
New Labour's Persistent Retreat from the Free Market

BY NORMAN BARRY

As Britain's New Labour governs for an unprecedented third term in the United Kingdom, it is time to look back a little, at least as a way of modestly predicting the future. The obvious domestic question is: will capitalism and the market economy be any safer in the next five years than they have been in the last eight? Or will the subtle and blatant departures from economic freedom that have occurred in the first two Labour terms accelerate and will the country be under old socialistic Labour in everything but name? Tony Blair has said he will stand down as prime minister at the end of the next Parliament, but has the damage already been done? Will the likely succession of Gordon Brown be that much different?

New Labour said it was different. In 1997 it claimed it had abandoned all that twentieth-century socialism. It changed its constitution to say that it had given up on the nationalization of the means of production and exchange even as a long-term goal for some state-planned utopia. It promised not to tax and spend, or persecute business. It had a prudent chancellor of the exchequer, Gordon Brown, who had all the Scottish parsimony and caution that would guarantee long-term prosperity. He was even born near Adam Smith's home. After the election of 1997 people believed him. I myself, for the first time in my life, went to bed thinking I would not wake up in the old East Germany under a Labour government.

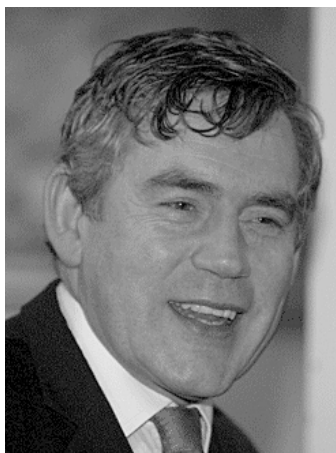
To be fair to Mr. Brown, he began well. He gave the Bank of England its (de facto) independence so that interest rates would not be set to benefit the government

of the day and monetary policy would not be the plaything of party politics. Equally important, Mrs. Thatcher's reforms, especially in relation to the trade unions and privatization, looked safe. Even big business was happy to cooperate with a Labour government, though we should have been warned—big business has always liked big government.

And the dangers were already there. They were just a

little slower in coming round this time. Labour has always hated financial success. It thinks that wealth only comes from digging holes in the ground or bashing metal. So it slapped a retrospective, one-off £5 billion tax on those financial institutions that had made money out of Thatcher's privatization program. Worse still, the Labour government increased the tax burden on private pension funds to the tune of £5 billion a year forever. Reform of state pensions had been one of Margaret Thatcher's greatest achievements. She had inherited a costly long-term plan to provide earnings-linked unfunded pensions

to the workforce, paid for by unwilling and unconsulted future generations. She unwound all this and managed to put the majority of the workforce in privately funded schemes. Compare this to social-democratic Europe, where there are riots every time the French government tries to introduce much-needed reforms to unsustainable pension promises.



Gordon Brown
www.thecommunitychannel.org

Norman Barry (norman.barry@buckingham.ac.uk) is a professor of social and political theory at the University of Buckingham, UK, the country's only private university. He is currently a visitor at the Social Philosophy and Policy Center, Bowling Green State University, Ohio.

And on it went. Brown, chancellor of the exchequer and Blair's presumptive successor, became less prudent by the day and began to raise taxes that impinged on ordinary people as well as the rich. But he kept his promise not to raise the income tax, so nobody noticed the other 63 taxes he hiked, including a significant raise in National Insurance (aka social security) and the stamp duty on house purchases. In total, public spending is now 42 percent of GDP, up from 37 percent. There is a gaping hole of £14 billion in the public accounts, which is set to widen. And there are 800,000 more state employees, all Labour voters, doing useless jobs since 1997. So it really is the same old Labour, but with a different presentation. It at least got *that* from capitalism.

Brown likes to present himself as an adherent of Anglo-American capitalism, as distinct from the beat-up European social-democratic version. He has even written articles for the *Wall Street Journal* on those lines. But he is not to be believed. He is an old-fashioned socialist who taxes and regulates as much as the Europeans. He is a Euroskeptic, but like the old Soviets, he wants "socialism in one country": the United Kingdom. Blair has at least tried to reform the public services, against Brown's opposition, but has not succeeded.

Britain has probably the worst health-care system in the civilized world, evidenced, in part, by many preventable deaths from heart disease and cancer. The reason: it is entirely tax-financed with a monopoly supplier, the National Health Service (NHS). True, it is free at the point of treatment, but it is hard to get treated. Labour has poured billions of pounds into state medicine, yet there are still poor service and long waiting lists for operations. At least the Europeans have a complex social-insurance system, not as good as private insurance but better than general tax funding. And they have competitive suppliers too. That is why many Brits take vacations in Germany just to get ill. (There are reciprocal health agreements between member states of the European Union.) At least Blair tried to open up the closed UK system with the creation of foundation hospitals, independent of the NHS, which could raise their own funds. But the proposal was emasculated in Parliament, largely at Brown's behest.

Similar reforms were blocked in the education system, so that parents continue to have little or no influ-

ence on their children's schooling and the unions remain de facto owners and managers of the schools. Blair also worked hard to raise tuition for university students. It is a disgrace that rich parents should get virtually free higher education, and it is even more of a scandal that the Conservatives should support this inequitable system. Blair only just managed to get a small raise in fees passed after ferocious opposition from his own party and the self-seeking and opportunistic Conservatives. They represent too many rich parents with children in the state universities, which is all except one.

Failed Socialist Road or Complete Thatcher Revolution?

So the British should think carefully when they savor the Labour victory. Do they want to continue to revert to the failed socialist road or complete the revolution begun by Mrs. Thatcher? Since the Conservatives have not yet produced a new blessed Margaret, serious capitalists and free marketers were hoping for a big Blair victory last May. Mrs. Thatcher's successors have shown no interest in school choice, privatization of the health service, or serious tax cuts. So now it is Blair or real socialism. Blair needed a big victory to give him the confidence to fire Brown and save the country. He didn't get it, so it is socialism all the way under Brown when he takes over at the end of the next Parliament. Blair's own real flaw was his obsession with Europe and its new "Constitution," but it looks as if the British will get all that, whoever wins the battle for the leadership of Labour, New or Old.

Americans should think on the British experience. There is no feasible alternative to real capitalism. The "Third Way" is the Third World, where the United Kingdom is headed under Gordon Brown. He has positioned himself very well. While not dissociating himself from Blair's controversial pro-American foreign policies, he has been sufficiently distant so as not to offend Labour's traditionally visceral anti-Americanism. And in domestic policy he has consistently massaged Labour's millions of voters who live parasitically off the productive private sector. Labour won't nationalize anything much, but it will exploit the private sector and expand the government's role, especially in education and health. And taxes will rise.

