

NEW LABOUR'S HIDDEN AGENDA:

TONY BLAIR'S PLAN TO PRIVATISE UK HEALTH AND WELFARE

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Political Notes No. 136

ISSN 0267-7059 ISBN 1 85637 375 4

An occasional publication of the Libertarian Alliance,
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NIGEL ASHFORD

1. INTRODUCTION

The biggest secret in today's British politics is the policies of a future Labour Government. This paper argues that Tony Blair is planning to privatise most of the UK's health and welfare system, going far beyond anything currently proposed by the Conservatives under John Major. Socialism is in an intellectual, political and economic crisis. In particular, Labour is caught between public resistance to any tax increases and increasing demands on health and welfare. The Blairite solution to this dilemma is to reduce the role, responsibilities and obligations of the state, the traditional instrument of power for the Labour party, and to transfer them to the individual and the family through the trade unions, the co-operative movement, friendly societies, charities, non-profits and private insurance, based on the principles of self-help and mutual aid.

His political problem is how to sell this agenda to his own party. This paper suggests that his strategy is based on the re-discovery of the co-operative socialist tradition, learning from the practice of social democratic parties in Europe and their support for a 'social economy', and by proving a new and significant role for the trade unions and the co-operative movement in a stakeholder society. These tactics are designed to confuse and defeat the Conservatives, undermine Labour's left, win at least two elections, and be economically sustainable over time. This paper demonstrates how Blair defies popular notions of left and right, and will be of interest to all those interested in the future direction of British politics.

If in 1979 political commentators had wanted to discover Margaret Thatcher's political agenda, they would have been best advised to monitor her closest and most trusted advisors and examine their ideas and proposals. To understand the project later labelled 'Thatcherism', they should have read the works of thinkers such as Sir Keith Joseph, Ralph Harris, Arthur Seldon and Dr. Madsen Pirie and think tanks such as the Centre for Policy Studies, the Institute of Economic Affairs, and the Adam Smith Institute that made up a small, but ultimately influential, policy network dedicated to the promotion of a set of ideas, associated with the new right, that were to come to dominate British politics for well over a decade. (Cockett, 1993; Ashford, 1993) Notions such as privatisation, contracting out, de-regulation and internal markets were all developed in opposition by these advisors.

Today, to understand Tony Blair and his policy plans for the future, one should likewise examine the ideas of his key policy advisers based around his Head of Policy, David Miliband. (Miliband, 1994) In examining the ideas of key thinkers such

as Geoff Mulgan, Stephen Pollard, Anna Coote, Frank Field MP, Peter Mandelson MP, and Labour think tanks such as the Fabian Society, Demos, and the Institute of Public Policy Research (IPPR), one can identify and map out a coherent policy programme that will transform Britain's welfare system and with it British Politics.

2. LABOUR'S WELFARE CRISIS: SOCIALISM WITHOUT THE STATE

Blair is not an old-fashioned state socialist, but neither is he a pure opportunist, devoid of principles and ideas, 'Tony Blur'. Rather he is an ethical socialist, or more usefully in this context a 'co-operative socialist'. As he told the 1995 Labour party conference:

Socialism to me was never about nationalisation or the power of the State. Not just about economics or politics even. It is a moral purpose to life. A set of values. A belief in society. In co-operation. (Blair, 1995a, p. 1)

In 1994, he defined his concept of socialism in a Fabian Society pamphlet. Noticeable is the absence of reference to the state, and the emphasis on society and co-operation.

Socialism as defined by certain key values and beliefs is not merely alive, it has a historic opportunity now to give leadership. The basis of such socialism lies in its view that individuals are socially interdependent human beings - that individuals cannot be divorced from the society to which they belong. It is, if you will, social-ism. It contains an ethical and subjective judgement that individuals owe a duty to one another and to a broader society - the Left view of citizenship. And it believes, objectively, that it is only through recognising that interdependence and by society as a whole acting upon it — the collective power of all used for the individual good of each — that the individual's interest can be advanced. It does not set apart individual interests and the interests of society as the Tories do. It takes an enlightened view of self-interest and regards it, broadly, as inextricably linked to the interests of society. It is from this combination of analysis of the world as it is and prescriptions of the means of changing it that the values of democratic socialism — social justice, the equal worth of each citizen, equality of opportunity, community — came. Once socialism is defined in this way as a set of principles and beliefs, based around the notion of a strong and active society as necessary to advance the individual, rather than a set of narrow timebound class or sectional interests or particular economic prescrip-

tions, then it can liberate itself, learning from its history rather than being chained to it. It then no longer confuses means such as wholesale nationalisation with ends. (Blair, 1994b, p. 4)

Note too that Labour's new Clause IV paves the way for a radical policy approach to be developed by ignoring the state. It urges:

A dynamic economy, serving the public interest, in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and co-operation ... with a thriving private sector and high quality public services, where those undertakings essential to the common good are either owned by the public or accountable to them. (Labour Party, 1995)

Intellectually he is sympathetic to moving away from the heavy reliance upon the state as the central feature of Labour thought and policy. But he also has no choice. He is caught between the electorate's resistance to higher taxation and their growing consumerist demands for more and better quality health and welfare services.

He knows that a return to Labour's 'tax and spend' image would be devastating for Labour's electoral chances. Studies of the electorate demonstrate that, whatever they may say to pollsters, the fear of tax increases under Labour, and the resulting loss of income and prosperity for their own families, is the most significant obstacle to their voting Labour. (King, 1993, ch. 6) The Blairites also know that it does not make economic sense to increase taxes. The British state reached the peak of the Laffer Curve in the 1970s and today it is impossible for politicians to raise tax levels without seriously damaging the wealth creating capacity of the economy and thus increasing unemployment and poverty. The Laffer Curve shows that at a certain level of marginal taxation any increase in taxation actually reduces revenue by discouraging work, saving and investment, and encourages emigration and capital flight to more hospitable economic climes. (Ashford, 1993, pp. 34-38) This was revealed in the 1970s with the 'brain drain' abroad of leading businessmen, academics and entertainers. In the 1990s and into the next century the mobility of capital and labour, especially skilled and educated workers, will be considerably greater than in the 1970s. With global competitiveness ever more intense, a highly taxed Britain would be doomed to economic decline. This explains why they do not support Liberal Democrat policy of increasing the marginal tax rate of 50% to those earning over £100,000, 0.1% of the population. The consequences will be the loss of entrepreneurs to low tax countries such as the USA.

Blair and his chief adviser David Miliband therefore operate from the premise that a future Labour government will not be able to increase direct or indirect taxation, specifically the proportion of GDP taken by the state. They now plan for a Labour administration to reduce the overall size of the state, increase the economy's capacity to produce wealth, the only source of additional income for the state, and to define this project, 'co-operative socialism'.

However, a Labour government will also be faced by ever growing demands for ever improving standards of health and welfare. Since the late 1980s Frank Field MP, Chairman of the Commons Select Committee on Social Services, has repeatedly urged the Labour Party to re-examine its roots and adopt a manifesto built upon the principles of non-state co-operation and mutuality. As if prophesying the Blair revolution, Field, as far back as 1990:

The starting point for the Left needs to be the acceptance that, politically, welfare issues are fast becoming part of a

new ball game. Consumers will willingly listen to right-wing schemes promising more consumer choice if that is all that is on offer. The fight back from the progressive Left comes from examining the roots of the welfare state ... The trend of people demanding greater choice in public services is set to continue as living standards rise. Instead of acting negatively, the Left should seize the initiative and develop its own radical scheme for the future of the welfare state. (Field, 1990)

Like Frank Field MP and many others in Blair's New Labour party, Stephen Pollard and his fellow authors believe that the left must address — head on — the threat posed to traditional state services by the increased private accumulation of wealth and the psychology of consumerism. Pollard used to share an office with Blair in the Commons and still advises him on health and education policy. He was Research Director of the Fabian Society, and is now Head of Research at the Social Market Foundation. He stated:

The popular and widespread desire of millions of citizens to achieve owner-occupation in housing during the 1980s acts as a testimony to the search for a realm of 'individual autonomy' and freedom outside the sphere of production. Similarly, the widespread desire of millions to send their children to private schools is not simply a product of dissatisfaction with the product offered by the state: the desire for an effective choice is just as powerful. To deal with this changing world, Labour must fully recognise and adapt to the challenges posed by the dimension of 'consumerism' in the context of health and welfare — its home territory. (Pollard et al, 1994, p. 4)

On the unsustainability of Labour's post-war statism, and the Party's need to change, Pollard is clear:

While the welfare crisis facing Britain in the early part of the 21st century may not be as grave in fiscal terms as some free marketeers would have us believe, there is a profound need for a major policy overhaul of much health and welfare provision. Given the economic, technological and demographic shifts now emerging across the international economy, new, innovative and practical policy proposals have to be sought. The formidable problems associated with dependency, adverse demographic trends, poor resource allocation ... all add up to a powerful cocktail of problems which progressive Socialists cannot afford to ignore.

Furthermore, the perception that Labour has been captured by the producer interests within the state system who resist a more consumer-orientated policy is damaging to the Labour party's electoral image. One of the major themes of Martin Jacques, and Geoff Mulgan, the heads of the think tank Demos, is that the world is rejecting a top down approach to economic and social problems in favour of a bottom up approach. This was a theme of Labour's Commission on Social Justice. Its chairman Sir Gordon Borrie proclaimed:

I believe we need a welfare state that builds economic renewal and social change from the bottom up, as well as delivering it from the top down. (Borrie, 1994)

However, this has not been Labour's traditional approach. Pollard and his co-authors provided their own interpretation and critique of Labour's twentieth century history by arguing that:

For much of the twentieth century, Labour's hostility to a health and welfare agenda which includes a clear strategy from the 'bottom up', means that today a large number of people see the movement as being the hostage of powerful, centralising vested interests. As professional groups have tended to legitimate and recommend the concentration of

ever more power in state hands, so it is arguable that the most vulnerable of society have been progressively left at the mercy of the principle of unchangeable monopoly. While the NHS and its professions derive their power from the state - and its imposition of a uniformity of rules - citizens are left vulnerable in the face of powerful 'top down' structures which tend inevitably to serve supplier interests. To empower citizens and reverse this process, the simplistic principles of democratisation and political accountability have to be recognised as being inadequate when it comes to the complex needs of millions of individuals. Bureaucratised committees, politicised inquiries and endless review bodies tend to be inherently conservative and unresponsive to change. Using taxpayers' money and monopoly suppliers, modern governments and their agencies inevitably lack the information and incentives needed to respond to the subjective desires of the millions of individuals they are attempting to serve. Instead of relying solely on the state, Labour should provide citizens with the individually tailored welfare products that are appropriate and responsive to their needs and desires. However, to do this the Labour movement will first have to fully accept that it possesses an historically legitimate and effective alternative to sole state health and welfare supply: a non-state tradition which effectively protects the needs of individual working people — including those on low incomes — and, crucially, an effective Socialist model which can actively promote a 'bottom up' concept of health and welfare provision. The trade unions are well established as the means through which friendly society ethics and services can be revived.

In another article Pollard sums up the dilemma with regard to the NHS, but it can be applied to all aspects of Labour and the welfare state:

Increasingly problems of cost, demand, producer sovereignty and consumer powerlessness have emerged. ... With a Labour government now predicted, the task of grappling with these issues as Britain enters the 21st century may fall to socialist policy-makers. The traditional Left response has been to look exclusively to the state to solve society's problems, financed by tax revenue. This is no longer a politically viable option. ... The Left needs to develop an alternative means of securing the same end; efficient, equitable healthcare provision. Ironically, such a framework was developed in the UK in the 18th and 19th centuries, and adopted by other European Socialist parties. But the state-driven approach has been so dominant that the individualist Socialist welfare tradition is almost forgotten. (Pollard, 1995)

Blairites are now convinced that the welfare state must be reduced in order to restrain levels of taxation and to allow for greater efficiency and responsiveness to consumers by non-state actors such as trade unions. This 'co-operative socialism' must be explained comfortably in the language of the left with such terms as 'diversity', 'community', 'collective provision', and 'mutual co-operation' but without actually demanding any increases in public expenditure and hence running the risk of bankrupting the country, and requiring additional taxes.

The obstacle to welfare reform lie in both the areas of ideas and interests, and both these sets of obstacles have to be addressed. (Ashford, 1996) The Blairites seek to overcome them by rediscovering the co-operative socialist tradition, drawing upon the experiences of social democratic parties in continental Europe, and co-opting opposition from the trade unions by giving them an important role in the new welfare society.

3. RECOVERING THE CO-OPERATIVE SOCIALIST TRADITION

When John Smith died in 1994 and Tony Blair declared his candidature for the Labour leadership, he significantly used the free market Institute of Economic Affairs as the venue for this first major speech. He said at the meeting:

The history of workers' co-operatives, the friendly societies and the unions from which the Labour Party sprang is one of individuals coming together for self-improvement and to improve people's potential through collective action. We need to recreate for the 21st century the civil society to which these movements gave birth. (Blair, 1994a)

Pollard wrote in an article entitled, "The Case for Private, Mutual Healthcare: A Socialist View", and published in *The Economist*:

The British Left's search for a "Big Idea" to counter the 'New Right' was always pretty pointless — not least because it need only have involved a rediscovery of its own ideological heritage. The Labour party leader, Tony Blair MP, cited this heritage and called for Labour to "recreate for the 21st century the civil society to which these movements gave birth". With the electorate unwilling to support a return to the old "top down" approach to welfare provision, it is time to examine how the independent sector — in which ordinary citizens band together in mutual associations and friendly societies to ensure they control their own service provision — can augment the state system. (Pollard, 1995)

Britain's foremost chronicler of the history of these mutual associations and friendly societies is David Green, a former Labour councillor and now Director of the IEA's Health and Welfare Unit, and, like Blair, strongly influenced by ethical socialism. He has demonstrated how these mutual aid societies operated by encouraging their members to put aside small sums each week into a common fund to help each other in times of need, such as illness or injury, death of the breadwinner, old age, and loss of job. Before compulsory insurance almost destroyed them after 1911, these associations covered three quarters of the population. (Green, 1995, p. 132; Green, 1993) It is an appropriate time for Green to have re-published Samuel Smiles' 1859 classic *Self-Help* (1996).

The co-operative socialist paradigm is perfect for the challenges that the left will face once in power because it can be used by the leadership to simultaneously justify a free market (which will please the City) while talking the language of collective provision (which will please the party). Moreover, as Pollard has argued elsewhere such a world view is historically legitimate for any British Socialist as:

Long before the age of post-war state planning, and even 'Clause IV', British Socialists were popularly acclaimed for their identification with the principles of communitarian fraternity, mutual co-operation, individual responsibility and self-help. Co-operatives, friendly societies and trade unions all formed an increasingly successful welfare network dedicated to the provision of effective, efficient and highly popular health and welfare services for their members. (Pollard et al, 1994, p. 1)

Field pointed out that the co-operative tradition arose from the working class themselves, and is fully compatible with traditional Labour values:

Labour claims its cardinal values are fellowship, co-operation and fraternity. These values did not spring out of thin air. Nor did they put down roots because of the endless rhetoric of politicians. (Field, 1990)

Arguing for a left-libertarian agenda in health and welfare, Pollard argued that:

To give the Socialist concepts of community and citizenship meaning to the lives of millions of individuals today, the Labour movement has to move away from its 'politicised model' of democracy and instead put its faith in the traditional values of collective self-help and mutuality. These traditional Socialist principles not only encourage achievement and responsibility but crucially underpin community interdependence. For far too long democratic Socialists have argued for the formal control of services, by either nationally or locally elected politicians, without considering the damaging 'top-down' structures that inevitably dominate their management and remove incentives. To revitalise and give meaning to the concepts of community and citizenship, Socialists should seek to return to the tradition of providing individually-tailored co-operative services. (Pollard, et al, 1994, p. 19)

Thus the Blairites are challenging the central role of the state in the philosophy that has dominated Labour party thinking.

4. EUROPE AND THE SOCIAL ECONOMY

Blair frequently talks of a social Europe, which is usually interpreted as support for the social chapter of the EU to satisfy the trade unions. However it can also refer to the social systems of western Europe in which the state plays a much lesser role than in the UK, with the existence of a so-called 'social economy' of institutions which provide most of the welfare and health in co-operation with, but outside of, the state.

Critically assessing Labour's policies on state healthcare in the past and recommending a more "bottom up" approach Pollard goes on to state:

While the Labour Party continues to argue that the British Government should spend ever more resources on state healthcare and complains that the UK is out of line with the rest of Europe, the UK spends roughly the same proportion of GDP on our state health system as others do ... For Labour to put forward a credible social and economic policy — with specific costings for healthcare — it should examine the approach adopted by its Socialist colleagues abroad and embrace the benefits that can be derived from an enhanced British independent healthcare sector. (Pollard et al, 1994, p. 14)

Tapping into the traditionally Socialist themes of 'Socialist Internationalism' and New Labour's support for the European Union, Pollard justifies a future Blair government working with the UK's independent health and social care providers. He asserts:

Throughout the rest of the E.U., Labour's Socialist partners more readily accept the view that it is often best if people are encouraged to be "decision makers in their own right". This is particularly pertinent to health care. Under the recent Socialist Government in France a full range of health care services were actively provided by professionals who worked in both private and public sector institutions. Indeed, French ambulatory care is almost exclusively provided by private practitioners who work in small single-handed or group practices and are paid on a fee-for-service basis. Only a small proportion of such services are characterised by this duality. Some 33% of all hospital care is provided by the private sector — 50% of which is profit making and 50% non-profit making. Spain's Socialist Government has had no problem in accepting the independent sector's provision of much needed hospital services. It oversees a healthy mixture in which 31% of all

hospital beds are privately owned. In Belgium, politicians across the political spectrum treat as normal the idea that out of a total of some 77,000 hospital beds, the private sector accounts for a clear majority of 48,000 ... Across Germany, the Netherlands and other countries the story is the same. Continental Socialists find little time for the politics of narrow-minded statism which has in recent decades characterised the British Labour movement's approach to healthcare. In countries such as France, Spain, Belgium and Greece they readily accept the complementary benefits that can be derived from actively involving their independent healthcare sectors and putting them to good use. (Pollard et al, 1994, pp. 13-14)

Going on to argue that European Socialists have always benefited from a policy approach founded upon the 'economie sociale', he suggests that:

Perhaps one of the reasons for this difference in attitude towards non-state provision between British Socialists and our European partners is that Britain has no equivalent to the continental concept of the 'economie sociale'. Where everything is portrayed in Britain in terms of public or private, with nothing in between, the appreciation on the continent that there are organisations such as charities, building societies and independent healthcare providers which are neither publicly or privately owned but which trade in the market for a social purpose, helps the development of economic ideas in a less sterile framework. There is a myth in the Labour movement that any form of health provision outside the NHS is by definition 'tainted' with capitalism or private profit. This could not be further from the truth. Today's non-NHS healthcare providers in the UK include a wide range of charitable and religious (and, yes commercial) providers who instead of undermining public health actively contribute to its promotion. Independent suppliers of health and community care services not only provide useful measures of quality against which state provision can be checked, but they often encourage new and innovative models of care. (Pollard et al, 1994, p. 15)

Across the thinking left located in the Fabian Society, Demos and the IPPR, Labour intellectuals have increasingly turned to continental European models of social welfare, in which the state has played a less direct role than in the UK.

In one recent attack on Labour's post-war project, Fabian authors Peter Welch and Malcolm Coles went so far as to assert:

The Left should embrace the idea of a British social economy. Britain has a rich tradition of mutual aid organisations ... However, the left should do more than simply support a third sector between public and private. It should use the social economy idea to open the distinction between public and private and begin to "think the unthinkable" about the delivery of "public" services. The Left has traditionally held that "public" services should be provided by organisations subject to public ownership. In part, this rests on confusion. So-called "public" services such as health care, education and pensions are those to which people have a basic right irrespective of income and wealth. It does not follow that these services should be delivered by public sector bureaucracies, even if the state has a central role in enforcing the cardinal principle of availability for all. The danger in a simple tax-funded monopoly is that the supply of services is not sufficiently driven by the choice and needs of the user. The Government chooses what to supply. The signals and messages which a market automatically generates are missing, and because the services are not purchased it makes it difficult

to do anything other than record the value of inputs. Attention is focused on how much government spends rather than on what government gets for its spending. (Welch and Coles, 1994)

Thus Blair's promotion of a social Europe plays a triple role of creating distance from the Conservatives, and satisfying the unions, whilst creating the intellectual space for transforming the welfare state.

5. A NEW ROLE FOR THE TRADE UNIONS AND THE CO-OPERATIVE MOVEMENT

The trade unions and the co-operative movement were in their origins welfare organisations, but moved away from that role towards more industrial and political organisations. Remnants of that earlier role remain in institutions such as the Manor House private trade union hospital in North London. Blair seeks to reduce the unions role in policy making and to redirect their energies. Ruling out the possibility of a return to 1970s style corporatism, Blair's objective is to encourage the unions to face the future in a more realistic and sustainable manner, wanting them to become private service providers. Peter Mandelson has asserted:

The unions themselves must then devote more energy to modernising their own ways of working and organising. They have to address the explosion in part-time and female working, the growth of small businesses, the shrinking of factory working, and the shift of focus from collective bargaining to individual contracts. To arrest their decline in membership, the unions have no alternative but to change. Most trade unions now offer legal services, insurance and other services to their members as well as help and advice when negotiating contracts of employment ... Unions need to concentrate on what they are best at, where they can maximise their influence and provide the best service for their members. (Mandelson and Liddle, 1996, pp. 226-227)

This theme is increasingly present amongst Blairite advisers. They share with Thatcher's advisers an essentially 19th century vision for the future in which trade unions grow and prosper as friendly societies and mutual service providers. As Pollard has written:

Today, the trade unions still possess the latent power to transform health and welfare supply throughout British society. Despite the difficulties of the past twenty years and, in particular, the demoralisation the organised labour movement has suffered since the early 1980s, trade unions are still of considerable numerical importance, with almost one in three households having a member. If trade unions were to offer their members health and welfare services, the authors believe that they would experience a dramatic turn around in their fortunes which would underpin a revival of the wider Socialist movement. Indeed, if they were to return to their co-operative roots and, for instance, negotiate with GP Fundholders, trust hospitals and independent healthcare providers for the best deals possible, their membership base would rapidly expand. (Pollard et al, 1994, p. 18.)

He also stated:

The unions of today need to investigate how they can complement current health and social care provision. They can have a role to play by offering a better deal for a large and often under-privileged section of the community. (Pollard et al, 1994, p. 19)

Pointing out that the trade unions are facing a fundamentally new world and the prospect of ever declining membership, if serious change is not embarked upon, Pollard asserted:

The number of employees who were union members reached a peak in 1979 when total UK membership totalled some 13.3 million members. Since then the movement has declined rapidly and today the figure is closer to 8.5 million. To reverse this trend, the movement has few options open to it. The current model, reliant upon the principles of collective bargaining and an ideological commitment to statism, is clearly ill-suited to the modern world of personal employee contracts and individual consumption. (Pollard et al, 1994, p. 19)

Such an idea has been endorsed in another Fabian Society pamphlet written by Philip Bassett and Alan Cave. Entitled *All for One: the Future of the Unions*, these authors stated:

Faced with a range of changes largely antagonistic to [traditional] models of trade unionism, what is left for the unions is a role as private-sector service providers; trade unions as businesses — private-sector organisations engaged in providing a range of services for people who wish to buy them. Such a straight forwardly market-based approach may be hard for some unions to stomach, but the closest parallel — and perhaps a workable model for trade unionism in the future — for all British unions, not just but certainly not least those in the public sector, may be other private sector service providers who do a similar job to Britain's trade unions, but mostly just do it better.

Take, for instance, the private-sector service organisations providing medical cover. Like the unions, the private medical bodies sell a range of services to a buying membership. Like the unions, the private medical bodies offer purchase of membership to anyone able to afford it. Like the unions, the private medical bodies provide benefits in their operational areas which supplement those provided by the state. And like the unions, the private medical bodies compete strongly with one another for members.

Such a parallel, and such a role, might be particularly difficult for a union such as the new public sector giant Unison to swallow, but it is far from inexact. While public sector unions might well reject such a role now, they will face pressures throughout the 1990s which could lead them towards major reevaluation of their positions. (Bassett and Cave, 1993)

In a strong left wing attack on twentieth century trade unionism, these authors went on to state:

Individualism is the key element in modern employee relations. Its growth has been the most important employee relations characteristic over the last decade. At almost every point where it has been possible to do so, trade unions in Britain have opposed it. And at almost every point, in doing so they have been wrong. Wrong in the eyes of government, certainly; expectedly so. But wrong in the eyes of employers, and crucially for Britain's unions - employees too. For many employees now, big monolithic collective unions are part of their past ... Like Labour, the unions are seen as mechanisms for holding people back, for restricting individual achievement, rather than empowering them. For their own good, unions in Britain must move away from being associated with failure - failed employment relationships in failed industries. Labour feels that, if it is ever to be elected again, it must break from the past by blending more successfully with the individual and the community, so Britain's unions must take the same steps. That means acknowledging their role as private sector service providers, and improving their performance in that role. (Bassett and Cave, 1993, pp. 27-28)

Suggesting that unions could provide individuals with a stake in a wide range of services, they concluded:

... there is a crucial distinction between organisations such as the private medical care companies and the AA on the one hand, and the unions on the other — and not one that says that union membership at some point eventually involves collective participation. For union activists, it may; such parallel private service organisations are increasingly successful at what they do, and the unions are not. (Bassett and Cave, 1993 p. 19)

The evidence suggests that across the Labour movement, ideas and attitudes are undergoing a profound shift which would have been unthinkable only three or four years ago. Clive Brooke, the general secretary of the then Inland Revenue Staff Federation, stated:

I see there are areas in which private sector partnership can operate. It's getting the balance right. Ideally I'd like the NHS to cover everything, but I live in the real world. When we ballot the membership to find out what services they want from the union, top of the list comes health care and support. Within my union I believe if we want to expand and offer the services members demand, we cannot ignore the views that our members have expressed. (*Guardian*, 4.1.95)

Similarly Jenny Kirkpatrick, the former head of the probation workers union and now chairman of the Oxfordshire Community Health Service Trust asserted in the *Guardian*:

We will be running quite soon into a population of a kind of age and distribution which will make preservation of even what we have got now very difficult if not impossible. I don't think there's any one model. For instance at some levels it might be right for the trades unions themselves to consider making some provision for their members in retirement or in sickness. (*Guardian*, 4.1.95)

Increasingly the realism that Blair's strategy is designed to encourage within the Labour movement is not simply finding favour with the modernisers. Traditionalists associated with the co-operative wing of the Labour party, such as Alf Morris MP, are slowly beginning to welcome various forms of independent health and social care provision.

Endorsing a Cooperative Bank plan to invest £10 million in long term care homes and accepting limits of public provision, Morris asserted at a Cooperative Congress in Edinburgh:

The need now is crystal clear for a third kind of care, one between the private for-profit sector and a rapidly declining public sector: a new co-operative initiative that can restore to first class condition existing homes and build, equip and run new facilities. (Morris, 1995)

The *Daily Mail* reported Morris as saying:

While no Government could provide total funding, current policies offer only an inexorable march toward total privatisation, in cynical disregard of the wishes of elderly people whose care is being bartered on the open market ... Having paid national insurance and taxes — local and national — all their working lives, the frail, elderly and infirm have the right to the care they need at a cost they can afford. (*Daily Mail*, 29.5.95)

The GMB union, which represents residential care staff, welcomed the Co-op's plan. General Secretary John Edmunds said: "This is a superb initiative ... With growing numbers of elderly people depending on care, a starved public sector and a burgeoning private sector beyond the

pockets of many, the Co-operative's announcement has got to be the way forward." (*Daily Mail*, 29.5.95)

Helen Seymour and Charlie Cattell of the Industrial Common Ownership Movement based in Leeds also predicted a growing role for the co-operative movement in welfare services:

The worker co-operative movement, as Will Hutton rightly says (Comment Page, January 9), has continued to embody the values of worker participation, equal opportunities, an ethical approach to business and of being deeply rooted in the regions they serve. Despite the antipathetic climate, co-operatives are doing well and moving into areas where an ethical approach and the involvement of all stakeholders leads to good business for everyone. The existence of scores of home-care co-operatives in the UK and of highly successful ventures like Greenwich Leisure, where seven local authority leisure centres are now in democratic employee control, are testimony to this. (*Guardian*, 15.1.96)

For the Blairites, co-operative socialism has the merits of diverting the unions from political activity, strengthening union members' identification with their union, and thereby the Labour party, undermines union opposition to privatisation by making them beneficiaries, and reduces the obligations of the state.

6. THE REALITY OF THE STAKEHOLDER SOCIETY AND A SOCIAL ECONOMY

Reform of the Welfare State must be one of the fundamental objectives of an incoming Labour government. Our Welfare State, begun by Lloyd George and Churchill, then a Liberal, and carried through by the 1945 Labour government, is one of our proudest creations. But it suffers today from two important weaknesses; it does not alleviate poverty effectively; and it does not properly assist the growth of independence. (Blair, 1996)

Blair signalled in his 1996 speech in Singapore that welfare reform was a central part of the creation of a stakeholder society.

His 'big new idea' has been misunderstood as a return to corporatism. Rather the stakeholder society is Blair's replacement for the welfare state. Instead of the universal provision of a common and equal standard of provision of health and welfare services, the stakeholder society will mean that the services provided will vary as stakes will vary. They will be universal in that everyone will have a stake, but stakes will not be equal, and will depend mostly on the savings and decisions of people themselves, linking contributions and benefits, while using the language of self help. (Radice, 1996)

The Stakeholder Economy has a Stakeholder Welfare system. By that I mean that the system will only flourish in its aims of promoting security and opportunity across the life-cycle if it holds the commitment of the whole population, rich and poor. This requires that everyone has a stake. (Blair, 1996)

Frank Field has given substance to this idea in his book *Stakeholder Welfare* (1996). He presents a series of proposals designed to harness self-interest by extending the scope of contributory benefits. The main features would be universal dual pensions (private contributory pensions alongside the minimum state pension) and a new insurance corporation run by its members with new insurance benefits such as unemployment benefit and a care pension.

Anna Coote, one of the influential figures in the IPPR, summarised their report *Building Social Capital* (Wann, 1995a):

In western Europe the self help renaissance comes at a time of crisis and reappraisal for post-war welfare states. Instead of centralism and paternalism, self help stresses personal responsibility and interdependence as well as direct local action. ... Politicians should take note if they want to remodel the welfare state for the 21st century. (*Guardian*, 18.1.95)

Almost paraphrasing Thatcherite ideology and assumptions - yet using appropriate left wing language, the report went on to state:

What central government can do for people is limited, but there is no limit to what people and communities can do for themselves. It follows that governments should not tread where people are able to do things for themselves. (*Guardian*, 18.1.95)

Another leading left wing think tank, Demos, has also indicated a profound interest in mutuality and self help and has developed these ideas for the twenty first century. Demos' director and close adviser to Blair, Geoff Mulgan, wrote in the Demos paper, *The Other Invisible Hand: Remaking Charity for the 21st Century*:

The main incentives towards mutual help are to be found in areas of high unemployment and economic malaise. Mutual help can fill the gaps in provision of everything from money, to food shops and housing. As commercial institutions like banks and supermarkets have withdrawn from poor areas, mutual help organisations have filled the gap: examples include housing co-ops which number around 900, the 400 credit unions and several hundred local exchange trading schemes (LETS). Other examples include creches set up on a self-help basis to deal with declining local authority provision and local business schools (as in Ardoyne in Belfast) to encourage local entrepreneurship. (Mulgan and Landry, 1995)

Field has recommended such a policy approach:

It is reforms along these lines which will see the coming of age of welfare. From inadequate flat-rate state benefits we will move to a combination of state provision, new forms of non-state collective provision, as well as more personal forms of welfare provision. (Field, 1995)

Central to this approach is the distinction between ensuring the provision of a service and providing the service, linked to the other crucial distinction between ownership and accountability. New Labour see no reason why the state should provide services as long as accountability to the consumers exists in an effective form.

Welch and Coles in their Fabian pamphlet on the social economy reject the necessity of state ownership in welfare:

The left has traditionally held that 'public' services should be provided by organisations subject to public ownership. In part, this stems from a failure to grasp the distinction between availability and provision. There is much discussion at present about the balance of representation on public bodies between elected and appointed representatives and the dangers of a quango culture. Properly applied, the social economy approach encourages the most direct form of accountability, namely the accountability of a society to its membership. Used in this way, the social economy idea becomes a powerful tool of decentralisation. The decision making process is as near to the user as possible. One case where the mutual model would be appropriate is in health care. Many have argued that self-governing NHS Trust hospitals are undemocratic and unaccountable. However, instead of demanding a reversal of

the government's reforms, the Left should now consider how the mutual model provides an opportunity to build participation and accountability into their operation. There is nothing wrong with self-governing hospitals per se. (Welch and Coles, 1994, p. 17)

Kathy Jones for the Fabian Society argued that the role of the state need only be limited:

The issue of accountability is far more important than that of ownership. The public, private and voluntary sectors are each good at different things. Government's role is to determine the policy framework for contracting. The private (profit making) sector is best at activities that require a high degree of innovation, technology or adaptation. The voluntary sector, relatively underdeveloped in this country, is best at tasks that require caring, compassion and personal attention ... The issue of ownership is a distraction to which Labour cannot afford to devote any more time. (Jones, 1996)

She also noted that the relationship between the state and private providers was not radically new:

High quality private sector providers, mainly hospices and nursing homes, have long histories of providing care for NHS patients at the expense of the taxpayer. This is neither sinister, nor damaging to the concept of public service ... Labour should recognise that private provision does not mean the end of free health care at the point of need. Publicly-purchased services can be, and are, delivered by privately owned institutions without users having to pay. There is no reason why health care providers should be publicly owned. (Jones, 1996)

The primary concern of the Blairites is that health and welfare services are provided efficiently in a form that will satisfy the consumers. They are very little concerned with which organisations should carry out these functions. Peter Mandelson and Roger Liddle claimed in their book *The Blair Revolution*:

New Labour's objective should be efficiency, diversity and innovation in the provision of public services — not privatisation for its own sake. Service providers will not necessarily be conventional private companies. They might be employee-owned or they might be co-operatives. Many will be in the voluntary sector ... what is most desirable is the emergence of a new generation of 'social entrepreneurs'. (Mandelson and Liddle, 1996, p. 154)

In this world the distinction between 'private' and 'public' becomes irrelevant. These terms have come to mean 'state' and 'profit making', yet there are many other possibilities. Instead of the state, welfare and health services could be provided by trade unions, co-operatives, friendly societies, non-profits, charities and for profit business.

Chris Smith, when Labour's social services spokesman, welcomed greater participation by the private sector:

Surely it is time to get away from the sterile battle lines of public and private and instead look to how the two can best work together in the interests of the citizen — and in the interests of all citizens, at that. (*Times*, 8.5.96).

This was also expressed by Labour spokesperson Alan Milburn MP to the Directors of Social Services:

Labour recognises the benefits that can flow from a mixed economy of care involving public, private and independent providers. It is in favour of diversity, but also consistency. Our concern is to ensure a level playing field of high standards in all forms of care. Therefore Labour will bring

all community care services, public and private, residential and domiciliary, within the regulation net. (Milburn, 1996)

Much of the UK's health sector is already independent: charities, religious hospices, co-operatives, friendly societies, and non-profits, as well as for-profit businesses.

Paul Benson noted the continued existence of charitable, notably religious, hospitals:

The more recent vision articulated by Tony Blair of a 'stakeholder society', suggests that a change of government might augur well for the independent sector — especially the charitable and religious not-for-profit hospitals which will be seen to offer a 'middle way' and move the debate on from the public versus private sector dichotomy. (Benson, 1996, pp. 106-107)

While their numbers may have been declining, they are still significant, and are likely to grow:

The tide that has been running against the 'not-for-profit' hospitals may now be turning. Not only might the decline in the numbers of such hospitals be arrested, but their ranks may in fact increase ... what is clear is that the days of the not-for-profit hospitals are far from over and in fact their renaissance may be only just beginning. (Benson, 1996, pp. 106-107)

Benson illustrates this by the example of King Edward VII hospital in West Sussex:

Does the King Edward VII Hospital provide a model example for the late 1990's of a voluntary, community-focused hospital working in harness with the NHS? The local community is certainly fiercely proud of 'the Sanny' (as it is still known) and an active League of Friends raises between £750,000 and £1m annually. A team of 130 volunteers substantially enhances the totality of care in the hospital and provides practical evidence of the local community's commitment. In these, and many other ways, the hospital maintains many of the best traditions, features and values of the pre-1940 voluntary hospitals. ... All this is fine for the people of West Sussex, but what about the rest of the country? Are there sufficient charitable and religious hospitals left to make the case for their greater use worth arguing? The answer is undoubtedly 'yes'. The Nuffield Hospitals' chain alone has 34 hospitals throughout Britain from Glasgow to Exeter and Tunbridge Wells to Wolverhampton. And in all, there are 84 charitable hospitals in England, Scotland and Wales with almost 4,300 beds. (Benson, 1996, pp. 106-107)

Welch and Coles note that much of the private sector is non-profit:

Another graphic example is the so-called private healthcare industry. The three largest players — BUPA, PPP and WPA — are all provident associations not private companies. (Welch and Coles, 1994, p. 7)

It is therefore not surprising that Barry Hassell, the chief executive of the Independent Healthcare Association, should welcome these developments:

It is great to see people on the centre-left increasingly rediscovering the Socialist traditions of communitarian self-help and co-operative mutuality. I have no doubt that these ideas will continue to grow and gain support, particularly amongst those unions eager to provide their members with health and welfare services which help attract new members. (Hassell, 1995)

In *The Blair Revolution*, Mandelson pointed out that the private medical revolution is today an inevitable part of life for mil-

lions of British citizens. Citing the gradual decline of centralised top down state health and education since the late 1970s, he asserted:

From the 1970s onwards, those who could afford it began to opt out of the health and education services in large numbers. As NHS waiting-lists grew, private health insurance expanded — often under the auspices of employers, who in some cases incorporated private healthcare coverage in trade-union collective agreements — and, as a result, over 7 million people are now covered privately in some way or other. (Mandelson and Liddle, 1996, p. 141)

Some of this diversity in the private sector will come from co-operatives. Co-operative activity is spreading ever more widely within the UK's existing health care system. As the *Guardian* pointed out:

Doctors are founding Britain's fastest-growing co-operatives in an effort to cope with the growing demands on the NHS of an ageing population. ... Already 4,500 of the 20,000 GPs are in co-operatives, formed to improve out-of-surgery-hours visiting services. The co-ops, introduced eight years ago, work on a cash-for-hours basis with which doctors who wish to opt out of or reduce the frequency of night visits make payments to a co-op. These funds are paid to doctors willing to perform emergency night work, for fees of £300 to £400 a night. Dr Kishna Korlipara, who founded the first GP co-operative amid professional and economic scepticism, said between 40 and 100 doctors formed an effective co-op. Now chairman of the National Association of GP Co-operatives, he predicted that more than 10,000 doctors would soon be members. Before the introduction of the NHS, the co-operative movement set up mutuality schemes to pay doctor's fees. (*Guardian*, 18.9.95)

The Cooperative Party, associated with Labour, recently welcomed a growing role for co-operatives in the health sector:

The National Health Service must be restored to a caring policy which puts good health and preventative health care first. Labour will replace the market with a co-operative model. ... the co-operative non-profit making alternative has much to offer. ... The provision of health care used to be a co-operative activity.

The current pressure to limit direct provision means that the co-operative non-profit making alternative has much to offer. These principles could be extended to other provider areas such as refuges for the mentally ill, home care services, GP practices, and health centres. We want ... promotion of co-operative initiatives in running residential homes, GP group practices and other areas of health care ... (The Cooperative Party, 1995, pp. 20-21)

The National Association of Friendly Societies (NAFS) commissioned a report from Professor George Yarrow of Hertford College Oxford on the role that friendly societies might play. The paper's title, *Welfare, Mutuality and Self-help*, suggests that the friendly societies are already adapting to the new world of welfare and can expect to grow considerably beyond their current 9 million members. (Yarrow, 1996) Marion Poole, general secretary of the NAFS told the *Daily Express*:

The paper will take an in-depth look at how friendly societies can help people provide for themselves instead of having to rely solely on the state. (*Daily Express*, 29.5.96)

The *Health Service Journal's* Patrick Butler examined their impact on the NHS:

After a gradual deterioration in the 1950s, 60s and 70s, the past decade of attrition against the welfare state looks set

to renew the fortunes of friendly societies. “Friendly societies have been through a long bad patch. But we are in a better position than we have been since 1947,” says Marion Poole, the general secretary of the National Conference on Friendly Societies. (Butler, 1994, p. 11)

Attempting to deal with the realities of future health care provision in the UK, Mike Norris, London regional officer of the Industrial Orthopaedic Society, said:

In the past year or two as the NHS has had more problems we have detected a change in attitude. People are slowly realising the NHS is not going to meet their needs, particularly in places like London, where there are long waiting lists. (Butler, 1994, p. 11)

The *Journal* noted the significance of the Society:

The Industrial Orthopaedic Society, which has the support of the TUC if not the health unions, has some 200,000 members drawn mainly from its historical blue-collar base in heavy industry. (Butler, 1994, p. 11)

Revealing the scale of one health care friendly society scheme, the article went on:

The Department of Health ... supports the Post Office and Civil Service Sanatorium Society, open to all civil servants. For 45p a week, members facing long NHS waiting lists are able to get swift private consultations, medical care, and treatment in more than 200 surgical procedures. ... The Society boasts one million members and is aiming to recruit 75,000 new subscribers this year with the aid of a glossy marketing campaign. (Butler, 1994, p. 11)

Pointing to the scope for the movement to expand rapidly in the future, the article concluded that already:

According to the NCFs [National Conference of Friendly Societies], around nine million people are members of friendly societies covering all aspects of welfare provision from sick pay to insurance to dental treatment. (Butler, 1994, p. 11)

Aware that the Labour Party will come under increasing pressure to detail its health and welfare expenditure plans in the run up to the next general election, Pollard has begun to chart for Blair a policy course which philosophically enables New Labour to accept an ever expanding independent healthcare sector when in office. As he said:

Given the British Labour movement’s own grass roots history and the experience of its partners in Europe, the view that Socialists should automatically oppose independent healthcare — on principle — is clearly misguided. (Pollard et al, 1994, p. 15)

Thus the stakeholder society would replace over time the welfare state with a welfare society in which a wide variety of institutions would be providers, ending the monolithic dominance of the state.

7. BLAIR — GOING BEYOND THE POLITICS OF LEFT AND RIGHT

Like Thatcher, Blair is a politician who believes in the politics of principle and leadership. Determined to break with the past and open to new ideas he believes that Labour must capture the intellectual high ground. It is not sufficient simply to rely on the unpopularity of the Conservative Government. Following the example of the US Republicans’ Contract with America (and in contrast to the vagueness of Clinton’s promises), he wants to present a clear programme of reform.

Those most in need of help deserve the truth. Hope is not born of false promises; disillusion is. They are tired of dogma. They are tired of politicians pretending to have a monopoly on the answers. They are tired of glib promises broken as readily in office as they were made on the soap box. When we make a promise, we must be sure we can keep it. That is page 1, line 1 of a new contract between Government and citizen. But we should do more. We have to change the rules of government and we will. We are putting forward the biggest programme of change to democracy ever proposed by a political party. (Blair, 1994c)

Blairites want to go beyond much of the artificial differences established between the political parties. Thus Welch and Coles recommend accepting some of the Conservative reforms:

The Left should not reject the apparatus of NHS trusts, grant maintained schools or housing associations but use the idea of a social economy to correct the imbalance between purchaser and user. The state has taken over responsibility of many of the services originally provided by mutual aid organisations such as Friendly societies, trade unions, building societies, and consumer co-operatives. The social insurance proposals put forward by Beveridge for example retained an important role for friendly societies, but this was subsequently rejected by the Government in favour of full nationalisation of the administration of the new system. (Welch and Coles, 1994)

Similarly, some New Labour health advisers support retaining GP fund-holding:

Labour’s advisers have told it not to abolish key Tory health services reforms. Professor Brian Abel-Smith and Professor Howard Glennerster say there is overwhelming evidence that fund-holding family doctors are able to get a better deal for patients. Writing in the Fabian Review, they say it makes good sense to build on what has been achieved by the fund-holding system and induce more GPs to join. ... They say: “Fund-holding GPs can pick those hospitals or departments of hospitals which give their patients a better and more convenient service. The hospitals have to sit up and take notice, as these GPs have the power to give or withhold money.” (*Daily Telegraph*, 29.5.95)

Blair is destroying popular notions of what is left and right, by transcending notions of public and private and presenting a new agenda based on such principles as:

- voluntary collectivism (e.g. a trade union collective agreement for independent health care from a provident insurer)
- voluntary communitarianism (e.g. a non-tax funded neighbourhood watch scheme)
- co-operation (e.g. the John Lewis partnership, the Automobile Association, and BUPA)
- enterprise (for all the above and for-profit companies such as plcs)
- partnership (e.g. between some of the above)

Mai Wan, the author of the IPPR report on social capital, noted that the concept of self-help did not belong to the traditional ideological spectrum:

Self-help is essentially an anarchistic social development; this means the movement cannot be claimed by politicians of the right or left ... self-help is an idea whose time has come. Policy makers need to acknowledge this, and accept that it is likely to be a core activity in the welfare system of the next century. (Wan, 1995b)

The *New Statesman*, the main intellectual journal of the left, has recognised the future of Labour thinking lies with a new group of intellectuals, and perhaps most significantly even names a Conservative MP as a contributor to that new thinking on the left:

Mid-1990s onwards?: Post Keynesianism communitarianism. Ideological core: Macroeconomics is dead: the nation state has very little role in economic management except as provider of training. Even Europe cannot operate a credible counter-cyclical economic policy. The welfare state is not sustainable in its familiar form, and many of its functions must be taken over by the voluntary sector or privatised. Unions have a role as friendly societies for their members but not in what remains of economic policy. Crucial texts: Amitai Etzioni: *The Spirit of Community* (1993), Geoff Mulgan: *Politics in a Post-Political Age* (1993), Frank Field: *A New Agenda for Britain* (1993); David Shelbourne: *The Principle of Duty* (1994); David Willetts: *Civil Conservatism* (1994). (*New Statesman*, 1995)

However, instead of recognising the change in Labour policies, claiming them as a success for Conservative ideas, and challenging the lack of specifics, the Conservatives are seeking to pretend nothing has changed.

John Major tried to call up monsters of socialism past by associating Blair with 1984, in a wholly implausible manner:

I think Labour has been re-reading *1984* — the book that introduced “Doublethink”. You remember — doublethink is the trick of holding two contradictory beliefs at the same time — and accepting both. It was the brain-child of another public school-educated Socialist. His name was George Orwell. But actually it wasn’t. That was his pen name. His real name was Eric. His surname? You’ve guessed it. It was Blair. Eric Blair. (Major, 1995, p. 5)

This was, of course, the speech which outlined MI5’s new policing powers, increased the police service by a further 5,000, and promised 10,000 more CCTV cameras over the following three years.

Similarly, Heseltine sought to attack the concept of the stakeholder society as a return to corporatism, whereas, as this paper makes clear, it seeks to present institutions such as the John Lewis partnership, the AA, BUPA and the Cooperative Bank as models for other businesses.

The late Lord Joseph had a more appropriate response by noting that stakeholding is, or should be, a part of the Conservative philosophy:

My own favourite strategy to give every home a stake in the economy is to allow friendly societies to recover much of the role they have relinquished over this century. Who now remembers that the State used these intimate savings clubs as agencies for social security payments until 1945? Friendly societies are tiny beasts in the jungle of monster financial corporations, but their humble size is a possible secret to success. If the sums now poured into the chain letter across the generation which we call National Insurance were diverted into personal accounts everyone would feel, would be, a capitalist. Friendly societies would have a self interest in finding jobless members a new role. They would have a self interest in making sure claims were not false. I wonder if the Labour Party, hungry for radical ideas, might steal such notions and apply them first. I re-

gard Frank Field MP as our most dangerous opponent as he treats liberal market ideas as serious options, and not merely as misanthropy. (Joseph, 1996, pp. 43-44)

The Labour left is much more aware than the Conservatives of the direction in which Blair is taking the party, but lacks any clear alternative programme, apart from a return to the ‘tax and spend’ policies of the past. David Hunter expressed the fears of so many on the left:

The Fabian Society appears to be yet another which has moved to the new right. It is certainly more than sympathetic to much of the government’s reform agenda. Indeed, if a recent discussion paper is anything to go by, it urges Labour to go much further in some areas. ... It certainly doesn’t inspire confidence that the future of the NHS under a Labour government lies in turning the provision of healthcare to the private sector regardless of whether it be for profit or not for profit. (Hunter, 1996)

Andrew Marr, the editor of the *Independent*, and one of the most perceptive observers of trends in British politics, has noted the emergence of the self-help ideal as one that will transform the welfare state:

But we are seeing something new, and real, which is growing in importance. This is one of the big changes in British politics, however hard to define, however vague. The wind isn’t merely freshening: it is starting to gust. (*Independent*, 19.1.95)

8. HOW LABOUR WILL PRIVATISE WELFARE

Gordon Brown stunned political commentators by his commitment that a Labour Government would not increase income taxes and would keep within the current expenditure limits. Labour is caught between public resistance to any tax rises and increasing demands on health and welfare. Incredulity was expressed at his promises and the assumption was that he could not keep within the expenditure limits. Ignored was the growing evidence that Labour will solve their dilemma by seeking to reduce the responsibilities and obligations of the state and transfer them to the individual and the family through the trade unions, the co-operative movement, friendly societies, charities, non-profits and private insurance, based on the principles of self-help and mutual aid. It is Labour, not the Tories, who will privatise the welfare state.

The evidence can be found in a whole series of reports, pamphlets and articles by intellectuals around the New Labour party and its associated think tanks, such as the Institute of Public Policy Research, Demos and the Fabian Society, such as Frank Field, Peter Mandelson, Geoff Mulgan, and Stephen Pollard.

Blair’s problem is how to sell this agenda to his own party, which has criticised every Conservative welfare reform as privatisation. His strategy is based on rediscovering a co-operative, non-state socialist tradition, learning from the practice of social democratic parties in Europe and their idea of ‘a social economy’, and providing a new and significant role for the trade unions and the co-operative movement in a stakeholder society: socialism without the state.

A future Labour government will seek to radically transform the welfare state into a co-operative, mutual aid and self help society and thus privatise most of the welfare state. The issue remains of whether Blair can convince his party into carrying out the most radical transformation of the welfare state since the 1940s.

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