ministers acknowledge—much remains to be done and to make people really aware of what has been done.

Opinion poll after opinion poll shows that the majority of respondents, while appreciating the changes, are not impressed; they fall short of the expectations raised, too often has full ,delivery' been promised and then postponed. In a speech on 12th February 2004 the Prime Minister accepted that New Labour's early rhetoric about swift solutions for Britain's public services might have been overblown: in a sobering admission he said that it would take another 15 years to turn them around and to achieve ,exemplary' standards across the country. The public mood reflects disappointment and resentment at having been misled by the spin doctors of a powerful public relations machine. There is a very real feeling of crisis in attitudes towards and trust in Labour, the government and its leader—and that at a delicate period in the electoral cycle. In June 2004 there will be local and European Parliament elections, and in 2005 probably a general election.

8.1 Fallout from the invasion of Iraq

What really set off, and still remains really at the heart of the crisis of confidence, is not difficult to see: ,Iraq' with all its connotations. It has triggered deep controversies and it colours controversies in other—apparently unconnected—areas. Not having been resolved, and being fed by a con-

stant stream of new revelations and allegations and new—unanswered, possibly unanswerable—questions, in Britain, and by persistent and increasingly disturbing news from Iraq itself, the widely unpopular invasion at the behest of and alongside the United States continues to cast a shadow over everything. It poisons the political atmosphere, and hinders the government in its attempts to regain the political initiative and to concentrate on its proper, its domestic agenda.

Because of the war, too many domestic issues were too long kept on the back burner; now they have to be addressed. And after the failure to find weapons of mass destruction (WMD), any weapon of mass distraction would be welcome. But some of the old questions surrounding Iraq simply will not go away and new ones are constantly arising which damage the government's and, in particular, the Prime Minister's credibility.

A majority of people, including some of those who supported the invasion and some of those who still approve of it, now accept that Britain went to war on a 'false prospectus' and that the grounds adduced at the time were later altered. This was done in a deliberate attempt to mislead, or, as Hans Blix, the head of the former UN weapons inspectorate, stated, 'it was oversold, as businessmen wanting to make a sale overpraise their wares'. There was no 'serious and present threat', as the Prime Minister had claimed. ('Britons 45 minutes from doom' was a newspaper headline then that is still quoted today.)

When the Prime Minister recently said that he had *not* known that the '45 minutes' claim referred not to long-range WMD but to short-range conventional materiel (which posed no strategic threat) while two of his then ministers say they *had* known, a pertinent comment was made: if in reality he did know, he is not being truthful; if he had not made himself aware of this vital information, he was being extraordinarily negligent.

Sincerity and competence had been Tony Blair's hallmark; now they are both being questioned. That is the key to understanding the difficulty he encounters in achieving closure and to return to his own priority agenda. That is the problem underlying New Labour's crisis, a crisis largely of their own making, though clearly Harold MacMillan's 'events' played a part.

Tony Blair's choice to make the unconditional support of President Bush Britain's policy priority meant that it ended up dominating his government's agenda; it focussed attention to the virtual exclusion of everything else. The year 2003 became not the long-promised, repeatedly postponed and eagerly awaited 'year of delivery' for the public service reforms in which so much financial and political capital had been invested, but the 'year of Iraq'. Indeed the whole of New Labour's second term of office had 'Iraq' written all over it: an unpopular foreign perspective meant years of wasted opportunities for advancing the government's popular central domestic objectives.

The two preoccupations were mutually exclusive only because of the Prime Minister's style of political management. The tradition had been to reach major decisions after discussion in the weekly meetings of ministers, among whom the Prime Minister was supposed to be no more than 'first among equals'. Tony Blair's regularly criticised 'presidential' style replaced this with a system in which major issues are decided within a small circle of unelected and unaccountable personal 'expert advisers' and then explained by the Prime Minister to the relevant ministers nominally in charge in one-to-one meetings. Less weighty decisions are communicated by the advisers to ministers and civil servants in a stream of telephone calls and e-mails. The mantra is 'Tony wants...'

In such a system, in which individual members of the government administer policy made and forwarded from Downing Street rather than themselves taking the major initiatives, little moves without the Prime Minister: if he is on one of his frequent journeys abroad, to Washington or at the behest of Washington, or if he is otherwise preoccupied with foreign matters, domestic issues are put on hold; only routine affairs continue.

So 'Iraq' prevented proper attention being paid to other affairs of state in the run-up to and the prosecution and aftermath of the war. But this was not the end of the matter: Iraq continues to cast a shadow over everything, in spite of repeated, ever more desperate, appeals to the public, the media and the politicians 'to draw a line' under the events, 'to move on'. Iraq—in all its dimensions—also acted as a catalyst in quite unrelated matters. The mistrust it engendered spilled over into mistrust of domestic policies, of all government's actions and motives. The credibility gap is present everywhere.

There is a further ingredient in the mix of the government's difficulties. People seem to have observed a distinct falling in its technical and political competence in, for example, part of the public services restructuring agenda, reform of the House of Lords, pension rights, and they notice confusion over the treatment of immigrants and asylum-seekers, present and future.

What has kept political voters on side and underpinned the government's high standing in the opinion polls, over the far less troubled earlier years as well as in today's difficult times, is to an important extent the wide satisfaction with the state of the economy, the relatively good weathering of the international downturn, the steady growth of employment and the fall in unemployment (down at the end of 2003 to a rate of 4.9%, the lowest level for twenty years). It is unaffected even by real wage rises that are modest or even negative, by the inexorable rise of personal households' debts that are about to equal a full year's gross national income, and by the new experience of increasingly fragile public finances.

8.2 Response to discontent

The Prime Minister and his closest associates are only too painfully aware of the rumbles of discontent among their parliamentary backbenchers, a 'rebellious' (as they would see it) mood that has, three times within a year, brought the government to near defeat, in spite of its huge nominal majority. They can also be in no doubt that the shift in public political sentiment reflects a potentially dangerous mixture of disillusionment, of growing distrust and of dissatisfaction with what is felt to be a sense of drift. It is true that all this has up to now only very marginally affected the voting preferences expressed in the opinion polls, but it does nothing to enthuse and energise party activists and does not augur well for the already very low (by historical standards) levels of turnout at elections. The probability of large numbers of Labour voters staying at home may pose a greater threat than the likelihood of their conversion to the cause—and party—of Conservatism. Abstention is by no means always an expression of apathy, as is often claimed—it can be a very meaningful political statement.

Tony Blair's response has been two-fold: to accept that mistakes have been made—in presentation and procedures, though not in substance—and, in order to show that the government was not running out of steam, to rush out new long-term policy proposals so as to prove that a further Labour term in office was imperative. According to the report of February 4th 2004 in the 'Financial Times', he used an appearance before the House of Commons Liaison Committee to admit errors in the way he had tackled policy decisions over the past year: the Cabinet reshuffle that abolished the centuries-old post of Lord Chancellor 'could have been managed better'; his dispute with backbenchers over the near-trebling of university tuition fees 'had taught him lesson about how policies should be developed in future'. Most significantly, he accepted that both in this latter case and in connection with the nearly-defeated bill to create foundation hospitals, backbenchers were worried about 'marketisation' of public services. The paper comments that 'the humble tone, coupled with a sincere belief that his policies are the right ones, has become a hallmark of recent speeches, not just by Tony Blair but by other Cabinet ministers'.

In the recent disputes with their own parliamentarians, the government had continued to follow the traditional 'carrot and stick' approach. When defeat looked likely, quite substantial changes were made to improve the original proposals and so to accommodate the critics over real concerns—now explicitly recognised by the Prime Minister—about certain anti-social implications of the measures. But there was also a great deal of arm-twisting and MPs being threatened with 'consequences'. Similar tactics will apparently be pursued to realise the Prime Minister's intentions to mend fences with backbenchers and involve them in policy-making in the futu-

re. It is expected that Health Secretary John Reid will convene backbench meetings prior to issuing a White Paper in the summer; similarly, Secretary for Trade and Industry Patricia Hewitt will discuss child care and related issues; and Tony Blair is to offer MPs better access to himself, so that backbenchers can factor in direct knowledge of constituency matters.

But it seems that such access and the right to be involved in policy-making will be confined to 'loyal MPs', others remaining marginalised. How policies will be improved, made less controversial, more balanced and more effective by consultation only with those who are already in the fold, and excluding those that are not, is not explained. Further: the Cabinet has been given a list of 'serial Labour rebels' in the parliamentary party and advised—in a masterly piece of understatement—'not to make giving them any direct constituency help a priority' in the run-up to the general election. Ministers will be 'discreetly encouraged' not to make supportive visits to their constituencies. Both the 'Financial Times' and 'The Guardian' reported the new policy on 6th February 2004 in substantially identical terms: however, the former emphasised that ministers were 'building bridges', the latter that they were 'planning their revenge on rebels'.

As to the government's effort to return to the domestic agenda and to divert the attention of the public from 'Iraq', some high-profile government initiatives were unveiled in mid-February 2004 within days of each other, significantly first by Tony Blair personally and only then followed up by the relevant ministers.

First to be announced was the ending, or at least a major shake-up, of the 'target culture' that had pervaded the public services since 1998. The setting of many hundreds of performance targets was seen as the condition for bringing about, or in minister-speak, 'driving through' changes (which always had the feel of an adversarial relationship between the makers of policy and millions who have to execute it). Even now it is suggested that the mass of targets have been vital—and successful—in raising standards, while most experts and practitioners point to the perverse effect of distorting priorities some targets can have, and how many targets actually conflict with each other.

Some details are emerging for one of the key services: in health 400 targets have from 2006 onwards been reduced to 62 used in measuring the *quantity* of health care delivered by hospitals and the primary care trusts that oversee them. Now they will be replaced by 24 'core standards' defining the kind of service patients should expect, and 10 'goals' the trusts should aspire to. The objective is to switch to improving the *quality* of care and increasing the clinical success rate.

In some cases the number of national targets will be reduced, but the number of regional targets raised in the pursuit of an ambition to move from 'the old centralism' to 'the new localism'—to 'give power to the peo-

ple'—in the provision of public services. The difficulty will be to avoid increasing further the prevalence of the 'postcode lottery', the fact that the quality of service people enjoy depends on the locality in which they live.

Another initiative is named „Building Schools for the Future“. It is described as 'a massive investment in our nation's future', 'the greatest school renewal programme in British history', 'the first time since the Victoria era that we are joining major capital investment with major educational reform to transform secondary education...rebuilding or refurbishing every school in England...', 60% of which are more than forty years old. One hundred and eight schools are earmarked for the first phase and the whole programme is to be completed by the year 2020. There will be no new money: the government is redirecting part of the existing educational budget and is expecting private funds to help achieve its multi-billion pound enterprise. The general secretaries of the National Union of Teachers and of the National Association of Head Teachers have welcomed the programme: they will be less pleased to find that it will be managed by 'Partnership for Schools', a new body created to encourage links between the public sector and private companies. Included is the setting-up in educational blackspots of fifty 'City Academies' institutions with a subject specialism which will not be freely available to all; they are permitted to select at least part of their intake. Devised by the Conservatives in the 1990s, they are sponsored by private companies, and are outside the control of the local education authorities that have traditionally been responsible for most of state education: the governing bodies of Academies are appointed not by public authorities or by parents but by the sponsors.

The ambitious school building programme and the transformation of the target system is sure to be generally popular, even if no practical results can be expected for many years. Another initiative, however, will do nothing to heal the rifts between New Labour's 'marketisers' and the upholders of traditional Labour values and principles: the announcement by the Prime Minister that some additional and improved services will not be 'free at the point of use' as public services are supposed to be now: they will be liable for 'co-payments', a euphemism which delicately avoids the term 'user-charges'.

8.3 The present mood

This account ends with a numerical snapshot of the political mood of Britain. In the first week of February 2004 it was probed in a wide-ranging opinion poll by the highly-regarded sampling organisation NOP. The outcome was bad news for the government and even worse news for the Prime Minister. After having led the opposition Conservatives by a steady five percentage points over nearly a decade, Labour was beaten by the Tories, whose popularity rating was 36%, against Labour's 35% and the Li-

beral Democrats' 24%. When asked what they thought of the statement 'It is now time for Tony Blair to resign and hand over to someone else', 51% said they agreed or strongly agreed and 35% disagreed or strongly disagreed. Ominously for Tony Blair, when the respondents were asked how they would vote in an election if the Chancellor Gordon Brown were leader, Labour regained the advantage. The Conservatives would still be on 36%, but Labour on 37%. Commentators see 'the depth of public disillusion' with the Prime Minister, and an important cause of it, highlighted in a further finding. When asked 'Given what you know now, do you think Tony Blair lied to the nation over the threat posed by Iraq?', 54% responded with 'yes' and 31% said 'no'. The rest were undecided. Up to a very short time ago, the Prime Minister insisted publicly that WMD would eventually be found. Then President Bush retreated from his statements that 'stockpiles' of such weapons would be discovered to 'evidence of weapons programmes' and to 'evidence of programmes-related activities' until he finally admitted that they did not exist at all, and he ordered an enquiry into the reasons for 'the failure of the intelligence services'. That forced Tony Blair to backtrack on his former adamant attitude and to institute his own investigation (with a limited remit and headed by a man of impeccable establishment credentials). When asked about this investigation, just 23% believed it be a 'genuine attempt to find the truth' while some 68% of people believed it would be a 'whitewash'.

A mere week later, two further polls confirmed the small Conservative lead in voters' preferences, and three others put Labour ahead again: clearly we are living in 'interesting times', confused and confusing, with commentators eager to comment and understandably unwilling to predict.

Few analysts doubt that Labour will win a third term in office, though they are not prepared to forecast a third landslide. Most, but not all, predict that it will be Tony Blair who will lead his party to victory but for the first time some politicians and some commentators are beginning to envisage 'life after Tony'. The most-named potential successor is Gordon Brown who, as Chancellor of the Exchequer, was the architect of Labour's generally successful economic policy and also presided over much of its domestic reform efforts. He is a former mentor and long-standing collaborator of and rival to Tony Blair. He shares much of the Prime Minister's New Labour preoccupations and he may indeed have been their intellectual father. However, he sees tighter limits to the acceptable role of the private in the public sector, and his commitment to greater social equality and to the objective of ending poverty is very much more to the fore. He also was lukewarm about invading Iraq. This said, it is generally agreed that a change of leadership is not on the cards—or not just yet.

Labour's record in government is mixed; 'history', as invoked by the Prime Minister or, somewhat earlier the electorate, will be the judge. Further,

to return to electoral prospects: the Conservative opposition has recently made great strides, thanks to their new leader, Michael Howard, and to Labour's making itself vulnerable, but they are by common consent at the moment not—or not yet—a credible alternative. Even so, Labour strategists do not sleep easy: they are surely mindful of the age-old wisdom: 'when there is a change in regime, it is not because the opposition wins, it is because the government loses'.

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Summary

Labour has won two general elections and is preparing for a third term in office. But a further victory will have to be fought for, because many people are becoming disillusioned. They give the government credit for the way it has managed the economy and acknowledge that some progress has been made in public policy. But a survey of the high-profile

health, education, transport and policing services shows that much of the promised improvement has not materialised and is not even in sight. People sense that the government has run out of ideas and out of steam. Not least, after 'Iraq' Tony Blair is no longer quite the electoral asset that he was. The invasion of Iraq was always highly unpopular: furthermore many came to feel that they had been deceived. 'Iraq' has also acted as a catalyst for a more general loss of trust and the government finds it difficult to achieve 'closure' and to shift attention towards its domestic agenda.

Opposition is also growing from within the labour movement to government policies that are perceived to stray from Labour values and principles and that introduce 'marketisation' into the public arena. This is apparent in an increasingly critical mood in the trade union movement and in a number of parliamentary 'rebellions' by Labour backbenchers. They want to 'reclaim' the party for the traditional aspiration of reducing the large—and growing—inequalities of income and of life chances.

„BEITRÄGE zur WIRTSCHAFTSPOLITIK“

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Fusionen und Übernahmen 2002, Teil 2 erschienen

Kürzlich ist als Band 15 der „Beiträge zur Wirtschaftspolitik“ der zweite Teil des Wettbewerbsberichts 2002 der AK Wien erschienen. Er bietet unter anderem:

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Der neu erschienene Band (Wien, 2003, AK Wien, 292 Seiten; ISBN 3-7063-0249-7) ist unter der Telefon-Nummer 501-65/2296 zum Preis von 9,30 € erhältlich. Eine elektronische Version (auch der bisher unter diesem Titel veröffentlichten Studien) steht im Internet unter der Adresse „www.akwien.at/wirtschaftspolitik“ kostenlos als Download zur Verfügung.