

# compass

Our central claim is that the richness of human potential in today's society requires both pluralism and egalitarianism to be embraced and combined in radical, distinctive ways by democratic left politics. If each person has equal worth, the limitations on their achievement and contribution must be systematically broken down. This requires public action and investment. But the uniqueness of this potential makes social diversity, openness and freedom equally important. The major implication of this position is that capitalism should be directed in ways that align it with human need, rather than managed as an unstoppable force.

compass  
A VISION FOR  
THE DEMOCRATIC LEFT

## Compass

This document is the result of much debate and discussion among a group of left-of-centre commentators, academics, pressure groups and politicians about the prospects for a more democratic, liberal and egalitarian kind of politics. Most were enthusiasts for the original New Labour project.

After Labour's failures in government in the 1970s and in opposition during the 1980s the need for modernisation was clear. But it is now equally clear that Labour needs to rejuvenate its sense of purpose. If it is to maximise the opportunities for a third term it must act now to meet the expectations and ambitions of its supporters for change.

Compass offers a new path for democratic left politics. Our starting point is necessarily 'big picture' issues. These big political themes have policy implications which will be addressed in detail at a later stage, but first we wanted to establish the values-based context in which to map the foundations of a more equal and democratic society.

We have called it 'a vision for the democratic left' because we believe that the primacy of political and democratic values over those of the market must be at the heart of any Labour renewal. Through it our aim is to constructively repoliticise debate within the Labour Party.

This is a living document. It is a foundation for discussion rather than a final statement. Those involved so far have been academics and thinkers from the democratic left. We hope to set out the terms for the debate with party activists, practitioners, elected representatives and those outside the Westminster system, building a wider alliance to achieve radical change before the left loses power.

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# Introduction

New Labour carries with it not just the fortunes of a handful of politicians, but the hopes and aspirations of a political generation. In 1997 the people cheering Tony Blair's historic victory were not simply exhausted Labour Party workers, but a wide cross section of society, working people and professionals in the public, voluntary and private sectors, democrats, liberals, socialists; people who had suffered discrimination or social exclusion, people angry at injustice. A coalition of forces came together sufficient to end 18 years of Thatcherism. So the failure to mobilise that support behind a popular, successful social democratic renewal cannot simply be blamed on the Cabinet. As they get into difficulties we cannot simply shrug or retreat into apathy or oppositionalism – there is too much at stake. If New Labour is lost, it needs help to find its way.

New Labour stands at a crossroads. It has proved itself to be a necessary but increasingly insufficient response to the challenges facing our country and the need for active government. It may struggle on, launching isolated initiatives that fleetingly lift our hearts. Its investment in public services is right, but the results are being impaired by an obsession with structural change. Many of the modernisation measures have merit, but have been poorly introduced creating suspicion in the minds of Labour's greatest supporters. The pursuit of economic efficiency is right, but not without an understanding of the role of the state in reforming and constraining global capital. It can try to make a virtue of conflict with its own supporters as it pursues further public sector reform and bends to the demands of big business, or it can renew itself, reinvigorating the values of left-of-centre politics and drawing strength from the many who still want Labour to succeed.

There have been policy achievements, but they have been diminished by ideological timidity and by political misjudgement. The Government appears to

have lost its way. Despite economic successes, public trust in Labour was already declining before the war with Iraq. Flagship policies such as foundation hospitals and top-up fees generate unnecessary damaging conflict with Labour MPs, members and affiliates because they raise fears about the Government's perceived longer-term intentions. Tens of thousands of members have left the Labour Party. Others have ceased to be active. Meanwhile, wider public confidence in politics and political institutions continues its rapid decline, fomenting a toxic combination of apathy, cynicism and, at its extreme, racist populism.

Labour needs to revisit its purpose. Many of the assumptions which brought it to power – about the primacy of markets, centralised control, party and parliamentary democracy and media management – stand in the way of progress solutions. We desperately need a clear analysis and understanding of the problems facing British people in a global economy and a vision of a progressive Britain.

New Labour adopted a reactive form of modernisation. Deeply pessimistic about public support for progressive politics, the leadership believed that Britain had to adapt to the new social and economic forces – globalisation, individualisation – rather than try to shape them. It made the assumption not only that Britain was a conservative nation antipathetic to Labour's values but also that this could not be changed. So New Labour won two landslide victories but left the Party without a story to explain what it wanted power for.

Now Labour needs a new ambition – to redirect modern capitalism, not just adapt to its demands; to transform society, not merely to administer it. Still likely to win a third term, Labour has an unparalleled opportunity to shape the world according to progressive values. But this requires both clarity about moral and ideological purpose and boldness about the

ways in which it can be enacted. The opportunity will only be successfully grasped if it dares to shift its thinking. Then Labour will discover that the British hold a core of forward-looking, democratic and egalitarian values that far outstrip its own caution.

Our central claim is that the richness of human potential in today's society requires both pluralism and egalitarianism to be embraced and combined in radical, distinctive ways by democratic left politics. If each person has equal worth, the limitations on their achievement and contribution must be systematically broken down. This requires public action and investment. But the uniqueness of this potential makes social diversity, openness and freedom equally important. The major implication of this position is that capitalism should be directed in ways that align it with human need, rather than managed as an unstoppable force. A further implication is that radical reshaping of the democratic state, including its bureaucratic forms, is necessary to provide the responsiveness that diverse societies require, but that social equity and transparency must remain central principles of public intervention.

We believe properly articulated left politics will attract huge support for progressive values. We don't underestimate the strength of conservative thinking – it must be understood and countered – but it has no place in Labour's project. Labour could give new inspiration to its own party members but also to countless potential supporters, many already engaged in innovative forms of social change in myriad institutions, organisations and enterprises that operate beneath the radar of national politics. This document is addressed to such people, both inside and outside the Labour Party.

# 1

## The good society

Political parties demand a sense of purpose and New Labour has searched for a big idea. But the search has been in vain, in part because any meaningful 'big idea' was deemed to put off the voters. Big ideas tend also to tackle big problems and New Labour has been reluctant to admit they exist.

Instead, ideology is proclaimed to be dead. The term is used only pejoratively; what counts, we are told, is 'delivery', or what works. While political action must, of course, be pragmatic, we can only know 'what works' when we know whether it meets the political objectives we have set. To have a sense of purpose, realists must first be idealists. Lacking ideological roots, New Labour has never explained its values in terms of the people, institutions, programmes and movements that would make them a living reality. Instead, New Labour has justified means by ends in the hope that delivery, free of ideological content, will maintain popularity.

Without ideological underpinning, a political movement becomes directionless, mired in administration. An ideological vision – of the kind of world we want and the values that should inform it – helps us understand what a government is for and where it is going, particularly when policy is highly technical and implementation difficult. It also invigorates democratic debate, engaging citizens and voters in politics. And it inspires citizens making them to want to be politically active.

New Labour has always said that its ends have remained constant, and means no longer had ideological content. But this is wrong. The means we use to reach our goals – free markets or regulation, public or private sector organisations, redistributive solutions or inegalitarian ones – also carry values. Only the most general core values

can remain timeless and unchanged. So, as technological and social change open up new possibilities, we should redefine the kind of society we want to live in.

We need to reassert our ends: we believe that a good society is one in which people's life chances become more equal as a result of social and economic institutions designed to benefit the least advantaged and most vulnerable. In a good society, global capitalism is managed for the benefit of the least well off, not the richest. A good society is environmentally sustainable and one in which individuals flourish, helping to shape and change their world. It is a society where the values of the public realm and public culture find full expression, not one where the common exchanges of family life, of friendship and community, are impoverished by the demands of the market. A good society is one in which diversity of culture and lifestyle and pluralism of values is compatible with social solidarity, trust and collective responsibility. It is a society in which community and democracy is kept healthy by the active engagement of citizens.

Our vision must therefore be more than just managing the current system better. It must seek to transform it. Some on the left have forgotten that this is their purpose. It seems that the tidal wave of neo-liberalism which swept through the ruins of the Berlin wall destroyed the confidence of the left to imagine a better world. In fact Eastern Europeans were as keen to develop a properly functioning welfare state and democratic unions as they were to drop authoritarian communism. Meanwhile, the strength of Thatcherism and Reaganism in the West said as much about the weaknesses and divisions of the left as it did about the popularity of neo-liberalism.

Modern capitalism has not stood still. Its

hegemonic hold is based on the seductive claim that we can have it all; simply by consuming. While we welcome the individual liberation that we enjoy as consumers its promise of meaningful autonomy is an illusion. A growing body of evidence shows that the link between ‘life satisfaction’ and material affluence has broken down. We are three times richer than in the 1950s but hardly happier. The promise of fulfilment from endless consumption is not only a mirage, offering all too fleeting pleasure, it comes at a price – in environmental damage, in physical and mental ill-health and stress, in the squeeze on time and pressures of modern living. Crucially, it creates a new group of excluded – the would-be consumers who cannot participate on the same terms as everyone else – only now they feel their exclusion individually rather than collectively as the poor did in the past.

This is the new challenge for the left. Our idea of the good life cannot be merely an extension of consumption. We must question how we distribute the fruits of economic growth – between increases in private and public income; between increases in income and time; between the rich North and the poor South. Forty years ago, post-industrial theorists told us we were entering the leisure society. But despite a revolution whereby the majority of women have joined men in doing paid work, working hours in the UK have not fallen, but continue to rise. This has been combined with demand for increased productivity, hugely increasing pressures on workers. The consequences are deleterious, particularly for family life – time spent with children, the care of elderly parents and relatives – and for citizenship and voluntary work. Far from being freed from the drudgery of work, people live ever busier and faster lives, often missing out on the cultural, familial and social pursuits which make us happy and healthy and which enrich society as a whole. It would be a historic advance if the success of politics was measured by the rounded well-being of its citizens.

It is almost impossible for the individual to escape the consumption treadmill alone; it can only

be done together. The successful introduction of congestion charging in London is an example of collective service provision taking primacy over individual service consumption. In mapping the way, the left can unite the interests of those excluded from consumption with those who perceive its limits. If the link between consumption and happiness has broken down, the logical public policy conclusion is to redistribute wealth to where the difference it can make to well-being is greatest – to those with least. And, amid ever-growing concerns over global warming and environmental degradation, the very notion of economic growth should at least be questioned. Here, too, the politics of post-materialism converge with those of equality, creating an opportunity for Labour to forge a winning but radical consensus aligning the interests of the poor, the working class and progressive thinkers of the middle class.

## 2

# Liberty demands equality

In 1997 New Labour it was campaigning on the theme of being ‘for the many not the few’. Equality of opportunity was to be spread around, not least through a fresh understanding of the role of entrepreneurialism both in the private and public sector. The challenge was to find ways for egalitarian redistribution to coexist with the needs of enterprise. But while the demands of the private sector for low taxation and deregulation have been met, there has been little recognition of its impact on quality of life or egalitarian objectives.

New Labour has not risen to its own challenge. Six years into a Labour government huge income inequalities remain and may be getting wider. Labour has not articulated and consistently pursued a vision of social justice. It has now to take on the task – a much tougher one than it ever anticipated or acknowledged – of closing Britain’s wealth and opportunity gap.

The right – and some who claim to be on the left – insist that the goal of equality is not compatible with a political culture of individual freedom. But without equality there is freedom only for some. We on the left seek freedom for all.

The right says liberty is marked by absence of constraints. We agree. But poverty places significant constraints on what it is legally permissible to do. If you cannot afford the train fare from Liverpool to London, then you cannot get on the train. You are therefore not free to make the journey. Liberty lies in access to opportunity: in being able to make choices of how to make the most of your life. These choices are denied when gaps in income, wealth and opportunity grow too wide.

Equality is not the enemy of liberty but the means of pursuing it. Reducing inequality remains the cornerstone of left politics. It is the means whereby everyone has the chance to flourish. It is

simply unjust for so many to remain in poverty while others live in fabulous wealth. Such inequality undermines social cohesion and weakens the bonds of responsibility which underpin social order and the law. Inequality also makes democratic citizenship impossible; we cannot have equal democratic rights when the resources available to different groups and individuals are so unequal.

New Labour made a bold commitment to eliminate child poverty in 20 years. It has made some progress and been more redistributive than most previous governments. But if it is to meet its commitment and if other groups – such as disabled people and older workers – are to be lifted from poverty, more must be done. Difficult choices about where to raise and spend money cannot be avoided.

Social security payments must confer not just material well-being but also social dignity. We should end the cycle that sees groups such as the elderly, the unemployed or the disabled dipping into and out of poverty as government changes its targets, focus or policies. The minimum wage must become a living wage. Everyone should have that safety margin that middle class people take for granted: enough to fall back on or with which to create opportunities for themselves. Capital assets – savings, shares and home ownership – should be brought within the reach of all citizens so that wealth ownership and the benefits it brings can be spread throughout the community. We need a better understanding of where power lies in society and to ensure that it too is more equally distributed. There must be ongoing access to education for all and the spread of ambition and expectations to every level of society. Those born into wealth continue to have the best chance of material and social success.

All the research evidence shows that investment in pre-school children – particularly in universal childcare and in supporting parents – is the most effective way of giving children genuine equality of opportunity. Building on Sure Start universal childcare would be a major extension of the welfare state and a historic institutional legacy a social democratic government should be proud to make.

### 3

## Choice and community

One of New Labour's clearest promises was its emphasis on community. In rewriting Clause 4, it rightly redefined community, not public ownership, as the mechanism for citizens to realise their true potential. This required rebalancing the relationship between communities and market forces that erode the space in which community can flourish. No such rebalancing has taken place.

Rather, society has become more individualistic. We should celebrate our increased autonomy, but individualism cannot secure for us all the goods, opportunities and outcomes we seek. So much of what makes for a good life are common social goods – things we share with each other. From transport and communication infrastructure to public services, from social order to a clean environment, from justice to democracy – these goods cannot be provided by individual choice. We have to secure them collectively, as a community.

The market can give us an array of choices of things we can buy alone. But it does not give us – and will limit – the choice of things we can only buy together. An excessive focus on private consumption constrains the choices provided by taxation and public spending. It prevents the choice of a sustainable environment. In education, health and other public services, choice for some means inequality for others. Empowered as consumers but diminished as citizens, we are free to choose anything except a life not dominated by consumer values.

Collective action does not mean that the individual no longer counts. But he or she counts as a citizen, not just as a consumer. Decisions must be made through the democratic process, not just the market one. Just as the new right reinvigorated its politics through its critique of the state and of democratic choice, so the left must highlight the limits of private choice and market forces.

The grip of individualism raises questions

about the democratic process. If we are to fashion our identity and future through the market then what place is there for democracy? We need a new culture of citizenship: people need to feel responsible for the society to which they belong. In turn they must feel they belong. Every politician now seeks to be the champion of 'community', but the reality of many people's lives is that they no longer feel a sense of belonging. Research on 'social capital' shows how important remains that sense of 'connectedness', what we used to call social solidarity. Without the ties that bind us together societies don't function properly, crime and anti-social behaviour take root and the notion of citizenship withers, as does our power to change society.

Renewing a sense of community means supporting local organisations, promoting voluntary activity, reconnecting public services to the communities they serve and recognising the role that trade unions can play in empowering people at work. It means making active citizenship an explicit goal.

Government must learn to govern less. Statism and municipalism were early 20th century responses to the plight of an impoverished and uneducated working class. This method of government served society well in establishing basic standards in health, education and social services. But Labour paternalism merely transferred power from capital to an elected elite. It raised standards but failed to empower individuals.

Modern social democracy values individual rights through community action, allowing members of the public to play an active and constructive role in real decisions that affect their lives. For this, we need new institutions and new attitudes towards the role of individuals and their communities.

## 4

# Cherishing democracy

New Labour held out the promise of ‘a new politics’. After the sleaze of the Tory years this was a tantalising prospect. But while Labour has made progress in the field of constitutional reform – most notably the irreversible achievement of devolution – the culture of our democracy and the health of the body politic has not been revived. Centralism, secrecy and the urge to control remain the hallmarks of political style. Overcoming these challenges takes more than new structures and management.

New Labour has treated democracy in the old Labourist tradition: as useful only when it delivers power to the executive. But democracy is not just the least bad system: it is a vital public good because it gives equal voice to all. It transforms individuals into citizens. It gives legitimacy to collective choices about society and social goods.

Democracy as a means of making collective choices has fallen into disrepute. Public trust in politicians and political institutions has been eroded. Voter turnout has dramatically declined. Political parties haemorrhage members. Public engagement with politics is at different times cynical, hostile or apathetic. The Labour Party is the last place people go if they want to change the world. The revitalisation of democracy must become a central goal for the left. Only through a greater respect for democracy can political institutions regain the trust of the public.

The chance to shape the world in which we live, to govern our own lives and take back control must become as attractive as private consumption. Left politicians must offer a compelling moral vision of that changed world and show the means by which it can be achieved. Modern capitalism has sharpened consumers’ appetites for autonomy, choice and creativity. The left must answer those needs in the sphere of collective decision-making.

But our political institutions limp on with the apparatus of the late Victorian period. Parties, Parliament, Whitehall, local government, voting systems – all require radical makeovers. New Labour’s modernising agenda has largely failed to touch the institutions most in need of renewal. We must develop forms of decision-making and accountability that are as sophisticated as the issues we need to address; and which build people’s capacity to be full citizens. This is as true at local and regional levels – and on the international stage – as at the national one. Revitalisation should not stop there. People also want a say in the workplace, in the use of their pensions and savings and in the management of local services.

## 5

# Reclaiming the public sphere

The legacy of a left government will rest on how it approaches, builds and renews the public sector. Since 2001 New Labour has nailed its colours to the mast of public service reform. This was urgently needed. Bureaucratic, top-down and paternalistic, Britain’s public services shared many of the worst traits of its Labourist founders. The long-overdue recognition of public support for higher direct taxation to fund higher spending on public services has been a major achievement of New Labour. It has moved the centre ground of British politics and challenged a key tenet of the neo-liberal legacy.

But uncertainty and confusion about methods and doubts over motives have clouded both the debate over public services and, crucially, outcomes. Too often, New Labour seems happier on the side of the private sector and at war with public service ethos and public sector workers in the pursuit of efficiency. Thatcher tapped into the desire of individuals to feel personal ownership. We have seen this, unharnessed, as a potentially destructive and selfish force in society. But organisational structures that enable ownership to be expressed through co-operative, collective action, could become a positive force for society.

The permeation of market values through all parts of society has corroded many of the institutions and the relationships which once bound people together. The public sphere has been under particular attack. By the public sphere we mean those institutions and spaces in society where non-market values and non-commercial interests are dominant, where resources are allocated according to need and democratic choice rather than market demand, and where the notion of the ‘public good’ is articulated and experienced. The public sphere includes public service bodies intended to serve the community rather than individual gain; public

interest broadcasting, where the enrichment of public culture outweighs commercial imperatives; mutual, cooperative and trade union organisations governed on the basis of collective rather than individual interests; academic institutions, where research is public, teaching is valued and creative enquiry paramount; and voluntary and community organisations, underpinned by values of social justice and answering needs. For the left, the protection and promotion of such institutions is vital. They provide a means of expressing important human values. They are the means of delivering many public goods on which individuals and society depend. Between them they create an institutional pluralism that strengthens social structures. And they engender social solidarity, helping to bind people to one another.

Protecting such institutions does not mean defending the status quo. But New Labour’s agenda for reform is based on a simplistic diagnosis and a confused prescription. By focusing its reform strategy on creating markets, on consumer choice and on contracting public services out to private firms, the Government risks undermining the public sector.

We accept that public services should be flexible and responsive to users’ needs. But the language of consumer choice risks creating a new breed of public service consumer: treating public services like a supermarket, seeking compensation when anything goes wrong, while taking responsibility in terms of co-production for less and less. Public services cannot simply be ‘delivered’; they are produced in conjunction with users, and the allocation of their resources must be decided democratically. Unless we take responsibility for respecting and protecting public services, we risk reducing everything to a competitive market. We need citizens to engage

with the public sector as co-producers rather than consumers. And we need innovative and dynamic public sector organisations that can respond to them.

New Labour was committed to a modernised governance. At its heart was the notion that with rights came responsibilities. This was epitomised by the National Insurance increase to pay for education and health spending. The conditionality at the centre of the settlement – if citizens are asked to contribute more, they must see the benefits in improved performance and responsiveness – represents an important democratic contract with the people.

Accountable for its side of the bargain, New Labour sought to direct the improvement process from the centre. In some areas this has worked. But it has become increasingly clear that large-scale organisational and social change cannot be driven by directing priorities and allocating resources through command and control hierarchies. Such structures cannot cope with the increasingly complex demands of a more fluid, knowledge-rich and diverse society. Over the last three decades the form of the modern state has changed relatively little. Yet the society it seeks to govern has been transformed.

Transforming public institutions to match the changes in society will require greater decentralisation. The British state remains absurdly over-centralised even after devolution. We must re-empower local government, making it once again the locus of democracy and accountability for public services. It must be able to raise and to allocate resources, and the public must be able to see where decisions are made. This is essential if we are to re-engage people in local democracy and boost voter turnout. If regional government is to work, it must have meaningful powers which allow it to add real value to existing governance activities. The centre has to give them up and let go.

But transformation will also be about new methods. The experience of devolution reveals that simply replicating traditional institutions at a lower level is not enough to be effective or to secure

active public involvement. Ultimately, the ability of institutions to transform themselves from within will be the test of any new progressive governance. The welfare state built by an earlier generation of social democrats retains great public esteem and support. If it is to respond to the society it now serves, we must breathe new life into it.

For the left, the urgent challenge is to articulate an alternative model of improvement which combines the motivations of the public service ethos and professional networks with a commitment to public funding, innovative forms of user involvement and decentralised, democratic accountability. This does not rule out use of private firms, while new non-profit models should be encouraged. But this must never be at the cost of equity and universal access.

## 6

# In the wider world

New Labour took its international duties and responsibilities seriously. Moving beyond rhetoric it was prepared to translate words into action in places such as Kosovo and powerfully got to grips with debt relief. But in the light of that progressive instinct, nothing prepared us for the blow dealt to international governance and progressive multilateralism by the war with Iraq.

The greatest challenges of our time are international. Global poverty and inequality, environmental degradation, terrorism, the trafficking of drugs and people, civil conflicts, large-scale migration – the issues which cross national borders represent the main causes of human suffering and demand the most difficult solutions. The principles of the left are most needed in these areas, not least because the international financial and economic system is failing to answer the needs of the developing world and the growing demand for public accountability.

We must acknowledge the progressive dilemma. The new-found willingness of the United States to pursue its own interests through the exercise of unilateral power – not just in military action, but in trade policy, environmental agreements and in the abandoning of arms control – makes it imperative to defend the principle of multilateralism. Yet the multilateral institutions we have – the United Nations, the World Trade Organisation, the International Monetary Fund and World Bank – are not up to the task. We must insist on multilateral solutions to international problems, giving international action political and legal legitimacy under international law and mutually agreed rules. But we must also reform the international institutions so that they promote political and economic justice as well as security. This means a renewed focus on the causes of insecurity, poverty, civil war and environmental

degradation. We must show that it is in the developed world's own interest to promote pro-poor development, through trade policies that do not favour the North, cancellation of debt and through redistributive mechanisms which increase aid and managed foreign investment. Only this can ensure global security. The rich world must give consistent attention to failed states and areas where there is systematic abuse of human rights. We have to address the causes of migration, taking care of the interests of source countries as well as the economic and social requirements of receiving ones. And we must think through the conditions and the methods under which the international community agrees on humanitarian intervention in areas of international crisis, including fair and just asylum policies that respect the rights of those fleeing persecution.

For the UK, progressive multilateralism must be pursued in a European framework. Our semi-detached relationship to Europe cannot serve the new world we find ourselves in. Only the European Union can act as a counterbalance to the United States, bringing it into the international community and encouraging it to use its power for justice as well as security. A progressive EU can help define the conditions for internationally legitimate action. It could bring social democratic principles to the reform of international trade and financial rules and environmental policy. But to do this it needs a British Labour Government at the heart of the European project, shaping it for progressive ends.

## Managing capitalism for the many not the few

Market capitalism is both wonderfully creative and hugely destructive. Over the past 20 years capitalism has gone through a dynamic period of global expansion, its market reach extending into hitherto protected countries and new areas of social life such as health and education provision. Social democrats have always held that markets need to be used, not suppressed. New Labour promised to update this in line with the demands of the new economy. But, accepting too readily the demands of big business, New Labour has failed to strike creative compromises with capitalism on terms which protect the interests of society and the environment.

‘Free markets’ bring profound instabilities: in the financial crises which have torn through Russia, East Asia and parts of Latin America; in the collapse of confidence in corporate behaviour generated by the Enron and WorldCom affairs; in the spectacular mismanagement of the private pensions industry; and in the persistence of economic inequality in the global labour market between those regions and groups whom globalisation has served and those it has further marginalised.

New Labour’s approach appeared to work well during the long boom. Through a combination of active monetary policy devolved to the Bank of England and higher public spending, the Government practised a kind of covert ‘Keynesianism’ that sustained economic and employment growth even as other European economies faltered. Extensive supply-side measures have increased the employability of the labour force. Real improvements in labour regulation, such as the minimum wage and trade union rights of recognition, have been implemented with none of the dire consequences predicted by the right and business organisations,

yet Labour has eschewed further European social protections.

Now we understand that this ‘boom’ covered up major cracks in the new economy – not least low employment rates in older industrial regions due to the decline of the manufacturing sector. Labour, beguiled by the prospects of globalisation and a ‘knowledge economy’, has been reluctant to challenge the neo-liberal agenda of deregulation and pursuit of shareholder value, despite evidence of their destructive effects. It believed that the ‘new economy’ eradicated the inherent tensions between labour and capital and that social justice could be created through the market not via the state. But for all the talk of wired workers and portfolio careers, most of the jobs created are at the low skill, low wage end of the service sector. Where capital markets drive change, the incentives are geared towards financial reengineering and unproductive investment rather than investment in people or the ‘real’ economy of goods and services. Economic insecurity and threats to pensions are growing. It is time for Labour to develop a new understanding of capitalism and how it can be managed.

First, this means a reassertion of the need for regulation to manage capitalism for the benefit of the many and the future of the planet. Social democrats always insisted that markets were to serve people, not vice versa. New Labour has often appeared too willing to subordinate the interests of employees and the wider community to those of business. Global capitalism needs more management, not less, particularly in the regulation of finance and labour markets. Among other things, that means enhancing the minimum wage, stronger employee rights and protections, measures to promote better work/rest-of-life balance, and further reform of corporate governance and

pension schemes. Unions need to modernise, too, and appeal to the non-unionised, including the economically vulnerable as well as the individualised and aspirational. The power in a union is always through the consent and support of its members and this might best be measured in their likelihood to participate in the union’s own democratic processes. Strong, modern unions can help create the social democratic institutions necessary to regulate capital and harness its energy for social good.

The most urgent area for reform is international trade. Here, despite its rhetoric, Labour has been party to the shameful hypocrisy of the trade policies of the rich countries. European and American governments heavily subsidise their agricultural produce, dumping it on third world markets, at the same time imposing punitive tariffs on the exports of developing countries. The World Trade Organisation, in theory a democratic institution of global governance, has been turned into the agent of Northern corporate interests, notably in areas such as trade in services and intellectual property. A new approach to trade policy, which serves pro-poor development in the Third World, is urgently needed.

Secondly, Labour must challenge the British business model with its escalating rates of executive pay and self-serving primacy of ‘shareholder value’. For all the Government’s exhortations, productivity in British industry has barely risen. Investment rates are still weak. Now that the issues of corporate governance and corporate social responsibility have been forced on to boardroom agendas, the left needs to turn them into a wider debate about company law and responsibility. We need to assert that public companies are responsible to more than themselves and their profits. Other business models exist elsewhere in Europe, in our own mutual sector, in other forms of social ownership, and in the growing field of socially responsible investment. We must become the champion of pluralism in business as well as politics.

## Our shared environment

Social democrats, not just New Labour, have never taken the environment seriously as a strategic imperative. This cannot go on. The environmental crisis is not retreating. Some of the problems of pollution are in decline as we eliminate the unwanted by-products of industrial production and consumption. But on the core impacts of economic growth we have made little headway. Carbon dioxide emissions from the use of fossil fuel energy are not falling sufficiently rapidly: to have any impact on global warming, we need a 60 per cent reduction by 2050. Transport emissions and waste production continue to rise faster than economic growth. Globally the loss of forests, water, habitats and species remains ecologically and morally catastrophic.

Politics now plays lip service to environmental concern but the scale of the challenge dwarfs the measures taken. The costs of inaction are off-loaded on to the next generation.

Yet we know that a well-constructed environmental policy can be economically beneficial. Regulation and taxation raise prices, but they lead to offsetting gains in efficiency. Smartly done, environmental measures can stimulate technological innovation, generating transformed methods of production and consumption. A low-carbon, hydrogen-based future beckons. There are huge global markets in environmental goods and services, and the countries that move in first to supply them will reap the advantages.

This is all within reach but it requires courage. A thoroughgoing environmental policy would encounter resistance and businesses with a vested interest in current inefficiencies will protest the loudest. The public wants environmental improvements, but government shies away from confronting them with the information that this

initially requires higher costs of travel, new requirements on them to sort their waste, higher prices for energy and for goods that pollute.

Ultimately a truly ambitious environmental policy will take us into new political territory. Making environmental sustainability an organising principle of modern life will mean reappraising the dominant model of economic development. The interests of modern consumer capitalism and the environment cannot always be squared – science and innovation will not always come to our rescue – something has to give. If the world's poorest people are to take their fair share of the planet's resources, the real challenge for rich countries is to develop, not simply more efficient production, but styles of living that require less of it. There can be few issues where political leadership – explaining the issues to the public and bringing them to accept new solutions – is more urgently needed.

## Conclusions

1

We need an ideological vision of the good society to show politicians and voters where government is seeking to go: the richness of human potential in today's society requires both pluralism and egalitarianism to be embraced and combined in radical, distinctive ways by democratic left politics.

2

Liberty demands equality: promoting freedom for all means closing the income, wealth and opportunity gap.

3

Only collective choices and a culture of citizenship will transform the world: we must value social goods and share responsibility for maintaining them.

4

Democracy must be cherished for its intrinsic worth and be revitalised: we need a change of culture to re-connect citizens and politicians.

5

The public sphere must be reclaimed, public servants empowered and citizens engaged: the public service ethos must not be sacrificed to consumerism and new forms of public governance and innovation must be developed.

6

Progressive multilateralism must govern international relations: we need to tackle global inequalities for a secure and just world.

7

Capitalism must be managed for the many, not the few: markets have their value but they should be regulated for the public good.

8

Environmental sustainability must become an organising principle of the left: Individuals cannot achieve a sustainable world without government help.

### About Compass

Compass is a new membership-based organisation whose goal is to debate and discuss the ideas and values contained in this document. It is the first stage in a process to develop a more coherent and radical programme for a progressive left government. The document now becomes the property of the people who join Compass, to amend, adapt and develop as they see fit.

We ask people to join and support the kind of vision set out in the pages of this document – not because they sign up to every dot and comma.

The primary focus for Compass will be the Labour Party and the international, European, national, regional and local institutions in which it operates. It is open primarily to members of the Labour Party but will seek to engage with all members of society who support and want to sign up to the Manifesto. Those who are not party members can join as non-voting associates. Compass will seek to build a bridge to the 200,000 or so who have left the Party and to many more who have never joined.

### How it will be governed

Compass will operate on the basis of the democratic principles outlined in its Manifesto. It will hold an annual conference which all members are entitled to attend. The conference will be the sovereign body of Compass. It will discuss the Manifesto and vote on amendments and any other policy or position issues raised by members. Voting will be by one member one vote.

There will be an annually elected Co-ordinating Committee and relevant officers to oversee the actions of Compass between conferences. The first conference will agree and vote on a set of rules and standing orders for the organisation.

The Compass website will be used to debate issues, disseminate ideas and help ensure on-going engagement of its members in how the organisation operates and what it does.

### Compass will:

- Invite you to conferences and events to encourage debate and discussion
- Send you quarterly newsletter and use website (www.compassonline.org.uk) as a forum to develop and discuss ideas
- Provide speakers for your CLP meetings and other events
- React to important political events and provide spokespeople for the media
- Take positions and lead the debate on key issues facing the democratic left, arguing for them directly through Compass members and through the media
- Act as the hub for a range of progressive think tanks, campaigning organisations, unions and parliamentarians – ensuring that progressive ideas are heard and find support

Please detach this card and return with your payment

### Joining form

Please contribute generously. Compass will rely on individual members for funding. Minimum joining rates are suggested below.

To join Compass simply complete and return this form to Compass, FREEPOST LON15823, London SE3 9BR.

Please pay by standing order if at all possible so that a regular income can be counted on.

Waged £30

Unwaged £15

NAME

ADDRESS

  
  

TELEPHONE NO

EMAIL

LABOUR PARTY CLP

I am not a member of the Labour Party and would like to become an Associate Member of Compass

### Standing order instructions

Please pay by standing order to Compass's account, Lloyds TSB, 32 Oxford St, London W1A 2LD (a/c 2227769, sort code 30-98-71) the sum of £30/£15 (please delete as appropriate) and then annually, unless cancelled by me in writing.

YOUR BANK/BUILDING SOCIETY DETAILS:

ADDRESS

  
  

ACCOUNT HOLDER

ACCOUNT NO.

SORT CODE

SIGNATURE

DATE

I enclose a cheque made payable to Compass

The document is a collective effort. Many people have been associated with the ideas and thinking behind it but the key authors are:

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The views expressed do not represent the organisations they work for or belong to.