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**Labour's
First Hundred Days**



**Edited by
Ben Pimlott**

Labour's First Hundred Days

Preface

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Tessa Blackstone is Special Rowntree Visiting Fellow, Policy Studies Institute and Master-elect, Birkbeck College, London University.

Nick Butler is Prospective Parliamentary Candidate for Lincoln and a former Research Fellow at the Royal Institute of International Affairs.

Bryan Gould is Member of Parliament for Dagenham, Shadow Chief Secretary to the Treasury and Labour Election Campaign Co-ordinator.

Peter Kellner is Political Editor of the *New Statesman* and a columnist on the *Independent*.

David Lipsey, political adviser to Anthony Crosland and James Callaghan under the last Labour government, is now editor of *New Society*.

John Lloyd is editor of the *New Statesman*.

Paul Ormerod is Director of Economics at the Henley Centre for Forecasting.

Ben Pimlott is Professor of Politics and Contemporary History at Birkbeck College, London University.

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Preface

If Labour wins the coming election, what use will it make of power during the critical first few months?

A new government taking office in 1987-8 will face great pressures, but it will also have an exceptional opportunity. The defeat of Thatcherism by the voters will signal a national mood in favour of radical change. In personal terms, Labour will be well placed, with a young and fresh ministerial team and a parliamentary party mainly composed of Members elected since Labour last held power. Among leaders, in the Movement and in the country, there will be a strong desire for different policies.

For the opportunity to be taken, it will be necessary to begin with a well-planned burst of energy: Labour's First Hundred Days. This pamphlet is prompted by a belief in the importance of using this initial, hopeful period to maximum effect.

It is not a critique of party policy or a manifesto. Rather, it is an attempt to consider the domestic and international situation a Labour administration is likely to face and to suggest decisions that might be taken early in its life to help build up and maintain a radical momentum.

Every minister and department will have a first hundred days. So will other individuals and organisations, as they adjust to the changed conditions of a Labour government. The pamphlet does not survey the whole field. It concentrates on choices to be made at the centre which are likely to have the widest consequences — concerning, in particular, Labour's parliamentary predicament, the machinery of government, the economy, foreign policy and some elements of a basic legislative programme. The exclusion of other areas of policy does not, of course, imply that they are considered less important.

Contributors have discussed each other's drafts and the helpful comments of Fabian readers have also been considered. The pamphlet does not, however, express any joint position and each contributor writes in a personal capacity.

Ben Pimlott
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I. Introduction: Neil Kinnock's New Deal

Ben Pimlott

Labour's task in 1987-8 will be harder than after previous election victories. Hence the need to prepare for a flying start.

The first hundred days is not just a timespan. It is a symbol, with a powerful historical reference: the controlled hurricane of reform and innovation that occurred in the United States at the lowest point in the Depression, when unemployment stood at 17 million. It provided the start of the New Deal, an idea that gives every despairing democratic people hope.

"This nation asks for action, and action now", declared Franklin Roosevelt at his inauguration. Over the next three months, the new President guided fifteen major laws to enactment, and turned a sleepy Southern town into the nerve centre of a social revolution. "By bringing to Washington a government determined to *govern*", wrote the historian Arthur Schlesinger, "Roosevelt unlocked new energies in a people who had lost faith . . . The feeling of movement was irresistible".

Neil Kinnock has spoken of his intention to provide a British, socialist, New Deal. It is a fitting, yet awesome, aspiration. In present conditions of widening social division and accumulated neglect, minor tinkering will certainly not be enough. To set a British New Deal in motion, it will be necessary to turn Westminster and Whitehall upside down with as much determination and suddenness as the Democrats displayed at the White House in 1933. Labour will have to have its own hundred days.

Precedents

Much of the first hundred days cannot

be planned. What matters most about the opening scene of Labour's play is will and style and intelligence, for which there can be no blueprint. Success will depend, above all, on the creation of an *élan*, an irresistible feeling of movement, that must await its moment. Yet some things can be prepared and some traps avoided. It is useful to inspect the precedents.

Alas, there is no easy British equivalent of Roosevelt's hundred days for today's Labour Party to copy — no government since the coming of universal suffrage that has used an electoral mandate to put the policies of its predecessor sharply in reverse. Labour has taken power from the Conservatives five times, in 1924, 1929, 1945, 1964 and February 1974. It has also won three other elections, in 1950, 1966 and October 1974, but on each of these occasions it was already in office and so experienced no transfer of power.

In 1924 Labour entered government, briefly and experimentally, for the first time; heavily dependent on the Liberals, it had little opportunity for effective action. Two other minority administrations, in 1929 and 1974, achieved more, perhaps, than their later reputations would permit: but, even allowing for the cruelty of socialist hindsight, both appear today more as warnings than as models. From the list, therefore, two governments alone remain to provide material for comparison: those formed in 1945 and 1964, the first based on a huge parliamentary majority, the second on a small one.

Nostalgia for 1945 is understandable.

The post-war Attlee administration was radical and innovative by any standards, laying the basis for the welfare state and health service, changing the structure of taxation and death duties to reduce the gap between rich and poor, and nationalising the Bank of England, coal, civil aviation, electricity and the railways — all within the first two years, and despite a huge international debt and heavy overseas military commitment.

The 1945 government is the only one of which Labour can be unequivocally proud, and there are many lessons to be learnt from it: in particular the advantages provided by unity within the labour movement, and by a bank balance of good ideas built up well in advance. Yet it should be obvious that 1945 offers only limited comparison with 1987-8. Attlee's first months were taken up by the traumatic ending of the Japanese war, and by the uncertain transition to peace — which involved the negotiation of a large American loan on which the whole socialist enterprise depended. Whitehall, moreover, did not have to shift gear. Many of the new government's best policies developed wartime plans that had all-party approval. When Attlee took office as Prime Minister, following five years of coalition government in which Labour ministers had held key posts, the British revolution was already in progress.

Moving target

1964 is more ambiguous. At the least, it needs to be considered *faute de mieux*: the 1964 election is the *only* one in peacetime at which Labour has ever defeated the Conservatives in office and obtained an overall majority. The first Wilson administration raised hopes that were not fulfilled. Yet the fashionable view (shared by left and right) that 1964-70 was a period of abject failure is manifestly unjust. During Wilson's first premiership, major reforms protecting civil liberties and citizens' rights were

implemented; and the basis for a fairer and more open education system was also laid, though advances in this field were not followed through. The area of disappointment was economic policy. Here Labour's careful plans fell victim to a combination of bad luck, rigid expectations and early loss of nerve.

One moral is apparent. In politics, nothing stands still. Any incoming government will find itself shooting at a moving target. In his account of the 1964 administration (*The Labour Government 1964-70*, Weidenfield & Nicolson, 1971) Wilson vividly describes his own first experiences at No. 10:

"I was greeted as 'Prime Minister' by Sir Alec Douglas-Home's private secretary, as I still regarded him. Sir Alec, meanwhile, had disappeared through the back door, quietly.

"Within minutes the private secretaries had converged upon me to work out the arrangements for forming the Government, to discuss with me urgent Foreign Office telegrams awaiting my attention, and to inform me about the economic situation.

"It was a stormy welcome. The Chinese had, the previous day, exploded their first nuclear weapon. There was a Foreign Office draft of an immediate Government statement it was recommended I should issue ... There was a telegram appraising the situation in the Soviet Union following the overthrow, less than twenty-four hours earlier, of Mr Khrushchev and the appointment of Mr Kosygin ... There was a telephone call from President Johnson. There was ominous news of the 'confrontation', the war between Indonesia and Malaysia ...

"And, grimmest of all, there was the economic news. The monthly trade returns for September showing a serious continuing deficit had been published that morning... Worse, there was the Treasury's assessment of the forward balance-of-payments position ... [which] showed a position still more serious ... than the last assessment prepared a month earlier for the Conservatives.

"In the face of all this, there could be

no question of 'low-profile government' or of having a period of three months or more in which no decisions needed to be taken.

"The pattern our first hundred days would have to take was set in the first hundred minutes."

The last remark is significant. There had been hopes that Wilson might seek to emulate the 'New Frontier' approach of John F. Kennedy, with whom he was sometimes compared, and have his own first hundred days. Instead, conscious of the highly precarious nature of his majority, Wilson seems to have decided to take problems as they came. In 1964-5 the pattern was reactive, with a preference for the image-preserving response over the unpopular long haul. Wilson's first three months were directed towards providing reassurance of Labour's 'fitness to govern' with a view to a second election, and towards survival. This limited mission achieved its objective. The government did not fall, and a second election less than eighteen months after the first produced a comfortable majority. But by then it was too late: the new Establishment had settled in, and mental habits were already fixed.

Moral advantage

The circumstances of 1964, both before and after the election, deserve close attention because they provide the closest parallel to 1987-8, should Labour be in sight of victory. But in one respect 1987-8 stands apart from 1964 as well as 1945. On both previous occasions there existed across the spectrum a wide measure of agreement on many social and economic issues. The post-war 'consensus' based on a commitment to full employment and the maintenance of the welfare state may have contained an element of myth: there were always wide differences of underlying philosophy. Conservatives, however, tacitly accepted some of Labour's aims. This

modest accord ended abruptly in 1979 and eight years later the two parties no longer speak the same language. Hence many of the continuities between outgoing and incoming governments that eased the transfer of power in 1945 and 1964 will not apply. And even if Labour restricts itself to its most basic domestic aim, a drastic reduction in unemployment, there will have to be a fundamental break with recent administrative practices and assumptions.

The first hundred days will determine the nature of the break and, indeed, whether a real break occurs at all. The first hundred are more important than the second, or the fourth, because it is at the very beginning that relationships are forged, and people take the measure of their new masters. It is the honeymoon period, when critics lie low, when the popularity of the government and Prime Minister holds up, when the mandate retains its mystique. Nobody is likely to resign during this period, election promises are expected to be honoured and, even if it is in a minority, the government faces little risk of being forced out of office. Hence it is a time for doing things which may be harder to achieve later on, and for setting expectations for what is to follow.

But it is also a difficult time for making strategy. Wilson's record is a reminder that a new Cabinet, exhausted by the campaign, elated by success and burdened by unfamiliar new problems requiring instant decisions, is singularly ill-equipped to think ahead. It is vital, therefore, that the key steps to be taken after the election should be fully considered before it. Labour's programme is already known; the detailed manifesto will be decided when the election is imminent. What is required for the first hundred days is something in addition: an appreciation of the moves that should be made in the first flush of victory, before the full weight of sound, irrefutably cautious advice closes in.

It would be wrong (as Tessa Blackstone, Nick Butler and David Lipsey point out) to assume that Labour will face automatic civil service hostility. On the contrary: it is reasonable to hope that the best officials will rise to the challenge. There may even be optimism in some departments, especially those where morale has fallen lowest in the face of Mrs Thatcher's contempt for public service activity. But there will also be hesitancy about some of Labour's plans. It will therefore be desirable to present to the Cabinet Secretary (who might need to be, as Blackstone suggests, a new appointment) the outline of a Queen's speech, worked out before the election on the basis of Labour's programme.

At first, quite apart from the natural advantage of any recent victor, Labour will have a particular moral advantage (as John Lloyd indicates) precisely because of the bitter private sector and mass media opposition it will have overcome. It will be well placed, therefore, to present to Whitehall and to Parliament a far-reaching legislative programme, and also a shopping-list of measures that do not require parliamentary sanction. A government that acted quickly could cancel Trident, launch extensive schemes to restore the social services and create jobs, provide a more egalitarian tax structure and implement long overdue, but low-cost, civil liberties reforms — without making itself vulnerable to House of Commons censure, even if it lacks an overall majority. A full majority would, of course, widen still further the range of possible action.

Meanwhile, changes in the nature and organisation of advice to ministers and the Prime Minister (of a kind described by Blackstone and Lipsey) could be carried through instantly, without asking permission of anyone.

No mothballing

It was Sidney Webb who remarked,

following MacDonald's decision as 'National' Prime Minister to reject an earlier orthodoxy and take Britain off the gold standard: "Nobody told us we could do that". Post-war Labour administrations have been chary of interfering with the bureaucratic machinery, apparently regarding it as sacrilegious or unsporting to make more than minor adjustments. Mrs Thatcher has changed the rules. At the very least, a Labour government will need to depoliticise the political appointments the present Prime Minister has made inside and outside the civil service. Whether or not Mr Kinnock should follow the Conservatives' example and promote to some offices on the basis of amenability or sympathy is a matter of debate: it has certainly become an option.

Labour might conceivably go further, and fill a few key posts with outside administrators, in order to help give political direction. A case can be made against such a step: there is a risk that competitive inter-party bidding in the matter of appointments would undermine the principle, and the ethos, of a neutral civil service. On the other hand, it could be claimed that a complex modern bureaucracy needs closer political attention than a busy ministerial team is able to provide. Such considerations must be carefully weighed. Either way, Blackstone and Lipsey argue persuasively for the improvement and extension of alternative sources of advice to the Cabinet, collectively and individually, and especially to the Prime Minister himself. Such advice will be needed, not just for day to day guidance, but also for forward planning.

Forward planning can be an excuse for delay. So can some methods of enquiry. A Labour government will want to consult widely, and to involve interested groups and individuals in policy making. Machinery which postpones the taking of important decisions unnecessarily, however, must be avoided. Royal Commissions have been a favourite means of mothballing con-

roversial issues in the past. They should not be employed by a new Labour administration on matters covered in the election programme. A minority government with an uncertain lifespan should be particularly wary of a process that may mean complete inaction. Where Commissions or similar forms of inquiry are considered essential, they must include among their members a sufficiently strong representation of people who share the government's outlook.

The most difficult problem facing the new administration will be the economy. Experience shows (and 1964 is the prime example) how disastrous can be the impact of sudden financial pressures on the most careful plans. The best approach is to assume the worst and not allow the whole edifice of Labour's programme to depend on a favourable outcome. Instead of hoping that a crisis will not arise to blow a Labour government off course, it may be better to take for granted that crises will be a regular occurrence (as Paul Ormerod indicates, sterling crises have become annual events). What matters is that short-term measures to meet inevitable squalls should not be allowed to jeopardise long-term commitments to expand the economy and to redistribute income. The vital point, as Ormerod remarks, is not to panic.

A key factor will be relationships between government, employers and trade unions. John Lloyd proposes, as a means of restoring the severed connections of tripartism, a 'National Economic Summit' to be set up early in the hundred days. Lloyd sees such a consensus-building forum moving towards a low-pay floor, a ceiling on wage rises close to the inflation rate, and a pledge from the government to honour its commitment to the creation of 1.3 million jobs during the first two years.

Bold action

One political problem entailed by any

serious economic strategy is that the benefits will not be instantly apparent. A second problem is that the scale and nature of any increase in public expenditure must depend on financial circumstances which cannot be determined in advance. Hence it is important that a new government should distinguish between plans which are linked to its economic policy and those that are independent of it. The latter should include a stock of reforms involving little or no public expenditure, which could also be guaranteed an easy political passage. The largest group of such measures, Bryan Gould suggests, concerns civil liberties and citizens' rights. A second group involves the machinery of government and new institutions for co-ordinating policy. A third group includes policies to provide democratic representation and accountability.

Internationally, Britain is less important than in 1964. Nevertheless foreign and defence policy will feature prominently during the first hundred days. Much will be made of the new administration's most widely publicised proposals. Labour's ability to carry out its programme in this field will depend, more than in any other, on its parliamentary strength. However, as Nick Butler indicates, important steps could be taken quickly in any case. Thus a new administration will be able to move swiftly to cancel Trident and institute a full Defence Review, reopen discussions with Argentina over the Falklands, take strong measures against the pro-apartheid regime in South Africa, and develop overseas aid.

If, because of its slender plurality, the government seems destined to remain in office only for a short period, the case for carrying out these and other policies rapidly, becomes the stronger. As Peter Kellner points out, it will be necessary to decide early whether to aim to maximise electoral support for a quick dash to the polls in the hope of winning more seats, or to try to stay in office for as long as possible without compromis-

ing principles. Each decision will have different implications. Both, however, require the government to make an immediate impact on public opinion.

A minority administration, as Kellner shows, could mean several different things. Almost every imaginable situation, however, will give Labour considerable room for manoeuvre at the outset and there will be no advantage to be gained from a coalition or even an informal pact.

Above all, the notion that Labour's ability to survive may depend on its timidity is certainly wrong. The key determinant will be achievement. The Opposition will be tempted to combine against an ailing regime but will not pull down one that is riding high in public esteem. There is no guaranteed road to popularity. But a bold government, honestly and selflessly seeking solutions, stands the best chance of gaining the nation's respect.

Freedom of movement

I Labour 230 seats Conservatives 170
Liberal 20 seats
Ulster Unionist 10 seats
Other 20 seats
Total 450 seats

Labour's 230 seats would be the largest party, but not enough to form a government. The Ulster Unionist party, with 10 seats, would be the second largest party. The Liberal party, with 20 seats, would be the third largest party. The other 20 seats would be divided among several smaller parties.

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2. How Labour can govern without a majority

Peter Kellner

Labour aims to win an overall majority, but a hung Parliament is a strong possibility. If this should occur Mr Kinnock may have more power than Alliance leaders at present concede.

In public Labour politicians insist that the party will win an outright victory at the next election. In private, however, many believe that the party will do well to secure a hung Parliament. What then?

The first point ought to be the most obvious, but seems to evade those who talk as if a hung Parliament is a single concept. It depends on the precise distribution of seats in the Commons. Neil Kinnock could lead any one of the three distinct kinds of minority government. Each may be illustrated by an example:

1. Labour 320 seats, Conservatives 270, Alliance 37, others (Welsh and Scottish nationalists and Ulster MPs) 23. Labour would be six seats short of an overall majority, but it could outvote the combined forces of the Conservatives and the Alliance. Only if the Ulster Unionists joined in a vote against the government, and if all the opposition parties managed a full turnout in the division lobbies, would Labour be defeated.
2. Labour 310 seats, Conservatives 285, Alliance 32, others 23. Labour is the largest party, but now *cannot* outvote the Tories plus the Alliance. This, in essence, was the position Harold Wilson faced in March 1974. He was saved by the decision of the Tories to abstain in all the important early divisions. The Liberals also frequently abstained: Wilson's

Queen's Speech was approved by one of the largest majorities in parliamentary history, as only the Scottish Nationalists voted against it.

3. Labour 295 seats, Conservatives 300, Alliance 32, others 23. In some ways this presents the most intriguing scenario of all. Unless Mrs Thatcher (or some swiftly-chosen successor) managed to make a deal with the Alliance, the Tories would be unable to continue governing. If they tried, their Queen's Speech would probably be opposed by both Labour and the Alliance and would therefore be defeated. Mrs Thatcher would be forced to resign, either in anticipation of the defeat or following it. The Queen would then be bound to ask Mr Kinnock to form a government. However, Labour could only govern as long as the Tories let it — unless Labour gained the positive support of the Alliance (abstentions would not be enough).

Queen's role

In all three cases, Mr Kinnock's strongest card would be his power of dissolution. Whenever his minority government were defeated in a major vote in the Commons he could go to the Queen, ask for a dissolution and secure a fresh election.

As far as it is possible to map out these uncharted waters, this power is ab-

solute. That is, any Prime Minister coming to power from opposition is entitled to a dissolution at any time. Mrs Thatcher, on the other hand, could not force a re-run of the election if her Queen's Speech were defeated (for example, in case 3 above): she had called the election that had produced this result and had used up her entitlement for the time being to dissolve Parliament. In other words, in a hung Parliament the tactical advantage lies with the party leader coming to power from the opposition. If Mrs Thatcher were unable to construct a majority for her Queen's Speech, she would have to resign; if Mr Kinnock were defeated on his, he could hold a fresh election, *and fight it as the incumbent Prime Minister*.

Because the power of dissolution is so important, not least in the way it is likely to govern the tactics of each party, it is worth disposing of one specific point. Some Alliance politicians argue that if Mr Kinnock's Queen's Speech were defeated, he would *not* have an automatic power to dissolve Parliament. Their case is that Mr Kinnock would not become a 'real' Prime Minister until and unless he received some form of affirmative vote from the Commons. If he were to be defeated on the very first vote, therefore, the Queen would be bound to call on someone else — a post-Thatcher Tory leader, say — to try and form a government.

No British (or Commonwealth parliamentary) precedents are available on this precise point. However, in March 1974 Harold Wilson's office held informal talks with Buckingham Palace officials, who indicated that if Wilson was defeated on the Queen's Speech he would be granted a dissolution. Lord Blake, whose constitutional views are known to weigh heavily with the Palace, was asked on Channel Four's *A Week in Politics* in October 1985 whether Mr Kinnock would be granted a dissolution if his Queen's Speech were defeated. Lord Blake replied: "I think the Queen would have a genuine option, but I think in practice the high probability is that

rather than get imbroiled in a rather controversial decision, she would in fact grant a dissolution to Mr Kinnock in such circumstances, and she certainly wouldn't be wrong to do that."

So in each of the three types of hung Parliament, once Mr Kinnock has become Prime Minister, he can remain in Downing Street until the following election, which he can call either when he chooses or when he is defeated in a Commons vote.

That fact alone is likely to be enough to save Mr Kinnock from the need to conclude any formal deal with the Alliance. In hung local councils, coalition-type deals are commonplace: but they have fixed-term elections which force councillors to rub along together as best they can. The power of dissolution at Westminster means that hung Parliaments have historically produced minority governments rather than coalitions. There is no reason to expect anything different next time. (The prospects of a coalition would be greater if a second election also produced a hung Parliament; but that's another story.)

Freedom of manoeuvre

A hung Parliament would generate as many tactical worries for the Tories as for Labour. They are unlikely to want a quick second election. Either Mrs Thatcher would wish to stay on as party leader, or she would resign. Either way, the Tory Party could face weeks, possibly months, of turmoil, as rival factions compete to gain the upper hand. It is unlikely that they would want to fight a second election until some semblance of unity is restored. And, if Mrs Thatcher did resign, the new leader would want time to establish his image, policies and way of running the party. (For example, if a non-Thatcherite leader is chosen, Norman Tebbit would certainly step down, or be sacked, as party chairman. The new chairman would need time to reshape the style and strategy of Conservative Central Office.)

So whatever the Alliance chooses to do, Labour should be able to rely on the Conservatives voting against a Kinnock government as seldom as possible and, for two or three months at least, abstaining on confidence votes — just as they did in March-May 1974, even though Edward Heath's position as party leader was not under immediate threat.

In the short term, then, Mr Kinnock will have some freedom of manoeuvre. At the very least, his first hundred days are unlikely to see a second general election. He will not need to construct a coalition with the Liberal/SDP Alliance, or even something akin to the Lib-Lab pact of the Callaghan government.

The crucial question Mr Kinnock will face is not whether to form a coalition with the two Davids, but something else: should he behave as essentially a caretaker Prime Minister, directing all his efforts to the task of winning a second general election as soon as possible — or should a minority Labour government do as much as it can for as long as it can, and only go to the country again when government becomes impossible?

There are clear arguments on both sides. The case for adopting a 'caretaker' role goes like this. A minority Labour government will be unable to get any piece of truly radical legislation through Parliament. What can be done will be limited to a cautious Finance Bill and a handful of decisions that do not need formal parliamentary approval. Britain needs a majority Labour government, and the sooner it gets one, the better. The longer a minority administration clings to office, the longer we have to wait for real power. Kinnock is likely to have a honeymoon with the voters after arriving at Number 10; he should cash in on that as soon as possible.

The case for hanging on is more pragmatic. Voters do not like elections that do not need to be held, and are likely to punish any politician who provokes a second general election too early. If Labour loses an early second general election, it will have achieved

almost nothing. There is, anyway, quite a lot that a minority government can do. It is unlikely to be stopped from raising pensions and child benefits, or from spending more on schools and hospitals. Many people can be helped — and the longer a minority government can keep going, the more help can be given, and the greater the chances are that voters will see the benefits of Labour in office. It would be a betrayal of millions of people who have suffered under Thatcherism to risk the early return of another Conservative government and throw away the chance to carry out those things that a minority Labour government could do.

Those two strategies are posed as alternatives. In real life things will be less clear cut. But the nature of the trade-off remains; and it conceals a set of awkward questions about Labour's response to the Alliance. Even if no communication takes place between Mr Kinnock's office and those of the two Davids, the Alliance cannot be ignored, although its precise influence will depend on the Parliamentary arithmetic.

If Labour is the largest party and Mr Kinnock tries to run a minority government for more than a few months, his main tactical concern will be to prevent the Alliance combining with the Tories (and possibly with the nationalists and Ulster Unionists) to bring him down. That means steering clear of those policies that the Alliance are certain to oppose. That constraint would limit much of what Labour could do on (for example) defence and social ownership.

Alliance leaders have devoted much effort to insisting on negotiations with either or both of the main parties in the event of a hung Parliament. Mr Kinnock has adamantly maintained that there will be no negotiations. In fact, whether or not negotiations take place is beside the point. The two Davids may not appear in person to talk to Mr Kinnock, but their ghost will be ever present, whispering in his ear. One of Mr Kinnock's first tactical judgements, in preparing his Queen's Speech, is whether to listen to those voices or not.

If he plans to play it long, he will have to; if he is aiming for a second general election at the earliest possible date, he can ignore the Liberals and the SDP.

Whichever course Mr Kinnock adopts, he will have to make up his mind quickly — at the very latest in time to decide which of Labour's manifesto promises should be included in his

Queen's Speech. Mr Kinnock's first weekend at Number 10 will be exhilarating but also very tricky. The fate, and longevity, of a minority Kinnock government will depend on the detailed results of the election that produces it — and on some difficult decisions that the Labour leader will have to face within days of coming to office.

A lesson learnt

Of one thing there is no doubt: Labour's past experience should have taught it one basic lesson: short-term measures to meet a possible crisis in the first hundred days must not be allowed to put at risk the whole economic strategy. In 1974 a new Labour government will inherit economic conditions that as a result of the 1974 election have been made worse. The short-term measures to meet a possible crisis in the first hundred days must not be allowed to put at risk the whole economic strategy. In 1974 a new Labour government will inherit economic conditions that as a result of the 1974 election have been made worse. The short-term measures to meet a possible crisis in the first hundred days must not be allowed to put at risk the whole economic strategy.

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3. Economics and finance: forward planning and holding tight

Paul Ormerod

Labour's past experience should have taught it one basic lesson: short-term measures to meet a possible crisis in the first hundred days must not be allowed to put at risk the whole economic strategy.

In 1987-8, a new Labour government will inherit economic problems just as its predecessors did in 1964 and 1974. In the short term, the problems are unlikely to be as acute as those faced in 1974. But the longer-term problems faced by the UK are now far worse, following the devastation of manufacturing industry in 1980 and 1981. Further, rather than being about to inherit the potential benefits of North Sea oil, the next government will experience a gradual run down in oil production. From the experience of 1964 and 1974, two clear lessons emerge:

- the government should not do anything in the short term which damages the longer-term potential for recovery. In particular, the British Investment Bank should not suffer the fate of the Department of Economic Affairs in the 1964 government and the National Enterprise Board in the 1974 government. Both were set up to address the medium-term problems of the economy and to counterbalance the overwhelming power of the Treasury. Whether either or both of them would have been successful remains a matter for speculation, for both were defeated comprehensively as a result of key policy decisions taken very early in the life of the governments.

- the government should not compromise the basic principles of the economic policy on which it will be elected because of short-term pressures, no matter how acute. This point covers both the commitment to expansion and the pledge to redistribute income.

A lesson learnt

One important lesson has already been learned from the past. The policy on which the Labour Party will fight the election is essentially the policy of the party leadership. This is in direct contrast to the situation in 1974. Senior figures in the party then had spent a considerable amount of energy in the 1970-4 period of opposition in trying to prevent Labour from adopting what the then leadership perceived as a programme of left-wing policies. In opposition, the leadership failed and used the first year or so of government to emasculate the radical aspects of party policy. In a sense, even given the extremely difficult circumstances of the time, the government was predisposed to adopt conservative policies since one of its major aims was to defeat the party's own programme.

Of course, commitment to the policies by the leadership is by no means a

sufficient guarantee that the policies will be carried out. A crucial condition is that the policies actually make sense and are relevant to current problems. This was a potential weakness in the approach to the 1964 election. Labour's central theme was to make good the damage to the British economy sustained in the "thirteen wasted years" of Conservative administrations. The key aim of policy was to stimulate a high rate of real economic growth. The view amongst leading Labour politicians was that the high level of economic growth would pay for the large increases in public expenditure which were planned. The seminal influence behind this view was *The Future of Socialism* written by Anthony Crosland in 1956. Rightly acclaimed as a brilliant and original contribution to left-of-centre political thought in Europe, its coverage of economic policy is seen, with hindsight, to be weak.

It would be a caricature of the arguments to say that economic policy was simply seen as a mixture of Keynesian expansionary policies and clever new chaps in government. But like all caricatures, the statement contains a strong element of truth. In contrast, the party leadership in 1987 possess an economic strategy which is carefully constructed, which is aware of potential constraints, and which acknowledges the modern framework of macro-economics. The policy is much stronger than in 1964, and should give the leadership greater strength in being able to resist pressure to abandon the policy.

1964 and 1974 experiences

Tremendous pressure will be brought to bear on Labour to change course in the opening weeks of government. The Treasury, economists in the City and the rest of the economic establishment will denounce the policies as irresponsible. The experiences of 1964 and 1974 show the results of yielding to such pressures.

There are three major similarities between the Labour governments of 1964-70 and 1974-9. First, both governments inherited a difficult economic situation. Second, each of them responded by following cautious, conservative economic policies. Third, key decisions about economic policy were taken very early in the life of the government.

In summary, the experience of the 1964 government was as follows. During the second half of 1962 and in the budget of 1963, the Conservative government created the conditions for a classic consumer boom in the UK. In 1963, consumer expenditure grew in real terms by 4.6 per cent, compared to its annual average growth 1951-64 of 2.7 per cent. This expansion of the economy sucked in imports. In 1964, the UK had a current account balance of payments deficit of around £4 billion in today's prices. The problem was compounded by the fact that the initial estimates during 1964 suggested that the deficit would be around twice the amount which it is now believed to have been.

The payments problem was accompanied by a sterling crisis immediately following the election. Crucial decisions were taken in the first few days of the government. Essentially, the choice was two-fold. One option was to relieve the balance of payments problem by devaluing sterling, and continuing to expand the economy by fiscal measures, or at least not to introduce contractionary measures. The second option was to defend sterling. It is not exaggerating to say that once this decision was taken, the economic policy of the government over the next few years was fixed. The defence of sterling required, first, higher interest rates and, second, more general restraint on the economy to slow down the demand for imports.

Economic policy was contractionary over most of the lifetime of the 1964-70 government and unemployment rose. For example, in November 1964 a contractionary budget was introduced and Bank Rate raised from 5 per cent to the then crisis rate of 7 per cent. In

February 1965, reduced growth in public spending was announced. In July of that year, there were further cuts in public investment programmes. In February 1966, hire purchase restrictions were tightened, followed by further deflationary budgets in May and July 1966.

As in 1964, the new government in March 1974 faced a very difficult economic situation. The Heath administration had experienced problems, but until late 1973 these were the familiar ones associated with the balance of payments. The expansionary 1972 budget, injecting almost £9 billion at today's prices into the economy, and the world trade boom in 1973 combined to lead to a post-war record 8 per cent increase in real GDP in 1973. As a result, the current account balance of payments deteriorated during 1973. In more favourable circumstances, this could have been contained since in volume terms British exports actually increased faster than imports in 1973.

By the end of 1973, however, three particularly adverse factors had come into play. First, the commodity price boom during 1972-3 which had preceded the oil price rise put strains on both the rate of inflation and the current account balance of payments in all Western countries. The second factor was of course the quantum leap in the price of oil towards the end of 1973.

The inflationary pressures of commodity price rises were made acutely worse in the UK by the third adverse factor, which was the virtual indexation of wages through the threshold agreements of Phase III of the incomes policy which operated from November 1973 until November 1974. One of the first acts of the Labour government was to agree to honour the continuation of the payments under this incomes policy. With hindsight, this was a disastrous mistake of similar magnitude to the decision to dismiss devaluation as a policy option taken within days of the October 1964 election, and shows the longer-term folly of short-term expediency on incomes policies.

In 1974-5, the Labour government faced grave economic problems. Strong inflationary pressures, a world recession and a massive current account balance of payments deficit. Ironically, the last problem was not very acute, despite the fact that at today's prices the current account deficit was around £12 billion in 1974. In the short term, London was a natural centre to attract Arab capital inflows, and in the medium term North Sea oil began to make a strong positive contribution to the current account.

A myth still exists that the 1974-9 government was blown off course by financial crises during 1976, leading to the IMF visit towards the end of that year and measures of austerity being imposed upon the government by external pressure. In fact, the critical decision to follow a deflationary, conservative fiscal policy was taken in the winter of 1974-5. The need to win the imminent election meant that policy in the March-October 1974 period was broadly neutral, but within weeks of the October election the Cabinet decided upon a restrictive economic strategy. The Alternative Economic Strategy, based on Labour's 1973 Programme, was considered within the Treasury and dismissed by the economic sub-committee of the Cabinet. An implication of this was that the National Enterprise Board was effectively ruled out as a serious instrument of policy. Although such a body was actually in existence in the 1974-9 period, its powers in practice were very weak.

The overall deflationary stance of policy was introduced with the April 1975 budget, in which increases in tax and cuts in public expenditure were to reduce the Public Sector Borrowing Requirement in 1975-6 and 1976-7 by some £2.5 and £7 billion respectively (at today's prices). In August 1975, Anthony Crosland announced a standstill in local authority expenditure for grant purposes in the following year. In February 1976, the key Public Expenditure White Paper announced the intention to bring about a sharp fall in

the public sector share of national output by 1979-80. The strategy of tight fiscal policy was therefore established well before the IMF visit at the end of 1976. Ironically, this is when the strategy came closest to defeat with the arguments for expansion being led by Anthony Crosland and Peter Shore.

Pressure

In 1987-8, as in 1964 and 1974, a potentially important pressure on Labour will be the state of the world economy. This will not be a constraint provided that recent trends of reasonable growth and relative stability in world financial markets persist. There is a chance, however, that the US will move into recession during 1987-8. The US trade deficit of over \$100 billion a year should now start to move back towards balance because of the large devaluation of the dollar over the past eighteen months. However, if this fails to happen a crisis of confidence in the US economy could arise, with massive withdrawal of short-term funds, and with the American authorities either being forced to raise interest rates very sharply or bringing in widespread protectionist measures. In such a scenario, it would not be possible to achieve Labour's target of reducing unemployment by one million within two years. To attempt to do so would court failure, but it would be foolish to abandon the expansionary framework entirely. Targets should be cut back, but the essential principle of the need to reduce unemployment should not be sacrificed. A Labour Britain should mount a powerful case for a co-ordinated European response to any problems which arise in the US economy.

The sharpest pressure will be on the financial markets, both in terms of sterling and in terms of the willingness of institutions to lend money to cover the borrowing required to finance a policy of expansion. The fact that this is widely anticipated means that it should not come as a surprise to the newly-elec-

ted government. The crucial point is not to panic. Of course, it is easy to write such advice and far more difficult to act upon it. But one of the features of the UK economy is that there is usually at least one sterling crisis a year.

Given that sterling collapsed to near parity with the dollar in early 1985, attempts by Nigel Lawson to attribute any weakness in sterling this year to fears of a Labour government are not particularly well placed. To his credit, however, Nigel Lawson does not panic and change his policies whenever sterling comes under attack. There are many very good reasons why Conservative macro-economic policy should be changed, but responding to short-term financial pressure is not one of them. So it should be under Labour. Even if sterling comes under speculative attack, within a matter of a few months at most the crisis will be over (until the next time). Worries about sterling are a permanent feature of the international scene, and the inherent weakness of the UK economy partially justifies such worries. Labour's policies are dedicated to begin to remove such weakness, and should not be deflected by short termism.

The funding of public sector borrowing under Labour presents fewer problems. Paradoxically, developments on financial markets and the globalisation of such markets strengthen the ability of governments of developed nations to borrow. Previously UK governments have been heavily dependent on the willingness of UK institutions such as pension funds to borrow at prevailing rates of interest. Now, the UK can borrow from anywhere in the world, and even mid-west American banks will perceive a Labour government in Britain as being less of a risk for lending purposes than many of the international loans they have made in the 1980s. The days of being "held to ransom" by a small number of institutions in the closed world of the City are now gone for ever, if indeed they ever existed at all.

Within days if not hours of the

election, Roy Hattersley will receive advice from officials in the Treasury and the Bank of England to tighten monetary policy. Put more simply, this means to increase interest rates. The repatriation of funds scheme will not be in place, and sterling will be under attack. It is essential to resist interest rate rises in the early days of the administration. In part this is because of the damage which would be done to the impact of the job creation programme. Just as importantly, however, crumbling to the short-term pressure would establish a psychological grip on the Chancellor, which would be difficult to shake off during the lifetime of the government. At the first challenge, financial speculation and City opinion would be seen to have forced the Chancellor to capitulate. This would create exactly the climate in which further speculation in the future would be encouraged. In contrast, a government which refused to give dealers a one-way bet on interest rates could cost the financial institutions many millions of pounds on their UK gilts accounts. Once bitten twice shy is an old adage, but one which is very relevant in this context.

The election of a Labour government will introduce an important shift in economic policy. As other authors in this pamphlet argue, most civil servants will carry out the new policies as willingly as they carry out those of the present

government. The civil service pressure which Labour will face is not by any means sabotage, but the insidious pressure of a cautious bureaucracy confronted by change. The Treasury's virtual *raison d'être* has been to tell people why they cannot do things, rather than to initiate change and encourage innovation. It is this corporate culture of the Treasury which must be altered. An important symbol of the change would be to abandon the Treasury's own macro-economic model of the UK. Over the years more and more monetarist properties have been inserted into this model. But this would not be the reason for scrapping it. Such an act would indicate clearly that the Treasury could no longer expect to operate entirely on its own terms.

More fundamentally, the Treasury must be prevented from emasculating the role of the British Investment Bank, whose medium-term aims are central to Labour's programme. The Treasury will naturally try to stifle the development of an important new economic institution which is outside their control. The close political links between Roy Hattersley and John Smith offer the best guarantee that this will not happen. But the symbol of the need for the corporate culture of the Treasury to change, which would be given by the scrapping of the Treasury's model, would be a positive force all round.

4. Unions and economic management

John Lloyd

One of the first things Labour must do is to restore tripartism. A 'National Economic Summit' is needed to hammer out agreement on pay and jobs.

The new Prime Minister, grasping unfamiliar reins of power, deluged with problems, briefs and decisions, has one pledge above all others which he will want to honour — to assist the nation's three million unemployed. With that goes a commitment to improve the living standards of the poor; and thirdly, a commitment to raise the wage levels of those in work. From the outset, he must set about putting the flesh of government on these words of opposition.

The Prime Minister is no utopian; he has had to spend too many acrimonious hours in deflating the utopianism of many sections of his party for much to remain in him. But he will quickly grasp, if he does not already know, how radical a promise is contained within these three items: how far the first two (help to the unemployed and the poor) have been sacrificed by the outgoing Thatcher administration — so that the last (improvement of workers' pay) may be preserved. He may — rather, he almost certainly will — find, in the desperately urgent task of carrying out the first two of these pledges, he has to downplay and postpone the third. That will be hard. It need not be impossible.

A different trade union movement

He will soon call a National Economic Summit. The Summit will not be over in a day, but it *will* have come to a

conclusion in the first one hundred. It will mark a return to tripartism — but its successful operation depends much less on what is agreed or not at national level meetings, than on what happens on the ground: further, its operation, even at the top, is subject to very large change as the relative powers of the three social partners — government, capital and labour — also change. After all, tripartism existed in formal terms under the Thatcher government: but the monthly exchanges in the National Economic Development Council were at best of marginal importance, as a TUC-inspired initiative to investigate where new jobs were to come from developed into a sterile war of separate positions.

The new Prime Minister will find, in his early meetings with them, a different trade union movement facing him than that which faced Harold Wilson some 13 years before, when he assumed government. Then, Wilson's first priority was not to get unemployment down, but to buy off, first the miners, then the rest of the union movement: for it had shown its huge power, and its political ambitions. Kinnock's union partners have lost that power, and their ambitions have shrunk commensurately; they will also not be partners in the sense proposed in 1974, when their veto over large reaches of economic, even social, policy was real enough.

But he will want something from them soon, for all that. His Chancellor

wrote, in a book published early in election year, that a future Labour government would have to strike a balance between trade union rights and responsibilities, and that "the pursuit of that solution has to begin with a firm statement of why *some* income planning is necessary . . . a national view on the overall level and general distribution of wages must become a permanent part of both our economic and social strategy, advocated and accepted on its own merits" (Roy Hattersley, *Choose Freedom*, Michael Joseph, 1987). In the same book, Roy Hattersley warned against "complicated horse trading" with the trade unions; but Kinnock made it clear in his book published a few months earlier that a new government would use the National Economic Assessment (NEA) to "stop inflation taking off" by "gaining and maintaining a national consensus for the distribution of our national product (which) will have clear implications for wages and profits, and . . . will establish a direct link between the achievement of targets in investment, output and job creation, and wages and prices" (Neil Kinnock, *Making Our Way*, Blackwell, 1986). Gaining a consensus is another way of saying horse trading: though Hattersley has clearly put down a marker that this will be dominated by government — a marker which Kinnock supports when he writes that if the consensus is not obtained, "government must plan the supply and resources . . . without the advantages which consensus confers and, equally, without the obligations that consensus imposes". It is an elegant threat, but threat it is: it means that the unions and the business representatives go into the first National Economic Summit knowing that the new Prime Minister and Chancellor are quite as willing to be as *dirigiste* as any French government.

Egalitarian

So it is likely that the outcome of the

first NEA — probably within the first three months of government — is some kind of pact which sees an agreement to limit wage increases. It will have to be seen to be egalitarian. But once a government goes down this road, it will have to deal with the charge that millions will continue to be low paid while thousands will continue to draw salaries of £100,000 upwards, moving money about the world — and, unlike the previous government, it will be expected to do something about it.

That will mean, in particular, raising the low-pay threshold. The new Prime Minister had been careful to avoid a precise commitment on the level of the minimum wage: the document on the subject passed by the 1986 TUC Congress and the Party Conference spoke of the level depending on "the circumstances prevailing at the time of its introduction", though it also pointed to international comparisons which suggested it might be "close to" two-thirds of the average earnings levels. Just how "close to" that figure will depend, again, on horse trading in early meetings and on how seriously he and his Chancellor take the arguments that a relatively high minimum will mean a loss of jobs in those industries, especially the service industries, where pay is low.

But setting a low-pay floor will have another function: it can be used to discipline high wage claims and to curb the highest salaries. Roy Hattersley, again, set a marker when he wrote in *Choose Freedom* that "the truth is that assistance for the lowest paid can only be achieved as part of a concerted plan for redistribution. It is vain to preach the virtues of greater equality without accepting the disciplines that greater equality provides".

A successful outcome of the early series of meetings which would make up this first 'summit' for the government might therefore reasonably be judged to be this: a low-pay floor; a ceiling on wage rises close to or at the inflation rate; and a pledge from the government that it would rapidly move to create the 1.3

million jobs it has promised over the first two years of its life. That would see extra investment in housing and other construction projects, expansion of education and health care, and large expenditure on more special employment measures. It will take some bargaining, but a fresh government should find the trade unions willing to settle at an acceptable level. The larger problem will be the employers.

The Confederation of British Industry has been exhorting its members for years to keep wages down, with little effect. Neither it nor the previous government had much moral authority to use; the senior executives — the kind who get involved in CBI committees nationally or regionally — had awarded themselves and their colleagues generous salary increases; and the government had come in on a tide of Friedmanite fervour which dictated that wage setting was a step from tyranny, and that the market would take its own revenge on over-large settlements by bankrupting companies, or pricing workers out of jobs where they then formed a reserve army of labour which would drive down wage levels once more by offering themselves for work at lower rates. It had junked much of that by the end, but still drew the line at wage fixing.

So the CBI would like lower wages in principle. But it hates the practice of income policies and would fight them hard when Labour came to government. It would, at a minimum, hold out for all kinds of loopholes and exceptions; it would point to the need to be internationally competitive in executive salaries and to the awful consequences of the minimum wage. Its argument could easily be represented as one which held out for the right to pay low-paid workers less and high-paid executives more — so it is: but it also has force outside of the scoring of points. The CBI, unsuccessful defenders of Britain's manufacturing industry, would be easy to denounce, but hard to convince.

But the new government would have

another item high up its initial agenda which might be used to make a deal with business. How the economy is to be managed had been a matter of some debate within the party: Roy Hattersley favoured a loose system with the Treasury remaining sovereign in Whitehall, the new British Investment Bank playing a large role in providing funds for new companies and new production in old companies and an enhanced role for the National Economic Development Committee. Others — notably John Prescott, then Shadow Employment Secretary, wanted a much more complex organisation, with a new Department of Economic and Industrial Planning, a tripartite National Planning Council, a new body named British Enterprise with the task of "creating and stimulating enterprise at the national level". All of these bodies, especially the first two, would be endowed with considerable statutory powers over companies' operations.

Industrial democracy

Within the new order a role had been sketched out for greater participation in company decisions by workers. It is a far cry from the complexities of the mid-seventies: party documents on the issue had been modest, stressing that it is not appropriate to dictate what form of industrial democracy a given company should operate. Both Kinnock and Hattersley had indicated, before the election, that they saw much merit in new schemes to promote worker share ownership in companies: indeed, Unity Trust, the trade union bank, had devoted much of its efforts to doing just that. So the government approaches the subject with a relatively open mind and untied hands.

Industry, even that part of it that has suffered from the Thatcherite lash, would detest such a battery of controls and would be at best sceptical of new proposals for industrial democracy. They would resist both. But it is at least

possible that the range of institutions mooted by Labour before winning power, together with the threat of greatly-increased industrial democracy, would be bargained away in sessions with the industrialists, in exchange for some commitment to co-operation on the wages front, and on overall objectives. Industry would not have all the cards. Though Labour would depend very much on managerial co-operation — more than on union co-operation — the fact that it had formed a government after an election campaign in which the CBI and many individual industrialists and City figures vigorously supported the Conservatives, would give it a strong moral advantage. Much of UK business depends on government contracts: and if Labour really did expand, more of these would be available. Many in business were deeply worried over the levels of unemployment, and had tried, through various schemes, to alleviate it. The new Trade and Industry Secretary, John Smith, is one of Labour's front-bench stars — clever, deeply unideological, more committed than any of his Tory predecessors to wrestling successfully with the intractability of British industry.

The end of the first National Economic Summit — a prolonged affair, spread over several weeks — allows Neil Kinnock to announce a new consensus:

on wages, on job creation, on minimum wages, on investment and on workers' participation. Tripartism has been restored, on the basis that all three partners are wholly committed to success, and that government will be hard on the other two if either puts sectional interest before country. Disciplined, responsible co-operation is the order of the day: terribly disappointing for the utopians and the ideologues of both sides, denounced (mutedly) by the Campaign Group on Kinnock's backbenches, and much more vigorously by the Institute of Directors.

Would it work? Maybe. Only if the parties *were* committed to the long haul; only if the new government successfully resisted efforts to 'avenge' the years of Conservatism by giving the unions sweeping powers and duties they could not perform in industry; only if the sleek short termers in finance and industry acquired some of the crusading zeal of their Japanese, West German, Swedish and US counterparts in (to use Kinnock's title) "making our way". Most important, only if the workers on whom all wealth is built believed it worth their while to make extra efforts both for themselves and their society. Neither legislation nor institutions are the crucial determinants in that: example, leadership, the provision of freedom and inspiration can.

5. Low cost: high benefit

Bryan Gould

Tories complain that Labour's plans are expensive. There are many measures that should be taken in the first hundred days, however, that will cost little or nothing.

The next Labour government will be keen, as it takes office, to tackle those problems — most importantly, to do with economic regeneration — which will urgently demand attention after eight or nine years of Thatcherite government. The constraints on the incoming government will, however, be severe, and will most obviously concern competing claims for limited public spending resources.

There is, however, a wide range of activity — both legislative and otherwise — which will be open to an incoming Labour government and which will not run up against these constraints. These are measures which involve little or no public expenditure, and which could therefore be implemented as soon as the legislative or administrative timetable permits. It is for this reason that Labour front-bench speakers have been asked to identify what are described as “low-cost, no-cost” measures which could take a high priority in the programme of the incoming government.

Popular measures

The object is to identify not just those measures which involve little or no public expenditure; they must also be measures which require a low cost in terms of both parliamentary time and political hassle. Ideally, they should be measures which could be drafted in advance and which could be implemented early in the lifetime of the Labour government.

They should also, and crucially, be popular measures. This will be important for two distinct phases of the process of electing and maintaining the Labour government in office. First, in the campaign preceding the general election itself, they will provide an important and attractive element in the programme which Labour presents to the electorate; they will be subject neither to the usual Tory parrot cry “Where is the money coming from?” nor, because of their general acceptability, to political attack from the Alliance.

Secondly, in the event that a Labour government takes office with only a slight or even no majority, these measures will serve a dual purpose. They will provide a governmental programme which is extremely difficult for opposition parties to attack, and which will therefore increase the chances of the Labour government surviving until a moment of its own choosing. They will also provide a useful basis on which to mount a further election campaign.

While the emphasis should certainly be on measures which can be implemented quickly, we are not necessarily, of course, restricting ourselves to those which could literally take effect within one hundred days. What we are looking for, however, are steps which could be taken early in the first Parliament and which signify the commitment of the government to particular policy objectives. This means not only that Bills should be introduced, but also that the publication of White Papers and Green Papers, the making of ministerial statements, the issuing of administrative

guidance and circulars, and so on, will all have a part to play in establishing the programme of governmental activity.

What would be the substance of these measures? The most important group would be those which extended and protected the rights of citizens and their civil liberties. Pride of place would go to a Freedom of Information Act which would command wide all-party support and would also be seen to meet an increasing public concern. It would be a major measure which is long overdue and which would put the stamp of a reforming government on the new administration.

There are other measures, such as a Protection of Privacy Act, the introduction of an Education Ombudsman as a means of redressing parents' grievances, and the extension of consumer rights — through the strengthening of consumer protection services and improving the effectiveness of the Office of Fair Trading — which should also be popular and non-controversial. Some of Labour's more substantial measures in the field of extending rights, however, such as the new Rights at Work legislation, the reinstatement of victimised miners, and the Teachers' Pay and Conditions Bill will be politically controversial and would not on that account fall easily into this category.

New institutions

A second major category of "low-cost, no-cost" measures concerns the machinery of government and the establishment of new institutions and mechanisms for managing and co-ordinating policy. A good example of this type of measure is the commitment to set up a new Education Council as a forum for national debate on education; it would comprise representatives of all those interested in education and would be a major step towards building a partnership between the providers and consumers of education in this country.

Other examples are the establishment of a new Energy Efficiency Agency to co-ordinate conservation programmes for domestic and industrial energy users, the creation of a new Ministry of Environmental Protection and the setting up of a Welsh Economic Planning Council and a Welsh Development Agency. Much can also be done to improve the efficiency and the means of delivery of existing services. This is particularly true of services provided by the DHSS, in both the social security and health services fields, where measures to improve on the 'error rate' of assessment and the take-up of benefits could be relatively low-cost and yet important in terms of both substance and presentation.

The extension of democratic representation and accountability will also be an important element in the "low-cost" programme. A new Security Commission with parliamentary accountability and a remit to ensure an element of effective political control over the security services would hardly be free of political controversy, but would command support where it matters — from the minority parties and from the public.

There are important measures, too, in the environmental field, such as the funding of objectors at major public inquiries and providing free rights of appeal to objectors at planning inquiries, and in the health service and social services, where providing a small sum of pump-priming money for mutual self-care groups and the extension of democracy in the election of Area Health Authorities would be valuable reforms.

There are some measures which are not easily categorised but which could certainly figure prominently in Labour's legislative programme. One instance with a certain topical appeal would be the implementation of Labour's long-standing commitment to provide effective regulation of the City through the establishment of an independent statutory commission.

Legislation to this effect does not quite fit the requirement that measures should be easily implemented, since some considerable preparation would be required, but it could be a case where a declaration of ministerial intent, or the publication of a Green Paper, would indicate and confirm the direction of government policy.

We must also make clear where we stand on a number of issues which involve little or no cost, or even legislative time, but which carry a great deal of political significance. For example, we should state our commitment, as a government, to being an equal opportunity employer; we should restore trade union rights at GCHQ; and we should pay particular attention to the training of reception staff in those government departments which deal

directly with members of the public.

There are more candidates for inclusion than can be accommodated in any realistic programme, and the relationship of this programme to other elements in the new government's plan of action — and the development of common themes — must be carefully planned. Work on establishing priorities is nevertheless under way, and there can be no doubt of the importance of the general thrust of what is proposed. The proposition that much of value can be achieved by a reforming government without spending vast sums of money is not only likely to be electorally and politically attractive; it is also likely to be true, and that alone should commend it to the next Labour government.

6. Coming in: Labour and the civil service

David Lipsey

New ministers must organise their departments to give proper political control and to suit their own needs — but they must also work out exactly what they want in advance if they are to get it.

That hopeful Monday morning after Labour's victory, Roy Hattersley will walk along the red-linoed corridor that curves round to the Chancellor's office; Denis Healey will bound up to the Ambassadors' entrance to the Foreign Office and John Cunningham will ascend to the 16th floor of the Environment Department — said to offer the best view of London, since it is the only place from which one cannot see the DoE's indescribably ugly three-tower building. What reception should they expect from the civil servants who greet them? What changes to departmental personnel and machinery should they come prepared to impose?

The welcome — as even the inexperienced will know from *Yes, Minister* — will be friendly. It will hide, however, more complex feelings deep down. Civil servants will regret the loss of a team of ministers with whom relations have been established and who have been in part educated to the Whitehall world view. They will look forward with intellectual interest to finding out just what the change presages. They will relish the juicy new material for Whitehall's beloved gossip.

The balance of feeling will vary substantially from department to department. The Treasury, though it will quite cheerfully shed the language of hairshirt monetarism, will be frightened that the new government might be soft on public spending, and might unleash a wages explosion. The Foreign

Office, delighted to have so formidable an international politician at its head, will nevertheless fear that the government might take its own defence policy seriously. In the social policy ministries, such as Environment, many civil servants will feel a sense of excitement, knowing that they can again think outside the narrow ideological framework imposed by the Tories. And, overall, the Labour government, though not Whitehall's choice (most civil servants probably vote Alliance), will enjoy a considerable fund of goodwill for one specific reason: officials will be delighted to see the back of a government that is anti-state in general, and anti-civil servant in particular.

To sack or not to sack

The delicate task for incoming ministers will be to make the changes necessary to fit the machinery to their individual needs, without losing that goodwill. The first question will be: should they sack those senior officials who occupy their positions thanks to Mrs Thatcher's patronage? Thus, there is a school of thought among Mr Hattersley's advisors that wants the head, not only of Sir Terence Burns, the chief economic adviser (understandable, since he was an outsider to the Treasury) but that of Sir Peter Middleton, the Permanent Secretary as well.

There may be cases where relations between an incoming minister and a Thatcher-appointed Permanent Secretary would be impossible, but to embark on a wholesale massacre of Whitehall's top brass would be a blunder. First, it would be to misperceive the nature of the patronage. As the new report by Royal Institute of Public Administration (RIPA) on promotion in the senior civil service makes clear, Mrs Thatcher advanced her young turk Permanent Secretaries, not particularly because they favoured her policies (some, clearly, did not) but because they were activists, men and women who get things done. As Labour will also want to get things done, it should not jettison its potential allies.

Secondly, this new breed of officials is much more adapted to doing what ministers want than the old breed. Dame Evelyn Sharp (the Permanent Secretary who terrorised Dick Crossman) could not survive in the modern Whitehall.

Thirdly, if they were sacked *en masse*, it would signal the end of the non-partisan civil service. It is desirable that there should be much more interchange between the world of Whitehall and the world outside. Senior officials can grow tired and insular, and a leavening of outsiders could help to rejuvenate them. Yet the process must not be taken to extremes. We do not wish to move from a situation where too large a proportion of the national talent is employed in Whitehall to one where too little is. Wholesale dismissals would make it hard to find appropriately qualified replacements (since those appointed would themselves expect the axe when the government changed again). Experience with other systems does not suggest that they are superior.

Instead, the minister should adopt a more mixed strategy. Most will undoubtedly want to appoint one or more political advisers. The roles that can be played by political advisers are many and various: liaison with the party, policy advice, speech writing, press and TV liaison, briefing ministers on non-

departmental matters for Cabinet, confidant, courtier and, occasionally, clown. Each minister will have different needs and tastes.

From the standpoint of the government as a whole it would be best if every Cabinet minister had at least one adviser; without that, any informal network of advisers will remain incomplete.

Whitehall has now become thoroughly habituated to the political adviser. Most civil servants welcome them, since they relieve the service of tasks it feels to be vaguely improper — such as corresponding with party bodies. To attract advisers of the right quality, they should be properly rewarded and given adequate pay in lieu of notice if they lose their jobs.

Extending the private office

Should teams of advisers, perhaps with an admixture of civil servants, be formed into French-style *cabinets*? The *cabinet* system has won growing support recently, not only from party bodies, but, for example, from the all-party Treasury and Civil Service Committee. Oonagh McDonald, a Labour spokeswoman on Treasury affairs, has embraced it as the way to radical civil service reform without complete politicisation of the service.

There is still considerable confusion about what a *cabinet* is supposed to be. One version has it as the chief policy-making body of the department — a kind of policy unit on the Fulton model. Another — that of the Treasury committee — sees it more as an extension of the minister's private office, primarily concerned with day to day policy advice and presentation.

The problem with the Fulton-style *cabinet* is this. If it concentrates (as it is supposed to) on the long term, it will no longer be part of the day to day decision-taking process, and it will become detached from ministers, whose time horizon is, necessarily, often short.

Thus its policy work, however good, will tend to fall on stony ground. Where Fulton-style policy units have been created they have, on the whole, proved a failure for this reason. A *cabinet* which is more like an extended private office, buttressed by special and political advisers, is likely to be of more assistance.

Whether in every case a formal *cabinet* is set up is surely a matter for individual ministers. Some ministers in this government (for example, Michael Heseltine at Environment) ran what was in all but name a *cabinet* system without any formal change. A minister, after all, can ask his advisers to do anything he or she wants, whatever formal structures may say. So different formulae may suit different ministers. More than generalities are required; shadow ministers need to think through carefully exactly what they want (in the light of the considerations set out here) and, equally important, who they want. Otherwise, these crucial matters will be swept aside in the hurly-burly — and once the spirit of the first hundred days has evaporated ministers will be tempted to go on with whatever system has been established.

Whatever is decided about political advisers and *cabinets*, many ministers will want also to bring in sympathetic outside experts to senior positions within their department. This will run into Whitehall resistance; no civil servant wants good jobs given away. But, as the RIPA report again points out, such appointments have existed way

back into the 19th century. No minister should give too much attention to official objections. However, amendment may be needed to the Order in Council which determines how civil servant appointments are made — to allow, for example, such appointees to serve for more than five years.

In reorganising their departments, ministers should not forget, either, to organise their ministerial team. Some degree of tension between the ministers who make up any department is inevitable, for all ministers are ambitious politicians competing for the glory of the limelight. Equally, ministers do have a common interest in their department's reputation, to say nothing of the government's success. A wise Secretary of State arranges to have regular — even daily — meetings with his ministerial colleagues, preferably without officials being present. That way, ministers are assisted to become more than mere cyphers of the official machine. It would help this process if a Labour Prime Minister consulted his Cabinet colleagues closely about exactly whom they would like him to appoint to their individual departments.

If these principles are applied flexibly and sensibly, there is no reason for a Labour government to fear that it will be strangled by Whitehall. Its success will depend on the quality of its policies, and the political abilities of the ministers charged with pursuing them — which is exactly how it should be in a democracy.

7. Advice at the centre

Tessa Blackstone

Neil Kinnock will need a combined and strengthened Policy Unit and Political Office at Number 10, plus a reinvented Central Policy Review Staff (CPRS) to provide advice on strategy and on co-ordination of policy across departments.

To deliver Labour's programme it is important to ensure that the machinery of government at the centre is structured and staffed to provide the necessary support to the Prime Minister and the Cabinet. Any changes needed must be made at the outset so that the parameters of Labour's overall strategy can be established quickly with the key staff in post to work on implementing it. Delay could mean losing valuable time and would mean changing existing structures with which new ministers will just have become familiar and disrupting recently established relationships between a new government and the civil service. Creating the right machinery at the centre is therefore of a high priority in the first few weeks of office.

There are three interlocking areas that will require attention when the new Prime Minister arrives at Number 10. The first is the provision of advice for the Prime Minister himself and the organisation of his own office. The second is the system for providing the Cabinet with advice. The third is the central control of the civil service and the system for making top appointments.

Advising the Prime Minister

In a number of other countries the Prime Minister has his own department consisting of several hundred staff, most of whom are part of the permanent civil service. In the UK there is only a

small Prime Minister's office with a total staff at 10 Downing Street of around eighty. Many of the functions carried out by Prime Minister's departments elsewhere are performed in Britain by the Cabinet Office and the Treasury. These include the provision of a secretariat for Cabinet committees and the co-ordination of policy making, the organisation of the civil service and the making of top appointments in the bureaucracy, and the control and allocation of resources. The creation of a fully-fledged Prime Minister's department here, which is sometimes advocated, would involve the transfer of at least some of these functions. It is doubtful whether much could be gained from such a change. It smacks of moving chess pieces about on a chess board.

The crucial issue is not whether these functions should be placed more directly under the Prime Minister in his own department, it is how to ensure that the Prime Minister has the best possible advice to steer the government in the direction that it wishes to take, and to carry out the many negotiations at home and abroad that fall to Prime Ministers to make sure that it stays on course. In other words Prime Ministers require extensive briefing about questions of policy. As the interconnections between different areas of policy have become more complex the need for effective political co-ordination by heads of government has grown. This may involve drawing Prime Ministers into the details of policy to a greater extent than occurred in the past. Similarly

because of the greater interdependence between nations, especially in the European community, the agenda of meetings between heads of government have become increasingly complex. Good briefing for the Prime Minister for such occasions and to achieve effective policy co-ordination is essential. Some can come from other departments; it may, however, be desirable to strengthen the Prime Minister's office to provide advice which is free of departmental bias and starts from a Prime Ministerial perspective. To strengthen the Prime Minister's policy advice does not require a Prime Minister's department. It can be done within the present structure of Number 10, which has the advantages of being relatively unburgeaucratic and informal.

There are three ways in which this can happen. There could be an enlarged private office of seconded civil servants. There could be a larger policy unit consisting mainly of politically-committed outsiders. There could be a small number of very senior appointments of economic or foreign policy advisers, a method Mrs Thatcher has used. The second method of somewhat increasing the size of the policy unit has the most advantages. Unlike increasing the size of the private office, it allows the recruitment of potentially sympathetic outside experts who will find it easier to give a non-Whitehall view. Unlike appointing senior individual advisers, it allows a more co-ordinated approach to strategic advice.

Originally set up by Harold Wilson in 1974 the policy unit was retained by Callaghan and Thatcher. During the seventies it was sometimes hampered by the limitations of its size and some confusion between its role and that of other parts of the central machinery, notably the political office in Number 10. Under the next Labour government it should be expanded by four or five policy analysts, to a total of about ten. It must have within it people with expertise in the main areas of policy (economic, foreign and defence, industrial and social). Because, in spite of its

larger size, it would remain necessarily quite small, it will need to create networks of outside consultants who can be brought in to provide expert advice from time to time. It would also need to be outward looking in the sense of keeping in close touch with party and public, gauging opinion across a wide range of questions. The political office should be amalgamated with it.

Its main task would be to advise the Prime Minister about strategy. This would entail writing a regular strategy overview two or three times a year. These papers should go to the Cabinet for discussion with an introduction from the Prime Minister. The unit would also need to provide the Prime Minister with private briefing about important policy issues. The argument that other ministers should be the Prime Minister's policy advisers is only partly true. There will be plenty of cases of other ministers in conflict with each other about approaches to policy questions which cross departmental boundaries. There will be some cases where ministers "have got it wrong" because of poor advice or other factors. In both examples the Prime Minister's intervention is required. To be effective that intervention needs to be both well informed and creative in the sense of presenting alternative solutions. Whilst briefing from departments may be adequate before a summit meeting, in cases of conflict between ministers and their departments independent sources of advice are clearly helpful. Sometimes the Prime Minister may wish to take an initiative himself to promote certain policy goals, and will need advice. The unit would also brief the Prime Minister for meetings with the TUC, the National Executive Committee and the Parliamentary Labour Party.

Collective advice to the Cabinet

Cabinet government involves collective decision making, or ought to, unless

Prime Ministers make a mockery of the concept by trying to take all important decisions themselves or, in the style of Mrs Thatcher, by dominating and bullying the Cabinet so much that its decisions are in practice the Prime Minister's. Collective decision making can be helped by collective advice. Without any collective advice there is a danger that: sectional interests will dominate at the expense of collective interests; individual decisions will not be linked to the overall objectives of the government; any overall strategy will be ill-defined or will be forgotten in a context where short-term pressures and the immediate political crises tend to dominate.

Cabinet ministers are frequently over-worked. The job of running their own departments is difficult and demanding in terms of time and they also have parliamentary and constituency duties. The time left over to think about the collective decisions to be taken by the Cabinet and its committees is inevitably limited. Good briefing is therefore essential. This briefing cannot easily be provided by ministers' own departments. Departmental civil servants may have insufficient expertise; and their loyalty is likely to be to their own department which makes it difficult to advise from a non-departmental perspective. There is therefore a need for a non-departmental central capability, which can help to support the overall strategy of the government by undertaking analytical work which relates individual proposals for change to the strategy. This work would be complementary to, rather than duplicating the regular strategy reviews, which could be more overtly political, to be undertaken by the policy unit in Number 10 as suggested above. Policy problems frequently cut across the responsibilities of several departments and conflicts are sometimes inevitable. It is again useful to have a non-departmental perspective when this occurs. It is also valuable to have a group at the centre without executive responsibili-

ties, whose job it is to consider radical and new approaches to difficult policy problems, untrammelled by the prevailing ethos and commitments of the main department concerned.

Between 1971 and 1983 the Central Policy Review Staff (CPRS) fulfilled this role. It was a mistake on Mrs Thatcher's part to have abolished it. It should be reinvented. Neil Kinnock as the next Labour Prime Minister, should, however, make some changes in creating the Mark II version. Its location (in the Cabinet Office) and its composition (about half civil servants on secondment and half outsiders with a range of expertise) need not be changed. The head of the new body should not be a minister, but should be a political appointment personally selected by the Prime Minister and known to be sympathetic to Labour if not a member of the party. Unlike the head of CPRS, he or she should report direct to the Prime Minister rather than through the Secretary to the Cabinet, though there would of course need to be the closest possible liaison with the Cabinet Secretary. The members of the new body would need to have regular contact with the ministerial *cabinets* recommended by David Lipsey (see chapter 6). This should ensure that they are familiar with the particular concerns of individual ministers about the relationship of their policy responsibilities with government objectives as a whole.

The existence of a beefed-up policy unit in Number 10 does not rule out a CPRS type body in the Cabinet Office. Both are needed. They can co-exist happily, complementing rather than duplicating each other: one focussing on private advice to the Prime Minister with a responsibility for advice on political strategy and a greater emphasis on the short term; the other focussing on collective advice to ministers, and concentrating more on the medium and longer term, but also briefing the Prime Minister from time to time when this is needed.

Control of the civil service

One of the first tasks of a new Labour government will be to appoint a new Secretary of the Cabinet to replace Sir Robert Armstrong, who will have reached retirement age. Currently he is both Cabinet Secretary and head of the civil service. There has been much justified criticism of combining the posts in this way. It concentrates too much power in one person and because of the closeness of the Cabinet Secretary to the Prime Minister and the political process may compromise the integrity of the civil service. The posts should be split and a separate head of the civil service appointed. This need not entail restoring the Civil Service Department. The new head of the civil service would be responsible for the Management and Personnel Office which would remain part of the Cabinet Office. He or she would report direct to the Prime Minister, though a Minister of State would be responsible for the development of new policies in the civil service and for day to day matters.

The management of government departments is the responsibility of Permanent Secretaries and should be delegated to them without ministerial interference. However this can only happen if ministers are confident in those appointed as the permanent heads of departments and are able to

establish a good working relationship with them. The appointment of a Permanent Secretary should be subject to consultation with the relevant Secretary of State. The Prime Minister and senior ministers will need to inform themselves as soon as possible about the qualities of potential candidates for top civil service posts, so that when vacancies occur they have some knowledge about who to promote. Meanwhile, as David Lipsey rightly implies, although ministers may wish to make a few changes at or near the top, there need be no wide-scale purge.

The Prime Minister exercises considerable patronage in filling many other important posts outside the civil service. Many such posts have been politicised by Mrs Thatcher. This means an incoming Labour government will need to identify substantial numbers of appropriate people to replace Tory appointees, so that the implementation of its policies are not blocked. It would be advisable to start drawing up lists before the general election. It is important to ensure that women and the black and ethnic minority community are well represented on both central and departmental lists for public appointments. This will be an early demonstration of the new Labour government's commitment to do something about the under-representation of these groups in many areas of national life.

8. Arms and the world

Nick Butler

A new Labour government will need to review options, and move fast on weapons and overseas commitments.

Although the foreign exchange markets will have discounted the chances of a Labour victory well before the polls close, foreign governments and the international organisations and institutions of which Britain is a member will not.

Professionally sceptical of campaign rhetoric and commitments given on the hustings, they will watch with curiosity, anticipation and in some cases anxiety which of Labour's many commitments in foreign policy are given priority, and the manner in which those priorities will be implemented. Those commitments range from the reform of the European budgetary system and the Common Agricultural Policy to the removal of the nuclear components from American bases in Britain; from the imposition of sanctions on South Africa to direct support for the government of the Sandinistas in Nicaragua.

The fact that Labour enters office with an agenda of foreign policy commitments which mark a sharp change of direction should not be allowed to create the false impression that a Labour government will be isolated or without friends.

Over eight years in office Mrs Thatcher has generated as much enmity abroad as at home. The carefully-edited image of a strong-minded Britain respected in the world and affectionately embraced as the closest ally of the United States is a charade presented for the benefit of a domestic audience. In reality amusement is tinged with contempt as the world watches Mrs Thatcher's pretence that Britain is still a major world power and leader despite economic weakness, and her own

thoughtless alienation by one action after another of past and potential allies. In Europe, in the Commonwealth, and even in the United States the iron lady's tin pot nationalism has won few friends. Governments on the right will regret the change but will adjust to the new reality with surprising speed.

Misplaced judgements

The arrival of a government which sees Britain as it is — a post-imperial nation with influence rather than power will be welcomed by many. As a potential supporter, a Labour government in Britain will be the focus of hopes and aspirations for a wide variety of governments and individuals in the debt-burdened countries of the Third World, in Central America, and in Southern Africa. In many international organisations, from the EEC to the UN the return of a Labour government will be greeted with a sigh of relief from those deafened by the hectoring, patronising voice with which they lived for the last eight years.

Of course there will be anxieties as well as anticipation, with many worries deliberately created and fostered for domestic political reasons by the outgoing government. Some, though, will reflect the correct perception that Labour policies will affect the established order. From the US government's perception (advanced by Defence Secretary Weinberger and Ambassador Charles Price) that a British decision to exclude nuclear bases will seriously weaken the NATO alliance, to the Falkland island-

ders' fear that they will be handed over to rule from Buenos Aires, misplaced judgments of the consequences of Labour's policies do and will exist, before and after an election. The judgments will not be corrected easily, and full acceptance will come only with the experience of Labour in government. The reality will give the lie to the fears in a way which no verbal commitments or instant actions could achieve.

The importance of not exaggerating the scale or depth of opposition to an incoming government must be stressed. Throughout the election campaign the outgoing government will have painted a picture of Labour, if elected, as an isolated, friendless government pursuing unsupported policies in a hostile world. Labour cannot afford to start believing such propaganda, even if its implications pander to the Isolationist Tendency within our own ranks. It would be both dangerous, and mistaken to seek or to take office with the paranoid assumption that 'abroad' was against us.

Given the range and nature of the objectives Labour has set for itself, friends will be much needed. Our commitments involve multilateral agreements and a change in strategy within NATO as well as renewed international arms control negotiations. Independent actions on nuclear weapons and defence policy are explicitly designed to initiate a new dialogue and new progress of disarmament. Labour's objective of ending *apartheid* will be advanced by action we can take as a sovereign state but the effect would be greater if the measures were imposed by a wider group of countries, through the Commonwealth or the European Community.

The objective of helping the world's poor can be advanced by an increase in direct aid, and by the imposition of new and more favourable terms on bilateral debts and the debts held by British banks. The more effective measures, however, such as reform of the International Monetary Fund and the development of commodity agreements can be

achieved only with the active support and financial involvement of others. British support, for instance, could strengthen and transform the limited proposals on international debt made by the US Treasury Secretary James Baker. Resolving the Falklands dispute will similarly require international cooperation, even if Labour is able to act quickly to defuse the tension inherent in the current situation.

If these issues represent between them Labour's priorities in government, the task of being a power for good in the world must begin with a thorough and creative assessment of the potential for action, the sources of support and of opposition and the establishment of a strategy for progress. Such a comment states the obvious, but the record shows only too clearly that foreign policy in particular can become no more than crisis management, essentially reactive and drifting in response to external events.

To build the strongest basis for achievement over the longer term the early weeks of a new government should be concerned not with a rush of pronouncements, or a bout of hyperactivity but with an intensive review of the options available and of the links which connect one issue to another. The reviews will demonstrate the strengths of our bargaining position in organisations such as the EEC and NATO, and should define the way forward in each case with a cool assessment of costs and risks free of rhetoric.

Reforming Europe

In most areas of policy, early action will signal the change of attitudes and intentions which the world can expect from the new government. Early action, though, should be seen for what it is, no more than a prelude and a reopening of options closed off for emotional or political reasons by the outgoing administration. Even under a Labour government the will to change the world in a hundred days is not matched by the

power or influence to do so.

Where might we hope to be after three months in office? In Europe, the UK will have sought derogation from those clauses of the Treaty of Rome which as interpreted by the Commission would prevent us from pursuing domestic economic policies designed to rebuild British industry and to raise employment. British measures to help those industries, such as steel, which are in difficulty throughout Europe will provoke challenges, both bureaucratic and possibly legal, but the mechanisms are slow to work and will have no immediate impact. The *fait accompli* of existing policies is the most effective negotiating strategy. In the short term the initial response to a new government will be muted as British ministers and officials are absorbed into the spider's web of European Council meetings. An open confrontation in the early weeks of a new government is most unlikely, though the obstacles to an interventionist government within a Community increasingly favourable to an open internal market for goods, services and capital should not be underestimated.

Reform of the Community budget structure and spending pattern is a task stretching well beyond the first hundred days, though Labour ministers may find themselves having to deal with a legacy of overspending and renewed requests for increased national contributions to finance the EEC. Further pressure to join the European Monetary System is inevitable and will be presented as the *quid pro quo* for concessions through derogation on economic and industrial policy. The pressure is resistible in the short term on the straightforward grounds of sterling's inevitable instability in the post-election period.

Initial sanctions measures will have been taken against South Africa against a background of self-serving clamour about job losses and crocodile tears from the South African lobby. Within the EEC, the Commonwealth and the United Nations, Britain will be arguing the case for enforcing

previously-agreed measures, and for a strategy of wider action.

In the South Atlantic, independent action to reduce tension and reopen discussions with Argentina should have been met by a ready and positive response from Buenos Aires if the government of President Alfonsín remains in power. The real negotiations on the future of the islands, and the security of the islanders will still lie ahead.

Amidst more rhetoric, Trident will have been cancelled and a full Defence Review will have begun to bring our far-flung commitments into line with the resources available. The contractual commitments on Trident — some £2.75 billion according to a parliamentary statement in January 1987 — will limit the savings which cancellation could achieve. Preparations for negotiations with the US government and with NATO on Britain's future contribution to the Alliance in Central Europe, in the defence of the Eastern Atlantic, in support of forces in Northern Europe, and to the overall strategic planning, of the Alliance, including nuclear planning, should proceed simultaneously with that review. Some early decisions covering the interim period and the deposition of Britain's forces, particularly the nuclear forces committed to NATO, will be necessary even before the negotiations begin.

Relations with the United States will have gone through a period of tension centred on the changes in defence policy, but the complexity of the relationship which covers not only defence but also intelligence, trade, economic and wider policy links will help to avert an open crisis. Though disagreements will exist, it will not be in the interests of either the US administration or a Labour government to emphasise these differences or to allow relations to deteriorate. The development of a new relationship will take years rather than weeks.

Heartfelt cheer

Overseas aid will have been increased in the first budget of the new government. Britain will once more be a member of UNESCO and an active, positive member of the boards of the IMF and the World Bank, initiating and proposing a longer-term plan of international monetary reform and assistance to the Third World.

In addition to all this there will be dozens of countries and groups seeking confirmation of Britain's attitudes and intentions on a wide variety of issues. As well as familiar topics such as the Arab-Israeli conflict, and the future of Gibraltar, issues as diverse as the extension of the Antarctic Treaty to permit mineral exploration and development around the South Pole and the need to re-establish relations with Iran, could absorb time and attention.

In all these areas a new Labour government will be dependent on the expertise of the Foreign and Commonwealth Office. Although some changes are probably necessary at the top of the Ministry of Defence, Labour need have little fear of hostility from the Foreign Office or the Diplomatic Service. There will after all be many a discreet but heartfelt cheer at Mrs Thatcher's departure among the members of a service treated with unique contempt since 1979.

One of the first priorities for the incoming government should be a statement for use by diplomats and politicians at home and abroad of Labour's outlook on foreign policy and its priorities for action. The blend of continuity and radical change which Labour seeks should be expressed in a way which allows the diplomatic service in particular to present a considered and confident view of British policy to the outside world.

In almost all matters a minority government would carry significantly less influence than an administration with a clear majority. As well as the obvious, if sometimes exaggerated, differences with the leaders of the Alliance parties over defence policy, and to a

limited extent over Britain's future role within Europe, the temporary and insecure nature of a minority government in the UK would hinder almost every policy objective. With a second election always imminent and in the absence of a viable coalition on the West German model, there would be every incentive for those opposed to Labour's aims to prevaricate or obstruct.

Trident could still be cancelled and direct aid to the Third World increased but neither the US nor the Soviet Union is likely to respond seriously to the attempts made to shift policy fundamentally if they come from a government with a decidedly temporary grip on life. Any measure which acts against vested interests or the established order will be condemned as the action of a government with a minority of votes as well as seats, and therefore without a popular mandate. The probable outcome is that until a second election is held, key areas of policy will rest in suspended animation with Labour if it forms a minority government in the unhappy position of presiding over policies it cannot change.

Whether a majority or a minority government, Labour will by the end of its first hundred days have ceased to be the centre of international attention. New crises, and the uncertainties of presidential elections in the USA and France, will have taken precedence. Having set a new course and established itself in control, Labour must then turn to the longer-term agenda, using Britain's considerable remaining strengths to advance causes and alter policies.

The absence of vision in Tory foreign policy has been striking. In so many areas, from the Falklands to relations with the EEC, the tone of backward-looking petty nationalism coupled with the fawning endorsement of every sortie from Washington has denigrated Britain's potential leadership in international affairs. Restoring that vision and creativity is the work of far more than one hundred days, but we should begin as we mean to continue.

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Contributors are Tessa Blackstone, Nick Butler, Bryan Gould, Peter Kellner, David Lipsey, John Lloyd, Paul Ormerod and Ben Pimlott.

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