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Neoliberalism and the Labour Party

Mark Wickham-Jones

Writing in *The Times* in June 2002, Peter Mandelson announced: ‘We are all “Thatcherite” now.’¹ Mandelson was a senior Labour politician and close adviser to Prime Minister Tony Blair (although in January 2001 he had resigned from the Cabinet for the second time). Emphasising the need for deregulation and greater flexibility, by ‘Thatcherite’ he appeared to mean something close to neoliberal: ‘[G]lobalisation punishes hard any country that tries to run its economy by ignoring the realities of the market or prudent public finances.’ On the same day that Mandelson offered his provocative pronouncement, Blair gave a set-piece speech on welfare reform. He insisted that his administration offered a radically new position on the subject, one that broke with the party’s past. It was an approach based on responsibilities, creating ‘a dynamic labour market’: ‘We have changed the culture of the welfare state.’²

The notion that Labour had turned towards neoliberalism was hardly surprising. In February 1988, Tony Benn, a long-standing Labour MP, recorded in his diary an account of a joint meeting of the party’s Shadow Cabinet and National Executive Committee (NEC), called to discuss the draft of a new statement of aims and values. Describing the text as ‘insubstantial’, Benn recorded his concern as Roy Hattersley, Labour’s deputy leader and one of the authors of the document, said that ‘he thought we [Labour] were in error to criticise market forces, and we must avoid the libel that we wanted a command economy’.³ Benn was not alone: others (including members of the party’s right wing) queued up to criticise the draft as being far too supportive of the market and putting too much emphasis on individual freedom.⁴ Changes were made, but the final document offered a clear endorsement of the market mechanism as the basis for the economic organisation of most goods and services.⁵ A few

months later, when Labour published its new policy documents, Benn was glum about the party's trajectory: 'This is the Thatcherisation of the Labour Party. We have moved into the penumbra of her policy area and our main argument is that we will administer it better than she will.'⁶

In May 1989, following two days of discussions, marking the culmination of the party's two-year-long Policy Review, Benn was equally gloomy, writing: '[T]he NEC has abandoned socialist aspirations and any idea of transforming society: it has accepted the main principles not only of capitalism but of Thatcherism.'⁷ The Labour leadership had just agreed, against Benn's vehement but marginalised protests, a new programme, outlined in *Meet the Challenge, Make the Change*, and heralded by many as marking a decisive change in the party's outlook. The opening pages of the text stated: 'Of course, private business can be the most efficient way of producing and distributing many goods and services.'⁸ For the veteran left-winger, the Policy Review marked a fundamental transformation of Labour: in effect, it had become a party defined by its neoliberalism, that is, put rather starkly, by the extent of its commitment to free-market capitalism. (Benn did not use the term neoliberal.)

With the advent of Tony Blair's leadership of Labour in 1994, scholars and others claimed that the party was neoliberal in its orientation. As a letter writer to the *Glasgow Herald* put it in March 1995, '[t]here is nothing modernising about the new Labour Party. It is simply joining the neoliberal bandwagon.'⁹ To signal the far-reaching extent of its underlying reorientation, Blair rebranded the party as 'New Labour'. To demonstrate the break with its past, he insisted on the reform of Clause IV of the party's constitution (its historic and sweeping commitment to public ownership) and he appeared to relish emphasising his pro-market credentials at every available opportunity. Within a year of becoming leader, giving the Mais Lecture in the City of London on 22 May 1995, Blair mapped out a minimalist economic strategy that resonated firmly with neoliberalism. He prioritised the fight against inflation, criticised Labour's Keynesian-oriented past and, insisting that 'capital flows . . . can swiftly move against policies which fail to win investors' confidence', concluded governments had minimal policy autonomy.¹⁰ In developing the party's policies in this period, fulsome support came from Labour's Shadow Chancellor, Gordon Brown. He told one audience in 1994 that 'the old-style corporatism offered no solution'.¹¹ He continued: 'Labour will not take risks with inflation and we reject old quick-fix solutions of tax, spend and borrow.'¹²

For many, Blair's adoption of a neoliberal paradigm became even more forthright following his landslide general election victory in May 1997. When the Japanese firm Fujitsu closed a factory in his Sedgfield

constituency in the north-east, the new Prime Minister was blunt (and unapologetic): 'It's totally dishonest', he said defiantly, 'to pretend governments can prevent such decisions . . . let us not kid ourselves. In certain sectors there will be an impact . . . We can't as the government do much about the twists and turns of world markets in an increasingly globalised economy.'¹³ Giving his own Mais Lecture in 1999, Brown emphasised market credibility and endorsed Milton Friedman's 1968 monetarist analysis (claiming 'conclusive evidence for this proposition').¹⁴

In this chapter, I examine the nature of Labour as a neoliberal political party. I start with an outline of three influential social scientists, among the many, who have examined the link between social democracy and neoliberalism: Adam Przeworski, Colin Hay and Stephanie Mudge. In one way or another, each has suggested that, in recent decades, in conceptual terms reformist politics in the UK have collapsed into a residual neoliberalism. In subsequent sections, I detail the development of Labour's outlook over the course of the twentieth century, I discuss the attitude of the party's left and I consider the reform of Clause IV, before going on to assess whether Blair and Brown can be judged as neoliberals. Given the constraints of space and the ambitious extent of my coverage, readers may criticise my account for a lack of depth. But these are important issues covering much of the party's history. Let me emphasise that I do not intend to resolve the question of Labour's neoliberal turn. I hope this chapter will be taken as it is intended: as a plausible explanation of the party's politics that might contribute to further debate. Put starkly, my central aim is to ask: how far has Labour embraced neoliberalism?

In this discussion it is important, of course, to be clear about what I mean by the term neoliberalism. As the editors of this volume note, analyses of neoliberalism often fall back on an overly reductionist conception of the term based somewhat clumsily around free markets. Mudge offers a more layered definition of the term as an intellectual project that comprises a set of distinct policies (including, among other measures, deregulation, monetarism and privatisation) and some sort of political and normative commitment to markets. Manifestly, markets are central to the neoliberal endeavour: Mudge argues that neoliberalism embodies 'an unadulterated emphasis on the (disembedded) market as the source and arbiter of human freedoms'.¹⁵ Several scholars have documented the complicated and nuanced history of neoliberal thought, from its emergence within the Mont Pèlerin Society to its dissemination among policymakers during the 1970s and 1980s.¹⁶ In his account of neoliberal debates during the 1940s, Ben Jackson elaborates an intricate definition that highlights the complexity of the term and its contextual

development: the neoliberal project has evolved in fundamental ways during the second half of the twentieth century.¹⁷ (For more on this, see [Jackson's chapter](#) in this volume.) Both Mudge and Jackson share an emphasis on the historical nature of the term 'neoliberalism', its intricacies and its normative character.

Perspectives on Labour and neoliberalism

Writing in *New Left Review*, in 1980, Adam Przeworski offered a bold, sweeping and ultimately influential account of the development of social democratic politics.¹⁸ Although he did not deploy the word 'neoliberal', the thrust of his argument and the importance he placed on such an outlook were straightforward. Moreover, while he subsequently formalised the analysis with the development of a sophisticated model and offered some emendations of his argument, the core elements remained pretty much the same throughout his later writings.¹⁹ Przeworski's suggestion was that, under capitalism, reformist governments would encounter profound structural constraints, the effect of which was to force them to abandon their social democratic aspirations. He argued that any government, radical or not, needed to ensure a prosperous economy in order both to generate resources for its policies and to maintain electoral support. But growth under capitalism relied upon investment, which in turn required a profit incentive. Ensuring a sufficient rate of profit for growth therefore meant, put starkly, that governments needed to offer neoliberal-orientated (that is market-friendly) policies: "The very capacity of social democrats to regulate the economy depends upon the profits of capital. This is the structural barrier which cannot be broken: the limit of any policy is that investment and thus profits must be protected in the long run."²⁰ Such, Przeworski concluded, were the structural constraints of capitalism.²¹ His writings abound with similar, simple statements.

Following publication of the more formal account, working with Michael Wallerstein, Przeworski revised his model, now framing it explicitly in terms of neoliberalism: 'At this moment', Przeworski and Wallerstein wrote, presumably with a degree of provocation in mind, 'the reader may remark that this is the neoliberal theory as well. It is.'²² (Przeworski and Wallerstein noted a difference between neoliberals and their own variant of rational choice Marxism concerning the power that groups might enjoy.) Przeworski and Wallerstein argued that some – limited – redistribution was possible. But they remained doubtful about the social democratic prospect, putting particular emphasis upon

mobility (could capital flows be taxed effectively?) and upon anticipations of radical measures. More importantly perhaps, their analysis remained couched in a pessimistic language, noting the constrained framework that must confront social democrats. In a sense, whatever the fine detail of their model (that some reformism might be possible), most readers associated Przeworski with the stark nihilism of his original argument, an association of which he did little to disabuse them. In a retrospective, the American political scientist opined gloomily: 'Does social democracy make a difference? It is only natural to expect that most of the time it would not.'²³

By the time of the retrospective, Przeworski offered an explicitly historical account: he suggested that, for social democrats, revolutionary aspirations (by which I assume he meant aspirations for wholesale and abrupt measures) would give way to reformist ones, and that this approach, in turn, would pave the way for remedialism. Reformism (based around the notion of gradual, cumulative measures) gave way to policies aimed at correcting and limiting but not challenging market difficulties. In effect, reformism dissolved into neoliberalism. For Przeworski, such a position was accompanied by 'resignation', an acceptance on the part of social democrats that there were fundamental issues that they could not resolve. Social democratic parties such as Labour might begin with radical intentions, usually revolving around a programme of public ownership. But, Przeworski argued, nationalisation was neither sufficiently electorally popular nor developed as a strategy to provide a viable approach. Instead, left-wing parties would drift steadily into market-oriented policies: public ownership 'has turned out to be electorally unfeasible; radical redistributive policies result in economic crises which are not in the interests of wage-earners; and general affluence can be increased if capitalists are made to cooperate and wage-earners are continually disciplined to wait'.²⁴ The market became an essential aspect of economic strategy: its 'informational role is crucial' (though Przeworski noted that other forms of ownership than either that of shareholders or the state might have been developed).²⁵ His definition of neoliberalism focused on 'the claim that markets spontaneously maximise the welfare of society, or at least "efficiency", with only minimal regulation'.²⁶

To be sure, as a political scientist Przeworski did not engage with the case of British Labour in any depth (though he did quote from its history). But the application of his analysis to the UK was clear-cut. Social democracy as a reformist concept was an exhausted historical phenomenon. Labour was, effectively, neoliberal. By 2001, Przeworski's

conclusion was that, whatever Tony Blair's claim about negotiating a distinct 'Third Way', Labour had become such a party, following the policies of its Conservative predecessors.²⁷ Moreover, he presented this drift to neoliberalism as self-evident: describing the policy transformation, he concluded, '[t]he reader knows the rest, so I stop'.²⁸ He qualified the analysis to the extent that governments would try to offset the impact of globalisation (through, among other measures, protection against import penetration). There might be debate about the ideas underpinning social democracy, but Przeworski insisted that policies had, in practical terms, converged. Indeed, in the extent of their resignation, social democrats had abandoned some of their remedialism.

In a sequence of publications from the mid-1990s into the 2000s, focusing much more directly on the case of Labour, Colin Hay reached a broadly similar conclusion: that the party had become neoliberal.²⁹ There were two central aspects to Hay's account. Firstly, Labour had abandoned reformism (in the form of Keynesian social democracy) in favour of a Thatcherite free-market-based approach to policy. Dismissing the notion that such a process represented the modernisation of reformism, Hay emphasised a range of factors shaping such an outcome, including the direct impact of Thatcherism and Labour's Downsian-like quest for the centre ground of British politics and the median voter. As with Tony Benn's position, quoted in my introduction, Hay took Labour's 1987–9 Policy Review to be a critical episode in this transformation.³⁰ He argued:

By the completion of the Policy Review – and, perhaps, some time before that – Labour had ceased effectively to be a social democratic party, committed as it had by then become to a pervasive neoliberal economic orthodoxy and to a basic acceptance of the legacy of the Thatcher years.³¹

Secondly, while Hay detailed the outcome of policy development within Labour from the 1980s onwards, he challenged the inevitability of the party's trajectory. Instead, in a series of papers, some written with Matthew Watson, he argued that a central aspect of Labour's accommodation with neoliberalism was the manner in which Labour elites had deliberately *constructed* a pessimistic discourse justifying their course.³² No resignation here: the party had willingly agreed to, embraced even, its new position. As such, Labour's neoliberalism reflected the claims of senior figures that the nature of the global economy was an all-embracing and inevitable constraint upon any government, social democratic or not. Hay emphasised the extent to which politicians (most obviously Blair and

Brown) had built a narrative for neoliberalism in the rhetoric that they had articulated, using such a discourse to justify subsequent policy moderations: Labour politicians assembled ‘an overarching logic of political “necessity” where the economic “realities” themselves did not warrant one’.³³ In another account with Watson, Hay argued that Labour politicians had ‘internalised’ the neoliberal imperative.³⁴ In marked contrast to Przeworski’s inevitable structuralism, for Hay, the invocation of constraints (many stemming from globalisation) was a deliberate discursive strategy on the part of Labour politicians to justify an unnecessary and deeply problematic neoliberalism.³⁵

Of course, Hay was by no means alone in drawing the conclusion that Labour’s apparent acquiescence to Thatcherism represented the deliberate adoption of a neoliberal outlook. In a similar vein, for example, Richard Heffernan argued that Labour had been ‘colonised’ by the ideas of the right and so ‘neoliberalised’.³⁶ Like Hay, Heffernan suggested that there was some agency in Labour’s trajectory: the party was ‘increasingly unwilling’ to challenge Conservative initiatives regarding privatisation and deregulation.³⁷

More recently, in *Leftism Reinvented*, Stephanie Mudge has developed an argument about social democracy’s surrender to neoliberalism that echoes aspects of Przeworski’s account. Like him, she advances an historically based analysis identifying different stages that the social democratic project has moved through. Socialism, she argues, gave way to Keynesianism (Przeworski’s reformist phase), only for that to result in a neoliberal turn. But her causal explanation for such phases is different. While Przeworski emphasised the constraints that social democrats must confront and cannot overcome, Mudge places much more weight on the role of economists within social democratic parties. In its 1918 programme, without much expert input, a radical Labour Party criticised private ownership, ‘reckless “profiteering” and wage slavery’.³⁸ From the 1930s onwards, partly under the guidance of Hugh Dalton, the party looked towards a more Keynesian-inclined outlook, a position that became institutionalised with the emergence of, among others, Hugh Gaitskell, Evan Durbin, Douglas Jay and, subsequently, Tony Crosland.³⁹ In the 1960s, under pressure from theoretical developments such as monetarism, rational expectations and public choice, Keynesian economics started to unravel, at the same time that Labour’s management of the British economy ran into profound difficulties. In such circumstances, guided by a new group of expert economists and by external think tanks, by the 1990s, Blair and Brown had turned Labour towards neoliberalism. One adviser, Ed Balls – later a

Labour MP and Cabinet minister – was especially important in shaping the party's outlook.⁴⁰ Left-inclined economists played a critical role in driving the neoliberal project: '[T]he tactic . . . was to refit Labour's economic strategy to the imperatives of markets.'⁴¹

Labour and the market

Has Labour moved towards the market over the course of its history? I noted above that neoliberalism should not be defined simply by a reductionist view of market mechanisms. At the same time, patently, market processes, profits and price incentives are important aspects of such an approach (along with other factors). Each of the three perspectives above indicates a shift towards the market on the part of British reformists during the last decades of the twentieth century. Has Labour adopted a neoliberal perspective in recent decades through its embrace of the price mechanism and private ownership?

As part of its constitutional reorganisation in 1918, Labour adopted commitments that were, on the face of it, radical and far-reaching. Most obviously, in its well-known Clause IV (section 4), the 1918 constitution pledged Labour to sweeping and comprehensive nationalisation through 'the common ownership of the means of production, distribution, and exchange and the best obtainable system of popular administration and control of each industry or service'.⁴² For Przeworski and Mudge, the abandonment of such a commitment is part of the transformation towards neoliberalism.⁴³ But note that Clause IV said nothing about what might or might not be the role of the market mechanism in allocating goods and services. Moreover, quite what such a statement meant in practice was by no means obvious. While sweeping in its apparent ultimate objective, few commentators thought that it meant that Labour would literally abolish private ownership. Rather, they tended to take it as a signal of the party's radical intent and as some sort of general aspiration.

Many scholars concluded that the 1918 constitution defined the party's moderation. For Tom Nairn, it enshrined the party's labourist outlook: in effect, it institutionalised trade union control of Labour in a defensive and atheoretical manner.⁴⁴ Nairn pointed out that, having adopted such a commitment, the party immediately debated a resolution concerning social reconstruction that made no reference to ownership whatsoever. When a delegate complained, Sidney Webb (author of the new clause) told the conference that Labour should not go back over old shibboleths, effectively equating the clause with such a status. Nairn

concluded: 'Socialism, in short, belonged in its proper place, the constitution, where it could be admired occasionally and referred to in moments of emotion.'⁴⁵ Ralph Miliband's equally critical judgement in *Parliamentary Socialism* was that Labour's new programme was a 'Fabian blueprint for a more advanced, more regulated form of capitalism', one that would humanise private enterprise.⁴⁶ Attributing the Clause IV wording to Webb, Ross McKibbin argued that the new clause was important 'precisely because of its vagueness and lack of rigour'. It had 'an umbrella function: it was an acceptable formula in a party where there was otherwise little doctrinal agreement'.⁴⁷ Rather than being a precise policy statement, its architects saw the phrase 'common ownership' as electorally popular in appealing to middle-class Fabians.

In March 1923, Philip Snowden, soon to become Labour's first Chancellor of the Exchequer, introduced a motion into the House of Commons about the capitalist system. He criticised private ownership and control and called for their gradual supersession with a system based on public ownership and democratic control.⁴⁸ But, while Snowden's goal was radical, interestingly, he also talked about 'social amelioration' (and the improvement of industrial conditions), exactly the kind of objective that Przeworski so disparaged as watered-down reformism. While Snowden was especially critical of economic monopolies and trusts, his critique was essentially empirical and his means moderate: 'There are three or four ways in which we have been dealing with the capitalist system, and all we suggest is that we should continue along these lines, but move much more rapidly.'⁴⁹

Over the next 50 or so years, while the party formally retained Clause IV, Labour's approach to economics remained based around a combination of modest state intervention and market arrangements. There were, of course, different policy packages, and the proposed extent of public regulation across economic affairs varied. In office between 1945 and 1951, Labour did take parts of the economy into public ownership. But there was little suggestion that such public ownership was a specifically socialist endeavour designed to replace the market. Far from it: with few exceptions, nationalisation covered basic utilities, natural monopolies and essential services. In practice, public ownership neither challenged the market nor directly furthered socialism. Even at the time of this programme – the party's most interventionist phase – Hugh Dalton, Labour's second Chancellor of the Exchequer (following Snowden), told the House of Commons: '[W]e all desire that private enterprise should show itself capable over the great field that will be left to it, even after we have carried out the programme on which this government and the

Labour Party won the election.⁵⁰ A couple of years later, Dalton told the Labour Party conference:

Since we are operating a mixed economy in which the socialised sector is still not very large, relatively speaking, the profit motive cannot be completely removed within the private sector . . . The private sector, which is conducted for profit, would not be conducted at all, if there were no profits.⁵¹

Stafford Cripps and Hugh Gaitskell, successive chancellors between 1947 and 1951, professed a similar outlook. Cripps described the profit motive as an essential factor in the economy, albeit one that should be regulated.⁵² Gaitskell emphasised the importance of understanding ‘the nature of the pricing system’ and not being ‘hopelessly prejudiced against a market economy’.⁵³ He continued: ‘To-day the party attitude in the main is that free choice must be continued and unfairness corrected rather through redistribution of income and wealth than through direct controls.’⁵⁴ Subsequently, Labour chancellors adopted a comparable position. James Callaghan reordered corporation tax to increase incentives: ‘[O]ne can, as I am proposing here, have a relatively low rate of tax on the profitability of the company, so encouraging it to plough back its retentions into new machinery and plant, whereas there will be a higher rate of tax on the shareholder.’⁵⁵ Roy Jenkins told the Labour conference in 1969 that the party should not ‘tax people without limit . . . [while] we ought not to be ashamed of believing in taxation for worthwhile social purposes. But we certainly ought not to be a party of taxation for taxation’s sake or a party which is instinctively hostile to private consumption.’⁵⁶ Between 1974 and 1979, Denis Healey made clear his commitment to a ‘vigorous and profitable private sector’.⁵⁷

This brief discussion suggests that there was no abrupt turn on the part of Labour towards the market (and so potentially towards neoliberalism). Regardless of what was in Clause IV, for decades Labour politicians took profit incentives and the price mechanism to be acceptable features of the prevailing economic arrangements, albeit ones that required some regulation. They certainly condemned ‘profiteering’, as Mudge noted, which I take to mean the uncontrolled accumulation of a surplus (usually through some sort of market distortion, such as monopoly). But they were much less hostile to what might be taken as a reasonable profit (that could be taxed and regulated). For Stafford Cripps, in 1945, profiteers were on a par with racketeers. At the same time, his acceptance of the market mechanism was plain: ‘[A] great many controls

have already been removed where they are not necessary for the decent and orderly development of industry in the present economic circumstances.⁵⁸ As Eric Shaw notes, 'Labour never sought to challenge the market as the organising principle of economic life'.⁵⁹

Labour's left and the market

It might be expected that Labour's attitude towards the market and profits would have undergone a change during the period in which the party was dominated by its left wing, between the early 1970s and the early 1980s. At this time, Labour adopted a series of radical interventionist measures – known collectively as the Alternative Economic Strategy – revolving around the public ownership of individual firms and the introduction of planning agreements between private companies and the state.⁶⁰ But, for Stuart Holland, the economist who was the central architect of the party's new programme, competition, market processes and the pricing mechanism remained central (for some reason Holland does not figure in Mudge's account of Labour's trajectory).⁶¹ What mattered was the public ownership of individual firms in order to inject competition into a particular sector and so challenge private monopolies – 'competitive public enterprise', as Holland termed it: 'The [new public] companies would be employed within a market economy framework in which the price mechanism remained the key resource allocation guideline.'⁶² The result would be 'healthy competition'.⁶³ By 1976, Labour's commitment to a state holding company working within the market was mapped out: 'The NEB [National Enterprise Board] must be given the same operating freedom as other companies. It must be able to make competitive bids on the market for companies.'⁶⁴ In developing such a position, Holland was categorical: '[P]rofits are as important in modern capitalism as ever before.'⁶⁵

Outlining Labour's approach to economic planning after the 1979 general election, Geoff Bish, Labour's left-wing research secretary, addressed the issue of the market, distinguishing between four different (though not mutually exclusive) positions. They included improving the market, anticipating it, fixing it and, finally, replacing it (what Bish termed Soviet planning). His conclusion was straightforward: through 'a judicious combination of anticipation and fixing together with some improvement', the party should come up with a plan that 'should, in my view, have a market orientation'.⁶⁶ That is, there should be no replacement of the market (Bish's fourth position). Planning in Eastern Europe had,

Bish argued, moved towards market criteria. (He was also interested in Japanese planning.) In a later paper, Bish pointed out that international trade meant the British economy needed to be competitive, which, 'unless we envisage moving toward a system of autarchy', implied a role for the market and for prices. Industrial activities should, by and large, be profitable. Accordingly, the market 'should have a very important role in industrial planning'.⁶⁷ Bish went so far as to offer a more normative defence of market processes: they could 'be a useful means of decentralising decision-making in the economy'. (In other words, he offered them the sort of informational role that Przeworski saw as crucial: my point is that Labour politicians, including left-wingers, have pretty much always held this view.) Central planners should not pass decisions downwards. Within such a framework, Bish indicated that there needed to be far greater public ownership and government intervention, while price signals might on occasion be misleading.

In the early 1980s, Labour passed on discussion of its planning policy to the Trades Union Congress–Labour Party Liaison Committee, a joint union–party structure. In September 1981, its subcommittee on Industrial Democracy and Planning discussed the relationship between planning and the operation of markets and was critical of the latter: the group's minutes recorded, 'it was argued that the market mechanism was incapable of allocating resources to meet social requirements'. But the minute went on to accept a role for market processes: 'At the same time, it was pointed out that economic planning was not meant to negate the allocative functioning of the market but rather to perform those functions more successfully.'⁶⁸ The committee noted even East European countries used information about rates of return, prices and preferences across both international and domestically focused sectors.

Tony Benn was dismissive of the discussion. In his diary, he noted that Norman Atkinson, another veteran left-wing MP, had complained that the document did not criticise markets. Bish responded: 'Well the party hasn't opposed the market mechanism for a decade or more. It hasn't been rejected by the party for years.'⁶⁹ But Benn made a more subtle point than had Atkinson: 'We should', he told his colleagues, 'therefore redefine our concept of the market mechanism and make it absolutely clear that we are talking about the difference between the big companies and the 98 per cent of companies that are medium and small businesses.'⁷⁰ Benn appeared to accept that market processes, albeit regulated and modified, could work for medium and small firms. He had made a similar point some years earlier, praising such firms and saying, 'I am a firm believer in free enterprise on this scale'.⁷¹ In 1982, the final document

tried to capture the party's position: '[I]f the political dogma of the free market offers no solution to our economic problems, neither does a planning system which tries to direct economic activity from the centre.'⁷² The draft had included a further qualification, referring to 'the totally free market'.⁷³

The repeal of Clause IV

At the end of his first speech as Labour leader to the party conference, Tony Blair told his audience that they must adopt a new statement of objectives. Clause IV needed to be completely rewritten. It was not, of course, a new issue. Following the party's 1959 general election, Hugh Gaitskell had tried and failed to amend it: '[S]tanding as it does on its own, this [Clause IV] cannot be regarded as adequate. It lays us open to continual misrepresentation.'⁷⁴ As leader, Neil Kinnock had had more success with the adoption of *Democratic Socialist Aims & Values*, the document that had so alarmed Benn back in 1988. In his original draft of the economic section, the Labour leader had opened by stating that change could not be left to random market forces. Hattersley felt this was 'a far too total rejection of the market: the sort of wild swing that got us into previous trouble'.⁷⁵ His position was that, while requiring regulation, markets promoted liberty and efficiency. He insisted that such a stance was at odds with a neoliberal one and that it was firmly within the traditions of Labour. Markets had no 'moral significance' other than as means to ends.⁷⁶

Some of the criticism of the market in the new document was modified. In the final version, Labour offered an explicit, though qualified, commitment to market forces. While in some areas of activity (for example, health care and education) it was inappropriate, the document concluded, 'in the case of the allocation of most other goods and services, the operation of the market, where properly regulated, is a generally satisfactory means of determining provision and consumption'.⁷⁷ At the same time, Kinnock attempted to clarify the party's attitude to nationalisation by detailing the need for an extension of 'social' ownership. But Labour was manifestly committed to the mixed economy and to a private ownership structure. These commitments sat somewhat uneasily alongside the original Clause IV section 4 which was retained in party literature. At the party's conference in 1988, Kinnock defended the Policy Review and recognised 'the fact that the kind of economy we will be faced with when we win the election will be a market economy. That is what we

have to deal with and we will have to make it work better than the Tories do.’⁷⁸ The detail of Kinnock’s policy programme owed much to continental arrangements. In the same speech, the Labour leader sought to attack Margaret Thatcher’s individualism and her ‘no such thing as society’ aphorism: ‘No person other than me. No time other than now. No such thing as society, just “me” and “now”.’⁷⁹ The new statement of aims had, however, little impact on the party as a whole.

Tony Blair, by contrast, was not prepared to maintain the old Clause IV in any form. Unsurprisingly, he was subsequently scathing about its wording, calling it, over a few pages, ‘intellectually redundant’, ‘politically calamitous’, ‘hopelessly unreal’, ‘a refusal to confront reality’, a ‘graven image’ and an ‘unfettered indulgence’.⁸⁰ (Don’t hold back, Tony.) He did admit that it was ‘largely symbolic’, but to Blair such rhetoric mattered; as he told one audience, ‘[r]e-writing Clause IV is an essential part of the transformation of the Labour Party’.⁸¹ In April 1995, Labour committed itself to a new statement of aims, this time replacing the old version altogether. Gone was the promise of sweeping nationalisation. The new Clause IV offered common endeavour, community, solidarity, tolerance and respect. But it explicitly endorsed the ‘enterprise of the market and the rigour of competition’ as well as a ‘thriving private sector and high-quality public services’.

New Labour and neoliberalism

It is easy to see why scholars presumed Labour to be a neoliberal party during the 1990s. As Colin Hay argued, there is much in the rhetoric deployed by Tony Blair and Gordon Brown that reverberates with aspects of such an approach. Each seemed determined to construct a very clear and distinct discourse. Moreover, as Adam Przeworski indicated, each placed considerable emphasis on the constraints that must confront any government.

From his election as Labour leader, Blair quickly made plain his determination to reorient the party, to tone down its policy commitments and to moderate its rhetoric.⁸² Outlining its values and policies, Labour made a series of apparent concessions to the neoliberal cause, seeming to abandon many of its past radical commitments. In the wake of Labour’s defeat in the 1992 general election, Gordon Brown, as Shadow Chancellor, had already mapped out changes to the party’s economic strategy: ‘[W]e had to leave behind the old sterile conflicts between public and private sectors, between state and markets, between managers and employees . . .

we had to shed old dogmas.⁸³ Blair's 1995 Mais Lecture became something of a defining statement on the economy, emphasising the market forces that a Labour administration must encounter. A year later, he told an audience in New York that 'errors in macroeconomic policy will be punished rapidly and without mercy'.⁸⁴ In the Mais Lecture, distancing himself from European-style economic arrangements, Blair appeared to accept the nature of the UK as a liberal market economy (though the speech obviously pre-dated the subsequent Varieties of Capitalism scholarly debate). He defended the 'Anglo-Saxon structure', something that had 'not stopped the US economy being dynamic and strong'.⁸⁵ Such a liberal structure, it could be presumed, lent itself to a neoliberal outlook (though see the discussion on growth models by Peter Sloman in this collection).

Repeatedly, Blair and Brown emphasised that Labour had ditched its past: 'The days of reflex tax and spend politics are over . . . we will reward work, effort and opportunity.'⁸⁶ In January 1997, the Shadow Chancellor pledged that there would be no increase in personal taxation, including the higher rate, under a future Labour government ('no return to the penal tax rates of the 1970s').⁸⁷ Writing in *The Observer*, the journalist Patrick Wintour said the decision represented 'not simply the end of socialism but of social democracy, and the whole Croslandite commitment to use public spending and tax to reduce inequality'.⁸⁸ (Wintour's argument anticipated Przeworski's claim that remedialism had replaced reformism.) Brown followed this undertaking with a promise to accept the Conservative government's existing spending limits for its first two years of office. In other words, social democracy did not mean higher public expenditure.

In criticising past Labour governments' management of the economy, Tony Blair came close to endorsing Thatcherism. The Labour leader admitted that 'serious change was required to improve competitiveness at the end of the 70s. The emphasis on enterprise, on initiative and incentive and on tackling lack of responsiveness in the public sector was necessary.'⁸⁹ On another occasion, he pronounced: 'Business runs business. There'll be no "corporatism" or "picking winners".'⁹⁰ At times, the rhetoric echoed the views of those who saw Labour as a manifestly anti-market party in its previous policy positions. Hence, Gordon Brown proclaimed that 'past Labour governments tried to counter the injustice and failings of free market forces by substituting government for market'.⁹¹ He argued that 'the old economic policies which ended at the boundaries of the nation state . . . no longer made any sense'.⁹²

In mapping out such a position, Blair and Brown were particularly concerned to assure business of their moderation (so 'building a genuine new partnership').⁹³ Developing the party's so-called prawn cocktail offensive of the early 1990s, they went to considerable effort to persuade firms about their limited intent.⁹⁴ Drawing on rational expectations and public choice, New Labour politicians offered a pro-market rules-based approach to economic strategy: there would be no policy surprises once the party took office. Accordingly, business could trust a Blair-led administration. The Labour leader approved the profit-making activities of the private sector: '[F]irms invest to make money and over the decades, poor returns have probably been the biggest single explanation for the UK's poor investment record.'⁹⁵ Profit needed to be sustained. During the 1997 general election campaign, Blair gave a straightforward endorsement of the market mechanism, saying: 'There is no overriding reason for preferring the public provision of goods and services, particularly where those services operate in a competitive market economy.' He continued: 'The presumption should be that economic activity is best left to the private sector, with market forces being fully encouraged to operate.'⁹⁶

New Labour followed up this moderate agenda in office.⁹⁷ In her account of neoliberalism, Stephanie Mudge mapped out distinct policy areas including liberalisation, deregulation, privatisation, depoliticisation and monetarism.⁹⁸ In each, the Blair government can be argued to have followed a neoliberal trajectory. In terms of monetarism and depoliticisation, as Chancellor of the Exchequer, Gordon Brown immediately made the Bank of England independent. Meeting Eddie George, its Governor, to discuss interest rates after the May 1997 general election, Brown raised interest rates, only to announce that henceforth a new Monetary Policy Committee made up of bank officials and civil servants would be responsible for operational decisions. It was a standard claim of neoclassical economic theory that politicians should not be trusted with setting interest rates because of the temptation to manipulate the economy for political purposes. Brown's delegation of the decision represented a straightforward acknowledgement of the neoliberal case: in the future, the decision would be depoliticised, to the extent that it would be taken by Bank officials and economists and not by elected politicians. (There was some qualification of this position to the extent that the Chancellor still set the inflation target that the Bank should attain. For critics of Labour, it was little consolation.) In his Mais Lecture of 1999, Brown accepted much of the monetarist case, emphasised the importance of credibility, transparency and trust, and outlined a modest

agenda for government aimed at the promotion of stability. He was clearly influenced in such thinking, as Mudge notes, by Ed Balls.⁹⁹

New Labour's approach to fiscal policy was equally cautious ('an iron commitment to financial stability and fiscal prudence').¹⁰⁰ In opposition, Brown had mapped out several market-based rules.¹⁰¹ The first, termed the 'golden rule', indicated that the government should borrow only to meet the demands of investment. The second was that the ratio of public debt to GDP should remain constant over the economic cycle. The rules were backed up during Brown's first years as Chancellor with an austere approach to taxation, though he introduced a windfall tax on the privatised utilities and increased the taxation of company dividends alongside several other revenue-raising measures. When the auction of licences for mobile phone services brought in a windfall, Brown simply used it to reduce the national debt. Corporation tax was cut. Blair claimed that any government needed to take care when raising personal taxation and went so far as to state that, 'even making allowance for that [some redistributive measures], inequalities have merit'.¹⁰² He had earlier suggested that '[t]he public simply won't pay more taxes and spend more to fund an unreconstructed welfare system'.¹⁰³

In terms of public spending, at times, the government appeared to take an aggressive position. Blair complained about social democrats in the past: 'We seemed to want to throw money at every problem, with little if any concern for the efficiency with which public resources were spent.'¹⁰⁴ New Labour placed considerable weight on the need for welfare reform. Early on, Brown signalled his intention by forcing through a Conservative-planned cut in benefit for lone parents. The administration's position was, moreover, accompanied by an aggressive rhetoric that was hostile to perceived dependency. Blair argued that 'the welfare system can discourage hard work and honesty . . . it locks people into dependency on benefits'.¹⁰⁵ When the government launched its welfare reform bill, Blair insisted that it marked 'a fundamental break with the past', stating that 'the days of an automatic right to benefit will go'.¹⁰⁶ In a similar vein, Alistair Darling, the relevant minister, stated that 'no-one has an unqualified right to benefit'. He promised that 'the new regime will be far-tougher than people thought . . . we will end the something-for-nothing approach that has characterised the past'.¹⁰⁷ People would be helped into work but there would be conditions and responsibilities that they would be expected to meet. In his chapter in this volume, Bernhard Rieger emphasises Blair's commitment to duty as underpinning the party's approach to welfare. In a statement co-authored with Gerhard Schröder, the German social democrat, the Labour leader maintained

that '[p]ublic expenditure as a proportion of national income has more or less reached the limited of acceptability'.¹⁰⁸ By 2001, Roy Hattersley, the former deputy leader of the party who had promoted the market back in the 1980s, had had enough: 'Now my party not only pursues policies with which I disagree; its whole programme is based on a principle that I reject.'¹⁰⁹ During the general election campaign that year, Jeremy Paxman asked Blair on 11 occasions whether rising inequality was acceptable.¹¹⁰ He refused to answer.

In terms of privatisation, New Labour did not maintain the bold programme associated with previous Conservative governments. Some, relatively limited, privatisations continued, however, including air traffic services, the Defence Evaluation and Research Agency and the British Nuclear Group. By and large, other than in extreme circumstances, Labour governments between 1997 and 2010 did not reverse any privatisations. They did take over Railtrack (the rail network – not the train companies) in 2002, and they did receive a stake in several banks in exchange for public funds during the financial crisis of 2008–9. The government made widespread use of the Private Finance Initiative (PFI), under which private capital was used to fund many hospital, education and other construction projects. The PFI traded immediate investment funds (which did not appear as public liabilities) for repayment over several decades. Blair insisted that it did not amount to privatisation and that his approach was simply pragmatic: 'Where it works and delivers a better public service, use it; where it doesn't, don't.'¹¹¹

Regarding liberalisation and deregulation, Labour launched several initiatives. During his second term in office, Blair established foundation hospitals, which enjoyed greater financial autonomy in their decision-making, with market-based incentives. Top-up fees were introduced into higher education. It was in such a context that Mandelson made his claim about a Thatcherite Labour Party, referring to 'the urgent need to remove rigidities and incorporate flexibility in capital, product and labour markets'.¹¹² Repeatedly and unashamedly, Brown made the case for markets: acknowledging their extension under Labour, he claimed that 'where there was insufficient competition our aim should be to enable markets to work better'.¹¹³ Making them work better meant more competition, increased enterprise, better information, less regulation where possible and more flexibility. In opposition, Blair had been critical of 'Eurosclerosis', perceived institutional inflexibilities on the Continent: 'We do not want to import the rigidities apparent in some European economies.'¹¹⁴ In office, he developed the notion of flexible labour markets as a central aspect of economic strategy (see [Peter Sloman's chapter](#) in

this volume). To critics, such arrangements simply institutionalised low pay. Blair told the Confederation of British Industry in 2001 that ‘the UK has among the least regulated product and labour markets of any industrialised countries . . . It will stay that way.’¹¹⁵

At certain points, Tony Blair tried to map out a Third Way as a distinct position between the left and the right, one that would offer a theoretical underpinning to his policy trajectory. The Third Way (a concept that Gordon Brown did not subscribe to) reached its height in 1998 in a Fabian pamphlet, several speeches and the statement jointly authored with Schröder. But many commentators concluded that the terrain detailed by Blair was largely a reworked neoliberalism. While he committed himself to the public interest, Blair emphasised dynamic, competitive markets, acknowledging ‘that the private sector, not government, is at the forefront of wealth creation and employment generation’.¹¹⁶ With Schröder, he criticised high public spending, indicated that too much effort had gone to correcting market failures and condemned the belief in government intervention: ‘[T]he weaknesses of markets have been overstated.’¹¹⁷ It was as part of an attempted reboot of the Third Way that Mandelson offered his 2002 judgement about Thatcherism.

Assessing New Labour’s neoliberalism

Care needs to be exercised, for several reasons, however, in assuming New Labour’s trajectory to be conclusively neoliberal.¹¹⁸ Firstly, having mapped out a cautious approach to public spending for its first years in office, such a stance was not sustained. From July 2000 onwards, the Blair administration implemented some significant increases in public expenditure. While the administration maintained a rhetoric of having broken with ‘tax and spend’, spending in some areas, including health care and education, went up substantially. Doubling in cash terms, health care expenditure rose from around 6.5 per cent of GDP to just under 10 per cent by 2010 (partly as a result of the recession). Overall, between 2000/1 and 2007/8, public spending as a percentage of GDP increased from 36.9 to 41.1. Funding of public services increased year by year by 4.4 per cent in real terms, more than the 0.7 per cent rise per annum under the Conservatives between 1979 and 1997.¹¹⁹ Moreover, the fiscal rules announced by Brown proved far less constraining than might have been the case. With regard to the first, the government did not define investment; concerning the second, Treasury ministers avoided offering

a commitment to the exact terms of the economic cycle. In any case, when circumstances demanded, during the economic crisis of 2008–9, the government accepted that the rule could not be maintained. It is worth noting, too, how the financial crisis reshaped the image of Labour in office. Having frequently been considered as an austere proto-Thatcherite government, it came to be seen as profligate in public spending, unremittingly increasing expenditure with little regard for efficiency or sustainability.

Secondly, a similar pattern characterised the government's approach to taxation. Having offered a cautious rhetoric (and in 1999 having cut income tax), Labour proved prepared to raise tax (as noted above) in myriad ways – sometimes called stealth taxes because they did not have an immediate impact on pay packets. In 2002, Brown increased national insurance contributions specifically to fund the National Health Service, something that was well received by the public: according to one pollster it was 'the most popular tax rise ever'.¹²⁰ Spending increases were also funded by borrowing as well as by growth. Further tax increases, including of the higher rate of income tax, took place during the 2008–9 financial crisis. Of course, until that economic crisis, Labour's fiscal position also reflected buoyant tax receipts in a growing economy, especially those from the financial sector. Critics questioned the sustainability of such a model as well as the government's reliance on increased debt (especially household liabilities).¹²¹

Thirdly, between 1997 and 2010, Labour made a series of significant interventions in the operation of the market economy. Brown introduced a 'New Deal' to assist the long-term unemployed back into the labour market through a Gateway process to prepare them for work and several options to guide them into employment (see Bernhard Rieger's contribution to this volume). Employers were given subsidies to take on workers. Subsequently, the programme was embedded and extended to other groups. In terms of its impact, there was considerable debate as to how effective the various New Deal programmes were. Nevertheless, the theory underlying them was a straightforward rejection of the notion that labour markets were efficient and could spontaneously adjust to reduce unemployment. I noted in my introduction Tony Blair's reaction to the closure by Fujitsu of a factory in his constituency. The bleak position he articulated was certainly at odds with the argument underpinning the myriad New Deal programmes. These programmes concluded that market corrections would not tackle unemployment for all sorts of reasons (such as rigidities, information asymmetries, differential time horizons and skills deficiencies) without sustained government intervention.

Following on from the New Deal, Brown attempted to integrate the tax and benefits system more fully, thereby ensuring that people had incentives to take employment. In 1998, he introduced the Working Families Tax Credit (WFTC), which offered supplementary payments to those taking low-paid jobs. Again, the approach was based on the notion that markets, as presently structured, did not operate efficiently: they created a poverty trap where people might be better off on benefit because of the tax liabilities associated with work. Tax credits offered an automatic top-up to market wages. The WFTC was developed into a Working Tax Credit and a Child Tax Credit as well as improved maternity care and the Sure Start programme (which assisted with childcare arrangements). By 2007, six million families benefited from tax credits of one kind or another. Labour also introduced a statutory minimum wage (see Jim Phillips's analysis in this volume). While there was debate about its effectiveness, again the theory underlining the measure was at odds with neoliberalism. (It is, of course, important to note that some aspects of such measures were problematic – notably the punitive element of the New Deal in the form of withholding benefit from those who did not cooperate.) In his [chapter](#) in this volume, Jim Tomlinson offers an account of governmental interventions in the labour market (concerning benefits and wages) as well as in housing.

Fourthly, there was a pronounced redistributive aspect to some of New Labour's measures (see [Sloman's chapter](#) in this volume for a sustained discussion of this point). The New Deal, tax credits and minimum wage were all intended to help the less well-off. Regarding child poverty, Labour chose a relative target (thereby endorsing a redistributive goal): between 1998/9 and 2009/10, the level of child poverty fell from around 26 per cent to 20 per cent.¹²² In 2000, one commentator stated of the budget measures: 'These are very, very substantial changes. It really is a dramatic change . . . I can't think of any economic measure giving such a large group of the population gains on this scale in 20 years of tax and benefits policy.'¹²³ Another termed it 'redistribution by stealth'.¹²⁴ Such a pattern continued into Labour's second and third terms in office, beginning in 2001 and 2005 respectively. Curiously, at much the same time that he embraced Thatcherism, Peter Mandelson told readers of a new version of his book, *The Blair Revolution*, that 'there is much of Croslandism that is still relevant to Labour thinking . . . promotion of equality through the increased public spending that growth permits'.¹²⁵ To be sure, the inequalities in British society did not improve markedly. Labour did not reverse the increased inequality of the 1980s, as evidenced by a rising Gini coefficient, but they did stabilise

it (as illustrated by figure 4.1 in Peter Sloman's chapter in this volume).¹²⁶ At the level of decile groups, real income went up for the second, third and fourth bands by more than it did for the seventh, eighth and ninth groups, demonstrating greater equality between these groups. But this pattern was countered by the performance of the first band, the very weakest (whose real income fell) and by the growth of the top band, the richest.¹²⁷ Such an outcome reflected, in part, how market pressures in a globalised world were accelerating such disparities and the fact that Labour's approach focused on some disadvantaged groups at the expense of others. Reducing unemployment was the main route by which those in poverty would become better off (that is through the provision of work).

A last point to make is that, even in its neoliberally oriented rhetoric, New Labour's endorsement of the market was frequently qualified. Both Blair and Brown noted the extent to which the market needed regulating, argued that its operation frequently produced significant failures and asserted that it should not be judged in isolation from its relationship to the state and to society. For example, in 1994, Brown claimed that 'the British free market, without effective intervention, has proved to be a static, brittle and second rate model of economic development'.¹²⁸ Explicitly critiquing the notion that markets worked automatically and that any interference in them was problematic, he attacked the right and their commitment to unregulated laissez-faire.¹²⁹ Even in declaring the universalism of the Thatcherite position in 2002, Peter Mandelson attacked 'old laissez-faire notions of indiscriminate tax cuts and rolling back the state'.¹³⁰ He put considerable emphasis on social justice as a guiding value. When *The Guardian* asked Blair whether narrowing inequalities was one of his government's objectives, he was unambiguous, replying '[y]es, of course it is'.¹³¹ In this volume, Jim Tomlinson suggests that Labour inherited a set of structures that hindered the implementation of neoliberal measures. Alongside such a constraint, I am less certain of the neoliberal intent of New Labour's agenda.

Conclusion

After 2015, with Jeremy Corbyn as leader and John McDonnell as Shadow Chancellor, Labour moved away from aspects of the economic model that the party had articulated during the 1990s and 2000s. Given their background on the left of Labour, as well as the economic difficulties that the Brown administration had run into, and the party's electoral defeats in 2010 and 2015, such a shift in trajectory was unsurprising. In speeches,

McDonnell made the case for greater government intervention, increased public ownership and higher taxation at the same time as promising an end to the PFI.¹³² Furthermore, he was clear in linking New Labour with neoliberalism, effectively blaming the Brown administration's market-based approach for the economic crisis of 2008–9. Whether McDonnell's approach amounted to a break either with the market mechanism or with the kind of measures the party had adopted in the past is another matter. His call for increased public ownership effectively amounted to limited renationalisation and did not involve anything like the scale of intervention associated with the Alternative Economic Strategy. His proposal for 'Inclusive Ownership Funds', based on the distribution of profits across a firm's workforce, bore some similarities to a scheme developed by Labour in the early 1970s.¹³³ Incidentally, the suggestion in the 1970s that Labour might develop capital-sharing was vehemently opposed by many left-wingers in the party because it would encourage profit-making while undermining traditional public ownership and socialist consciousness, thereby legitimating capitalism. However, no one appeared to have accused McDonnell of neoliberalism on the basis of his proposal for collective funds in the late 2010s.

In this chapter, I have examined Labour's relationship with neoliberalism. Has Labour turned into a neoliberal party? It depends, in part, on what is meant by the term neoliberalism. If it represents a residual belief in the market mechanism, then I think that Labour has always, despite the lofty ambitions of Clause IV, been a neoliberal party. If the term means something more complex, the conclusion is less clear. Przeworski equates neoliberalism with a belief that markets spontaneously maximise welfare, while Mudge sees it as a belief in markets as the source and arbiter of human freedoms. I am unpersuaded that New Labour would meet such a threshold: for all its endorsements, the party neither advocated markets as extemporaneously and naturally meeting human needs, nor did it believe that markets would sponsor freedom, without a considerable role alongside them for the state. For all their support of markets, neither Blair nor Brown offered the kind of principled normative support of markets that might be expected of neoliberalism. While their position was manifestly supportive, it was also empirical, pragmatic and qualified. Stephanie Mudge rightly emphasises the importance of policy advisers (and party officials), a much-neglected aspect of Labour's policy development. But it is not clear to me that their contribution during the New Labour years was to determine a neoliberal trajectory. Frequently, the importance of economists was to legitimate and signal the detail of policy on the basis of decisions already taken.

In reaching such a conclusion, I do not deny that New Labour moved towards a more market-friendly position – as the party has done at other points in its past. Such a development has also reflected the context in which the party has governed, one reflecting the considerable deindustrialisation within the British economy. Some of the inequality commonly associated with neoliberalism has resulted from the polarisation of a deindustrialised workforce and its impact on incomes (see the chapters by [Jim Phillips](#) and [Jim Tomlinson](#) in this volume).¹³⁴

The above discussion indicates that both Blair and Brown did, as Colin Hay has argued, offer a discourse that resonated with aspects of neoliberalism. But, in contrast to Hay, I conclude that in Labour's policies there remained significant commitments to tax and spend and to intervention in the economy, as well as to a redistributive impulse. Indeed, at times, despite its appearance, Labour's rhetoric was not deployed to justify a neoliberal programme. Rather, the party's discourse hid a more radical approach to practical policy measures. As such, in the study of New Labour, it is important to separate policy pronouncements from practical interventions (in much the same way as the 1918 Clause IV can be separated from the party's then attitude to the market mechanism). In particular, as Chancellor between 1997 and 2007 and as Prime Minister from then until 2010, Brown was able to offer a range of distinct policy positions, some of which were manifestly at odds with the party's rhetoric. A *Times* leader on the same day as Mandelson's claim about Labour's Thatcherism complained about the Blair government that 'it offers slogans when it cannot decide how to act. It says it will embrace the private sector to deliver healthcare yet shows little progress . . . Enough of talking. It is time now to do.'¹³⁵

Overall, there is considerable continuity, over the course of the party's history, in Labour's attitude to the market and to capitalism. While Tony Benn complained about the apparent rightward turns taken by Labour in the late 1980s, he also noted the enduring similarity of the party's outlook. A day before the comment in May 1989 which I quoted in my introduction, he wrote despairingly: 'Looking back on it, I must recognise that the Labour Party has never been a socialist party, it has never wanted social transformation.'¹³⁶

Notes

- 1 Peter Mandelson, 'There's plenty of life in the "new" Third Way yet', *The Times* (10 June 2002), 16. My thanks to Ben Jackson and Florence Sutcliffe-Braithwaite for comments on a draft of this chapter.

- 2 Tony Blair, 'Speech on welfare reform', *The Guardian* (10 June 2002), <https://www.theguardian.com/society/2002/jun/10/social-exclusion-politics1> (accessed 21 June 2021).
- 3 Tony Benn, 5 February 1988, *The End of an Era* (London, Hutchinson, 1992), 537.
- 4 Colin Hughes and Patrick Wintour, *Labour Rebuilt* (London, Fourth Estate, 1990), 64–75.
- 5 Labour Party, *Democratic Socialist Aims & Values* (London, Labour Party, 1988), 10.
- 6 Benn, 25 May 1988, *End of an Era*, 546.
- 7 Benn, 9 May 1989, *End of an Era*, 568.
- 8 Labour Party, *Meet the Challenge, Make the Change* (London, Labour Party, 1989), 6.
- 9 Paul Laverty, 'Letter to the editor', *Glasgow Herald* (17 March 1995), 18. Laverty scripted *I, Daniel Blake*.
- 10 Tony Blair, The Mais Lecture (22 May 1995), 10. (Unpublished Labour Party speeches are in the author's private collection.)
- 11 Gordon Brown, 'New policies for the global economy' (26 September 1994), 7 (unpublished Labour Party speech).
- 12 Brown, 'New policies for the global economy', 8.
- 13 Quoted by Philip Webster and Paul Wilkinson, 'Flying Squads to help jobless', *The Times* (17 September 1998).
- 14 Gordon Brown, The Mais Lecture (October 1999) (unpublished Labour Party speech).
- 15 Stephanie Mudge, 'What is neo-liberalism', *Socio-Economic Review*, 6 (October 2008), 703–31, at 704.
- 16 See, for example, Philip Mirowski and Dieter Plehwe (eds), *The Road from Mont Pèlerin: The making of the neoliberal thought collective* (Cambridge, MA, Harvard University Press, 2009); and Quinn Slobodian, *Globalists: The end of empire and the birth of neoliberalism* (Cambridge, MA, Harvard University Press, 2009).
- 17 Ben Jackson, 'At the origins of neo-liberalism: the free economy and the strong state, 1930–1947', *Historical Journal*, 53 (2010), 129–51.
- 18 Adam Przeworski, 'Social democracy as a historical phenomenon', *New Left Review*, 1/122 (1980), 122.
- 19 Adam Przeworski, *Capitalism and Social Democracy* (Cambridge, Cambridge University Press, 1985), 171–204; and Adam Przeworski and Michael Wallerstein, 'The structure of class conflict in democratic capitalist societies', *American Political Science Review*, 76 (1982), 215–38.
- 20 Przeworski, 'Social democracy as a historical phenomenon'.
- 21 Desmond King and Mark Wickham-Jones, 'Social democracy and rational choice Marxism', in Terrell Carver and Paul Thomas (eds), *Rational Choice Marxism* (Basingstoke, Palgrave, 1995), 200–30.
- 22 Adam Przeworski and Michael Wallerstein, 'Structural dependence of the state on capital', *American Political Science Review*, 82 (1988), 11–29, at 13. Interestingly, in their abstract they used the term 'neoclassical' rather than neoliberal.
- 23 Adam Przeworski, 'How many ways can be third?', in Andrew Glyn (ed.), *Social Democracy in Neoliberal Times* (Oxford, Oxford University Press, 2001), 312–33, at 312.
- 24 Przeworski, *Capitalism and Social Democracy*, 43. Przeworski took out the word 'only' from the *New Left Review* article appearing before the word if ('only if capitalists . . .').
- 25 Przeworski, 'How many ways can be third?', 323.
- 26 Adam Przeworski, 'Choices and echoes: Stability and change of policy regimes', in Hideo Magara (ed.), *Economic Crises and Policy Regimes* (Cheltenham, Edward Elgar, 2014), 33–55, at 33. He also notes the neoliberal critique of the state and of state intervention.
- 27 Przeworski, 'How many ways can be third?', 312.
- 28 Przeworski, 'How many ways can be third?', 321.
- 29 For the fullest statement of Hay's approach, see Colin Hay, *The Political Economy of New Labour* (Manchester, Manchester University Press, 1999).
- 30 Colin Hay, 'Labour's Thatcherite revisionism: Playing the "politics of catch-up"', *Political Studies*, 42 (1994), 700–7.
- 31 Hay, *Political Economy of New Labour*, 42.
- 32 See, for example, Colin Hay, 'The invocation of external economic constraints', *The European Legacy*, 6 (2001), 233–49; and Matthew Watson and Colin Hay, 'The discourse of globalisation and the logic of no alternative: Rendering the contingent necessary in the political economy of New Labour', *Policy and Politics*, 31 (2003), 289–305.
- 33 Watson and Hay, 'The discourse of globalisation', 294.

- 34 Colin Hay and Matthew Watson, 'In the dedicated pursuit of dedicated capital', *New Political Economy*, 3 (1998), 407–26, at 407.
- 35 In later work, Przeworski edged away from inexorable structural constraints and towards a similar position to that of Hay, noting: 'There seems to be no politician who does not proclaim that globalisation narrowly circumscribes their margin of manoeuvre . . . most of the effects attributed to globalisation are due to something else.' Przeworski, 'How many ways can be third?', 330.
- 36 Richard Heffernan, *New Labour and Thatcherism* (Basingstoke, Palgrave, 2001), 157.
- 37 Heffernan, *New Labour and Thatcherism*, 168.
- 38 Quoted by Stephanie Mudge, *Leftism Reinvented: Western parties from socialism to neoliberalism* (Cambridge, MA, Harvard University Press, 2018), 47.
- 39 Mudge, *Leftism Reinvented*, 150–5. It is important to note that Mudge's book offers a detailed and comparative discussion of these themes.
- 40 Mudge, *Leftism Reinvented*, 345–8.
- 41 Mudge, *Leftism Reinvented*, 348.
- 42 Labour Party, *Rule Book 1988–1989* (London, Labour Party), 6–7.
- 43 See also Heffernan, *New Labour and Thatcherism*, 21.
- 44 Tom Nairn, 'The nature of the Labour Party', in Perry Anderson and Robin Blackburn (eds), *Towards Socialism* (London, Fontana, 1965), 159–220, at 179–84.
- 45 Nairn, 'The nature of the Labour Party', 184.
- 46 Ralph Miliband, *Parliamentary Socialism* (London, Merlin, 1961), 62. See also David Coates, *The Labour Party and the Struggle for Socialism* (Cambridge, Cambridge University Press, 1975), 18–21.
- 47 Ross McKibbin, *The Evolution of the Labour Party, 1910–1924* (Oxford, Oxford University Press, 1974).
- 48 Philip Snowden, *Hansard* (20 March 1923), col. 2472.
- 49 Snowden, *Hansard* (20 March 1923): 'We want no further step forward until the previous step which we took has been justified by its success.'
- 50 Hugh Dalton, *Hansard* (25 October 1946), col. 2298.
- 51 Labour Party, *Annual Conference Report* (1948), 149.
- 52 Stafford Cripps, *Hansard* (16 November 1948), col. 324.
- 53 Hugh Gaitskell, *Recent Developments in British Socialist Thinking* (London, Co-operative Union, 1955), 21.
- 54 Gaitskell, *Recent Developments in British Socialist Thinking*, 33.
- 55 James Callaghan, *Hansard* (10 May 1965), col. 200.
- 56 Labour Party, *Annual Conference Report* (1969), 255.
- 57 Denis Healey, *Hansard* (2 August 1976), col. 1242.
- 58 Stafford Cripps, *Hansard* (5 December 1945), col. 2375.
- 59 Eric Shaw, *The Labour Party Since 1979* (London, Routledge, 1994), 5.
- 60 Mark Wickham-Jones, *Economic Strategy and the Labour Party* (Basingstoke, Palgrave, 1996).
- 61 Stuart Holland, *The Socialist Challenge* (London, Quartet, 1975).
- 62 Stuart Holland, 'The new economic imperatives', internal Labour Party memorandum, RD: 473/November 1972, Labour Party Archive, People's History Museum, Manchester, 7.
- 63 Labour Party, *The National Enterprise Board* (London, Labour Party, 1973), 16.
- 64 Labour Party, *Labour's Programme 1976* (London, Labour Party, 1976), 27.
- 65 Holland, 'The new economic imperatives', 1.
- 66 Geoff Bish, 'Planning aims and priorities', memorandum, RD322/March 1980, Labour Party Archive, 4.
- 67 Geoff Bish, 'Industrial planning: Some basic assumptions and questions', RD725/February 1981, Labour Party Archive, 2.
- 68 TUC–LP Liaison Committee Planning and Industrial Democracy Sub-Committee, minutes, 21 September 1981, Labour Party Archive, 2.
- 69 Benn, 21 September 1981, *The End of an Era*, 150.
- 70 Benn, 21 September 1981, *The End of an Era*, 151.
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