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Britain back to austerity Upon whose shoulders?

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Prime Minister David Cameron talking to workers at GE Aviation in Cardiff, 17 May 2010.

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Editorial

Austerity and a new regime

"Severe self-discipline or self-restraint; moral strictness, rigorous abstinence, asceticism". Thus reads the lexical definition of austerity according to Oxford English Dictionary. On the collective level, Britain has seen such times before, particularly during the Second World War and in its immediate aftermath. Yet, the asceticism that is now demanded does not come as the result of war, but marks the end of a long era where low inflation and steady growth had become almost the natural order of things.

The position that cuts in public spending were inevitable was one that was shared by all three leading parties at this year's General Election. Following the rapid increase in the public deficit from 2008 to 2010, fundamental changes would have to be made. Yet, disagreement over the *scale* and *speed* of cuts was evident and has grown since then. How should the burden be distributed, socially and geographically, to restore the health of public finances? What mandate – politically and morally – can the coalition government draw upon in its programme for deficit reduction?

Ideological disputes have abounded since the longer-term consequences for the public sector and the welfare system became known in October's Comprehensive Spending Review. Critical voices among economists claim that the risk of renewed recession will increase with the cuts. Others point to the danger of Britons taking to the streets and a return to the social conflict of the Thatcher era. Deficit reduction, they argue, is a smokescreen for an ideological programme, challenging the public welfare system rebuilt under Labour's 13 years in government.

Meanwhile, the grave economic challenges facing Britain could also be seen to open new opportunities. A few weeks ago, the Ministry of Defence presented its Strategic Defence and Security Review announcing severe cuts in equipment, personnel and military capability. Shortly after, Prime Minister David Cameron and French President Nicolas Sarkozy signed an unprecedented bilateral treaty ensuring cooperation between Britain and France in precisely these areas. A "pooling of sovereignty", as the euphemism goes, is easier to accomplish in dire times. Here, austerity could be seen to entail a new climate of cooperation.

Cool-headed analysis of the present political debate in Britain is hard to come by. In the present issue of *British Politics Review*, we have sought to balance political contributions with a broader set of academic analyses. The articles cover different aspects of the present crisis, the path that led to it and the consequences it will have.

Øivind Bratberg and Kristin M. Haugevik, Editors

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A change for the better

By Siv Jensen, *Fremskrittspartiet (the Progress Party)*

Siv Jensen is Leader of Fremskrittspartiet and chairs its parliamentary group. The libertarian-conservative Progress Party is the second largest party in Norway and the leading opposition party. Jensen has been elected member of the Storting since 1997, representing the district of Oslo. She is member of the Standing Committee on Foreign Affairs and Defence and member of the Enlarged Foreign Affairs Committee.



global income has increased by more than 50 per cent, and hundreds of millions of people have left poverty behind. The policies of Thatcher helped break up the Soviet Empire and reverse socialism in the West, and it did not stop there. One of the most important moves, I believe, was her reform on housing policy in Britain. It was ingenious in being simple and market oriented. The policy of denationalisation or privatisation as part of the remedy for Britain's poor economic performance was another important and tough move from the Thatcher administration. History has shown that individuals can make a difference and she surely did. I have to admit that alongside Ronald Reagan, Margaret Thatcher has inspired me more than any political leader. Earlier this autumn I had the honour of meeting with her in London. That was a moment I will never forget.

Power to the people. In 1971 John Lennon released the song "Power to the people", allegedly as a follow up to an interview he gave to the Trotskyite magazine *the Red Pole*. I find both the song title and the song itself to be excellent, although Lennon himself was seen as belonging to the political left. To me politics is all about giving power back to the people, and that means reducing the power that now belongs to politicians or bureaucrats. Inspired by the ideas of classical liberalism, the Progress Party wants to transfer political and economic power from the government to the people. Limited government is about respect. Respect for the decisions made by the people. After the financial crisis hit us, we heard that capitalism had gone bankrupt and that what we needed now was more regulations and more government control. I can fully understand that old leftists would like to rewrite history because their own

After having led the Conservative Party to their best election result since 1992, David Cameron was appointed as Britain's new Prime Minister on 11 May 2010. I was excited to see Cameron succeed in leading his party to victory in the elections. A Conservative victory in Britain was of course a boost to a party struggling to get a change of political direction here in Norway as well. It is both important and interesting for me to follow the steps that Cameron's new Coalition Government are now taking. After the end of the cold war we witnessed the dismantling of "hard socialism" in Europe, now we witness the dismantling of "soft socialism" in Europe. Apart from the shift in UK we should note the new or continuing centre-right victories in Denmark, Sweden, Germany and the Netherlands.

Many remember how the Conservative Party in the UK was portrayed as the "nasty party". Now history has shown us that the reforms Margaret Thatcher pulled through were not only bold political moves, but also of absolute necessity for the British economy. It is worth reminding what Lady Thatcher answered when she in 2002 was asked what she considered to be her greatest achievement. She replied: "Tony Blair and New Labour. We forced our opponents to change their minds". I was therefore very amused to read the confessions of former Prime Minister Tony Blair in his new memoirs *A Journey*, where he admits that while standing as a candidate for Labour in the election of 1983, he did not really hope for a Labour victory, because he thought that was not the best for the country.

The ideological shift in which Margaret Thatcher played such a central role has created some tremendous results. During the past three decades global trade has increased five times, average

ideas have consistently failed. However, the only problem is that the financial crisis was not a proof of the failure of the free market and capitalism. Rather, it was the result of too much and wrong regulation and of politicians that just could not keep their hands off.

The failure of multiculturalism. As the Chancellor of Germany, Angela Merkel recently said: Multiculturalism has failed. David Cameron has said that "state multiculturalism is a wrong-headed doctrine that has had disastrous results." I agree with Merkel and Cameron on this. But let us be clear: A multiethnic society is a great thing, a multicultural one is not. I believe that some principles are more important than others. I will not accept any compromise on these principles, and that is why it is so important to establish clearly what the idea of multiculturalism is all about. It is about compromising on certain values and principles that we cannot compromise on. I believe in a multi-ethnic society, but I do not believe in a multi-cultural society. Multiculturalism has failed. As already said, the individual has certain rights. I believe these rights go above characteristics such as ethnicity, gender, sexual preferences, and religious beliefs. Relativism with regard to basic human rights is a dangerous path that can lead to serious consequences. A successful integration policy is not about allowing parallel societies, but the opposite.

Goodbye nanny state, you won't be missed. Britain's new leader has characterised what is about to happen in Britain under his leadership as "a shift in power from state to society". Cameron has also promised to take on the bureaucratic burdens facing entrepreneurs, and the new Secretary of State for Education, Michael Gove's plans for reforms in the educational sector sounds to me very promising, especially his policy of establishing so called "free schools" - independent schools paid for over the state budget. In Sweden they have done something similar, in Norway we tried to, but it was stopped when the red-green government took power. The 21st century should be the century of individualism rather than collectivism, and the century where the rise of the civil society coincides with the decline of the society that is state-run. The era of the nanny state should come to an end, and it will not be missed. We are done with the times when politicians decided everything in people's daily lives and we are done with the times of state run monopolies. Although Norway is among the last ones standing of the softer socialist regimes in Europe, the time of soft socialism is about to end in Norway too. A change for the better is coming to Norway. The countdown has started.



Austere cure. Could the ideas of Margaret Thatcher come to the aid of a government in getting the British economy on its feet?

The Coalition's welfare policies: a threat to Beveridge?

By Helen Goodman, Labour MP for Bishop Auckland

The British Welfare State is under threat. Not only are the Coalition Government embarking on the deepest public spending cuts since the Second World War – including £18 billion of cuts in the welfare budget – but they are also attacking the founding principles of our Welfare State: the principles laid out by William Beveridge in his 1942 report and built upon by successive Governments ever since.



Helen Goodman is MP for Bishop Auckland. First elected to Parliament in 2005, she was a minister at the Department for Work and Pensions in 2009-10. She is currently shadow minister for Work and Pensions and serves in the Ecclesiastical Committee in the House of Commons.

The Beveridge consensus was forged on the premise that welfare should be available to all and, subject to one's ability to pay, provided by all. It prescribed a form social insurance written from the perspective of those who receive benefits and those who pay for them, and was predicated on the assumption that, at one point or another, we all do a bit of both.

But the underlying assumption in the Coalition's Green Paper on Welfare Reform (*21st Century Welfare*) is quite different. There is absolutely no hint that unemployment or sickness or incapacity might be episodes in the lives of the Ministerial authors, their families or friends. The "workless" as they are described, are simply an amorphous mass in constant need of incentives to get into jobs, with the exception of a small subset of "the most vulnerable".

Well, that is not my experience.

Maybe I am unusual for a person in British politics, but I have been unemployed and claimed benefit three times in my working life: in 1979, 1998 and again in 2002. Each time it was a period of extreme stress; first the gut wrenching shock of losing my job; then the fear associated with financial insecurity and finally the desperate quest for work – as soon as possible, yes, but also something which would use my skills and that I could sustain.

So while the Coalition insist that "we're all in it together", it is quite clear from the tenor of their welfare policies and the staggering benefit cuts they have announced (which, of course, fall disproportionately on the poorest in society) that their overwhelming priority is to reduce the burden on those who pay for welfare rather than to provide support for those who need it.

This is a fundamental change in the way we look at Welfare in this country, and of course is far removed from the Scandinavian approach to social security with its emphasis on universality, egalitarianism and redistributive social justice. Hence in the last fortnight we have seen the unedifying spectacle of the Deputy Prime Minister attacking the independent Institute for Fiscal Studies for daring to conclude that because the Budget and Comprehensive Spending Review hit the poorest hardest, it was regressive.

So how did the Coalition get themselves into this position? The stated aims of their welfare reforms are to make the benefits system less complex and to get people off benefits and back to work.

So far so good. But the Coalition have gone about this in completely the wrong way.

Firstly, instead of building on the reforms Labour introduced in December 2009 to help tackle unemployment and simplify Housing Benefit, they are pursuing a single, one-size-fits-all universal out-of-work benefit.

We would of course all like to further simplify the benefits system, but the reality is that that people have complex and differing needs and the benefit system needs to reflect this. The danger is that the Coalition are setting about devising a new system that will, as well as requiring considerable up-front costs and a long lead-in period, fail to provide support in line with need – hence undermining a fundamental principle of Beveridge's reforms.

More fundamentally, though, the Coalition have not accurately identified the causes of unemployment, poverty and benefit "dependency", or the best way to alleviate these problems. The Work & Pensions Secretary, Iain Duncan Smith, says the root causes of poverty are: family breakdown, educational failure, drug and alcohol addiction, severe personal indebtedness, and economic dependency. These are of course important social problems, but they are not the prime causes of poverty.

Take my constituency of Bishop Auckland in the North East of England, where the number of people out of work has almost doubled since 2005. Is this because of a sudden rise in family breakdown and drug addiction? Of course not, it is due to the global recession and the hit the manufacturing sector in particular has

taken. Most unemployed people in my constituency and elsewhere want to work and they need help and support, both financial and in their job search.

So by cutting benefits, by reducing funding for jobcentres and by abolishing back-to-work schemes such as the £1 billion Future Jobs Fund and the Young Persons Guarantee that Labour introduced, the Coalition will do absolutely nothing to help reduce unemployment.

Indeed, far from reducing unemployment and finding jobs for people who need them, the huge cuts in public spending that the Chancellor announced last week (£83 billion in four years), will lead to over 500,000 additional job losses in the public sector and, as a PricewaterhouseCooper study has shown, a similar number of redundancies in the private sector.

"While the Coalition insist that 'we're all in it together', it is quite clear from the tenor of their welfare policies [...] that their overwhelming priority is to reduce the burden on those who pay for welfare rather than to provide support for those who need it."

Furthermore, instead of focusing – as Labour did – on creating jobs and providing support for the unemployed, the Coalition, and Iain Duncan Smith in particular, place considerable stress

on increasing work incentives as the key to tackling unemployment benefit dependency.

However, there really are only two ways of improving work incentives: one is to cut the incomes of those out of work, the other is to raise the incomes of those in work. The former will undoubtedly increase poverty, the latter has a high cost to the taxpayer. This is the central dilemma facing every Minister who looks at this problem. The Coalition have shown a clear preference for the former by reducing benefits and tax credits and, incredibly, their own figures show that as a result of the Budget an extra 85,000 overall people will also face higher Marginal Deduction Rates.

In short, I fear the result of the Coalition's welfare policies will be to increase unemployment, cut support for people to get back to work, and to make the poor poorer. People will still remain "trapped" on benefits (albeit set at a lower level), and rising unemployment will mean the welfare bill continues to burden the taxpayer.

So the stakes are incredibly high and, six decades on from Beveridge's Report, the future of the British Welfare State is up for grabs once more.

Austerity was hard to sell in the 40s. Today it is harder still

By David Kynaston

Like Charles Ryder at Brideshead or Bob Dylan on Highway 61, we've been here before. The term "austerity" was first used to describe the bleak post war years from 1945 to 51, when Clement Attlee's Labour government tried to administer a recovery from a ruinous world war, whilst simultaneously carrying out its massive project of building the British Welfare state.



David Kynaston is the author of numerous books on British social history. A professional historian since 1973, he is the author of Austerity Britain, 1945-51 (2007), the first of four volumes on the history of Britain from 1945 to 1979. The successor volume, Family Britain, was published in 2009.

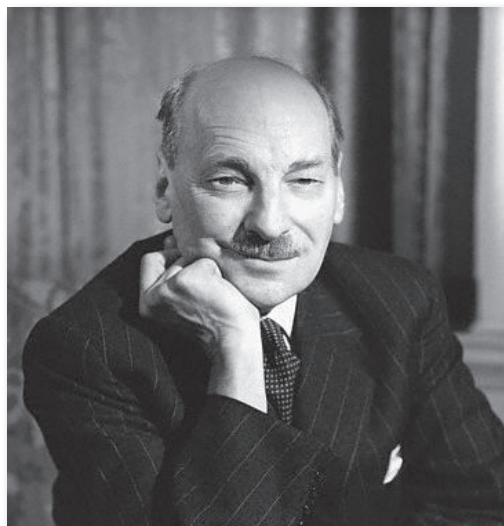
"No sooner did we awake from the six years nightmare of war and feel free to enjoy life once more, than the means to do so immediately became even scantier than they had been during the war," lamented Anthony Heap, a local government official living in St Pancras, London, in his diary at the end of 1945. "Housing, food, clothing, fuel, beer, tobacco - all the ordinary comforts of life that we'd taken for granted before the war and naturally expected to become more plentiful again when it ended, became instead more and more scarce and difficult to come by." In fact, peacetime austerity had only just got going, and it was not until July 1954, over eight dreary, make-do-and-mend years later, that rationing finally ended.

Come 2010, economic recession and the new Con-Lib coalition government, it seems pretty clear that the Keynesian arguments which dominated the macro-economic debate from 1945 onwards, have been defeated and that rapid, large-scale deficit reduction is the only game in town. In the 1940s the shortage facing most people was of goods not money, this time it will be the other way round, but there is bound to be a similar sense of frustration and resentment as unemployment rises, standards of living at best stagnate, dreams and aspirations are put on hold, and the joy generally goes out of life. Or as another diarist, Vere Hodgson, prosaically but powerfully put it in 1949, "Oh, for a little extra butter!" The lessons of history can be overdone, but the austerity of the 1940s - a largely successfully managed operation, with society remaining broadly stable and cohesive - has four to teach us.

1. Shared purpose. Although polls reveal most people accepting the need for deficit reduction, this is still going to be an incredibly hard sell - far harder than in the immediate aftermath of the war, where the evidence was everywhere of the severity of the long, just, ultimately victorious struggle, not least the gaping

bomb sites in city centres. Pictures of the concentration camps served to reinforce the necessity of the war and its unavoidably harsh economic legacy. The ensuing mood of stoic acceptance, for all the day-to-day, safety-valve grumbling, did not last for ever - by the end of the 1940s people were becoming seriously fed up, epitomised by the transformation of the black-market spiv from a demonised figure into something altogether cosier - but it did much to ease the worst years of austerity. Now we have no historic feel-good victory to look back upon, but instead a mismanaged economy and a disastrously out-of-control financial sector. All the government can do is construct a moralistic good-housekeeping, live-within-our-means narrative of future redemption, but the modern appetite for exhortation is strictly limited.

2. Equity of sacrifice. When Doris Lessing arrived in England in 1949, she was struck by the general shabbiness and how nobody seemed to have anything. We were, to coin a phrase, all in this together. Indeed, a mixture of fiscal and welfare policy meant in those years a significant transfer of wealth from the aggrieved, newly servantless middle class to the much poorer, much more numerous working class. Now it is going to be lower-income people who will suffer disproportionately from severe public expenditure cuts - an outcome so grotesquely and damagingly unfair that pragmatic common sense as well as justice demands not only significant fiscal pain for the better-off (many of whom will barely notice the cuts) but a determined assault on the privileges of the City, no longer an unaccountable offshore island. Symbols matter, and those who did so



Austerity man. Clement Attlee, Labour Prime Minister 1945-51, led a government advocating stern discipline to rebuild and improve the country after the war.

much of the damage should pay the price.

3. Hope. The modern welfare state was the British people's post-war reward - above all the National Health Service, created in 1948. A Mass-Observation survey the following year found it to be overwhelmingly popular - more than anything because of "the fact that it puts everyone on a basis of medical equality" - and particularly for families with children it stood for a different, better, more hopeful future. Can anything do the same, epoch-defining job in the 2010s? Given how we have gone backwards in social mobility, and given the coalition government's professed belief in equality of opportunity, my preference would be for an ambitious, quota-driven, once-and-for-all opening up of Oxbridge, the media and the professions, belatedly completing what the mid-Victorians did to the aristocratic stranglehold of British society and politics.

4. Confidence in the political class. Clement Attlee, Stafford Cripps, Ernest Bevin - these central figures in the Labour government were political giants,

"Now we have no historic feel-good victory to look back upon... All the government can do is construct a moralistic good-housekeeping, live-within-our-means narrative of future redemption..."

men of unimpeachable integrity and manifestly driven by a high sense of duty. Indeed, the ascetic, carrot-crunching Cripps, chancellor in the late 1940s, attained almost surreal levels of personal popularity. By contrast, David Cameron et al have it all to do, against a long-term backdrop, going back to the 1960s, of ever-increasing cynicism about politicians, even before the

expenses debacle. Vince Cable is arguably a latter-day Cripps, but too many of his Cabinet colleagues exude a sense of social and material privilege that, put mildly, sits uneasily with the widespread pain they are now in the process of inflicting. Cameron himself has, I believe, old-fashioned "officer" qualities and will prove a more effective, one-nation prime minister than many expect. Whether he can sufficiently lead by example is another matter.

Although Goethe rightly warned against exaggerating the importance of one's own times, the stakes feel high. We have a society accustomed to the pursuit of prosperity and individual gratification, often resentful of immigrants, and possessing a perilously skin-deep attachment to democracy. There may be real trouble ahead if our rulers get it wrong.

The article has previously been printed in the Guardian on 22 June 2010.

The path to austerity

By Simon Lee

Brown and Labour's path? In December 2006, Gordon Brown delivered his final Pre-Budget Report as Chancellor of the Exchequer. In his statement to Parliament, Brown boasted that the United Kingdom economy was enjoying an economic expansion "not only without precedent in the post-war history of the UK, but the longest on post-war record for any G7 economy and the longest expansion of any OECD country". New Labour's economic policies had been based, Brown claimed, on "stability first, foremost and always, stability yesterday, today and tomorrow". The UK was "no longer the boom-bust economy". There would be "No return to boom and bust".

In the weeks immediately before Brown succeeded Tony Blair as prime minister, he was quick to identify the City of London's liberalised financial markets as the principal reason for the UK's nice decade of non-inflationary continuous economic expansion. The City's interests had been nurtured by the Blair Government's "light touch system" of financial regulation which was "fair, proportionate, predictable and increasingly risk-based". This system of regulation had enabled the City of London to capture in excess of 40 per cent of the trade in the world's foreign equities, and 30 per cent of the trade in the world's foreign currency. This led Brown to conclude that his period as Prime Minister would witness "an era that history will record as the beginning of a new golden age for the City of London. This 'new world order' would see the UK becoming "one of the great success stories in the new global economy".

In practice, what Brown portrayed as an economic miracle was in reality an economic mirage. The City of London was soon to confront its first run on a domestic bank, Northern Rock, for 129 years, the biggest financial crisis since



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the Great Crash of 1929, and the UK economy would face the deepest recession since the Great Depression of the 1930s. Boom had been replaced by bust.

The deterioration in the UK's public finances would be spectacular. When Brown left the Treasury to become Prime Minister in June 2007, the UK's net public sector debt had stood at £512.9 billion or 36 per cent of gross domestic product (GDP). That in itself marked a significant fiscal worsening from the position in February 2001, when Brown had witnessed net debt fall to £307.1 billion or only 29.1 per cent of GDP. Even before the onset of recession, Brown had been borrowing heavily (rather than raising taxes) to finance the huge increase in public investment in the National Health Service and other public services.

However, on the 17 February 2008, Alistair Darling, Brown's successor as Chancellor of the Exchequer announced that Northern Rock would have to be taken into temporary public ownership. On the 8 October 2008, a further £500 billion of taxpayer support for UK banks was declared, followed by two further rescue packages on the 14 and 19 January 2009.

But these interventions were not sufficient to restore confidence in the banking system, so on the 20 February 2009, a new massive taxpayer-funded bailout of UK banks saw £585 billion of assets from the Royal Bank of Scotland, Lloyds and HBOS being placed into a taxpayer guaranteed Asset Protection Scheme. In effect, in little more than a year the UK taxpayer had provided around £1.2

trillion of support to the UK's banks, at a direct cost to the taxpayer at the end of December 2009 of around £117 billion.

This unprecedented scale of support, allied to the onset of domestic recession, meant that, at the end of September 2010, public sector net debt stood at £842.9 billion, equivalent to 57.2 per cent of gross domestic product (GDP), an increase of £155.4 billion or 8.2 per cent of GDP compared to September 2009. If the cost of rescuing the UK's banks is included, public sector net debt now stands at £952.0 billion or 64.6 per cent of GDP.

To repair the UK's deteriorating public finances, and to reduce dramatically the UK's structural deficit, calculated to be £109 billion, on Wednesday 20 October 2010, George Osborne, the Chancellor of the Exchequer delivered a statement to Parliament on the Conservative-Liberal Democrat Government's Spending Review and "unavoidable deficit reduction plan". The fiscal

"Even before the onset of recession, Brown had been borrowing heavily (rather than raising taxes) to finance the huge increase in public investment in the NHS and other public services."

outcome of the UK economy's journey down the path to austerity is forecast by the leading independent think-tank, the Institute for Fiscal Studies, to be the "tightest squeeze on total spending since the end of World War II".

The blame for the UK economy having to embrace austerity has been laid firmly at the door of Gordon Brown and New Labour's mismanagement of the UK's public finances. Osborne and Prime Minister David Cameron in particular have sought to convince the electorate that there is no alternative to fiscal retrenchment and their expectation of the future collective provision of welfare by the state should be reduced.

However, it should not be forgotten that UK net public debt has rarely been as low as it is now during the past two centuries. At the height of the Great Depression of the 1930s, net public debt was 134 per cent of GDP, and at the end of the Second World War, the UK was indebted to the tune of more than 250 per cent of GDP. The choices that have been about public spending are quintessentially political choices, and not an unavoidable economic necessity.



No end to boom and bust? In charge of the "nice" decade of non-inflationary continuous expansion, Gordon Brown met a different and harsher reality during the fast developing credit crunch in 2007-09. Copyright © Jeff Moore

The path to austerity (cont.)

By Simon Lee

The fact that the interest rate charged on UK government debt is at an historic low has underlined the political nature of the choices announced in the Spending Review. There has never been a cheaper time for the UK Government to borrow.

The Spending Review envisages a total of £80.5 billion of expenditure savings by 2014-15, as Total Managed Expenditure is planned to fall from 47.3 per cent of GDP in 2010-11 to 41.0 per cent of GDP in 2014-15. Allied to tax increases of £29.8 billion by 2014-15, this implies a total fiscal tightening of £110.3 billion by 2014-15 composed of 73 per cent in spending cuts and 27 per cent in tax rises. Given that the Government is forecasting the UK economy to grow by 2.7 per cent in 2014-15, but with the state planned to contract by around 6.3 per cent of GDP, these ambitious plans assume a "crowding in" by the private sector equivalent to 9 per cent of GDP, or around £180 billion of output by 2015. This forecast seems at best to be highly optimistic and, at worst, barely credible.

The Government has forecast that these cuts will result in the loss of 490,000 public sector jobs. Previous leaks from the Government had suggested that the Coalition believed cuts in public spending might result in up to 700,000 jobs being lost in the private sector. However, the recently established Office for Budget Responsibility has forecast that total employment will increase by 1.3 million jobs between 2010 and 2015. That means the Coalition is expecting the private sector in the UK to create a net total of around 2.5 million jobs by the end of 2015. Once again, this forecast for employment creation by the private sector seems wildly optimistic. Jobs were not created at this pace during the "nice" decade of economic boom from 1997 to 2007. It is hard to imagine why the private sector should invest to create employment in such large numbers during a period of low growth.

The Government's stated objective is to "re-balance" the UK

economy. Its contention is that: "Over the last decade, the UK's economy became unbalanced, and relied on unsustainable public spending and rising levels of public debt. For economic growth to be sustainable in the medium-term, it must be based on a broad-based economy supporting private sector jobs, exports, investment and enterprise". However, this new "balanced" growth model is dependent in turn upon an export-, investment-, private sector- and enterprise-led recovery. A quick glance at the UK's recent trade figures suggest that the Government's objective is unlikely to be achieved.

In the week before the Spending Review was announced to Parliament, the Office for National Statistics revealed that, in the three months to August, the United

"The Government's forecast for employment creation by the private sector seems wildly optimistic. Jobs were not created at this pace during the 'nice' decade of economic boom from 1997 to 2007."

Kingdom's deficit on trade in goods alone with the rest of the world was £24.434 billion, the worst figure since records began in 1697. The deficit on trade in goods and services was £13.692 billion, the worst quarterly performance since such official records were first kept by the UK government in 1955.

It is at this juncture that Prime Minister David Cameron and his Coalition government colleagues would do well to remember that this is not the first time the UK economy has trod the path to austerity in modern British political history.

When Margaret Thatcher was elected as UK Prime Minister in May 1979, her government's White Paper on *Government Expenditure Plans 1979-84* claimed: "Public expenditure is at the heart of Britain's present economic difficulties". Moreover, the White Paper proceeded to note: "Over

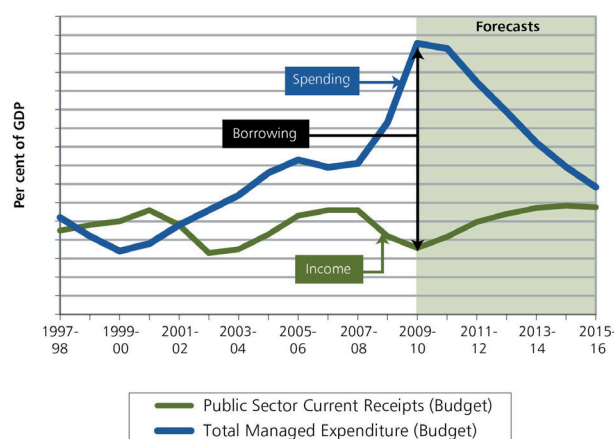
the past five years output has grown less than half as fast as it did over the previous 20 years, and a little over a third as fast as in other industrialised countries".

The implication of the White Paper was that public spending was the cause of Britain's "economic difficulties" by crowding out private investment, innovation and enterprise. However, as the Treasury's own public spending statistics have since confirmed, total managed government expenditure between 1975-76 and 1979-80 actually fell from 49.7 per cent to 44.6 per cent of GDP. The more than halving in output growth seems to have been the result of the accompanying decline of public sector net investment during this period from 5.6 per cent to 2.3 per cent of GDP. Rather than crowding out the private sector, the state's intervention had been serving as a necessary corrective to a longstanding market failure to invest.

Faced with the economic and social consequences of a deep recession during the early 1980s, which meant unemployment of more than three million and riots in England's inner cities, Margaret Thatcher realised, as she was later to recall in her political memoirs, that "the political realities had to be faced" when walking the path to austerity. Despite her desire to roll back the frontiers of the state, and to simultaneously roll forward the frontiers of an entrepreneur-driven, enterprise culture of market-led recovery, Thatcher understood that necessity had become the mother of *intervention*. The Thatcher government duly intervened on a huge scale, providing £990 million to rescue the state-owned car manufacturer BL from liquidation, writing-off £3.5 billion of the state-owned British Steel's capital and allowing it to borrow an additional £1.5 billion. As a consequence, government spending on trade, industry and energy actually doubled in real terms from £5.5 billion in 1978-79 to £11 billion in 1982-83.

This is a lesson which the Conservative-Liberal Democrat Government would do well to heed. If the UK economy is to rediscover the path to prosperity, David Cameron, George Osborne and Nick Clegg will need to offer the private sector more than a return to the austerity of the early 1980s.

Government receipts and expenditure to 2015-16



Source: Budget 2010, Chart 1.2

Difficult times ahead. Official forecast of public revenue and expenses, published in the Comprehensive Spending Review on 20 October 2010.

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What next for Britain's war on poverty?

By Jane Waldfogel

Precarious times. In March 1999, Prime Minister Tony Blair made a remarkable pledge – to end child poverty in a generation. Gordon Brown, then Chancellor and later Prime Minister, set a further target of cutting child poverty by half in ten years and committed considerable resources to attaining this goal. What steps did the New Labour government take to fulfil this pledge and how successful were they? And, now that a new coalition government has taken office in Britain, what's next for Britain's war on poverty?



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Investments in children were the third strand. These were seen as essential to address the 'intergenerational' effects of poverty. An extensive set of reforms focused on the early years: the period of paid maternity leave was doubled to nine months; two weeks of paid paternity leave were introduced; universal preschool for three and four year olds was introduced; childcare assistance for working families was expanded; parents with young children were given the right to request part-time or flexible working hours; and the Sure Start programme was rolled out for infants and toddlers in the poorest areas. For school-age children and adolescents, there was a series of measures to improve education.

Together, these anti-poverty initiatives reflected a very sizeable investment in children, with the additional benefits disproportionately going to the lowest income children. By April 2010, the average family with children was £2,000 a year better off, while families in the bottom fifth of the income distribution were £4,500 a year better off.

Child poverty. When Tony Blair declared war on poverty in 1999, 3.4 million children – one in four – were in poverty, using both the absolute and relative measures of poverty. Ten years later, absolute poverty (using the official government measure tied to living standards in 1998/99, uprated only for inflation) had fallen by more than 50 per cent (1.8 million), while relative poverty (using the official government measure of the poverty line as 60 per cent of average income) had fallen by 15 per cent (600,000 children). The fact that absolute poverty plummeted, while relative poverty fell less sharply, means that the incomes of families at the bottom rose, but not as fast as the incomes of families in the middle. Statistics on Britain's third official poverty measure – material deprivation – show that there were sharp and sustained decreases in material hardship for the most vulnerable families. There is also evidence that the reforms increased family expenditures on items for children and led to improved wellbeing.

Analysis of poverty data for Europe and the United States confirms that these reductions in child poverty were not inevitable but rather were the result of government policy. With overall levels of inequality increasing over the period, relative child poverty rates would have risen had the child poverty initiative

not been undertaken. Seen from this perspective, the poverty reductions, even on the relative measure, are very impressive.

What next? Tony Blair and Gordon Brown not only achieved a dramatic reduction in child poverty. They also put child poverty on the national agenda in what looks to be a lasting way. Just prior to the election in 2010, a Child Poverty Bill was enacted in Parliament, enshrining the goal of ending child poverty in law. It is telling that the bill was passed with support from all three major parties.

Since coming into office in May 2010, the new coalition government has stressed its commitment to ending child poverty. But it is also committed to drastically cutting public spending. The compromise seems to be that the government will do what it can to ensure that child poverty does not increase. Thus, in their emergency budget of June 2010, the government announced that they would be offsetting other benefit cuts by increasing child tax credits for the lowest income families, and pledged that as a whole, the measures would not raise child poverty. Similarly, in the October 2010 comprehensive spending review, while announcing sharp reductions in means-tested benefits, the government again emphasized that child tax credits would rise so that measured child poverty would not increase. And, while announcing deep cuts in public services, the government announced that it would not be cutting the Sure Start program for disadvantaged infants and toddlers or the universal preschool program. Additional programs for poor children may be announced later this year when the child poverty review, being led by Frank Field, is completed.

So, while there is no doubt that the direction of social policy has taken a sharp turn with the change in government, it does not seem to be the case that Britain's war on poverty has been completely abandoned. Significantly, the government does seem committed to the goal that child poverty will not increase on their watch. In the current political and economic context, this is good news. More difficult to measure, however, are effects on hardship and child wellbeing. The cuts in local and other public services are very extensive and low income children and families will be most sharply affected by those. So, while we may not see immediate impacts in terms of income poverty, there may still be adverse consequences in terms of material hardship and child and family wellbeing. It will be important to keep an eye on these other indicators as the new government's plans unfold.

New Labour's anti-poverty initiative consisted of three strands: a set of measures to promote work and "make work pay"; increased financial support for families; and a series of investments in children.

The first strand included the *New Deal for Lone Parents*, a primarily voluntary welfare-to-work scheme. This strand also included measures to make work pay, including Britain's first national minimum wage, tax reductions for low-income workers and their employers, and a new tax credit for low-income working families.. Together, these reforms were successful in promoting work. Lone-parent employment increased by 12 percentage points – from 45 per cent to 57 per cent – between 1997 and 2008, with at least half of this increase attributable to the reforms. In addition, the incomes families could expect from work also increased.

"Tony Blair and Gordon Brown not only achieved a dramatic reduction in child poverty. They also put child poverty on the national agenda in what looks to be a lasting way."

The second strand of the reforms was a set of *measures to raise incomes for families with children*, whether or not parents were in work. Child benefit levels were raised substantially starting in 1999. Income support benefits for families with young children were also raised. The government also introduced a new tax credit for low- and middle-income families. These measures raised family incomes substantially for those at the bottom of the income distribution and also reduced material hardship.

Defending the realm from an empty purse? Strategic choices in the Coalition's Defence Review

By Chris White

Savings and defence.

Prior to the General Election, both the Conservatives and the Liberal Democrats committed to undertake a major strategic defence review. The last review took place in 1998 and was conducted in a more benign budgetary environment. As the UK currently faces the biggest budget deficit since the Second World War, future capabilities had to be cut and significant savings made.

Besides, the 1998 strategy was formulated not with events such as 11 September and the invasion of Afghanistan in mind, but in response to the first Gulf War and the Balkan wars of the 1990s. At that time, little thought was given to less conventional threats associated with terrorism, counter proliferation, state building or cyber warfare, failing states or challenges associated with the rise of new global powers like China and India.

The new Strategic Defence and Security Review (SDSR) was published on 19 October, one day after the publication of the National Security Strategy (NSS) explaining the strategic thinking behind it. The stated purpose of the SDSR was to determine the future shape and size of the armed forces and ensure they remain 'fit for purpose'; articulate the nature of the evolving threats; calibrate risks to British security, identify ends as well as the resources needed to meet them.

The sheer pace of the review - five months - was surprising, and though the process appeared to be determined more by the need to make savings, the sort of cuts touted in advance - between 10 and 20 per cent - never materialised; something of a moral victory for Defence Secretary Liam Fox. In real terms the cuts will amount to 8 per cent.



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Many important areas will not be affected: The construction of the two aircraft carriers, HMS Queen Elizabeth and HMS Prince of Wales, will go ahead (it would have cost more to cancel the projects than proceed), the air transport fleet will be upgraded, provision will be made for an additional twelve Chinook helicopters, and a modest but significant amount, half a billion pounds, allocated to a national cyber security. This does not mean that the cuts are insignificant. For example, at the Ministry of Defence, staff numbers will be reduced by 25,000 by 2015 and the Nimrod reconnaissance aircraft program will be cancelled. Furthermore, Naval personnel will be reduced by 5000 (to 30,000) with a reduction of its surface fleet from 23 to 19 vessels. Army personnel will be reduced by 7000 (to 95,000), with a 40 % reduction in the number of tanks and a 35 % reduction in heavy artillery. Air force personnel will be reduced by 5000 (to 33,000) and the Harrier fleet decommissioned. The UK's nuclear stockpile will be cut from 160 to less than 120.

Many were surprised by the announcement that the aircraft carrier HMS Ark Royal would be decommissioned, effective almost immediately. A potent symbol of Britain's maritime power - the first Ark Royal, commissioned by Sir Walter Raleigh in 1587, led the English fleet during the Spanish Armada - the Invincible and Hermes aircraft carriers helped guarantee that the Falklands remained British, and perhaps that the government of the day remained conservative. But times

have changed, and the Defence Review determined the need for significant cuts. Britain will now have to do without an effective carrier force (capable of carrying jets) until 2020 at the earliest.

The touchy political question of whether to replace Britain's nuclear deterrent, something the Tories and Lib Dems do not see eye to eye on, was kicked into the long grass. No decision will be made until 2016, a decision estimated to cost as much as £1.4bn; a small price doubtless to keep together the coalition. But, as Cameron made clear in the House of Commons, even after these cuts are factored in, the UK's military budget remains the fourth largest in the world and, a major concern registered by the US in advance of the review, the UK will continue to meet the NATO target of spending 2 % of GDP on defence.

"The salami slicing of the respective military budgets fails to really alter the essentially cold war configuration of the armed forces. It appears, in short, to be driven more by the need to make savings than to alter the strategic thinking in the UK."

So how profound are these changes? On the one hand, it is clear that hard power capabilities have been reduced. The hope remains, however, that there will be no strategic shrinkage, the aspiration is to remain a global power now just a little more reliant on soft power. On

the other hand, the salami slicing of the respective military budgets fails to really alter the essentially cold war configuration of the armed forces. It appears, in short, to be driven more by the need to make savings than to alter the strategic thinking in the UK.

Just as the anticipated level of cuts never really materialised, nor has there really been a particularly clear new strategy. New

threats, particularly cyber warfare, now figures in strategic calculations, yet the resources allocated to this threat remain limited. Anticipating future threats is always difficult. The decommissioning of the fourth Ark Royal in its way played a role in emboldening the Argentinean invasion of the Falklands. From a British perspective at least, let us hope that times and the international security environment really have changed.



Planes need carriers. The mandate to reduce the cost of Britain's military forces could challenge the scale of Britain's overseas commitments. Crown copyright © the Ministry of Defence

The illogical extension of a model: UK labour market policy and the crisis

By Daniel Clegg



Daniel Clegg is a Lecturer in Social Policy at the School of Social and Political Science, University of Edinburgh. He has published widely on the comparative politics of social and labour market policy across Europe.

A precarious model. Before the current economic crisis, the British labour market was widely seen as a success story. Despite persistent problems of economic inactivity among particular groups and in certain regions, the New Labour government could congratulate itself over record growth in employment rates during the 2000s. Equally impressive was its record on unemployment, which fell steadily from Blair's first election victory until 2005, settling apparently durably on levels well below those of other large European economies like France and Germany.

Though successive New Labour governments placed considerable rhetorical emphasis on labour market policy, they did not invest sizeable financial resources in this area. On the contrary, an explicitly restrictive approach to one core domain of labour market policy – unemployment benefits – lay at the heart of New Labour's approach.

They fully accepted the premise that limiting public support for people out of work would encourage them back into employment, and on the eve of the economic crisis the UK provided the lowest average level of benefit support to unemployed people of any Western European country, trailing even Greece. Nor did they invest heavily in active labour market policies; despite gradually extending the "New Deal" welfare-to-work programmes to a growing variety of groups of non-employed people during the 2000s, in 2007 the UK government still devoted as little as 0.2% of GDP to such measures, between a third and a quarter of the sums mobilised in helping people into work in other low unemployment European countries such as Denmark and the Netherlands.

The British model of labour market policy in the 2000s rested mainly on being mean to and tough with the unemployed, in line with supply-side precepts. Its apparent success in reducing unemployment, though, was probably a mirage, with employment growth owing far more to expanding demand fuelled by public sector expansion, on the one hand, and the easy availability of cheap credit, on the other.

This became clear when the global financial crisis hit. Certainly, unemployment did not rise as fast in the UK post-crisis as many had predicted. Though dwarfed by the sums devoted to recapitalising the banking sector, the Brown government's real economy stimulus measures – such as the temporary cut in VAT – helped to an extent. Perhaps more importantly, many British workers retained their jobs only at the price of working and earning less, with average hours of full-time employees falling and the share of part-time employment expanding between 2008 and 2010. But while in most other European countries similar reductions in working time have been heavily subsidised by governments, who make up a share of the lost income for workers accepting to limit their hours, the Brown government refused to countenance any such scheme in the UK, despite the demands of both unions and employers organisations.

If out of step with neighbouring states, this decision was entirely congruent with the wider approach to labour market policy that has characterised the British response to the economic crisis. For all their supposed pragmatism, New Labour refused to depart very much from supply-side dogma even as economic conditions changed fundamentally. While governments across Europe and in North America eased access to unemployment benefits to cushion the effects of the crisis, special help to the unemployed was in Britain restricted to the creation of a fund for local level job creation schemes intended to stem the rise in youth unemployment, and some new resources for the Public Employment Service to provide job-search services to other unemployed people. And even these were introduced accompanied by a coercive rhetoric of benefit sanctions for non-cooperation, as though the attitude and behaviour of unemployed people were still plausible reasons for them being out of work.

Things have only got worse for the unemployed since the arrival in power of the Conservative-Liberal coalition government, focused on reducing a public sector deficit swollen mainly by the size of the bank bail-outs. The jobs fund introduced by New Labour was scrapped in the government's "emergency budget" of June 2010, and though the new government has a commitment to introduce a new integrated welfare-to-work programme with private sector-led delivery, it is clear

that it anticipates devoting less rather than more resources to this than to the New Deals. Furthermore, in the recent spending review the burden of extremely rapid deficit reduction was loaded onto the social benefit system. From next year benefits for working-age people will be indexed not on the retail price index, but instead on the generally lower consumer price index. Means-tested housing benefits will be capped, meaning that many claimants will need to meet a bigger shortfall in their rent, or move into cheaper accommodation. The long-term unemployed were also singled-out for special treatment in this area – those on unemployment benefits for over one year will have their housing benefits cut by an additional 10 percent.

"While there is much that is ideological in the current government's attack on the role of the state, at least in the sphere of labour market policy it is an ideology that its predecessors broadly shared."

The social consequences of these benefit changes are likely to be severe. Even before them, in Europe only the Baltic States and Bulgaria had higher post-transfer at-risk-of-poverty rates among the unemployed than the UK. And while UK unemployment may not have increased as much as feared, it did

still increase by over a third between 2008 and 2010. Youth unemployment currently stands at around twenty percent. Further, with the coalition government's austerity drive targeting one of the principal sources of UK employment growth in the 2000s – the public sector – the situation is likely to worsen considerably in the months and years ahead. While projections are currently a source of much debate and controversy, some predict as many as 1.6 million job losses across the economy as a whole until 2016 from the combined effects of government expenditure cuts and tax rises.

History will hold the coalition government largely responsible for the social costs of tackling the crisis in this way. But while there is much that is ideological in the current government's attack on the role of the state, at least in the sphere of labour market policy it is an ideology that its predecessors broadly shared. If the unemployed are apparently easy targets for the current government's cuts, it is also because of the dominance of a supply-side vision of labour market problems that thirteen years of centre-left government paradoxically helped to consolidate.

Making coalition politics work in a harsh fiscal climate

By Nick Sitter

Virtue of necessity. The 2010 election took Britain into the uncharted waters of coalition government. The big and immediate question was whether coalition politics would work in the UK. Would it be a temporary solution to an inconclusive election result, or introduce a new dynamic to the government and politics of Britain?



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Six months later the contours of the new British politics is becoming clearer. David Cameron's Conservatives and Nick Clegg's Liberal Democrats are working with a view to a full-term coalition, and both parties are taking ownership of the coalition's policies. In May, it looked as if the Lib Dems would contribute significantly to shaping economic policy, taking this to the political centre, whereas the Eurosceptic Conservative party would dominate foreign policy. By November, the results seemed more mixed, and far more interesting.

When Clegg and Cameron presented their new deal on 12 May, the image and message was one of two relatively like-minded party leaders who had reached agreement on a number of issues both in principle and in practice. The coalition would allow Cameron to run the Conservative party from its left, albeit with a few concessions to the Eurosceptic right (e.g. making William Hague Foreign Minister); Clegg would run the Lib Dems from its economic liberal (right) rather than social liberal (left) wing. The two leaders could thus be seen to personify the overlap in Conservative-Liberal outlook.

Events since May have, however, put this marriage of convenience to the test. In terms of economic policy, the big question has been how to deal with the global economic crisis. In the election campaign's high-profile party leadership debates Clegg and Cameron put forward very different strategies: gradual reduction of spending vs. radical cuts in public spending the first year of the government. Whereas the coalition at first signalled a compromise in terms of both the magnitude and the timing of the cuts, the late summer and autumn saw the government proceed at the pace of the more radical Conservatives rather than the cautious Lib Dems. Fiscal retrenchment over the next four years should see a 3 per cent drop in total spending (in real terms) by the end of the present parliament's five-year term, a total cut of some £81

bn. Moreover, the cuts would begin to take effect in the first year.

Chancellor George Osborne's announcement of the cuts in the October spending review indicated a range of deep and extensive cuts, in an effort to reduce the budget deficit to 10 per cent. Spending on public services is expected to drop by 11 % by the end of the parliament; including cuts in defence, justice and, most severely, local government spending. Only the National Health Service and overseas development are ring-fenced, although spending on schools is set to increase (even though overall education spending will decrease by 11 per cent). Welfare spending cuts include restrictions on child benefits and other benefits to working-age individuals, but not on the over-60s.

On law and order, the coalition has yet to stake out its medium-term position. By early November it was still unclear how far the government would go in revising some of the anti-terrorist laws introduced by Labour. With the left-wing Conservative Ken Clarke as Justice Secretary and the Liberal Democrats' critiques of Labour's policy over the last decade, this is an area to watch.

Contrary to expectations, the coalition has proved distinctly moderate on Europe. This is often attributed to the Lib Dems' influence, and in particular to party leader Clegg's background working in the European Commission and his term as MEP (1999-2004). The government

accepted the increase in the EU budget (albeit at 2,9 per cent rather than the 5,9 per cent the Commission and European Parliament had requested), and is finding allies in its general effort to reduce EU spending in the longer term as the price for a re-negotiation of the Treaty. Despite William Hague's recent insistence for referendums on any Treaty change that cedes powers to Brussels, he has made it clear that the government would reject calls from Conservative back-bench MPs for a referendum because the Treaty changes currently proposed will mainly affect the Euro-zone states.

Finally, the coalition government has set out a new direction for British foreign and defence policy that is very much a two-party compromise. Both parties rejected Labour's interventionist ('ethical') foreign policy, and Cameron has spoken of a clear shift toward a policy of armed intervention (by somewhat smaller, but better equipped, armed forces) only where "key UK national interest" is at stake. At the same time, foreign policy has been given a stronger economic dimension, with foreign policy linked to trade, and overseas aid and development (to be increased to 0,7 per cent of GNP) linked to the national interest. International Relations scholars would call this a shift towards a more realist foreign policy; *the Economist's* Bagehot labelled it in a commentary 21 October this year a "foreign policy doctrine that combines hard and soft power".

Six months into the life of the UK's first substantial experiment with coalition government for half a century, there are thus signs that this might turn out to be more than an ad hoc response to an awkward election result. After a few days' talks in May, both Clegg and Cameron seemed almost to prefer a coalition to single-party rule, even if their parties remain to be convinced. Both party conferences in the autumn made it clear that many supporters, activists and back-benchers see the arrangement as a temporary compromise, if not outright dangerous to the long-term prospect of each party.

However, policy cooperation in government is beginning to hint at a different possibility – that coalition government is something both parties not only can live with, but might actually opt for as a long-term strategy. The financial crisis has cemented this strategy, making it less likely that any of the two parties will jump ship. The UK may have a long way to go before coalition government becomes the norm, as it is elsewhere in Europe, but perhaps surprisingly, this prospect seems somewhat more likely in November than it did in May.



The new partnership. David Cameron and Nick Clegg during their first joint press conference as government partners, 12 May 2010. Crown copyright © The Prime Minister's Office

Cameron and Osborne: radical policies in soft wrapping

By Harry Cheesman

Different this time?

Britain is on the threshold of the toughest austerity measures seen for a generation. Many a label has been applied to describe, acclaim or criticise the path now pursued by the government. What is perhaps most interesting about George Osborne and David Cameron's pitch to the public is their attempt to soften the blow which their cuts programme will inevitably land on large numbers of people and even claim the mantle "progressive" for their policies.



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Along with their claims of progressiveness have come a range of similar claims; the public has been told that the austerity measures will be "fair", that the coalition will make sure that "those with the broadest shoulders bear the greatest burden", and have been offered sweeteners such as the pupil premium, improved early years care and ringfenced NHS spending. Aside from badly judged comments on the subject of free school milk (by health minister Anne Milton) and a Norman Tebbit-esque speech from Secretary of State for Work and Pensions Iain Duncan Smith implying that the unemployed of south Wales should "get on a bus" and find work, the coalition seems to have made every attempt to portray its policies as anything but a distinctly orthodox "New Right" economic approach.

This is not to deny that there are familiar Thatcherite tropes at play in the austerity discourse; the resuscitation of her "housewife economics" to justify the imperative need for deficit reduction has surfaced in Osborne's claims that "every family and every business" knows that more debts mean higher interest payments for example. Nevertheless Cameron

and Osborne face an altogether different challenge to that faced by Thatcher. Hers was an attempt to create what Norman Tebbit called "a new consensus", a hegemonic project (some would say). By contrast with their Thatcherite ancestors, Cameron Tories are facing an Opposition which doesn't dispute the need to reduce Britain's deficit, just the speed and humaneness with which this goal can be achieved; it is in this context that Ed Miliband counters the accusation that he is a "deficit denier" with the claim that the Con-Lib government are "deficit deceivers" who mislead the public as to the risks inherent in their strategy.

Cameron and Osborne have therefore engaged in an ideological battle in which the key battlegrounds are those of "fairness" and "progressiveness". Gone is the declinism of Thatcher's economic discourse, the wartime-reminiscent references to German and Japanese businessmen rubbing their hands in glee at Britain's economic woe, as is the relentlessly modernising imperative of that discourse, which saw ministers describing alternative economic strategies as "primitive" and comparing the Labour party to a "cargo cult". Similarly gone (at least for the moment) are the hard-copy street battles of those years,

which pitted the unions against the state's authority, bringing out an authoritarian, "constitutional fundamentalism" in Thatcher's Tories, and a return of the wartime notion of "appeasement" to describe those Tories who sought a rapprochement with the labour movement.

Instead Cameron and Osborne attack their opponents for lacking a clear strategy (although as Ed Miliband reminded the Commons on 27 October, Labour's alternative economic strategy was set out by the last Chancellor, Alistair Darling), whilst making concessions to liberal feelings by ring-fencing schools, health and overseas development spending (Mrs Thatcher similarly steered clear from NHS cuts), and claiming that "we're all in this together". And whilst the government's claim that its cuts will be "progressive" has been disputed by the IFS at least, the fact that the word has even entered the lexicon of an austerity minded Tory leadership is in itself worthy of note.

In light of this disconnect with the past, can discourse really tell us anything about the Thatcherism or otherwise of the Cameron Tories? The answer is a conditional yes. Convinced by economic arguments very similar to those which previously convinced

Thatcher, it could be argued that Cameron and Osborne have indulged in what Jim Bulpitt called "domestic statecraft". Seeing, as Thatcher did, that the public resent being lectured on free-market economics, and that they can no longer lay sole claim to the guardianship of market principles, they have "bolted on" some added concepts, namely fairness and progressiveness, just as Thatcher did. Though the conceptual bolt-ons are not the same (Thatcher preferred freedom, enterprise and the nation) the technique is. Cameron and Osborne's words reveal a studious dedication to Tory statecraft and by implication its master (or mistress); Margaret Thatcher.



In this together? The Chancellor with Treasury ministers in 11 Downing Street ahead of the Budget statement, 22 June 2010. Crown copyright © The Prime Minister's Office

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Forthcoming edition of *British Politics Review*

Britain is and has been a hugely important exporter of culture - in modern jargon, a *cultural superpower*. From Shakespeare to the Beatles, from Winnie the Pooh to Harry Potter, British export of culture has left its mark across the world. In the next issue of *British Politics Review* we assess the cultural imprint from a number of different angles. What kind of inter-cultural relations has British export of culture enabled? What image of Britain has been created

and maintained through the BBC, British television series and music, and what have been the results? To what extent has the class society filtered through in the projection of Britain abroad?

Culture and politics are also closely related. In later years, New Labour's early promotion of *Cool Britannia* went alongside the reform to grant free access to national museums as well as increased funding towards theatre, film, arts and litera-

ture. With the government set to cut back on investment in culture over the years to come, what are the likely effects?

As always, the Review will draw upon articles both from political, academic and journalistic sources. Contributions from readers of *British Politics Review* are very welcome.

The winter edition of *British Politics Review* is due to arrive in February 2011.