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# Unpacking the Progressive Consensus

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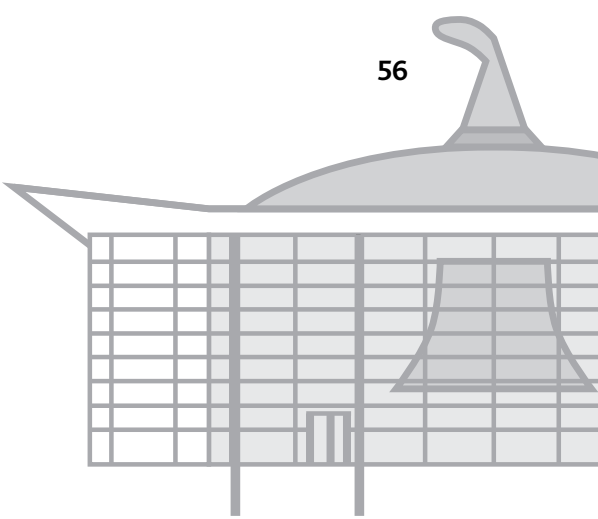
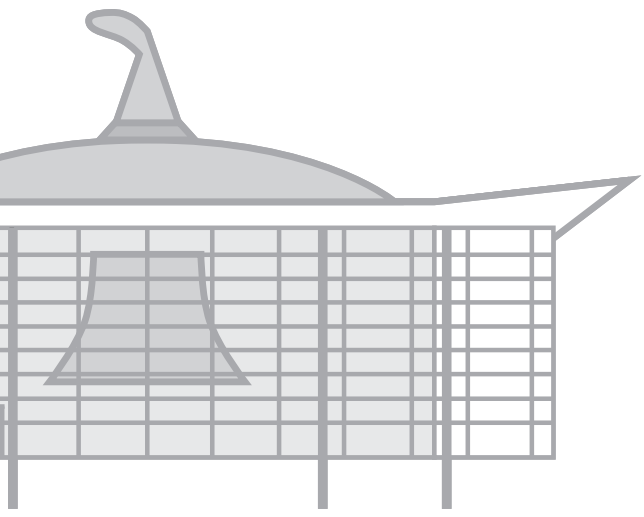




# PREFACE

The notion of a 'progressive consensus' governing the political, economic and social life of Wales was claimed by the First Minister Rhodri Morgan and the Deputy First Minister Ieuan Wyn Jones in their One Wales coalition agreement in July 2007. As they declared: "We recognise on May 3rd, the people of Wales sought a government of progressive consensus."

However, there is a danger that the consensus being promoted may be stifling and close down debate on alternative outlooks and different policy options. Rhodri Morgan and Ieuan Wyn Jones acknowledged this in their Foreword to the agreement when they stated: "As a coalition of the two largest parties in the Assembly, we are acutely aware of our shared responsibility to ensure the democratic vitality of this third term and to ensure that dissenting voices and alternative points of view are represented and heard."

The philosophy underlying the 'progressive consensus' has been articulated by Mark Drakeford, Rhodri Morgan's Cabinet health and social policy adviser. In an article in the Winter 2006-07 edition of the IWA's journal *Agenda,* reprinted as an Appendix to this publication, he described six principles which embraced an idea of 'progressive universalism'. These, he said, underpinned the Assembly Government's approach to policy:

- Government is the best vehicle for achieving social improvement.
- Universal rather than means tested services.
- Co-operation is better than competition in the design, delivery and improvement of public services.
- Policy should be guided more by the collective voice of civil society institutions than individual choice.
- Delivery and receipt of public services should be regarded as a collaborative rather than quasi-commercial transaction.
- Equality of outcome rather than equality of opportunity in public service provision.

Each of these principles can be contested in terms of the effectiveness and efficiency of their application. Nevertheless, they seem likely to be reinforced rather than weakened by the third-term One Wales government. Indeed, First Minister Rhodri Morgan re-iterated the philosophy in a wide-ranging address on his Government's approach to universal entitlement in April 2008:

> *"Amongst some of the weaker-minded members of the commentariat we are sometimes accused of government-by-gimmick or even of give-away-government. The real give away is in the attack itself. It gives away the failure to recognise that the clearest linking purpose between a wide range of our most imaginative policies – free prescriptions, free breakfasts in primary schools, reduced bus travel for 16 – 18 year olds to name just three – is the way in which they all contribute directly to making work pay. As many in this audience will know, one of the major stumbling blocks for anyone who has had to settle for a life on welfare benefits is the anxiety that, on taking up work, new expenses will erode the differential between what can be earned in employment and what can be obtained through the social security system."*[1]

This project was organised by the IWA in association with the Welsh Governance Centre at Cardiff University. However, its origins lie in an earlier project undertaken by the Institute during 2006 when we brought together eight groups of experts to examine different aspects of policy within the purview of the National Assembly. These ranged from economic development, transport and finance, to education, health and social care, housing, the environment, energy, planning, and culture. In each case our aim was to set out the policy agenda for the incoming third-term Assembly Government, following the May 2007 election. We asked our experts 'to think outside the box'. We were looking for innovation in policy-making. We knew that funding would be tighter than during the first two terms. How could we spend increasingly scarce resources more effectively? We also asked for some new thinking on the overall philosophical approach of policy delivery. What alternative approaches might there be to the dominant framework articulated by Mark Drakeford, and planted in the popular mind by the First Minister's notion of "clear red water" separating policy delivery in Wales from England?

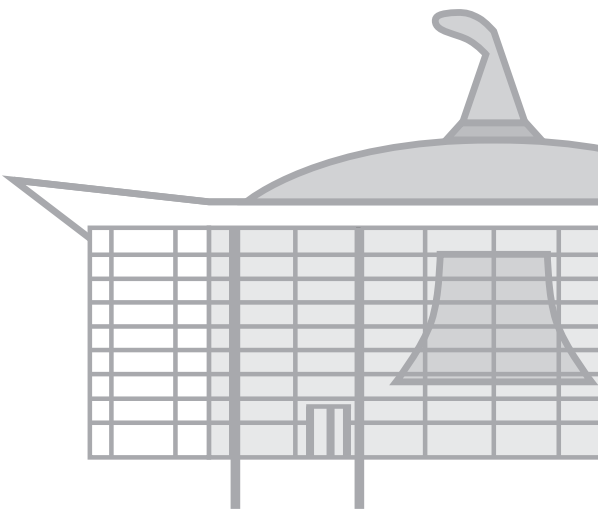
The outcome of this effort was *Time to Deliver: The Third Term and Beyond – Policy Options for Wales,* published by the Institute in November 2006. It was a creditable publication, containing a good analysis of the story so far and with a raft of policy suggestions in each of the areas we addressed. However, it was noticeable how consensual was its tone. We brought together people from all parts of the political spectrum in Wales, yet we failed to strike any real note of discord in the underlying approach of the working groups. There was one exception, and this was over the tensions that inevitably arise between the demands of economic development and environmental conservation. The projected Severn Barrage emerged as the emblem of this disagreement, with our economic development group being firmly in favour of its construction, while the group dealing with environment, energy and transport matters were equally firmly against.

1) Speech to a Welfare Reform Conference, Cardiff, 18 April 2008. See Welsh Assembly Government website http://new.wales.gov.uk/news/presreleasearchive/2153556/?lang=en for a press release and link to the full text.

In other respects, however, *Time to Deliver* sat very comfortably within the ambit of what has become understood as a specifically Welsh dimension of the 'progressive consensus'. This led us to think that there would be some merit in subjecting the notion to a deeper analysis, with the aid of some stimulation from outside Wales. This is the purpose of this volume. It explores exactly what the 'progressive consensus' means, or should mean, in terms of the philosophy it represents and its impact on some key policy areas such as the economy, health, housing, and education.

The papers published here were originally presented at small seminars hosted by the Welsh Governance Centre at Cardiff University in the early part of 2008. The Institute is grateful to the authors for their ready participation, and to Gerald Holtham, a former Director of the Institute for Public Policy Research and now an IWA Trustee, for providing the Introduction.

John Osmond
Director, IWA



# Introduction

Gerald Holtham

What does the term 'progressive consensus' mean today and does such a thing exist? In a bold and clear paper, reproduced as an Appendix to this volume, Mark Drakeford set out an answer in the Welsh context. The terms 'progressive' and 'left-wing' used to be regarded, in the UK at least, as part of the same territory, if not synonymous. Conservatives, of course, regarded the word progressive as question-begging and tendentious in a political context but they did not generally try to claim it for themselves. However, in recent decades the left has faced several crises of identity and with those have come disputes as to its right to the 'progressive' label. In this volume Peter Stead outlines some of those crises in the Welsh context and David Marquand discusses the more recent ones from a more global standpoint.

The progressive cause originally cohered around the drive to extend voting rights in the 19th Century, and Wales with its Chartist tradition played a prominent role. As the suffrage widened, the social liberalism of the early 20th Century acquired an economic dimension when a more active state pursued greater economic security for the working population. Lloyd George's 'people's budget' was a milestone. The rise of the industrial proletariat and trades unionism saw the rise of Labour and a change in the nature of progressivism, as Peter Stead outlines. Later the extensive state control and planning introduced under the exigencies of World War II saw socialism reach the zenith of its prestige and popularity in the immediate post-war era. That was also the time when the Soviet Union was at the peak of its prestige following its decisive role in winning the war and when its system enjoyed its greatest credibility as an alternative to capitalism. The National Health Service was a product of that era and reflected both its socialist ideals of equality and socialist beliefs about the efficiency of centralisation.

However, in the 1950s electoral opinion across Europe turned or began to turn away from a full-blooded socialism as people chafed at the degree of social control implied. This created an identity crisis for the left and was resolved as, sooner or later, European progressive parties adopted a programme that represented an accommodation with capitalism. The German social democratic party embraced the Bad Godesburg programme and the Labour "revisionists" approach was summarised in Crosland's *The Future of Socialism*. The programme's pillars were high taxation and government spending that served to redistribute income and stabilise the macro economy while leaving capitalist property rights unaffected and decisions about investment and resource

allocation in private sector hands. That historic compromise or settlement was opposed on the further left (for example by the Bevanites in the UK) but embraced by mainstream political parties on the centre-left and moderate right, who monopolised office in almost all European countries. The settlement was successful for some two decades in leading to unparalleled economic growth and an extension of life opportunities more broadly through society.

That post-war settlement frayed and broke down in most countries at the end of the 1970s. The underlying cause had been predicted by the Polish economist Michael Kalecki. Under conditions of continuous full employment, which the post-war settlement achieved, collective bargaining between trades unions and employers would result in continuous wage drift with a tendency to the erosion of profit margins and loss of economic dynamism. This was widely observed in Europe, especially the UK, if not in the United States. Some European countries evolved co-operative or corporatist institutions to manage the situation. However, the UK's anarchic labour relations left it particularly prone to creeping inflation. The oil shocks of the 1970s, when political events in the Middle East caused multifold rises in oil prices, brought matters to a head. Western countries sustained substantial income losses and labour and capital (the 'social partners' in the contemporary phrase) could not agree on the distribution of those losses. That disagreement caused an acute wage-price spiral that drove unemployment up and inflation into double digits. Kalecki had predicted that the system's response would be artificial recession. Unemployment would be driven up as a matter of policy to discipline the workers.

It was a moment of polarisation. Some on the left saw it as a crisis of capitalism requiring a more thorough collectivist response. But that was a minority view. The majority of the electorate accepted the logic of Kalecki's 'solution'. They voted in right wing governments to discipline trade unions with the help of large doses of unemployment. Of course, it was seldom put like that. Control of the money supply via high interest rates was presented as a technical solution, the answer to technical errors and the 'failure of Keynesianism' that had led to inflation. Few were fooled. The monetary authorities, whether it was Paul Volker in the United States or Geoffrey Howe in the UK, knew what they were doing. They were creating unemployment to break wage inflation. If that was the whole story, the pendulum might have swung back when inflation was (temporarily) suppressed. However, profound underlying changes were afoot that were to precipitate the next identity crisis for the left.

Technical change, through increasing automation, facilitated by the revolution in information technology in the 1980s, was reducing the role of the industrial proletariat. Liberalisation of capital flows and trade also reduced the bargaining power of workers in any one country since competing goods could be imported or jobs exported more easily

than before. The balance of power shifted decisively against industrial trades unions and in favour of companies, especially multinational ones. Technical change meant manufacturing employment shrank and most people found employment in smaller establishments in the service sector. Unionism declined in the private sector. The collapse of the Soviet Union accelerated the whole process by demonstrating that the thorough-going collectivist alternative to capitalism was unviable. That lesson was learned in countries like China and India, which liberalised their economic policies. In the process they released millions of literate and low-paid new workers into the world economy.

The post-war settlement, a product of capital controls and full employment, became irretrievable. However, retreat into autarchy had been an economic failure wherever it was tried. So what did progressivism mean in a globalised world where the 'reserve army of labour' had been recreated on a global scale, with the predictable consequence that profits rose and wages fell as a proportion of GDP in all developed countries?

As David Marquand points out, the response of the left in the UK was to accept Thatcherism, that is to say a liberalised system with open capital markets, free trade, privatised utilities and light regulation of labour markets. Blair's 'radical' project was radical mainly in the context of the Labour party since it was to reconcile Labour to the results of neo-liberal economics and drag it to the dead centre of British politics.

However, that was not all there was to it. Along with the commitment to maintain open capital and goods markets, coupled with restrictions on trade union activity, was a Crosland-like policy of maintaining relatively high levels of taxation and expenditure to ensure that key public services were widely available, thereby promoting equality of opportunity. The role of an 'enabling' state that helped its citizens to deal with the vagaries of life in a globalised economy was asserted in opposition to the Thatcherite programme of tax-cutting, leaving things to "individuals and their families". That was a departure from pure Thatcherism and spawned imitators among left-progressive parties in other countries impressed by the electoral success of Mr Blair.

To be sure this was a rather vestigial form of progressivism, especially since the mobility of capital meant that the great bulk of taxation had to fall on labour income. Still, most on the left were prepared to settle for it. Yet, even this progressive resting place is now under threat. Public services have improved, given greater expenditure, but have hardly kept pace with rising expectations. The New Labour government has become unpopular while the Conservatives have cemented their electoral challenge by appearing to accept the high tax and spend settlement. Yet the sincerity of their conversion may be open to doubt.

In any case, there is division within that progressive consensus. All accept the importance of public services but there are differences about how these should be provided and administered. That is the context for Mark Drakeford's "progressive universalism". He implies that the differences of view about public service provision among the so-called left in England hardly exist in Wales. And he outlines the Welsh progressive consensus in six propositions.

Now it is natural that the Drakeford paper should discuss the progressive consensus almost exclusively in terms of public service provision. That is all that the Welsh Assembly Government controls. It cannot alter overall levels of taxation and it has no role in the setting of macroeconomic policy, in defence and security, nor the administration of the criminal justice system. Nonetheless, his assertions are of much wider interest than in Wales alone for, under globalisation, public service provision (and finance) has become the main area where progressives seek to differentiate themselves from conservatives. As John Kay notes, "Over the last century the European state has moved from being primarily a coercive organisation to being primarily a service deliverer." No wonder then that the means of service delivery are central to political discussion.

The distinguished group of thinkers and social commentators solicited by the IWA to discuss the propositions were inclined to dispute some and qualify others. Of the six propositions, nearly all were directly contested by at least one of our respondents. With hindsight, however, it is evident that the debate could have been clarified if a crucial distinction had been made explicit. In fact, it was not and for that reason it is not always clear when the participants were truly disagreeing or simply talking about different things.

There are two separate questions central to the discussion of public services. The first concerns entitlement: which, if any, public services should remain free services as society gets wealthier, and which must be provided for private purchase, perhaps subsidised? That is a question about how the demand for a service should be determined and expressed. The second question is about provision: how should a particular service be organised and provided, irrespective of whether the purchase is collective or individual? That is a question about how the service should be supplied. The two are often confused but it is essential for clarity that they are kept separate.

Consider two extremes. In principle, the state could collectivise all purchasing of a given service and ration access to it on some non-pecuniary basis but could then have completely private sector provision by holding competitive tenders for the supply of all elements of the service. Alternatively the state could employ everyone in a nationalised service but let individuals decide how much of it they wanted and require them to pay at the point of delivery. The production units of the state service would then simply

respond to market prices. Those could both be described as public services but they are two very different systems. In discussing public services it is important to be clear about whether entitlement or provision is the point at issue. Both are important. The key feature of the health service and state education in the UK arguably is that demand is collectivised and the services are tax-financed and provided free. Whether or not they are provided by state, private or hybrid institutions is a different, and arguably a secondary matter.

The first of Mark Drakeford's six propositions was that government was the best vehicle for social improvement. This found little favour among the respondents. David Marquand thought the 'statism' associated with socialism had failed under the Wilson/Callaghan governments and had failed again when used under the Blair government to improve public services. He feared Mark Drakeford's Welsh progressive consensus remained top-down and that "active citizens and public reasoning" did not receive their due attention. He proposed a "democratic-republican" alternative to statism, where fellowship and dignity took precedence over economic equality. However, he did not elaborate on this alternative, to any great extent.

Will Hutton took a similar line to Marquand, asserting that the public and private realms were interdependent and equally important. He argued for plural delivery of public goods rather than a state monopoly. This echoed John Kay who also argued for pluralism, decentralisation and experimentation in the efficient provision of any good or services, including those normally thought of as public goods.

However, until we discuss the practical details of service provision in particular cases, it is not clear how much difference there is between Drakeford and the others. It is clear from his paper that he sees the need for greater "pluralism and participation". He also believes there is "enormous scope for revitalising public engagement in public services". He acknowledges that "weak lines of accountability flow between citizens and bodies which act in their name". If Drakeford's first principle is interpreted as asserting the primacy of government in taking responsibility for the provision of public services and setting up responsive structures to do it, perhaps there is little dispute after all. If he was asserting the need for a state monopoly of every aspect of provision managed through command and control structures, none of the respondents would agree. However, it is unlikely that the latter is what he meant.

The second proposition was that universal services were to be preferred to means-tested ones. Will Hutton pointed to the central difficulty that proposition encounters. Certain services that are currently publicly provided are 'superior goods' in the specific economic sense that people want disproportionately more of them as they get wealthier. They generally wish to spend increasing shares of their income on things like health and

education. Consequently, health and education expenditure could not be capped at their present share of GDP. If the goods and services are all provided free, financed by taxation, it follows the tax burden must rise continually as a share of GDP. Yet it is difficult politically to sell the proposition that an ever increasing share of peoples' income will be spent in ways that are determined by collective, rather than their own individual, decision. That goes against the grain of contemporary social developments. The current controversy over whether people should be able to buy cancer drugs unavailable on the NHS to supplement their treatment was a foretaste of the dilemmas that would increasingly face universalist provision of services.

Hutton drew the conclusion that what was needed was PFI-type deals to lever private capital into the provision of public services since taxation could not provide the resources required. While his diagnosis is surely correct, his prescription fuses together the two questions set out above that surely must be kept separate. As he notes "other revenue streams" are required to make PFI-type deals feasible. If a service is provided free it can ultimately be financed only by taxation. In those circumstances PFI is just an alternative to state borrowing and, as experience increasingly demonstrates, an expensive and inefficient alternative at that. This is because it ties the state to long-lived contracts that ossify structures of provision and make it harder to adapt to changing circumstances. In fact, its sole virtue is to make the borrowing 'off balance-sheet' and so less visible to the inattentive.

PFI is a potential answer to the second question – how should service provision be organised – and it is a good answer only when the service is being at least partly paid for at the point of consumption. It is not an answer to the first question, how should service entitlement be organised. Yet it is the latter, potentially wrenching question that is at the heart of the dilemma Hutton poses. It is the question that Mark Drakeford and the respondents do not address directly. They take for granted that some services are in some sense 'public' and then discuss their provision.

In practice, and without much overt political debate or decision, several aspects of health and social care have slipped out of the universal free provision that is the supposed hallmark of the NHS. Dentistry, optician services and care in old age are all now effectively means-tested services. They cannot be brought back into the core NHS by any dodge using PFI. As long as people expect to pay for them, private investment in their provision is to be expected, though it may need to be regulated. And in higher education, the question is not 'should the state allow private universities to set up and compete for state contracts while students are educated for nothing'. Instead, it is 'how much should universities be allowed to charge students so they can finance increased provision themselves'. Entitlement and the question as to what education should be free, not the means of provision, is the burning issue.

The inescapable conclusion is that only 'core' services can be provided universally and, as Hutton observes, a growing mass of related services will be available to those who want to pay for them, with or without subsidy. The proposition that you are not allowed to pay for a second degree course because some people cannot afford to do so, for example, is untenable. This is surely where Marquand's "democratic republicanism" and Mark Drakeford's public engagement come in. The decision about which public services are true 'merit goods' that should be provided universally and free at the point of use is ultimately a matter of political decision. As Mark Drakeford implies, it is bound up with our feelings about equality.

Free and equal access to the security of the law is generally regarded as a right of citizenship. The idea that one could, or should need to, buy protection or justice is regarded by most people as scandalous in principle. The fact that access to much legal redress generally depends on having money shows the principle is in fact honoured in the breach.

Similarly, the right to an education to some level and basic or critical health care have also come to be regarded as rights of citizenship. But it is not just a matter of seeing that everyone has some basic provision. More than that, many people deplore the ability of the wealthy to 'queue-jump', when it comes to matters of life and death. There is a widespread feeling, certainly in Wales, that access to the most critical care should be on the basis of need only. In other words, there are some things that are seen as so central to life chances that people should have a greater degree of equality of access to them than they can have to worldly goods in general. Perhaps that is what it means nowadays to be "progressive", or to be on the left. You accept that some will eat better, dress better and take better holidays as a function of income. Yet you want inequalities in access to basic education and critical health care to be restrained so that everyone has a fair or reasonably equal chance in life. The application of those feelings and principles to the hard task of limiting the extent of free universal services is an unending challenge that faces the progressive consensus.

Whether a service is in that core or is provided on partly commercial terms outside it, and questions of the organisation of provision will remain. Kay addressed Mark Drakeford's third proposition that co-operation rather than competition was the appropriate principle in the design, delivery and improvement of public services. He considered that the opposition was a false one and that both collaboration and competition were desirable. Moreover, they were not incompatible and the idea should be to employ both, via decentralisation and the development of hybrid institutions and solutions. He mentioned the not-for-profit private company Glas Cymru, set up in Wales to manage the national water utility.

Will Hutton took specific issue with Drakeford's fourth proposition, that public service provision should be driven by "the collective voice of civil institutions rather than by individual choice". He argues that individual citizens should be regarded as the source of legitimacy and their interests should be paramount. Again, it seems the two questions noted above are being blurred. If a service is being provided free, the nature and extent of it must to some extent be the result of a collective political decision. The Hutton vision of service delivery institutions in constant contact with the public and interacting with it to improve and target service delivery is appropriate where the public is buying the service. Where they are not, other citizens are involved, if only as tax-payers. Perhaps there is an ambiguity in the term 'civil institutions'. Yet surely these are necessary to mediate individual preferences and arrive at those decisions that have to be taken collectively. Ideally, they should be as actively involved with the public as Hutton wishes.

There may well be a difference between Drakeford and Hutton as to which services should be subject to free universal entitlement but that was not explored further. The greater difference may relate to the collectivisation of supply rather than demand and there could be a suspicion on Hutton's part that the civil institutions could be a front for corporate decisions that put the interests of state bureaucrats or provider interests above those of the citizen consumer. Such an outcome is not inevitable and it is certainly evident that Mark Drakeford wishes to avoid it.

Yet it is a lacuna in the Drakeford propositions that, while asserting the superiority of 'high-trust' collaborative structures over quasi-commercial ones in public service provision – his fifth proposition - he does not point to evidence to justify his assertion. Evidently, those on the left aspire to a society that is less relentlessly commercial than our current one. They want a society where people are motivated by a sense of community and a desire to contribute to it, as well as by the desire for individual gain. It is natural then to want to make room for those values and to foster them in the organisation of public services. But while entitlement is a matter of philosophy and values, provision is ultimately a practical matter. What should be paramount is what works best to achieve the pre-determined aim in society as it is. Policy, therefore, should be susceptible to evidence. There is evidence that monopoly provision, even when high-minded and infused by ideals of public service, can deteriorate into a cosy consensus of producer interests. Implicitly, Drakeford looks to public engagement in a political process to avoid that but, as John Kay implies, he is being rather hopeful.

Political engagement is unquestionably appropriate in deciding entitlement and the large issues of what should be free public services. Yet when it comes to the details of provision, Kay points out that 'exit' is a much more powerful sanction than 'voice'. Moreover, in practice it is very difficult to get citizens actively involved in consultative processes about service provision. Instead, these tend to be dominated by

unrepresentative, sometimes obsessive, people. The majority prefer to accept the service as it comes, complain when it falls short of their expectations and have the option of going elsewhere when they are disgusted. For that reason Kay urges "hybrid" institutions. Proposition five meets the same qualifications as proposition three: the distinction between collaboration and competition is overdrawn and an efficient system would combine different elements.

Drakeford's sixth proposition argued for equality of outcome rather than equality of opportunity. In our seminars, no-one debated directly the opposing claims of the two. Free universal service makes sense for those key 'merit goods' where equality of outcome is required. However, as noted above, the crucial question is which goods and services are to be included in that set. Those on the left would believe there is such a set and would draw it wider than centrists, while some on the right might dispute that the set exists, that any services should be free.

Everyone must acknowledge that the need to avoid unacceptable levels of taxation or excessive intrusion on personal freedom means the set of free services must be restricted. Preferably it should be carefully chosen on the basis of its contribution to equality of life chances, rather than simply being determined by inertia or political fashion. That is surely the area where public debate and engagement is most essential and where the progressive consensus faces its greatest challenge.

Do these rather general reflections have immediate and obvious policy implications in Wales? The Welsh Assembly Government has extended free provision in a number of small scale but high-profile initiatives such as free prescriptions, extending free transport entitlement to pensioners and teenagers, and providing free access to leisure facilities like swimming. Welsh university students also pay lower fees than their English counterparts when studying in Welsh Universities. In each case there was a rationale for the policy. If pensioners swim more, for example, their health improves; that is good in itself but could also lead to savings in the health budget. However, any extension of free provision has an opportunity cost in terms of other services that cannot be provided. To avoid the appearance of unfocused populism, it would be advantageous to spell out the principles of progressive universalism to denote the areas where equality of access was important and overrode other considerations. As the contributors to this volume make clear that cannot be true of all desirable services or all public services.

Once we move away from those core services where equality of access is paramount we get into areas where the role of the state is simply to ensure that there is adequate provision of something that, unaided, the market would not provide enough. Some user charge is generally accepted and uncontroversial in such cases. Two such areas stand out in Wales at present as requiring much more investment than they have received in recent years, namely

low-cost housing and mass-transit transport. Higher education is another area crying out for additional investment but here the issue of user charges is more controversial.

Housing and transport are areas where services will be charged for, generating revenues which can be used as the basis for levering in more capital. Currently that capital can be obtained in one of two ways: (i) the state franchises the provision to one or more private sector companies who invest equity and debt capital; or (ii) it encourages the setting up of a not-for-profit company like the various housing associations which can borrow against future revenue to finance the assets.

The option of the government borrowing and providing the capital for the supplier, be the latter in the public or private sector, is currently excluded by UK government policy. Arguably that is not always an appropriate restriction, but there seems little prospect that it will be lifted by this or any future Conservative government. What does one do while the restriction exists?

There is probably a philosophical preference in Wales for the not-for-profit alternative, although even that has not always been regarded as acceptable in housing for example. Perhaps the answer is for a clearer registration and regulatory structure for the social landlord so that the primacy of social objectives is more evident to the public. Then they might more readily accept transfer of ownership from local authorities that would - under present rules - allow the required investment in the housing stock. Certainly social housing in Wales requires investment and more investment than government can provide. By asserting an overarching responsibility for setting criteria and regulating provision, government could perhaps help non-governmental bodies achieve legitimacy to mobilise the funds needed and put them to work.

In other areas the best structure depends on the degree of risk involved in the investment. If provision of the service is risky the not-for-profit route may not work well. The not-for-profit entity generally cannot raise equity capital and must finance its activities by issuing debt. Generally debt is cheaper finance than equity but if the activity is seen to be risky then higher interest must be paid on bonds, reducing their cost advantage over equity. Moreover without the option of shareholders to tap for more risk finance in the event of contingencies, the not-for-profit entity would have to hold larger capital reserves, possibly to the point where the capital costs were higher than could be achieved by a franchising arrangement with a normal private company.

On the other hand, where risks are minimal it makes no sense to pay equity rates of return for the necessary capital. In these circumstances a not-for-profit, bond-financed structure can make sense. That applies to water provision, which is why the Glas Cymru structure is appropriate. In either case, the public sector is generally unable to shift all

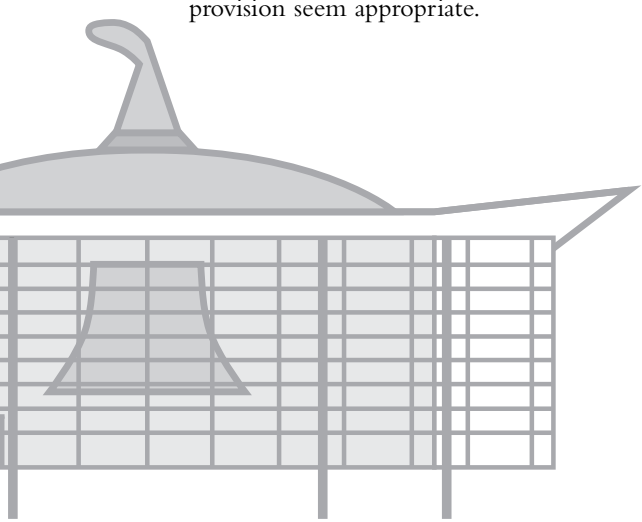
risk on to a private supplier. In cases where the private supplier fails, the state has to step in an ensure continuity of the service anyway.

There are two competing prejudices in this area. One is that profits should not be made from providing the necessities of life. The other is that private companies driven by the profit motive are necessarily more efficient than other entities. Both prejudices overstate the case. Bread is a necessity of life but that is not an argument for nationalising all bakers. If the health service finds it more cost effective to use the local laundry to wash sheets or the local catering company to provide meals, so what?

The argument that no-one should make a profit at any stage would logically entail not only that the health service cooked all the patients' food itself but also that it owned the farms that grew it. On the other hand, the profit motive is only a source of efficiency if the interests of the supplier and the consumer can be aligned. Competition and the power to shop around do a good job of ensuring alignment in competitive markets However, monopolies can easily result in a market failure, as has been shown with the railways. The profit motive can then lead to cost-cutting and provision of an inferior service.

Regulation by an outside agency can work but there will be a constant battle between the need to allow enough profit to ensure adequate investment and the need to protect the citizen customers. In those circumstances, a not-for-profit organisation motivated by ideals other than profit may be preferable, though mechanisms will still be needed to encourage efficiency. Those may not be easy to design and may involve bonus payments that could still offend those antipathetic to a commercial society.

In the area of public transport, the government has an obvious strategic planning role and will need to provide subsidy. Given heavy capital requirements it will need to work with outside organisations, whether private companies or special-purpose organisations. The choice should depend on a clear-eyed assessment of the advantages to passengers rather than either of the prejudices criticised above. In those contexts, the plea of our contributors for pluralism, imagination and innovation to succeed monolithic state provision seem appropriate.



# Chapter 1

## The Progressive Consensus:
## Hope for the Future or Flight to the Past?

David Marquand

The language of 'progress' has never been more fashionable. Under Blair, there was talk of the twenty-first century becoming a 'progressive century' – an alarming prospect for those of us who believe in pluralist politics. Gordon Brown apparently wants a 'progressive consensus'. The Fabian Society has held a series of high-level lectures by assorted ministers on the theme of a 'progressive manifesto'. The left-Labour pressure group Compass, appeals for support to undefined 'progressives'. And, as participants in the recent IWA seminars know better than I do, the Labour-Plaid Cymru coalition now in power in Wales claims that it has already achieved the 'progressive consensus' for which Gordon Brown claims to yearn.

It is not difficult to see why. The old socialist certitudes that once inspired the Welsh Labour movement have lost credibility, along with the class alignments that gave them electoral purchase. There is no longer a working class in the old sense. There is a vast middle class, fringed by a tiny class of super-rich and a larger – but still minority – under-class, reminiscent of the 'roughs' that tormented the imaginations of *bien pensant* Victorians, and that Marxists scorned as the *lumpenproletariat*. An emotional, ideological and semantic vacuum has resulted. For a while Tony Blair tried to fill it, first by insisting with brazen chutzpah that Labour stood for 'social-ism' rather than socialism, and then by re-packaging the young Harold Macmillan's 'middle way' as a remarkably vacuous 'Third Way'. But 'social-ism' never caught on, and the 'Third Way' soon followed it into the oubliette reserved for slogans that outlive their time (or in some cases have never had a time to outlive). Talk of 'progress', 'progressives' and even 'progressivism' is the latest attempt to find a substitute for the socialism and social democracy of the heroic past.

Unfortunately, the new language of 'progress' and 'progressive' is as ambiguous as the old language of 'socialism' used to be. Around the turn of the nineteenth and twentieth centuries, it had a reasonably clear meaning. It signified the remarkable overlap between the gradualist democratic socialists of the Independent Labour Party and the Fabian Society on the one hand, and the 'new' or 'social' liberals who provided the ideological justification and rationale for the domestic policies of the Asquith Government on the

other. In the County of London (the biggest local authority in the country), Progressives with a capital 'P' contested elections under that name, and controlled the council for significant periods. Progressives with a small 'p' exchanged ideas in a surprisingly long-lived discussion group called the Rainbow Circle.

Ramsay MacDonald, the first secretary of the infant Labour Party and later the chairman of the parliamentary Labour Party, was a notable member of the Rainbow Circle. He became a key figure in the so-called 'Progressive Alliance' between Labour and the Liberals, which had been foreshadowed in his secret electoral pact with the Liberal chief whip before the 1906 election, and which came fully into being after the Asquith Government lost its overall Commons majority in 1910. MacDonald's close friend, J.A. Hobson, the pioneer of under-consumptionist economics, a precursor of Keynes and at that time a Liberal in politics was another typical 'progressive' (and another prolific paper-giver at Rainbow Circle meetings). With some differences of emphasis Sidney and Beatrice Webb, the archetypal Fabian socialists, belonged in the same camp, and so did the New Liberal apologist and theorist, L.T. Hobhouse.

However, the upheavals brought by the First World War and the emergence of the Labour Party as the main anti-Conservative Party in the state shattered the alliance of the pre-war years. The Liberal Party was hopelessly split; though it recovered a precarious unity a few years after the war it had lost its élan and sense of purpose. As I tried to show in a book I wrote some time ago, the 'progressives' who had belonged to it before 1914 and younger liberal-minded people who would have joined it if they had been politically active in its great days thus faced a painful dilemma.[2] Either they threw in their lot with a proletarianist, intolerant, often anti-intellectual and frequently illiberal Labour Party, which meant being untrue to themselves, or they remained faithful to their Liberal antecedents, which spelled political futility. This is not the place to examine the varied ways in which 'progressives' responded to the dilemma. The important point is that the dilemma was real; and that it stemmed from an inescapable tension between the values and culture of liberal-minded 'progressives' and those of the Labour Party.

None of this is true today. Except to the eye of love, it is no longer clear that the terms 'progress' and 'progressive' still mean anything. Not only are Compass, Gordon Brown, the Welsh Labour Party and Plaid Cymru 'progressive', at least in their own eyes; even David Cameron has laid claim to the 'progressive' mantle that used to be the exclusive property of the left. But, though the language of 'progress', 'progressive' and 'progressivism' is intellectually vapid, it carries a heavy emotional and ideological charge. Looming in the background is a set of questionable and even dangerous assumptions – about the nature and direction of political and social change, about the role of the state and its relationship with civil society and, on a very deep level, about the feasibility of economic and political prediction and the pre-requisites of human flourishing.



2) See David Marquand, *The Progressive Dilemma,* second edition, Phoenix Books, London, 1999.

## A Secular Religion

At first sight, the word 'progress' is nothing more than a semantic comfort blanket. It is manifestly a Good Thing, advocated by Good People. Who but the most curmudgeonly reactionaries can possibly object to it or cavil about the use that is made of it? But, on closer inspection, there is a lot more to it than that. Whatever its users' motives may be, it has a logic about it which carries them along, sometimes without their realising it. As John Gray has brilliantly argued, progressivism is nothing more or less than a secular version of Christianity.[3] It promises salvation in this world rather than in the next, but the promise itself belongs to the same essentially eschatological category as Christ's promise that those who believed in him would enter the Kingdom of Heaven. The word 'progress' implies, not just change, but desirable and unavoidable change. To talk of progress is to say that the future will be better than the present, which is itself better than the past.

When people call themselves 'progressives', they are not just saying that they have worthy aims which they would like to realise at some stage in the future. They are saying that their aims run with the grain of history; that they stand for the future, buried in the womb of the present. For the language of progress also implies determinacy. In progressives' eyes, history moves in a knowable direction towards a knowable goal – characteristically towards peace, justice and harmony. Their claim to power is based on the assumption that they have discovered where history is going; and that, by virtue of that discovery, they are entitled to guide the rest of us in the desired direction.

There was more. Not only did 'progressives' claim to know where history was going, they also believed that it was carrying mankind, willy-nilly, in the direction which they, in any case, wished to take. Marx was perhaps the greatest master of this trope in the history of social thought, but he was by no means alone in employing it. The interwar pioneers of the post-war mixed economy did so too. According to them, history inevitably progressed from the disorganised to the organised, from the dispersed to the concentrated, from the individual to the collective. In that spirit, the maverick Conservative, but undeniably progressive Harold Macmillan saw existing forms of economic organisation as a temporary phase which would sooner or later give way to a planned economy. For his part, the Labour and equally progressive economist, Evan Durbin, dismissed the liberal economics of Von Mises, Hayek and Robbins with what he evidently assumed was the unanswerable objection that 'social systems have rarely developed backwards'.[4]

Twenty years later, another progressive, Tony Crosland, argued, in his great book, *The Future of Socialism,* that the contradictions of capitalism once anatomised by Marx had been resolved – and not just for a while, but for ever. Thanks to Keynes, mass

3) John Gray, *Black Mass: apocalyptic religion and the death of Utopia,* Allen Lane, London, 2007.

4) Evan Durbin, *The Politics of Democratic Socialism: An Essay on Social Policy,* reprinted Pickering & Chatto, London, 1994, p. 361.

unemployment had been banished, and would never return. The business class had lost power to the state, again irrevocably. The high rates of growth which had brought unprecedented prosperity to North America and western Europe would continue indefinitely – or, at least, until the beneficiaries were so sated that increases in leisure would seem preferable to yet more goods. The fact that Britain's rate of growth was lower than those of most of her continental competitors was no cause for concern. Nor was her loss of market share. Indeed, anguishing over comparative growth rates would soon be hopelessly outdated. Before long, the time would come for democratic socialists to switch their attention away from economics and towards 'culture, beauty, leisure, and even frivolity'.[5]

For the first 50 or 60 years of the last century, these confident predictions seemed to have been borne out by experience. Self-evidently, this is no longer true. The complex technological, economic, social and cultural changes of the last quarter of the twentieth century have swept (and, more to the point, are still sweeping) humanity in the opposite direction. The tamed capitalism of the post-war period – the capitalism of John Maynard Keynes, Ernest Bevin, Stafford Cripps and Harold Macmillan – has given way to a new version of its untamed ancestor. As a result, the 'progressives' of yesteryear have had to cope with an existential problem, as well as an ideological one. How are they to make sense of the reborn capitalism of the late-twentieth and early-twenty-first centuries? And how are they to cope with it?

Two solutions appear to be in contention. The first is to pretend that nothing much has happened, that the social-democratic world-view of the past still holds good – and that it could perfectly well be put into practice but for ideological backsliding, or political cowardice, or both. Broadly speaking, that is the response of much of the left commentariat that prances indignantly through the pages of the *Guardian,* of the Campaign Group of Labour MPs, and of Old Labour stalwarts like Tony Benn and Roy Hattersley.

The second solution is to pretend that the new, post- (or sub-) Thatcherite policy paradigm espoused by all three major UK parties is, in reality, soundly 'progressive', despite appearances to the contrary. With trivial variations, that response is common to Gordon Brown, Tony Blair, George Osborne and David Cameron.

## Progressives and the State

For most progressives, the vehicle of history has been the enlightened, rational central state. There were distinguished exceptions, of course. John Stuart Mill, a slightly ambivalent progressive, feared that an over-mighty state would choke the springs of personal growth and public spirit. If the state did too much there would be no space for the public to acquire the habits of active citizenship, without which they would be



5) C.A.R. Crosland, *The Future of Socialism,* reprinted Pickering & Chatto, London, 1994, p. 524.

governed like 'sheep by their shepherd'. But his near contemporary, Edwin Chadwick, the utilitarian radical who pioneered public health legislation and was partly responsible for the notorious 1834 New Poor Law, was a thorough-going étatiste; and by the early twentieth century most progressives were closer to Chadwick than to Mill. J.A. Hobson thought the 'general will and wisdom' of society were 'embodied in the State.'[6] Ramsay MacDonald saw the state as society's 'organised political personality', which 'thinks and feels for the whole.' Before the First World War, progressives of all stripes welcomed the growth in the size and role of the state ushered in by the Asquith Government's social reforms. After the war, the embryo welfare state of pre-war days developed incrementally under all governments (including Conservative ones); and progressives in both the Labour and the Liberal parties advocated greater state intervention in the economy to promote employment and national development.

The experience of total war and post-war reconstruction gave progressive *étatisme* a mighty boost. The wartime British state was a far more impressive creature than the American, Soviet or Nazi states. It procured an extraordinary concentration of effort on military purposes. By 1943 public expenditure accounted for 54 per cent of GDP as against 24 per cent in 1938. (The comparable figure for 1917, the third year of the First World War was 37 per cent.). By June 1944 the armed forces and munitions industries absorbed 55 per cent of the labour force, compared to the American figure of 40 per cent. The means of production were still privately owned, but in the key sections of the economy the Government, not the owners, decided what should be produced and what to charge for it. Ministers and officials in Whitehall could and did allocate raw materials, ration most items of consumer expenditure, control prices, fix profit margins, subsidise food, conscript women and evacuate children. For the talented young, and even for the staid middle-aged, the moral seemed clear: given the right mixture of rationality, intelligence and public spirit in its managers, there was hardly anything the state could not do.

And once the war was over, it did a great deal: universal and compulsory social insurance; a comprehensive health service, free at the point of use; the nationalisation of the Bank of England, civil aviation, electricity and gas supply, coal mining, the railways, long-distance road haulage and, after a fierce Cabinet battle, iron and steel. More than two million workers were transferred from the private to the public sector. The poorest in the land became entitled to the best medical care available. Despite the succession of economic crises I mentioned earlier, Labour progressives were entitled to feel that their faith in the beneficence and competence of the central state had been triumphantly vindicated. (Liberal ones were not so sure.)

But the Attlee Government marked the high point of triumphant étatisme. The étatiste experiments of the Wilson Government of the 1960s, and still more of the Wilson-Callaghan Government of the 1970s, fared very differently. The first Wilson

6) J.A. Hobson, *The Crisis of Liberalism, New Issues of Democracy,* Harvester Press edition, Brighton, 1974, pp. 76-77; J.R. MacDonald, Socialism and Government, Independent Labour Party, London, 1909, pp. 3 and 17.

Government's much vaunted National Plan was soon shredded. Attempts to change the behaviour of wage bargainers through a complex mixture of moral persuasion, technocratic institution-building and legal penalties failed miserably, and the Government's modest attempt to tame the jungle of industrial relations suffered a humiliating collapse. The net effect was to enhance trade-union power and encourage strikes. By the same token, the wholesale introduction of comprehensive schools, the ark of the progressive covenant, backfired badly. Instead of mitigating class differences, they strengthened them. Middle-class parents who could afford school fees deserted the state sector; a range of previously free grammar schools turned themselves into private schools, dependent on fee income; and it became more difficult for bright working-class children to win places at elite universities. In both domains, the Law of Unintended Consequences foiled progressive hopes. In the following decade, the Wilson-Callaghan Government of 1974-9 was racked by a crisis of 'stagflation', which eluded the categories of Keynesian economics and which Keynesian methods were powerless to overcome. The Government had to seek a massive loan from the IMF and abandon the programme on which it had been returned to power. The notorious winter of discontent of 1978-9 was only the culmination of a long saga of failure.

The result was an ideological and policy vacuum, which the Thatcher Revolution of the 1980s proceeded to fill. In the end, Thatcher fell; and after the unhappy Major interregnum, Tony Blair's 'New' Labour Party finally came to power. But, in the economic and social domains, New Labour followed an essentially Thatcherite path, while softening the rough edges of the New Right project so as to entrench it more firmly in the political and moral economies. The outcome was full of unacknowledged ironies. Blair and his colleagues set their faces against any return to the mixed economy or indicative planning of the post-war period, and spurned the so-called 'Rhenish' capitalism of central Europe. They were Thatcher's children, not Attlee's, Wilson's or Callaghan's, or for that matter Willy Brandt's or Helmut Schmidt's. Whereas the progressives of the post-war period had sought to tame capitalism in the interests of national unity, democratic inclusion and social justice, Blairite progressives rode the waves of the newly untamed capitalism they had inherited from Thatcher and Major with no apparent qualms.

But (like Thatcher and Major before them), they discovered that the 'untaming' of capitalism depended as heavily on minute and continuous state intervention as its taming had done. Blairite statecraft was as étatiste as Attlee's, Wilson's and Callaghan's had been. The difference (and it was a big one) was that Blair's étatisme was designed to strengthen capitalism, not to master it. That was the inner meaning of the Blair Government's unceasing attacks on the integrity and ethic of public service professionals, and of its attempts to marketise the parts of the public sector that could not be offloaded into private sector. Ironically, however, the Blairites' market state was no more successful than the social-democratic state of old days. Under the banner of public-service 'reform',

over-hyped initiative followed over-hyped initiative with monotonous regularity – each new initiative testifying to the failure of the previous one. By the time he left office, it was clear that Blair's attempts to re-model society by fiat from the centre had fared as badly as his predecessors'.

## A Republican Alternative?

The implications go deep. Despite the obvious differences between it and its Conservative counterparts, the democratic collectivist tradition shares one crucial characteristic, both of the One Nation Tory tradition of Churchill and Macmillan on the one hand and of the Thatcherite New Right on the other. For democratic collectivists as much as for Churchillian One Nation Tories and for New Right Thatcherites, sovereignty resides in that mystic entity, the Crown-in-Parliament, not in the people. The people speak on election day, but not afterwards. Once the State is in good, democratic-collectivist hands, the assumption runs, it is entitled to expect popular support in its mighty task of social transformation. Governments govern and leaders lead; the citizen's task is to follow. As the mischievous Tory imperialist, L.S. Amery put it soon after the Second World War, Britain's is a democracy of consent, not of participation. Its central theme is 'government of the people, for the people, with but not by the people'.[7]

When Amery wrote, the essentially paternalist British version of democracy seemed triumphantly vindicated. The wartime coalition of One Nation Tories and Labour democratic collectivists had laid the foundations of the post-war welfare state, and steered Britain to victory in the most terrible war in her history. But, by the late-1960s, or at the latest by the early-1970s, Amery-style paternalism was no longer enough. Women, young people, gays, greens, trade unionists, nationalists, consumers, backbenchers, ratepayers and a myriad other groups were on the march, demanding to be heard. Thatcherism was a response to the cacophonous crisis of authority that resulted. But, as Thatcher's downfall showed, New Right étatisme was crisis-prone as well. Blair's fate drove that moral home.

An obvious question arises. Why has the left failed to offer a 'progressive' alternative to the busted flush of étatisme? After all, there are resources within its tradition on which such an alternative might be based. The statist 'democratic collectivist' strand in the tradition has been dominant for most of the last 100 years, but there is also a different, 'democratic republican' strand, which might have been susceptible to re-invention. It goes back to John Milton's thunderous attack on censorship during the Civil War, to John Stuart Mill's belief that self-government on the local level was prior to self-government on the national level and to R.H. Tawney's insistence that democratic institutions were an empty sham without a democratic culture to support them.

7) L.S. Amery, *Thoughts on the Constitution,* Oxford University Press, paperback edition, Oxford 1964, p. 21.

From Milton onwards, three overlapping themes have sounded through democratic republican rhetoric – republican self-respect versus monarchical servility; civic activity versus slothful apathy; and, most of all, government by vigorous discussion and public reasoning versus passive deference to monarch, capitalist or state. Democratic republicans have shared the egalitarianism of the democratic collectivist strand, but they have given a higher priority to fellowship and dignity than to economic equality. They have put their faith in the self-liberating potential of ordinary citizens, rejecting democratic collectivist determinism and dirigisme. R.H. Tawney's pointed scorn for the 'paralytic paradise' of the Fabians was characteristic. So were Milton's faith in the 'disputing, reasoning, reading, inventing [and] discoursing' of revolutionary London, and Mill's insistence that it was 'only by practising popular government on a limited scale, that the people will ever learn how to exercise it on a larger.'[8] The syndicalists of the early twentieth century, who championed industrial as against parliamentary democracy, on the grounds that it would be 'real democracy in real life', came from the same stable, as did G.D.H. Cole's disdain for the Attlee Government's statist nationalisation measures as 'a bad cross between bureaucracy and big business'.[9]

Against that background, the Labour Party-Plaid Cymru 'progressive consensus', enshrined in their *One Wales* agreement of June 2007, looks strangely familiar.[10] The programme it sets out is eminently worthy, and if it is carried out in practice it will make Wales a better place to live in. But it contains little to set pulses racing or to excite imaginations. There are democratic republican flourishes here and there, notably in the commitment to 'empower' citizens and to enable them to realise 'their full human potential'. Yet the main thrust is top-down rather than bottom-up, more redolent of Attlee or Harold Wilson than of John Milton, John Stuart Mill or G.D.H. Cole. The underlying assumption is that virtuous, rational, well-informed and well-intentioned politicians and officials can change society for the better, by pulling the appropriate levers of an essentially bureaucratic state machine; that in Mark Drakeford's give-away phrase, "Government is the best vehicle for achieving social improvement". There is no hint that lasting improvement can be achieved only by active citizens and public reasoning.

Most of the things the authors of the document want Government to do seem to me eminently desirable. They have turned their backs on the market state of the Thatcherites and Blairites; they seek collaboration rather than competition in the public services; and they see the users of such services as citizens rather than as consumers. All of this is devoutly to be wished. But I don't think it's unfair to say that the picture they

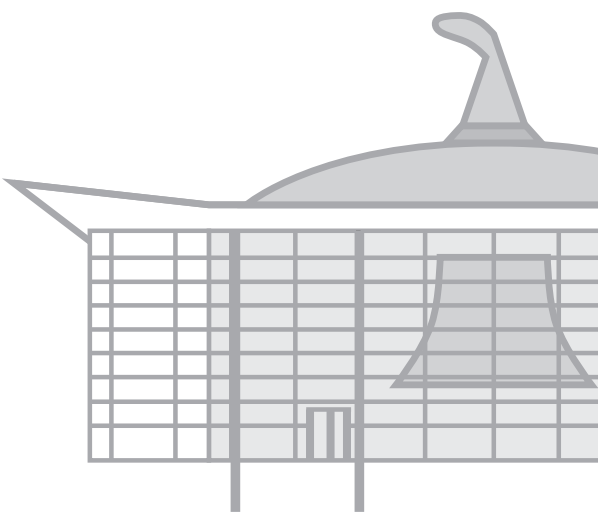
8) For Milton see John Milton, *'Areopagitica', Milton's Prose Writings,* Everyman's Library, London and New York, 1958; for Mill see John Stuart Mill, *Essays on Politics and Culture* (ed. Gertrude Himmelfarb), Peter Smith, Gloucester, Mass, 1973.

9) For the Miners Next Step see Logie Barrow and Ian Bullock, *Democratic Ideas and the British Labour Movement 1890-1914,* Cambridge University Press, Cambridge, 1996, p. 247; for Cole see A.W. Wright, G.D.H. Cole and Socialist Democracy, Clarendon Press, Oxford, 1979, p. 132.

10) http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/27_06_07_onewales.pdf

paint is of a Celtic version of the Scandinavia of circa 1960: of a nice, tidy, well-behaved nation, run by nice, tidy, well-behaved social democrats. Sidney and Beatrice Webb would love it. But though I think it would be a lot better than the Britain (or perhaps I should say the England) I actually live in, I can't help feeling that it doesn't do justice to the irreverent turbulence which, perhaps too romantically, I have always seen as part of the Welsh genius.

The sections of *One Wales* dealing with the European Union seem to me particularly disappointing. It says all the right things, notably in committing its authors to enhance the role of Wales in the Committee of the Regions and similar bodies. What is missing, however, is a sense of the dynamic of the European project, which has made the EU the most powerful trading bloc in the world and the Euro a safer and stronger store of value than the dollar, and created a Union extending from the Blasket Isles off the Atlantic coast of Ireland to the Byelorussian border. This matters because the forces which have led to devolution in Wales and Scotland have counterparts all over Europe. The 'Europe des Patries' envisaged by de Gaulle – a Europe made up of homogeneous and more or less monolithic nation states – is manifestly a thing of the past. In country after country, integration on the level of the nation state has been accompanied by (or perhaps set in motion), complex processes of fragmentation on subordinate levels of governance, as old, pre-modern ethnicities have rediscovered themselves. There is no way of telling how far or how fast this process will go, but I doubt very much if it will come to an end any time soon. What is sauce for the Kosovo goose will become sauce for a wide variety of ganders. The great question for twenty-first century Wales is where and how to fit into this still unfinished journey. Perhaps it would be asking too much to expect the authors of *One Wales* to answer it, but they could at least have shown themselves to be aware of it.



# Chapter 2

## Progressivism and Consensus

Peter Stead

My first awareness of politics is clear in my memory. In her Merthyr home my grandmother asked me to be quiet as she was listening to the radio: she explained that the speaker was the Prime Minister, Mr. Attlee. My first participation in politics came a year or so later when on the way to school my friends and I would join in the singing of either 'Vote, Vote, Vote for Dorothy Rees' or 'Vote, Vote, Vote for Raymond Gower'. It was the Barry Constituency and in that General Election of 1951 Mrs Rees, who had won the seat for Labour in 1950 was in the process of losing it to her Conservative opponent: there were no other candidates. I remember joining in that singing with great gusto and explaining that my candidate was 'the best in all the land'. I must confess, however, that, although Mrs Rees was subsequently to be both a personal friend and keen supporter of mine and Mr Gower my political opponent in a later general election, I have no memory of which candidate I had backed in 1951.

This early vocal enthusiasm of mine belied the fact that my upbringing was entirely non-political. When pressed by others my mother would say 'that if anything, we're Liberal'. As the 1951 Election had seen that party secure precisely six seats in Parliament, I took my mother's declaration to be an admission that politics was no concern of my family. In fact, as the Liberal tag seemed to be somehow connected with my Welsh speaking grandfather, I took 'Liberal' to mean that we were chapel people and therefore rather above party politics.

However further insight into family values came in 1957 when I asked my father if I could join the Young Conservatives. We were then living in Gowerton where notoriously the Conservative Club, the most impressive building in the village, hosted the best dances and possessed the best snooker table. My request was vehemently denied: my father explaining in all seriousness that "the children of police officers are not allowed to indicate political preferences". He was to have no objection, however, in 1959 when I stood as a candidate in Gowerton Grammar School's mock General Election. The Labour and Tory candidatures had been soon snapped up and so I threw myself into a vigorous campaign as the Plaid Cymru candidate and was thought to have

done well to collect sixty votes and come third ahead of the Liberal and Communist. When a year later I was awarded my prefect's badge and gold tassel, the Headmaster made it clear that my campaign speeches had been vital. Perhaps, I mused, there is something to be said for politics.

By this time I had come to realise that, after all, my family upbringing had been far from un-political. Of course, one could be politically committed without having to subscribe to party shibboleths. Both my parents were products of the south Wales Valleys and what I had gradually begun to understand is that from them I had absorbed a series of values, priorities and expectations that they had brought with them from their Valleys homes, homes at which I was to spend many lengthy vacations with my grandparents.

My parents had lived in the Valleys throughout the bad years of the Depression and they had both been scarred by the experience. My mother had lost a brother, sister and mother to early deaths and my father's father died in his forties after an accident in the pit. I learnt about the tragedies and the implications of unemployment. Yet, all the while, I was aware of their sheer pride in their respective home towns, towns that had never lost their vitality and in which, in spite of everything, they had lived rich lives in the company of many friends, all of whom were totally committed to various public activities.

To come from the Valleys was to be an activist, a participant, a supporter, an enthusiast with strong preferences, identifiable heroes and a tendency to enjoy the fun of pointing out pretension and absurdity. Both my parents were steeped in popular culture and, in that respect, they took the Valleys of South Wales to be the equal of anywhere in the world. From my Merthyr identity came a love of History (from what I was told the town must have been the birthplace of civilisation), the Chapel and football. From my Maesteg persona came a respect for the Welsh language, a love of music, the cinema (there were five to choose from) and rugby. Education was to open many doors for me and in time my discovery of first London and then the USA helped to define my adult identity. However, I already knew that my main preoccupation would be studying those forces that had shaped the energies and values of the Wales of which my family and I were so clearly products.

I can vividly recall the moment when my Geography teacher announced that we were now to study the Industrial Revolution in Wales. Everything I had ever known about Merthyr suddenly fell into place. I understood what it was that in time would bring the various branches of my family from Cardiganshire, Herefordshire and County Cork to the Valleys of south Wales.

The coming of industry is one of the great Welsh stories and yet it does not fit conveniently into our modern sense of identity. We are so comfortable with the notion of

victim-hood that we have expelled from our collective memory that great transformation of Wales brought about by industrialists and engineers. We have shown little interest in the lives of people who released the energies that produced modern Wales.

A generation ago I was thrilled by the lectures of Professor Emrys Bowen, a scholar who always tried to convey the excitement in those historical moments of transformation. There was a sudden hush in the room as he told the story of John Guest riding into the village of Merthyr with a bundle of sticks which would indicate the dimensions of his first furnace. It has been suggested that the success of Karl Marx as a propagandist could be explained by his fascination with his greatest literary creation, the Bourgeosie, the force that did more to change the world than anything since the Big Bang. That force had come to Wales but in our subsequent wisdom we have chosen not to celebrate it but rather to relegate any discussion of it to antiquarian and local history journals. The story of our railways alone was a wonder of the world but we have been happy to leave that to the nerds.

In Wales we have never been able to fully comprehend the true nature of industrialisation. We can never quite integrate our awareness of Dic Penderyn, child and female labour and cholera with the fact that the wages and housing offered by industry were far in advance of anything in the rural areas. We are, of course, predisposed to have no interest in business history, but more surprising is our lack of interest in the process whereby an urban culture followed hard on the heels of industry. Our emphasis on the simple drama of coal has led to our ignoring of the more complex industrial history of, for example, the Swansea area. Yet Louise Miskell's book *Intelligent Town* has reminded us of how exciting the story of 19th Century science and technology can be.

Miskell's book yet again bears testimony to G. M. Young 's famous adage that in history "things tend towards a culture". The early industrialists and their engineers miraculously released new forces, but even more miraculous was the way in which the men and women who worked with and for them created a well-ordered, vibrant and sophisticated society that offered ample opportunity for intellectual and cultural fulfillment.

The historian Gwyn A. Williams asked the question "When was Wales?" and argued that throughout the centuries the country had gone on reinventing itself. In my own mind Wales was never more itself than in the period from the 1880s to 1914. The Welsh economy was at that time as dynamic as anything in the world and, although Welsh industry depended overwhelmingly on hard manual work, it was a society that offered a complex pattern of social mobility, increasing educational opportunities and remarkable degrees of cultural and intellectual fulfillment. It was undoubtedly a golden age and one that should never have been played down as the central reference point in modern Welsh History. It was our great moment in the sun and we should in every respect continue to judge ourselves against its standards.

The Wales of that era was a product of industry, Nonconformity and working-class community. The agency that moulded the values of that society and gave it public expression was the Liberal Party. In the General Election of 1906 the Liberal Party effectively won every seat in Wales. The only exception was in the two-member Merthyr constituency where the Socialist prophet Keir Hardie split the Liberal vote and was elected as runner up to the greatest coalowner in Wales.

The success of Wales as an economy and as a culture was reflected in a clear consensus. Of course, there were strains in that consensus and, in particular, the majority of those miners who belonged to their trade union would have preferred to have been able to vote for independent Labour members like Keir Hardie rather than for Liberals. As the Liberals fought hard to head off Labour by persuading voters to support those coal owners, entrepreneurs, barristers, and members of the gentry as well as miners agents who constituted the Liberal cause, much use was made of the term 'Progressive'. Progressivism was a term that was not to survive much beyond 1908 but at the time of the 1906 election it was thought of as the best chance of keeping trade unionists in the Liberal camp and was eagerly taken up by Mabon and William Brace, both MPs and the leaders of the miners' union, the Fed.

After 1908 the miners eventually joined the Labour Party and the four Welsh 'Progressive' or Lib-Lab MPs were forced to sit on the Labour benches. Together with Hardie they were to constitute the only Labour MPs returned from Wales prior to 1914. There were many technical and financial difficulties facing those ILP activists who thought it absurd that working men voted for their employers and their agents, but in general terms they had not yet won the cultural argument. The consensus held until the War and its aftermath when the position of unions in the national culture was transformed. Wage negotiations now dominated everyday politics and working class leaders became essential. Even then it was personalities rather more than ideology that prevented any revival of the progressive consensus.

As far as history is concerned the Left was to win the battle of interpretation and we have all accepted the inevitability of Labour independence and the heroism of militant leaders fighting to defend the miners' wages and jobs after 1921. This orthodoxy was to dominate twentieth century Wales' view of itself. At the same time it is a view that does grave disservice to the complexity of cultural change. At the British level the intellectual argument was eventually to be won by the Progressives courtesy of Keynes and Beveridge, although it was to take another War to allow the emergence of a new consensus. Meanwhile, the Labour Movement always underestimated the extent to which it was itself initially the product of the first progressive consensus.

Leaders like Mabon and Brace, who were prepared for public life by their chapels, not only built up the Fed as a union but, as unionists and then MPs, defined the professional ethics and standards of Labour leadership that have since remained in play. It was their colleague, the Congregationalist, Tom Richards who was an MP between 1904 and 1920, but more importantly General Secretary of the Fed from 1898 to 1931, who established the standards of expertise required of trade union leaders even as he continued to display all the cultural virtues of that late Victorian era of which he was a product.

Similarly, the career of Arthur Henderson, the Wesleyan lay-preacher, who became Labour's first Cabinet minister and who virtually created the modern Party in 1918, reminds us that Labour was always as much a product of Progressivism and its culture as a denial of it. Swansea's first Labour mayor, Alderman David Williams who became an MP in 1922, always boasted of having been an Anglican chorister for thirty years and a choirmaster for ten. Will John, jailed for a year after the Tonypandy Riots in 1910 and who was MP for the Rhondda after 1920, was described as "an ardent Welsh Nationalist" who was "deeply read in the native literature of his country". At eisteddfodau he was either a competitor or a judge and he even found time to be President of the Welsh Baptist Union.

In 1915 the Baptist William Brace became the first Welsh miner to become a government minister. In 1924 Vernon Hartshorn became the first Welsh miner to enter the Cabinet. Hartshorn, who had grown up as a Primitive Methodist in Pontywaun, achieved Cabinet status because of his administrative and statistical expertise, qualities he had displayed during the complex mining disputes of the postwar period. He had first gone underground as a boy and his dramatic career reminds us of the extent to which the ladder of trade union leadership was not the least aspect of the social mobility that characterised the progressive era.

In Wales the 1930s were certainly 'the Devil's Decade' and the poverty experienced by the unemployed and their families quite naturally became the central reference point of Welsh national consciousness. The opposition of trade unions and Labour MPs to the vicious means test, and the way they fought for the unemployed, became the legitimising factor that allowed them to claim that they were the sole voice of the people.

However, rather than seeing the Left's heroism in the 1930s as a beginning, it should be seen as an attempt to cope with a period of aberration. In the face of the sudden economic disaster of the 1920s, the badly led miners had experienced total defeat and humiliation. Now in the 1930s the Welsh Labour Movement had to pick up the pieces by reverting to the basic professional precepts of trade unionism. This had to be done at

a time when the governing Tories were leading an impressive national economic recovery and when the Progressive forces were in disarray. Politically Wales could not have been more fully isolated and in the cold. The best that could be said is that working class communities in Wales were amazingly resilient and even in bad times many chapels, teams, choirs and drama groups survived.

If things "tend towards a culture", they also tend towards a consensus. The Welsh unemployed suffered, but they also embarrassed considerable sections of the professional classes. Throughout the 1930s the Progressive forces were recharging their batteries and with the outbreak of 'the People's War' and the return to Coalition government there could be a return to the Lloyd George formula of corporate government backed up by the extension of welfare reform and participatory democracy. Once again Wales could bask in the sun as full employment and high wages returned in what was to be three decades of economic growth.

This was Welsh Labour's great moment. It had been two former Welsh miners, Bevan and Griffiths, who had secured the central planks of the new welfare dispensation and the Labour Government of which they were members insisted on full employment and nationalisation of the mines. Welsh workers voted Labour but, as sociologists noted, so did their increasingly well-educated offspring. A hegemony was in the making and, sure enough, in the General Election of 1966 Labour won 32 out of the 36 seats in Wales collecting over 60 per cent of the votes cast: shades indeed of the Liberal or Progressive triumph of sixty years earlier.

The term 'Progressive' was not used in 1966 but it can certainly be argued that there were strong elements of the progressive inheritance in post-1945 Labour, not least in Wales. In the 1951 general election the solicitor Cledwyn Hughes won the Anglesey seat for Labour, defeating Lady Megan Lloyd George who had been the constituency's Liberal MP since 1929. By 1957 Lady Megan was back in the Commons as the Labour MP for Carmarthen. Both Cledwyn Hughes and Lady Megan were members of a Welsh Labour Party Parliamentary Group that was essentially a coalition of Progressives. The failure of the Parliament For Wales group in the 1950 gave the wider world an impression of a solidly Bevanite Welsh Labour Party but that was never the case. For all the intellectual brilliance of Bevan himself and Ness Edwards, Welsh Labour was characterised by a diversity in which MPs such as Cledwyn Hughes, Goronwy Roberts, Lady Megan, Eirene White, John Morris and Idwal Jones pointed markedly to the strength of what can only be called the Progressive tradition. The Welsh Labour Party of the 1960s was truly an all-Wales party and was heir to a variety of radical traditions. When Elystan Morgan won Cardiganshire for Labour in 1966 it seemed to promise that the future of Labour in Wales lay with the progressives and that Britain as a whole could soon find itself with another Welsh progressive as Prime Minister.

Welsh Liberals and Lib-Labs had done remarkably well to hang on to working class support in the period down to 1921. Ultimately it was the overwhelming need for working men to belong to unions in the economic circumstances of 1914-1921 which boosted Labour's vote. However, it could be argued that Progressivism might have survived as a mass movement if the Liberals had catered for the aspiring class of trade union leaders by adopting them as parliamentary candidates. In essence, the term 'the rise of Labour' refers to the mass of talented working class leaders seeking a public role in the first decades of the century. Certainly, the Liberals had taken their eyes off that particular ball, although they retained their fascination for aspiring young lawyers.

Similarly, in 1966 Labour took its eyes off what was happening in Welsh schools and colleges. Labour was back in power in London, but just as the first signs were emerging that the old British industries were no longer competitive, the mood of Wales was to be better read by Plaid Cymru candidates than by Labour's stalwarts. Gwynfor Evans's victory in the 1966 Carmarthenshire by-election, followed by further impressive Plaid performances in by-elections in Caerphilly and the Rhondda, punctured Labour's hegemonic confidence. It also ushered in a three decade period when the progressive forces were often bitterly divided. Plaid could feed off a new generation of Welsh students eager to express their identity more fully in an enhanced Welsh culture, whilst elements of the Labour leadership persisted in seeing Welsh youth as a cultural challenge to their right to govern Wales. With the 1979 Referendum defeat and the advent of Thatcher, the Welsh progressive cause was once again as fragmented, isolated and impotent as it had been in the previous 'Devil's Decade' in the 1930s.

I may not be alone in still thinking that there was something miraculous about the way the advent of Tony Blair allowed the people of Wales to opt for the setting up of a Welsh Assembly. Blair's concession and the subsequent 'Yes' vote were shaped by two forces. There were now Welsh Labour leaders who could clearly see the need for some kind of Welsh institutional defence against Thatcher-type rule in London. At the same time, there was an array of cultural energies filling out a distinct Welsh agenda. Nobody understood this more clearly than the Secretary of State for Wales, Ron Davies. Not only did he bring together a coalition of progressive forces that secured the 'Yes' vote in the 1997 Referendum, he also articulated the aspirations of a distinct Welsh political society that made sense to many in the professional classes, whether in local government or social work. In effect, he was saying to all those who thought of themselves as operating either politically or culturally in a distinct Wales: "Let's come together, pool our energies and make Wales work".

And so it was that at the start of a new century Wales found itself with a new political dispensation, one in which the sense of opportunity was offset by moments of

frustration. To a greater extent than ever before, the issue of consensus was of paramount importance. In the past those who thought that consensus was the best way of achieving progress were frustrated by activists seeking priority for their own agenda, whether economic or cultural. In the new Wales the question that needs to be asked is whether issues of class and culture have now been resolved. In the past the energies of young trade unionists and then young language activists seemed to predicate a new politics. We now find all the political parties accepting devolution and wanting to make it work. At the same time there has been an impressive response from professional bodies and agencies across Wales as they have accepted the new politics and worked with the Cardiff dimension.

All of this should have been greatly to Labour's benefit and perhaps should have led to renewed hegemony. That this has not happened is in part due to proportional representation, and in part to a new emphasis on local political issues. The great question is whether the centre can hold. For that to happen a vision such as that offered by the Ron Davies of 1997 is needed, with his direct appeal to all those people actively working to regenerate Wales. Plainly, Labour has suffered in this respect. To the extent that it clings to the notion of the Assembly as a defence mechanism it has been loath to fully commit itself to releasing new energies in what is a new ball game.

There is a huge degree of irony in the fact that Wales now has a government that brings together in a coalition its two major radical parties of modern times. Yet there is a sense of party activists in the wings wringing their hands. Surely the truth is that the electorate has rather tired of party bickering. Having accustomed themselves to the Coalition, one could sense the voters groaning as the May 2008 local government election reopened party warfare.

The time is absolutely ripe for a full spelling out of the progressive position. We have a new Wales, and in it we have to give everybody the opportunity to fulfill themselves. It may well be that the initial role of Ron Davies in securing devolution, followed by the iconic Rhodri Morgan in legitimising it, points to the fact that personality may count for more in Welsh politics than party. The lesson of our history is that from time to time energetic young people have to invent a new politics and in so doing eventually devise a new consensus. There are also times when consensus is fragmented with the result that the best political minds as well as the best interests of the people are isolated. Nye Bevan warned politicians not "to imprison reality in their description of it". Politicians need to read their times, identify the constructive energies, sweep aside mythologies, push at half-open doors, and invite as many people as possible to jump on board. The Wales of today offers an adventure and, surely, it should be open to all.

# Chapter 3

## Forging a New Relationship Between the Market and State in the Provision of Public Services

John Kay

I want to begin with a story of Khrushchev's maize which goes back to 1958, not long after the 1956 Communist Party Congress. It was the beginning of the post-Stalinist fall in the Soviet Union. In that year Khrushchev went on a much publicised visit to the United States and was taken to see a supermarket in California. He assumed that the shelves had been specially stocked for the visit of the Russian party, as would have been the case if an American President had visited a Russian supermarket.

However, what made the biggest impression on Khrushchev was being taken to Iowa where he could see fields of maize flowing as far as the eye could see across the Prairies. Patently that couldn't have been faked.

As a result Khrushchev went back to the Soviet Union convinced that one of the secrets of American economic success was maize. This actually chimed with his own experience since, as a young agricultural official, he'd been involved in some maize growing experiments. Khrushchev decided that the future of Soviet agriculture depended on maize and ordered large areas of land to be converted to growing the crop.

The truth is that there were good reasons why it was wheat rather than maize that was more suited to being grown in the Soviet Union. However, the trials went ahead and, of course, in terms of the reports Khrushchev received they were successful. There were some places where the maize didn't appear to be performing very well, but as one of his advisers famously said, under socialism maize can be grown everywhere.

In the event, however, the large-scale conversion to maize led to a major setback for Soviet agricultural production. In the early 1960s this led in turn to a wider economic recession. Indeed, the Soviet Union's consequent pause in growth was one of the reasons why Khrushchev was ultimately toppled from power in 1964. Now there wasn't, it seems to me, anything wrong with the idea that one should experiment with maize as an alternative crop in the Soviet Union. What was wrong was the enormous scale of the experiment and the absence of any honest feedback on its progress.

What I've been describing is something which anyone who has worked in any large bureaucracy, whether in the public or private sector, will readily recognise. First, there is the good idea which, because it comes from the top, is adopted on a wide scale. And, secondly, when that good idea doesn't go as well as might have been hoped, it takes a very long time, if ever, for the bad news to be communicated to the person who dreamt it up the first place.

That story can be contrasted with the development of personal computers in the United States. They originated with the creation of what the company Intel called a general purpose micro-processor. This was a chip which had no particular function in mind when it was invented. Rather, all the applications logic was contained in the memory rather than on the chip itself.

The first, rather large desktop PC was, in fact, built by Xerox in 1973 at its amazingly innovative, although not commercially productive, research laboratory at Xerox PARC (the Palo Alto Research Centre). To begin with, these practical commercial personal computers were tools for hobbyists. The first commercial one, called the MITS Altair, was sold as a kit, purchased by mail order. Famously, among the people who bought it were Bill Gates and Paul Allen who started writing a programming language for it.

By the mid-1970s personal computers had moved out of the arena of hobbyists and some big companies started to get involved. I remember the first one I used was called a Sirius, produced by a subsidiary of IBM. Of course IBM was the dog that didn't bark throughout the 1970s. This was because the firm didn't make personal computers. They had lots of task forces about personal computers, and committees about the future of small scale computing. However, they didn't make any machines. There were probably good reasons for this, among them doubts about whether they would work. Even if they did work they threatened to cannibalise IBM's existing business which is indeed what happened in the end.

It was only in 1980 that IBM's Chief Executive got fed-up with the firm's lack of progress with personal computers. What he did was to find an empty office block, away from any existing IBM site, and put a team in it to build a personal computer. Because they didn't have any contact with the rest of IBM they went outside the firm to buy what they needed. This is why the chips came from Intel, the operating system came from Microsoft, and so on. In the end this would it was Intel and Microsoft rather than IBM that controlled the industry.

By launching an IBM personal computer the firm ensured that their PC would be the future. IBM's definition and promotion of the market ensured that their machine quickly became dominant. However, the IBM PC was not very easy to use. It was Apple that

devised the trick that allowed the personal computer take off. This was the idea of the graphical user interfaces - the icons, the mouse and so on. These enabled us to use a personal computer, as we all do today, without having to know anything about computers.

So it was Apple that commercialised personal computing. Yet, as we know, it wasn't Apple which made a lot of money out of it in the end. What Microsoft then did was to develop a version of the graphical user interface that was compatible with Microsoft's own operating system. That was Windows which has created the personal computer industry we know today.

In outlining this history I wish to convey just two central features. Firstly, even a few months ahead, nobody knew how that market was going to evolve. Secondly, the companies which played an important role in developing the innovation - Xerox, IBM, and Apple - never made any money out of it. It was Microsoft that benefited most.

Personal computing is an example of the conspicuous success of the American market economy. It was achieved by constant and mostly commercially unsuccessful experimentation. Ultimately, the primary reason why market economies so substantially outperform centrally planned economies is what I call the impact of disciplined pluralism. Put simply, this means constant experimentation which is the fundamental dynamic of market economies, and why they out-perform planned economies.

What we need to understand is that disciplined pluralism is the only method of economic advance in a world that is characterised by resolvable uncertainty about the evolution of technology. Alongside this, business and political environments are constantly changing in a world in which there is fundamental subjectivity about the nature of output and what people want from markets.

What Steve Jobs, Apple's co-founder and Chief Executive, realised about personal computers, and what other people in consumer high tech businesses go on missing, is that what people want is not so much technology for its own sake as technology that is easy to use. The need is to be able to use the gadgets that emerge from innovation without having to take any interest in the technology that produces them. The particular nature of Jobs's genius has been to make technology accessible to people who don't want to be bothered with technology.

This kind of experimental adaptation and feedback gives us progress in worlds that are uncertain and where there is a fundamental subjectivity about the nature of output. What we need to do is apply these lessons to the public sector, and in particular to education and health which absorb the largest part of public expenditure. We need to understand the impact of subjectivity and technological change in delivering different

public services. In this respect education is especially interesting because while it doesn't involve much technological change, there is an exceptional complexity in what it delivers, the nature of its output.

In developing these ideas I will also refer to the water industry and the arts, because they are at two extreme ends of the spectrum of public sector activity. What people want out of the water industry is relatively straightforward: simply speaking it is water. On the other hand with the arts it's particularly difficult to know what people want and mostly they don't know themselves. Similarly, while the water industry's technology has not fundamentally changed for 2,000 years, the arts are constantly evolving. So in terms of public sector delivery, water looks rather easy while the arts look rather difficult.

Three or four years ago the Treasury published two volumes, one about micro-economic and the other about macro-economic reform in Britain. Together they illustrate the transformation in both these fields which has occurred in the last decade under the inspired leadership of our current Prime Minister who contributes a lengthy introduction to the volumes. In the case of education, for instance, they explain that people want many things from the system. They want skills, workplace capabilities, citizenship values, cultural awareness, and so on. The Treasury goes on to say that prioritisation is therefore essential. Well, let's think about that for a moment. How would one actually go about achieving the required prioritisation? Would one have an index that gave a 30 per cent weighting to workplace skills, for instance, and a 20 per cent to citizenship values? And once one had decided that, how would one measure the contribution education makes to that rather undefined attribute, citizenship? The reality is that, as with production of most other commodities, the world of education simply isn't like that. Such prioritisation is actually unimaginable.

In the case of health, it may look as if service delivery is easier to manage in terms of measurement. It is pretty clear what people want from the medical system - at least shall we say to come out alive, and preferably to come out rather healthier than they were when they went in. However, while one can construct indicators of mortality and morbidity, it's not at all clear what people really want from the health services. Certainly, a large element in people's discussion about the service is that in some sense they want a caring service. For many people that's every bit as important as advances in medical technology.

Now, there are two broad areas of medical technology: pharmacology on the one hand and surgery and treatment protocols on the other. Yet these two areas entail highly different models of technological advance. In pharmacology we have essentially a proprietary model in which research is undertaken by private companies. While intellectual property rests with private companies there is very heavy public regulation of

what they can put on sale. On the other hand, in the case of surgery and treatment protocols, what we have is amazingly unregulated, incremental technological advance. If you were a Martian standing back from it, you would find it quite surprising that we have very intense regulation for the pills people take, while surgeons can cut them open with extraordinarily little prior regulation of what they do.

In practice we govern the process with systems of peer review and peer group pressures. And the striking thing is that both of these systems actually work. In fact, both of them work quite well. Of course, there are problems but the lesson one takes from the two approaches is that it is not obvious that there's an alternative model that would work better.

The idea I'm trying to convey is that whether the public services being considered are simple or complicated in their delivery, there remains an irresolvable uncertainty about technology, about the environment and a great deal of complexity about what it is that people actually want from the product.

Even in the case of water where everyone knows what they want, there is an issue of defining water quality and even what we mean by water quality. Another question is reliability. What people want is a reliable supply of water that's safe to drink. All the water we get in the UK is pretty safe to drink but it can be made slightly safer or it can be made slightly less safe to drink at quite considerable variation in expense. Supplies of water are pretty reliable, but they're not completely reliable and they can't be. Again there are these complicated trade-offs to be made and it's not very clear what the mechanisms to achieve them are or should be.

In all these areas, even the simplest services are subject to uncertainty, both about the nature of evolving technology and about what it is that people want. One of the reasons I put the arts on my list was I was recently told about an Arts Council user survey. It turned out that they thought the users were the artists who were supported by the Arts Council. What was interesting was that more than half of the people surveyed said they wanted Arts Council grants to be distributed on objective and transparent criteria.

Think about that for a moment. Just fill out this form, Mr Van Gogh. Can you explain the qualifications which you have for believing you would be a suitable painter? Can you give us a description of the paintings you plan to produce in the next five years? Put in this way, the idea that money to support artists can be distributed according to objective and transparent criteria is so absurd that it doesn't even merit serious discussion. But if one acknowledges the truth of that, one immediately has to start asking whether it is true to at least some extent for other areas of public sector activities?

Let us now turn to ways we think about the role of Government and the State. It seems to me that the reasons why we attach such importance to the notions of objectivity and transparency in what government does are rooted in the history of the way we think about the state. The rise of modern nation states goes back to the 19th Century, and up to about the First World War states mostly got bigger. Yet since 1918 they've mostly been getting smaller. Rather than exploring why this is the case I simply want to note the fact and notice a characteristic that goes with it. This is because, at least in Europe, this is a driver of a fundamental change in the nature of what we expect and want the state to do.

The 19th Century state was famously and usefully described by Weber as the organisation that had the monopoly of internal and external coercion. At that time the main role of the state was to maintain social order at home and abroad. The creation of empires involved beating up foreigners which was thought so economically advantageous that people were sent overseas to do it.

Since then we've realised that, aside from any considerations of morality, beating up foreigners to get their resources is more trouble than it's worth in terms of the resources it generates. Not everyone in the world has learned that, but on the whole we have in Europe. Moreover, the state's role in internal coercion issue has been largely reduced by democracy. Consequently the modern democratic European state can no longer use coercive force in the way it did in the 19th Century. These days coercion is only imposed on a minority of relatively psychopathic individuals who are incapable of fitting in to the broad structure of society.

Awareness of this reality tends to make Europeans find statements about a war on terror, or a war on drugs rather absurd. We know that neither of these are problems which can be dealt with by war. I don't want to get involved too much in these philosophical arguments. I just want to observe that over the last century the European state has moved from being primarily a coercive organisation to being primarily a service deliverer. Today, its primary function is to deliver services of the kind we have been discussing – health, education, water and the arts.

This changing role also changes the relations between individuals and the state. When the state was primarily a coercive force, the fundamental questions about the nature of state organisation were to do with it's structures of authority and the legitimacy of the powers which it exercised. But when the state is seen primarily as a service provider the questions we ask about its authority and legitimacy are not very different from the those we ask of other organisations which deliver services to us.

The question whether a coercive state is doing a good job is not defined by whether you like what it is doing or not. Indeed, the essence of a coercive state is that you don't

like what it's doing. On the other hand, if the state is largely about the delivery of health and education the first question which everyone asks is whether the service provided is satisfactory. The result is that the question of the authority or legitimacy is both less central and resolved in a different way.

With the contemporary service-oriented state, legitimacy is largely the product of effectiveness or ineffectiveness. If one asks what gives the state the right to undertake its activities the answer depends on whether we like the results or not. In this way citizens become consumers who exercise choice in terms of what can be framed as 'exit versus voice' in relation to service delivery.

Basically, if you don't like the services you get there are two things you can do about it. As in the famous case of Jeremy Paxman's underpants, you can either write to the Chief Executive of Marks and Spencer, Stuart Rose, and complain about the quality of your underpants, or you can buy your underpants somewhere else. If you're not Jeremy Paxman you mostly find it easier and more effective to buy your underpants somewhere else. That is to say, you exercise your choice in terms of exit rather than voice.

Generally speaking exit is the mechanism by which most people express their voice or preference. As Marks and Spencer has emphasised in the debate over Jeremy Paxman's underpants, it devotes a lot of effort to asking a representative sample of their customers what they think of their products. And, of course, the main reason why it does that is because it is frightened that its consumers will exercise their option to exit as customers.

Mostly we get better reactions to consumer complaints if we make them to competitive private sector organisations than if we make them to more monopolistic private sector organisations or, indeed, to public sector organisations. We know, for instance, that the complaint letter we write to a public sector organisation is not typically greeted with the response, "We are very sorry about the experience which you unfortunately had" and so on.

Nonetheless, with the state primarily as a service provider we have the choice of exit versus voice as mechanisms for monitoring service quality. In the main, as well, experiences tells us that where the exit option is available it is more effective in securing service quality than the voice mechanism.

A few years ago I went to a seminar that was organised by the telecoms regulator, Oftel, as it then was, where I was asked to be an independent commentator. There were about 150 people attending the event, of whom about only two were bona fide members of public. One of them was some kind of crank who had an ongoing dispute with British Telecom in which he may or may not have been right, but it was

clear he conducted this dispute in every forum to which he could not be refused admission. The other was an old aged pensioner, the kind of person who makes a habit of attending annual general meetings. I understand there's a distinction between companies that hold their annual general meetings after 11 o'clock in the morning so that pensioners can arrive on cheap day returns and ones which hold them earlier in order to discourage these people from being there. Anyway, this particular seminar started at 10am so there was only this one pensioner there and he made some nice remarks about how he liked telephoning his grandchildren and everyone applauded his contribution.

The other 148 people in the room overwhelmingly worked for telecommunications companies or were consultants to telecommunications companies, or were people who hoped to become consultants to telecommunications companies. There were one or two others of the kind one recognises as single issue obsessives who made speeches about gender equality in telecommunications, or environmental issues, or matters which were certainly not central to the topic of the supposed public consultation.

And, of course, the reasons why the public as a whole didn't turn up were absolutely right and worthy reasons. They had better things to do. The large majority of people who participated were people who had very strong commercial interests for doing so. And that is the underlying explanation of what is the paradox of participation. This can be framed in the same way as explaining why it is that, while the United States has the most open and transparent institutions of any advanced democracy, its institutions are more penetrated by self-interested individuals and economic interest groups than in any other advanced democracy.

It's conventional in discussions of this kind to say that citizen participation, meaning voice-based citizen participation, is a good and desirable thing. The truth is that in the consumer-based service delivery state there isn't that much consumer participation. The blunt fact is that so-called representative consumers within institutions are typically unrepresentative by virtue of the very fact of their being present on the particular occasion at which they're consulted. It's easy to pay lip service to the desirability of participation. The reality ias actually rather different.

So let me try and draw these remarks to a close by raising some of the issues which are posed by voice, and the ways in which voice operates in a state which is primarily there to delivery services. In such states, typified by the USA but also increasingly the case in the UK, we've seen the decline of ideologically based political parties and an equal decline in the extent of public participation in the mechanisms of voice in politics. In fact, we have witnessed a process where representatives are unrepresentative by the very fact of their involvement.

In the last decade a lot of people have talked about ways in which new technology can enable a revival of some kind of participative democracy. However, in practice new technology can permit a revival of participative democracy in only the most superficial of ways, for example people sending messages to the Downing Street website.

Having said that, there are considerable merits in developing what some American political scientists have called deliberative democracy. This involves providing small groups of people with the information and opportunity to face up to some of the real dilemmas involved in making choices in services like health, education, water and the arts. Using such mechanisms to promote a more intelligent public debate about the choices which are involved in delivering public services is worth pursuing. They can provide us with a sense of whether, taken as a whole, people feel that we've gone too far or not far enough in particular areas.

There is, I think, a lot of misunderstanding about what exit compared with voice mechanisms can achieve. People are, of course, right to say that what we want is not a choice of schools but good schools. But the point of having choice about schools or health is not because people have very different preferences for what they want from schools or hospitals.

It's interesting to note a point which emerged in another discussion I had on some of these issues. On that occasion I claimed that there isn't much disagreement about what constitutes a good school. Someone immediately got up to contradict me. He had conducted focus groups at which people were asked what they thought made good schools and he had received a wide divergence of views. However, what was interesting was the way in which he interpreted the question, which was about the way in which schools should be organised. And, of course, on that issue there is certainly a lot of disagreement.

Where there is much less disagreement is on what are good and bad schools. In fact, that's something on which there is a depressingly large measure of consensus. But what actually makes some schools good and others bad is another much more complicated matter on which even educational research doesn't help us a great deal. All it seems we've learned is that good schools have good teachers. Yet that simply results in a regression to what it is we mean by good teachers in the first place. Most of us can recall from our personal experience good and bad teachers. However, exactly what makes a good and bad teacher is a much more complicated question.

The point is this, choice is working at its best when you don't have to exercise the exit option. It's the fact that you have a choice which exercises a discipline on people to find out what it is that consumers actually want from the services they receive. On the other

hand, if you insist that everything in a public service should be provided to an identical standard the inescapable consequence is that that standard will turn out to be rather low.

To address the implications of these observations we will need to think more effectively about hybrid organisations. When I was looking at some of the discussion that has gone on in Wales in relation to this debate, I noticed that people had flagged issues of competition versus collaboration and of public versus private provision. However, I don't recognise these as being dichotomous. I don't believe that competition and collaboration are in the competitive position that is assumed. In fact competition is perfectly consistent with collaboration. Indeed, competition should invite collaboration. We should think in terms of the collaboration being regarded as useful for a particular purpose, rather than something which is imposed on them.

One of the things that concerns me with the Welsh debate on these matters is the recurrence of phrases such as co-ordination and economies of scale. Too often I've come across people who say their role is to co-ordinate something. But people who say that typically really mean they want to control organisations. I spent an unhappy time in Oxford University which was full of people who were there to co-ordinate matters. Indeed, I discovered that the word co-ordinate was one of the many euphemisms for meddling. Co-ordinate meant be involved in something without taking any responsibility for outcomes. I also recoil when I hear of the advantages of the economies of scale that will come from such activities.

Of course, there are economies of scale to be found in health and education services. The difficult issue we have to confront is the conflict between the benefits of economies of scale on the one hand and the loss of local sensitivity on the other. And I'm not saying that's an issue which can or should be resolved in one direction or another, but simply to acknowledge that it is one of the most difficult trade offs which we have to face.

I'm also concerned about assumed dichotomy between public and private provision. One of the problems of the last 20 years has been the belief that we should find some clear-cut boundary between the public and private sector in which relationships between them are defined by regulation and contract. The reality is that, because of the uncertainty and the subjectivity around what both the public and private sector services deliver, drawing boundaries between them is impossible in any clear-cut way.

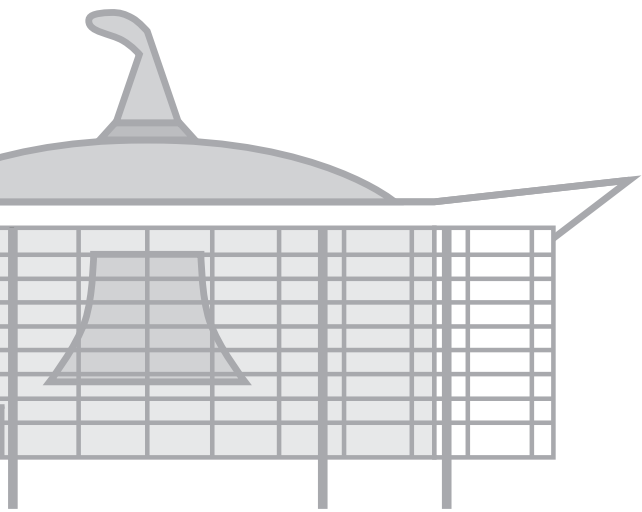
You get a convergence here between the mistakes of the Right and those of the Left. If decentralising public sector objectives by centrally prescribed targets could work, the Soviet Union would have worked. The only decentralisation that can work is a decentralisation that makes the local managers owners of the objectives which you're trying to achieve. It's the failure to do that which is the essence of the mistakes of the last few years.

So, for me, a solution to all this is largely a matter of understanding better the governance and structure of hybrid enterprise. This provides a customer-focused and service delivery organisation which operates in circumstances where individual services need to be delivered within a social context, and where they cannot be subject to competitive disciplines of a meaningful kind.

What we have to do is work better in a whole variety of areas which range from water to railways, health, education, broadcasting, universities, and air traffic control. All of these share these two characteristics that the service is being delivered within a social context and competition in the delivery of the service is questionable. There are interacting problems of devising appropriate financial and governance structures for these organisations. The experiment with Glas Cymru, the holding company for Welsh Water, which has taken place in Wales, provides an interesting hybrid model for ownership and control which should be explored and extended. Glas Cymru combines a not-for-profit system of ownership with the discipline of the market.

What we have to do in these structures is to create sufficient equity to enable them to operate autonomously. We need to impose checks and balances that ensure that if they perform poorly in terms of either customer service or financial outcomes their management is reformed and restructured. Perhaps most of all we have to put in place governance structures that are representative of the community and not capable of being captured by any particular interest group.

These, for me, are the challenges we have in dealing with the problems of devising effective service delivery organisations. In the space allowed me I've only been able to sketch an outline of the challenges we face and how we can tackle them. The essential message is that in delivering efficient public services we shouldn't be thinking of a necessary conflict between private and public sector models, or between the market and state. Instead, we should combine what works from both sides and think in terms of constructing hybrid solutions.



# Chapter 4

## Challenging Rhodri Morgan's Progressive Consensus

Will Hutton

I want to challenge the progressive consensus as it has been delineated by Professor Mark Drakeford in his paper 'Progressive Universalism' for the IWA's journal *Agenda,* and also by Rhodri Morgan and Ieuan Wyn Jones in their One Wales coalition agreement. Their view is that Government is the best vehicle for achieving social improvement. They argue for universal rather than means-tested services, and believe that co-operation is to be preferred to competition.

I don't want to challenge the essential philosophy behind this outlook. Instead, what I want to challenge is their starting point in answering the question of what it means to live life well. Their position begins with the state and the establishment, indeed the Labour establishment, rather than starting from the perspective of citizens themselves.

On the other hand, if we consider the question from the point of view of how the new state apparatus in Wales, the Welsh Assembly, can help Welsh citizens choose a life that they have a reason to value, it is possible to open up different avenues. In this process we can discover some interesting ways of solving problems, such as the need to lever more capital investment in health, education, and transport.

What I want to say is underpinned by a number of left theorists who have impressed me: Hannah Arendt, Amartya Sen, J. K. Galbraith, Charles Taylor and, interestingly enough, the Chinese leader Deng Xiaoping. What I found to be generally absent from the analysis in the IWA's volume *Time to Deliver,* which to a large extent shares the Welsh government's approach to the progressive consensus, was summed up in the famous challenge delivered by Deng Xiaoping to the Chinese Communist Party in February 1992: "Comrades, it is glorious to be rich!"

The debate about the boundaries between the public and private sectors should be framed by that kind of passionate belief, that the best thing for Wales would be for it to be rich. If Wales was rich it would be possible for more of its citizens to choose a life they had reason to value. Of course, that raises the question, how does Wales become rich?

As well as challenging the Scandinavian approach to the progressive consensus, as typified by the *One Wales* agreement, I also want to challenge the Thatcherite notion that wealth generation only comes from the markets and entrepreneurs who have light bulb moments. For the fact is there isn't a company in the FTSE 100 that, one way or another, hasn't benefited from public intervention.

And here I want to argue that the public and the private sectors are interdependent. Indeed, they are equally important. The central issue is the balance we strike between them. A Welsh problem is that there is an over dependency on the public sector. On the other hand, the trouble with the region within the M25 is an over-reliance on the private sector.

What Hannah Arendt would say in response to the idea of the progressive consensus as it is being articulated in Wales is that we need both the private and public sectors simultaneously. Most people enjoy tending their private garden which, despite Marx, is an act of individualism. What Hannah Arendt would say is that we only value the privacy of that activity and also understand its limitations, if at the same time we have access to and can enjoy a public park. Her thesis is that a good city is one which allows us all to have private gardens while at the same time enjoying public parks. Of course, this is a game that can be played across every walk of life.

This opens up another line of thought from the Canadian philosopher Charles Taylor, who is a great apostle of the public realm. Arguing that we must use the English language correctly, Taylor says the public and the state are not co-terminous and that the 'progressive consensus' should be about the public realm rather than the state. So, for example, the BBC is a public rather than a state broadcaster. Equally, although the right to roam was initiated by the state, public footpaths are not state footpaths.

The progressive consensus should uphold the essential publicness of activity in this sense – that is to say, in the face of the overwhelming desire to assert privacy. It is only if we understand the mutual inter-dependence of the public and private that we can achieve a proper system of wealth generation and the structures which give us the capacity for choosing a life we have reason to value. That should be the starting point for the progressive consensus.

From there the argument asserts that the advantage of markets is not about private property. The great thing about markets is that they permit the expression of a polarity of opinion. There are lots of technological runners and riders at any moment in time, lots of potential business franchises in contestability, lots of options for people to choose who are trying to work out what it means to live a life well.

To the extent that this argument applies to the left tradition in Wales, I would invite Plaid Cymru, the Liberal Democrats and Labour to look at the inter-war associations of R. H. Tawney and not the way these were overwhelmed by the Attlee governments of 1945 to 1951. There is a left tradition with Scandinavian associations, one that Galbraith would champion, which believes in plural deliverers of public goods. This says that the state does not have a monopoly of provision. It may have a fundamentally important role of ensuring that there is some equality in delivery. However, it does not mean that each act of delivery will necessarily be by the same organisation.

The public realm should be understood as having three characteristics. The first is the notion of universality: anyone can use a public footpath or a public toilet.

The second is an extremely important notion of equity, rather than equality. So, in the case of the health service, while it should be universally available it should also to be equitably organised. There should be equity, for example, in the treatment given to the young and old and to men and women, acknowledging that their needs are different.

Thirdly, because these services are so important, whether it is access to water, electricity, gas, receiving the postal service, or the right for a free trial, every citizen has an equal entitlement. This is what we might call the justification principle, to insist that what is delivered in the public sphere is justifiably done. To put this another way, those who take the decisions in this public sphere must justify them, and they must be held to account through transparent processes.

It is these three characteristics of universality, equity, and justification that underpin the public realm. When we talk about delivering public value, it should involve delivering something which has these characteristics. Moreover, we should be in a process of constant iteration with the public about what it is they value. A manager in the health, education, or public transport service should be constantly engaging with public opinion, MPs and other stakeholders.

This public service model should be guided more by individual choice than the collective voice of civil society institutions. So, the hospital service should engage first with individual citizens as patients and further education colleges should engage first with individual citizens as students. Their first port of call should not be civil society institutions. Indeed, I don't know what legitimacy civil society institutions have.

Making this point highlights one of the basic problems with the approach to the progressive consensus laid down by its advocates in Wales. This is the primacy they give to the role of civil society institutions over the needs of the individual. Indeed, giving primacy to civil society institutions, as has been assumed by Rhodri Morgan's

progressive consensus, steers us in a totally wrong direction. For instance, it leads to fundamentally wrong answers when it comes to the financing of education, health and transport.

Instead, in the transport field the best approach for Welsh policy makers would be to follow the lead of Transport for London and create a Transport for Wales. Applying the public value test described above, Transport for London negotiated a shrewd public finance initiative (PFI) with the computer firm EDS to produce the oyster card. I don't believe this would have been produced had Transport for London been guided by the collective voice of civil society institutions. In the event, Transport for London was guided primarily by the wishes of individual citizens. It wasn't done collaboratively, but rather contestably through competition.

This is a clear option for Wales. Why shouldn't Wales produce its own equivalent to the Oyster card? Why shouldn't a Transport for Wales collect the fares and, like Transport for London, have borrowing capacity against that publicly owned, but independently gathered, revenue base? Liberal social democrats like Hannah Arendt, J. K. Galbraith and Charles Taylor would all be delighted. We would have a non-state institution that would drive a coach through the six principles of Rhodri Morgan's progressive consensus. However, within ten years we would have a much more interesting transport infrastructure in Wales, than if we had continued with the current policies.

What about capital investment in education and health? The reality is that when people's incomes exceed £20,000 or so they tend to spend fewer of their marginal pounds on basic goods and services and more on services which try to answer that question, "How do I live my life well?" They spend money on going to the cinema and the theatre, on designer kitchens, and really making their private garden look great. One way or another they spend their money within the knowledge economy.

Already today the knowledge economy amounts to some 40 per cent of the UK's GDP, as measured by the OECD and Eurostat, and employs a quarter of the workforce. The main point, however, is that all of these numbers are rising sharply. It's a question of supply and demand. And while a good deal of the knowledge economy is provided through the private sector, two major dimensions are delivered through the public sector, namely health and education. And I simply offer you the Will Hutton view that anyone who thinks that health and education expenditure are going to be capped at 8.5 and 6.5 per cent of GDP over the next 15 to 20 years needs to lie down with a bandage over their eyes.

These percentages are inevitably going to grow. We can be certain that the share of GDP afforded to health and education, which Wales has got quite a lot of, is going to rise. The

only question is, is it going to be purely tax financed or co-financed through some form of private payments? And if you believe, with most economists, that there is a cap of around 40 per cent of GDP on taxation, then we have to start thinking of private co-financing of health and education. In turn this means that Wales will have no alternative but to start a debate on PFI. To think otherwise will be to behave like King Canute in face of the rising tide.

The challenge for those on the left is to build structures that can be underpinned by the principles of universality, equity and justification that I have outlined. We need to create health and education institutions which permit us access to private money while at the same time sustaining those principles. Wales could pioneer such public interest companies. For instance, I would start with health and put together a public interest company to build a new hospital. The public interest company would take on the debt and find a revenue stream to service it.

In this way we would take the Transport for London model, apply it to health and education and invent some associated revenue streams in place of fares. Putting this another way, the model involves writing a PFI contract so that the contractor is obliged to consistently engage with the public value test. The contract is only available if the contractor pre-pledges to subordinate profit objectives to public interest outcomes, as set out in the contract.

The reason this makes a lot of sense is that there is a vast amount of pension and social welfare fund money that is looking for a home. The world is awash with this money. There are literally $billions that are available at quite modest interest rates - somewhere higher than long term bond deals, but lower than returns on equity. Given the Treasury criteria for the rate of return, it is perfectly reasonable that these investment funds should look to public investment projects.

What we need to do is invent structures to access this money, whether it be Transport for Wales, a public interest company, or PFI contracts with public value test overrides. In this way we could pump large amounts of additional investment into Wales's infrastructure. All of this conforms to the world view of Hannah Arendt, Charles Taylor and J. K. Galbraith, but not, I fear, to that of Karl Marx or Rhodri Morgan.

And as it happens, it also corresponds to where Scandinavian social democrats are taking their thinking. I am not asking Wales to copy where Sweden was in 1955. Rather, Wales should leap frog the Scandinavia of the 1950s and be where Finland and Sweden want to be in 20 years time. Of course, that requires some political bravery, taking a few intellectual and political risks, and at the end of the day being honest with the people of Wales.

# Appendix

## Progressive Universalism[11]

Mark Drakeford

Contemporary Welsh attitudes towards social justice remain shaped in powerful ways, by our experience of being the world's cradle of the industrial revolution. Wales was the first to experience those processes which have since transformed the global economy. In some respects, certainly as far as some of the traditional heavy industries are concerned, Wales has also been the first to leave them behind.

The legacy of industrialisation in Wales is pervasive. It has produced a class structure which is very different from either England or Scotland, with, proportionately, a smaller middle class and a larger working class. It impacts upon Welsh economic structure, with no comparable sector to either the City of London or the financial and company headquarters of Glasgow and Edinburgh. And it continues to shape our political structure. Wales is the only part of the United Kingdom to have a genuinely long-term commitment to left of centre redistributive politics, stretching for more than 150 years, from 19th century Liberalism through 20th century Labourism and on to the present day.

Those of us who remember the dark days of the mid-1980s, when sophisticated commentators "proved", with sociological and psephological determinism, that the decline of the traditional working class meant that the Labour Party could never return to power, cannot help but note now that - electorally speaking - the last decade has been the period of Labour's greatest ever success. Even today, therefore, Wales's historical cocktail of class, economics and politics still produces a greater receptivity to a set of policy approaches in which collective effort, social solidarity and the sharing of prosperity command a premium.

If there is a Welsh context to social justice, then there is a Welsh devolution context as well. In comparison with Scotland, Welsh devolution got off to a faltering start. The narrowness of the 1999 referendum result, the more confined nature of the devolution settlement, and the highly unstable political circumstances surrounding the birth of the institution – the loss of a Secretary of State, and three of the four Assembly party leaders within the first year of its inception – combined to dissipate anything like the level of enthusiasm or expectation which appeared, certainly at a distance, to be so characteristic of the Scottish experience.

11) This article was first published in the Winter 2006-07 issue of the IWA's journal *Agenda*. It is based on a paper given at an Economic and Social Research Council seminar held at the University of Glasgow at the end of March 2006.

Looking back, it now seems to me that this difficult birth has been to the Assembly's longer-term advantage. The more modest hopes, and limited confidence in the Assembly's ability to make a difference, has meant two things. Firstly, the absence of more substantial powers has required compensation through a more imaginative use of those levers and instruments which are at the Assembly's disposal. Secondly, as the administration at Cardiff Bay demonstrated a competence in dealing with crisis management (foot and mouth, Corus closure, fuel protests and so on), as well as planned policy change (for example, abolishing school league tables, creating local health boards, securing a GM crop-free Wales), so the reputation of the institution has been slowly, but steadily, on the rise. The Autumn 2006 report from the Electoral Commission shows public support for devolution continuing to increase, with respondents believing that the Assembly has improved the way Wales is governed out-numbering those of the opposite point of view in a ratio of fully four to one.

Turning now to a more detailed consideration of social justice, there is space here only to sketch some of the features which, it seems to me, are characteristic of the Welsh Assembly Government's policy-making in this area. Given the hundreds and thousands of decisions which make up the every day activity of any administration, there is something fool-hardy, I know, in suggesting that there may be some unifying themes which, standing back from the canvas, can be discerned in this mass of activity. I am quite sure that it is possible to point to many practical examples where actual performance does not measure up to the picture which I am about to outline. Nevertheless, I believe a convincing case can be made for a set of underlying policy principles which are shared across the Assembly Government and which amount to a distinctive approach to social justice. Here, I will confine myself to six core principles.

The first may be summarised as Government as a force for good. Now, to many readers, this may seem like a statement of the entirely obvious. It is so easy to forget, in such a relatively short time, that politics were so recently dominated by those who believed that Government did best when Government did least; that public services, and public servants, were part of the problem faced by the United Kingdom, rather than part of the solution. Government, in this analysis, was at best a necessary evil, at worst in itself a force for evil.

Scratch the surface of today's 'Cameronised' Conservative Party and such beliefs remain more hidden than in their hey-day, but far from extinguished. That line of argument has never run successfully in Wales. The history of collective effort retains a vitality in people's minds which translates into a belief that, when competently organised and delivered, Governments represent the best vehicle through which social improvement can be achieved – employing teachers, building new hospitals, improving community safety in a way which no individual, family or voluntary organisation, left to their own

devices, would be able to accomplish. This basic belief that Governments harness individual effort for the collective good is the first of my six key social justice principles in Wales.

My second principle is an enduring belief in universal rather than means tested services. To use a phrase which has crept into contemporary social policy discourse, the Welsh Assembly Government is a believer in progressive universalism. Thus, when charges are abolished in Wales, in April 2007, prescriptions will be free for everyone. When charges were abolished during school holidays for young people swimming at local authority leisure centres, swimming became free for all young people – not just those marked out as the poor and the needy. Since the Assembly Government announced its policy of free breakfasts in primary schools, those breakfasts have been free for all children, in all parts of Wales, wherever schools have chosen to take part in the scheme.

Universal services are preferred, where possible, in Wales because, as has been so long known, services which are reserved for poor people very quickly become poor services. As First Minister, Rhodri Morgan has said on a number of occasions, universal services help provide the glue which binds together a complex modern society and gives everybody a stake. As well as the less well off and those who find it difficult to make their voices heard, the articulate and the well informed have a voice and vested interest in making those services as good as possible.

The progressive part of universalism comes in providing, on top of the general policy, additional help for those who need it most. To provide just two examples:

- The Assembly has already voted to provide funds for additional annual top-ups to the Child Trust Fund accounts of looked after children and,
- While in England, the Chancellor's 2006 budget provided a sum of money to be distributed amongst all schools, in Wales that additional funding – over and above the sums already provided for universal, free state education – are to be concentrated on those schools where more than 20 per cent of children are in receipt of free school meals.

Universal services, with a progressive twist, combine the advantages of the classic welfare state with some of the benefits which can be claimed for targeting. What the approach provides, however, is a universal obligation, as well as a set of universal rights. In this model, social justice is everybody's business. It does not become one of those slippery concepts in which some are providers of services while others are simply their recipient. The sense in which the fate of any one of us affects the fate of us all remains close to the heart of the Welsh approach to social justice. Progressive universalism is a key to retaining the widespread support on which the survival of that understanding depends.

My third principle is that, as far as the Assembly Government is concerned, in the design, delivery and improvement of public services, co-operation is better than competition. This position is well rehearsed in the document, *Making the Connections,* in which the First Minister sets out what he calls the "respectable case" for both models, before concluding that co-operation provides a better fit with the needs and circumstances of Wales. Behind this conclusion, of course, lies a very substantial contemporary debate in which the ethic of consumerism has been rejected in favour of an ethic of citizenship.

As ever, the position is more complex than can be summed up in a simple headline. Welsh society is no stranger to competition, from the rugby field to the Eisteddfod platform. However, in themselves these activities rely upon collaborative effort, albeit within a competitive context. The winners of an Eisteddfod prize for a recitation party or a folk dance group have achieved that success through the standards of co-operation and collaboration they have achieved. The ambitions for success which burn so brightly in these cultural and sporting contexts must apply, just as keenly, to Welsh public service-making.

Improving access, quality and responsiveness are just as important in Wales, as in any other part of the United Kingdom. It is simply that, in the Welsh context, this improvement is based upon a co-operative model which goes with the grain, rather than cuts across, the pursuit of social justice.

My fourth major principle is linked to the third, and concerns the ethic of participation which is pursued in the Welsh context. Devolution is, of itself, a major experiment in increasing the leverage which people who live in Wales have over the Government which serves them. It provides a new incentive to responsiveness and, in practice, one of the sustainable claims which can be made for having a Welsh Assembly is that it has opened up the policy-making process to a far wider range of groups and individuals than was ever possible in the old Welsh Office days.

In social justice terms, Assembly Government action in this area is characterised by a unifying preference for improving collective voice rather relying solely on individual choice. Where public service participation is modelled on the mechanisms of the market, then those who already possess economic and social advantages will inevitably do best, while others get left further behind. The preference for collective voice, as, for example, in the decision to retain and strengthen Community Health Councils in Wales, is grounded in an understanding that this provides the best way of ensuring that participation produces shared and wider benefits, rather than simply individual advancement.

My fifth principle is that, in shaping the relationship between the citizen and the state, policy-making in Wales is predicated on the creation of high trust not low trust

relationships, in which users of services, and those who provide them, are regarded as essentially engaged in a joint enterprise.

Quasi-commercial relationships of marketised services are based, inevitably, on low-trust foundations. The Latin tag caveat emptor reminds us that a self-interested sense of scepticism has underpinned markets for 2,000 years and more. By contrast, collective and co-operative approaches rely on high-trust relationships between those who combine their efforts in the hope of improved outcomes for all. In doing so, they draw on the fundamental recognition that success in public services depends upon reciprocity. School students learn best, not when they are regarded as empty vessels into which information can be poured, but as part of a joint enterprise in which both teachers and students are givers and takers. Teachers give of their knowledge and expertise and take the enthusiasm and desire for learning which pupils provide. Students take the expertise which teachers have on offer, but contribute themselves, actively and positively in the learning which then takes place.

The abolition of league tables and test results in Wales is an example of the high trust principle in operation. One result was to counteract the corrosive effect of what Onora O'Neill, in her 2002 Reith Lectures referred to as a "massive culture of suspicion", in which over-reliance on the tools of audit, inspection, regulation and publication create, rather than counteract, a culture of low trust relationships.

Nor is this approach confined to education. In tackling the causes of crime, it is community safety partnerships which matter. In health, the language of 'co-production' captures the contribution to health and to recovery from illness which both professionals and patients provide. Trust is the pivot around which co-production turns, generating qualities of reciprocity and respect and cementing the sense of social solidarity on which social justice depends.

My sixth and final principle is, perhaps, the most ambitious but the one which provides the most distinguishing feature of Assembly Government policy making. On a series of occasions the First Minister has endorsed the notion of that, as far as Wales is concerned, greater equality of outcome is an ambition which has overtaken the more conventional pursuit of equality of opportunity. Recent figures published by the Chief Medical Officer show that in Wales today, a child born in the least well-off part of the country will live, on average, for five years less than a child born not one hour's travel away.

We know that more equal societies bring them a series of vital benefits. Research for the World Bank shows that equality provides an engine for economic, as well as social success, harnessing the talents of all, rather than a self-selecting few. More equal societies

produce health gains. Less well off countries such as Greece and Malta have higher life expectancies than the United Kingdom or the United States. They spend less money on health services, but reap the social dividends which less unequal and more cohesive community structures bring. More equal societies enjoy lower levels of crime and, even more importantly, are marked by lower levels of fear of crime. There is a sense of individual validation and social solidarity which greater equality brings. Moreover, the sum of freedom in a more equal society will always be greater than in unequal societies, where freedom is unfairly divided.

A preference for those policies which contribute actively to enhanced equality of outcome, therefore, is one in which all the key principles of social justice are brought together and consolidated. Between them fairness and freedom, citizenship and collaborative effort bring both greater cohesion and social satisfaction. They provide a balance between the individual and the community in which collective action and public services are recognised as the platform for individual advance, not a brake upon it. Together, they make up the distinctive agenda which has informed social justice and public policy-making in a devolved Wales.

Aneurin Bevan, captured an essential point of all politics when he wrote in *In Place of Fear* that "progress is not the elimination of struggle, but rather a change in its terms." In shaping its policy agenda, the next Assembly will inherit the new powers won in the 2006 Government of Wales Act. A more significant set of legislative tools will be available to shape our economic and social future. Any political party hoping to win the support of voters in next May's elections will surely have to identify the policy purposes to which these new legislative powers are to be applied. At the same time, legislation is only one means through which the purposes of government are carried on. The quality of policy ideas and the ideological coherence with which they are pursued in action will remain the bedrock of successful administration.

Against this background, my own speculation is that a post May 2006 Government which maintains the approach of the past eight years will push still further on renewing and redistributing the fruits of the Welsh economy. Economic growth in Wales has outstripped the performance of the UK as a whole, and, within Wales that growth has happened fastest in the Objective One areas. Narrowing the prosperity gap, while improving the economic position of all, sits exactly in the territory of progressive universalism outlined earlier.

At the same time, the collective dividend of economic growth will continue to be invested in public services, publicly provided, but with a renewed emphasis on those groups in the population which rely on such services the most. For the most part more

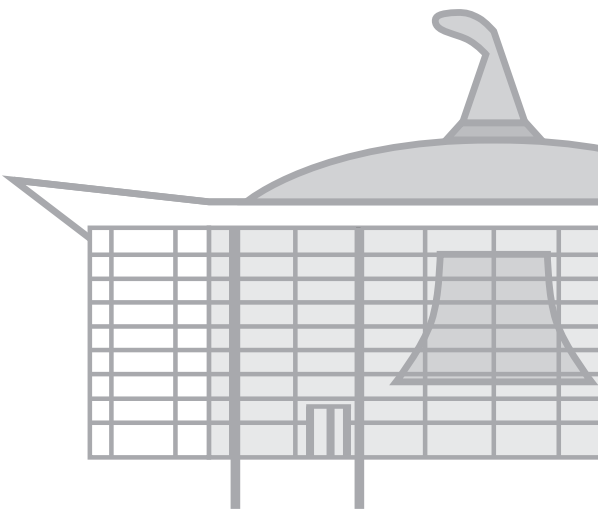
equal outcomes depend on disproportionate investment at the earliest point in the life-cycle, to improve the life-chances of our most vulnerable children. Equality begins in the home, and the engine of those great public services in housing, education, health and so on, will need to be applied to that purpose with added vigour in the third Assembly term.

I will end with two predictions. Firstly, the environmental dimension of a more equal Wales will have to move more centre stage over the next four years. While the wider forces of global warming and climate change affect us all, environmental degradation continues to fall more sharply on those whose social circumstances are already most fragile. The impact of noise, traffic, litter and run-down physical fabric is concentrated on least-well off communities and individuals, undermining the sense of cohesion and connectedness which real social justice provides. The Assembly's new legislative powers will need to be applied in this area, to underpin a fresh focus on a new agenda of environmental equity.

Secondly, the new Assembly will see a further push on the front of pluralism and participation, highlighted earlier. A Petitions Committee, along the lines of the Scottish Parliament, seems a very possible, and a very welcome addition to the direct levers which Welsh citizens will have over Assembly debates and discussions.

Outside the Assembly itself there is enormous scope for revitalising public engagement in public services, on the *Making the Connections* model. For example, hospital Trusts remain islands of imperviousness from their local populations. Weak lines of accountability flow between citizens and bodies which act in their name, from Community Health Councils on the one hand, to the Boards of National Parks on the other, and many others in between.

The tremendous work of Broadband Wales, in spreading a new communications network throughout the country is yet to be matched by an imagination which captures the evident willingness of the public to participate in decision-making through their telephones, computers and televisions. And there are real lessons to be learned from the engagement strategies – Timebanks and so on – which have been carried out under that boldest of all Assembly Government initiatives, the *Communities First* programme. A new dose of democratic sunlight remains to be shone into parts of the Welsh polity which devolution has yet to touch. There should be no shortage of excitement in the four years ahead.



# Notes on the Contributors

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- **Will Hutton** is chief executive of the Work Foundation. Formerly economics editor with BBC Newsnight, he has written a weekly column formerly for the *Guardian* and now the *Observer.* Publications include *The State We're In* (1996), and *China and the West: the Writing on the Wall* (2007).
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