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**THE FUTURE OF
WELSH LABOUR**

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PREFACE

This is the eleventh Paper that has arisen out of a seminar organised by the Institute of Welsh Affairs at the Gregynog University of Wales Conference Centre near Newtown, Powys. Each seminar comprises around ten people including the author and the editor. They meet for dinner and an opening presentation by the author during a weekend evening and stay overnight. The seminar then continues the following day.

The seminar out of which this Paper has been produced was held in October 2003. In addition to Carwyn Jones and myself, those attending were: Denis Balsom, Editor, Wales Yearbook; Geraint Talfan Davies, Chairman of the IWA; Tamsin Dunwoody-Kneafsey, AM for Preseli; Delyth Evans, a Deputy Minister and AM for Mid and West Wales during the first term of the National Assembly; Jon Owen Jones, MP for Cardiff Central; and Martin Shipton, Chief Reporter with the Western Mail. In addition we were joined by Geoff Mungham, a former Cardiff City Councillor and lecturer at the School of Journalism, Cardiff University, just a few weeks before his untimely death while working abroad in Holland. Many of the themes we addressed during the weekend reflected Geoff's political preoccupations and interests, not least devolution and the Welsh Labour Party to both of which he made distinguished contributions over many years. He is much missed.

In our discussion we formulated a series of questions about Welsh Labour and its future that are summarised in the following six paragraphs:

1. What is distinctive about Welsh Labour and its values?

How sustainable is Rhodri Morgan's notion of citizenship tied in to universal rights such as free prescriptions and free school breakfasts etc? What might 'Clear Red Water' look like in ten years time? Is there an alternative approach for Welsh Labour?

2. **Where is Welsh Labour's constituency?** Is it too simple to answer everywhere? How far is it largely confined to C/D/E social strata across the pitch, and geographically within Wales, the Valleys? How can real connections be made with other parts of Wales – the urban south, rural west, and north-west Wales - that were central to the Labour project in mid-20th Century, but now are by and large hostile?
3. **How cohesive is Welsh Labour?** Until the advent of the Assembly the party had largely been a vote-gathering machine rather than a policy-making organisation. Equally, there had been little sense that different strata of the party, whether at local, national, UK or EU levels would act together collectively to promote a jointly agreed Welsh interest or concern. Is such a prospect realisable? How can it be made to work? What mechanisms could be put in place to enhance its prospects? Is there a dissonance between Welsh and British loyalties tied into such a project?
4. **What is Welsh Labour's style of administration?** Can delivery of Welsh Labour policy simply rely on elaborating the Cathays Park civil service machine? Is there a case for a Welsh Public Service embracing local government, NHS Wales, Quangos, higher education as well as Cathays Park? Should Quangos like the WDA, WTB and ELWa simply be transformed into departments of state? Should a line be drawn, for example, with the Arts Council? How important are these questions for service delivery? Have we had too much reorganisation and structural change already?
5. **How can Welsh Labour deliver on its policies?** Can Welsh Labour deliver and what should it be delivering in the keynote fields of economic development, health, and education? What are the tensions between public and private delivery mechanisms within the Welsh context? Does delivery in key sectors – for instance, the Communities First programme or the Valleys more generally – necessarily entail by-passing an atrophied local government?

6. What is Welsh Labour's political strategy? How does Welsh Labour cope with the near inevitability of coalition government under PR. For example, if Plaid had polled 73 extra votes and won Conwy in the May 2003 election, the party's overall position would have remained the same (gained one on FPTP, lost one on the list); Labour would have lost a seat and its majority, and the Tories would have gained one on the list. The overall result would have been: another Lab/Lib coalition with Plaid and Tories arguing it out for Opposition status. Is Welsh Labour's attitude to coalition politics a measure of its wanting to make the Assembly work and deliver?

This was, of course, a formidable list and in such a relatively short Paper as the Gregynog Papers series allows, no-one could hope to provide a definitive answer to all of them. However, the author has embraced much of the agenda and provided his own response to the major questions raised. All those participating in the seminar contributed extensively to the discussions and the formulation of the above questions. As ever, of course, responsibility for the contents rests with the author alone.

John Osmond
Director, Institute of Welsh Affairs
February 2004

1. WELSH LABOUR VALUES

The Labour Party has dominated politics in Wales for more than eighty years. Keir Hardie was elected as the party's first MP, for Merthyr in 1900. By 1922 Labour won the largest number of Welsh seats for the first time. Since then it has never lost that dominance, despite the challenges of the National Government in the 1930s through to the SDP in 1983 and the Assembly elections of 1999. The end of the party's pre-eminent position in Welsh politics has been predicted on many occasions, but this has never come to pass. There remains every reason to believe that the party's dominance will continue, as the Assembly election results in May 2003 illustrated.

The advent of devolution has caused the party to adopt new ways of working but more needs to be done to define what Welsh Labour should stand for in the 21st century or what it should see as its goals for Wales. The devolved world in which we live needs a Welsh Labour Party that has a clear sense of direction and this Gregynog Paper is an attempt to begin that debate. It examines the historical context within which Welsh Labour operates and argues for constitutional change to achieve better governance of Wales. It goes on to look at the social and economic issues that Wales faces. Finally, it asks what principles Welsh Labour should adopt in formulating policy.

The thrust of the argument is an attempt to trace how the party arrived at where it is now, and how it might move forward confidently to the future. In order to set a foundation for that future we need first to examine the past to see where the party has come from. In particular, we must ask what socialism is, what Welsh socialism is and its relationship to Welsh Labour.

Apart from "Is there a God?" no other subject has generated so much debate as the meaning of socialism. Most members of the Labour Party would describe themselves as socialists but would not necessarily be able to give a full definition of what that means for them. Historically, Labour has not been an avowedly socialist party but rather a reformist party with socialist influences.

Labour was founded by the trade unions as a way of promoting the interests of working people without necessarily seeking monumental change in society. A truly socialist party would not have tolerated the House of Lords for so long. Indeed, there is no better illustration of the party's willingness to tolerate privilege than its acceptance of the existence of the monarchy. Its abiding tendency has been pragmatic. So in office it has often accepted what in opposition it previously declared it would reverse. Examples include the party's statement that it would abolish commercial television in 1955 and its commitment to reverse privatisation in the 1980s.

Membership of the party has always been diverse, embracing ideological positions as various as communists and closet Liberals and the Militant Tendency. Whereas in other countries such diverse outlooks would have been accommodated by different political groupings, the British system created a single party of the left. Necessarily this was a broad coalition.

The Labour mainstream has typically maintained that those to the right are opportunists, while describing left-wingers as dangerous and out of touch. Despite such internal contradictions, the party has always held together. Where ideology has taken precedence over pragmatism, such as in 1983, the party has failed miserably. It is at its best when it looks for practical solutions to the problems of working people and their families. In short, Labour Party socialism has been about delivering change based on principle, and delivery has always been the priority.

The centre of Welsh politics lies to the left of the UK as a whole, so a different approach to socialism can be considered here. It should be remembered, however, that the party's membership tends to be further to the left than the public as a whole. While Welsh socialism must be about delivery based on firm political principles, the emphasis should be on delivery rather than political purity. Welsh voters will support parties and politicians with a programme that promises to make a real difference to their lives. They are not interested in those who retreat into dogma or quote political theory.

There are two further dimensions to Welsh Labour. It is the only party that is able to compete strongly at elections everywhere in Wales. Not only that, it can draw substantial support on a consistent basis from all sectors of society. In fact, it is the only party that can truly tackle parochialism and act in the national interest of the whole of Wales. Policies for matters such as energy generation and waste disposal require a national approach in which simply saying “not on my doorstep” is not enough. The party must be seen to be acting in the interests of Wales as a whole.

The National Assembly is now the primary focus for policy development. Moreover, Wales has an advantage of size that is the envy of England. It is easier to influence policy and decision-making in a country of three million than one of forty million. As a result outside organisations can ensure their views are heard because of the access and dialogue they can enjoy with Ministers.

Yet Welsh Labour is not just an Assembly-based organisation. One of the biggest challenges the party faces is to get MPs, AMs and councillors working as a team. This does not mean that there will always be agreement. However, there should at least be a recognition that we are all working towards the same end, namely a better Wales. Welsh Labour should not be afraid to pursue policies more appropriate to Wales, even if a completely different route might be taken in the rest of the UK. The UK Labour Party is a family, and within all families there will be different attitudes and approaches, even if the desired outcome might be the same.

2. LABOUR AND WELSH IDENTITY

The Wales that existed when the Labour Party was formed was obviously very different from the present day. An economy driven by coal and steel had led to the creation of a new society never before seen in the country. In 1901, about half the population could speak Welsh along with a majority of those in the southern coalfield. In Merthyr 57 per cent were Welsh speaking. In the Rhondda the figure was 63 per cent. The early pioneers of the party such as William Abraham (Mabon) and Keir Hardie himself saw no difficulty in displaying a strong Welsh identity. When Keir Hardie was elected in Merthyr he stood on a manifesto that included home rule for Wales.

During the 19th and early 20th century when immigrants from England, Scotland, Ireland and elsewhere in Europe arrived in Wales they found a society Welsh in speech and thought. The common language of these incomers was English, and the Welsh people of the industrialised areas were only too happy to dispense with Welsh as the language of the past. Indeed, the language was seen by many as synonymous with the old ways of prejudice and deference, which the new Labour Party was seeking to remove. Welshness was often regarded as the preserve of the Liberals, something that the new party would not espouse. Many at that time held Marxist views that emphasised Wales' position as a "non-historic nation", one that could not provide a vehicle for the advancement of working people.

There developed within the party two distinct strands: one that saw no difficulty with Welsh identity and devolution and one that was uncomfortable with, or hostile to it. The former tradition was epitomised from World War II onwards by politicians such as James Griffiths, Cledwyn Hughes and John Morris, as well as long-serving backbenchers such as S. O. Davies. During the 1950s, their views won support from many within the party. They saw no difficulty in being Welsh and supporting devolution while remaining British. The fundamental basis of their views was that socialism could be delivered in a decentralised form without opening the Pandora's Box of nationalism.

At the same time as some Labour politicians were signing petitions in favour of home rule, others were hostile to such political expressions of Welshness. Aneurin Bevan was the most famous among them. He failed to see the difference “between English sheep and Welsh sheep”. Indeed, in 1946, the UK Cabinet declared that Wales was not a nation, a view that Bevan did nothing to counter. Yet Bevan’s outlook was not based on some kind of prejudice against all things Welsh. Rather, his was a genuine belief that the only way to deliver socialism was through the British State. It followed that devolution was a distraction from this or, worse still, a hindrance to the progress of socialism.

In the 1970s, the Bevanite view of Wales gained more strength in the party as it battled against Plaid Cymru. Not only was devolution seen as a weakening of the primary means of promoting socialism, but was also regarded as a sop to nationalists who wanted to destroy the British State. The anti-devolutionists tended to be strongly anti-European for precisely the same reason. The views of Leo Abse and the young Neil Kinnock, MPs for Pontypool and Bedwellty respectively, held sway in 1979 and devolution was defeated.

By 1997 the devolutionist wing of the party had won the day and the Assembly was delivered. Yet there is still a dwindling section of the party that remains sceptical of devolution even though their fears have not been realised. There has not been a surge in nationalism. The UK remains united and it is not yet a criminal offence to speak English in Wales! Moreover, as every opinion poll since 1999 has demonstrated, the people have accepted that devolution and not independence is their preferred way forward.

Opinion polls have also demonstrated for some time that most people in Wales regard themselves primarily as Welsh. The Institute of Welsh Politics at the University of Wales, Aberystwyth, have also shown that between 35-40 per cent of the electorate hold views that make them ‘swing voters’ between Labour and Plaid Cymru. Consequently, it is incorrect to believe that identity is not important in people’s minds when they vote. The electors of Islwyn and Rhondda demonstrated that in 1999. In the first Assembly election of that year Labour was seen as being under the control of forces outside Wales and it paid the price.

Welsh Labour's success in the 2003 election can be attributed at least in part to the party's projection of itself as a Welsh party committed to devolution, with a leader who had a popular mandate within the party. Nonetheless, the party took some time to re-brand itself as *Welsh Labour* rather than merely being the Labour Party *in Wales* or *Labour Wales*. Describing the party as 'Welsh' raised fears that English people living in Wales would not see it as their party, or even that English-speaking Welsh people would be alienated. However, experience shows that non-Welsh people do understand that they live in Wales and the non-Welsh speaking Welsh have long since acquired a strong Welsh identity. No such debate took place in Scotland and it is difficult to imagine the Party in England failing to think of itself as English for fear of upsetting the Welsh and Scots!

There was also some discussion in Labour's ranks about what the Assembly elections should be called, with the suggestion that 'Wales General Election' should be the preferred title in case non-Welsh speakers felt alienated. In the end, the media described it as a 'Welsh' election anyway, in the same way as all people in Wales refer to the 'Welsh' rugby football team without believing that it is restricted to Welsh speakers only.

Though the party has lagged behind the electorate in being reluctant to project its Welshness, the messages delivered by the 1999 and 2003 elections are clear. Where the party presents itself as a Welsh party it will succeed. The vast majority of the people of Wales are happy with an inclusive Welshness that does not follow the nationalist path of independence. Despite this, many are still willing to give a 'protest vote' to Plaid Cymru. Welsh Labour must ensure that the need to vote in this way is decreased if not eliminated. The party must learn to be comfortable with its Welsh identity before it can build a better Wales, and the greatest test lies in its attitude to the Welsh language.

3. LABOUR AND THE WELSH LANGUAGE

Research undertaken by the Institute of Welsh Politics after the 1999 Assembly election suggested that Welsh speakers have a greater tendency to vote Plaid Cymru. This has led some within the party to believe that attempting to woo Welsh-speaking voters is a waste of time because “they are all nationalists anyway”. In turn this has led to a belief that supporting the Welsh language will inevitably succour nationalism and create a greater pool of nationalist voters. Yet an examination of the history of Wales since the War shows this belief to be inaccurate.

From 1945 until 1974, Labour held the majority of seats where Welsh speakers were in a majority. A large majority of those who spoke Welsh regarded Labour as their natural political home. At the party's high point in 1966 it held all the seats where Welsh speakers were in the majority. It appeared unbeatable in Caernarfon and Meirionnydd where today the party faces an uphill struggle. It held Cardigan and Carmarthen, as well as Anglesey, Llanelli and Gower. Yet in little more than ten years, it had lost that ascendancy, and winning back some of these seats was seen as a lost cause. Why did this happen?

The roots of this loss of faith by many Welsh-speaking voters lie strangely enough in Gwynfor Evans' 1966 by-election victory in Carmarthen. Many in the party were worried, especially after the close results in Caerphilly and Rhondda West that followed. They began to believe that the rise of Plaid Cymru (small though it was) had been fuelled by the language and its friends, and began to attack what they saw as the base of support for Plaid Cymru. Their view was simple: the language is a Plaid issue, attack it and you attack them.

Thus it was in the 1970s when bitter rows raged over the language with daft allegations being made by both sides. However, by the 1980s and early 1990s the attitude of many in the party had changed. Plaid Cymru declined as an electoral force and people from within the Labour Party began to embrace the language with enthusiasm. The language was no longer seen as a political football.

The party's change in attitude also began to reap support in areas that had deserted the party long ago. In the 1997 General Election, there were large increases in the Labour vote in Caernarfon, Ynys Môn and Ceredigion as young Welsh-speaking candidates made a strong impression on the electorate. Much of the progress was lost in 1999 but regained in 2001 as Albert Owen stormed to victory in Ynys Môn and Martin Eaglestone challenged strongly in Caernarfon. A significant factor in their successes was that both these candidates are Welsh-speaking and unafraid of declaring their attachment to Wales.

Yet, because of the strong Plaid challenge in 1999, the language has yet again become a political football. The fallout from the activities of Cymuned and comments about English incomers into Wales have opened old sores. The Labour Party must resist attempts to be painted into an anti-Welsh corner. Members should be wary of making attacks on the language in the belief that they are attacking nationalists. In reality, the Welsh Labour Party is in the strongest position to appeal to all communities in Wales because of its electoral strength throughout the country. To be seen as taking a position hostile to the Welsh language in a Wales where the clear majority of people either speak Welsh or have a great deal of goodwill towards the language is tantamount to electoral suicide.

The area that has troubled the party most has been that of emigration from Welsh-speaking areas. There is no doubt that the Welsh language is in difficulty in many of the areas where it has traditionally been strong. There is equally no doubt that part of the reason for this is the inability of local people to buy houses and live in the areas in which they wish to remain, a phenomenon that affects much of rural Britain.

There is no question that the buying power of those from outside rural Wales is pushing up the price of houses beyond the reach of those who live locally. Some of these buyers are Welsh people returning home to live after working away for many years. However, most are non-Welsh people who are coming in to Wales to live. This has given rise to two different views on the question of the troubles of the language in its traditional heartland.

The first, often expressed by members of groups such as Cymuned, is that the incomers are destroying the language. They come into Wales with ignorance or even hostility towards the language and force locals to move out because of their buying power. Yet this is a simplistic view. Many of those who have come into Wales to live have diversified the rural economy and have done much to project a positive image of Wales through tourism. Similarly, there are very many people who move into Wales because they like the idea of learning Welsh and want their children to do so. Many of them even go so far as to join Plaid Cymru.

The second, opposing view is that Welsh speakers' fears about the decline of their language is tantamount to racism, little different from that of the BNP and its opposition to Asian immigrants. Yet this is also a false comparison since it fails to understand the genuine fear of many Welsh-speaking communities who are not prejudiced in any way against those who cannot speak Welsh. English is a powerful language and culture; Welsh is not.

At present, there is a danger that these opposing views are becoming polarised. The task for Welsh Labour is to reconcile them. The party must of course condemn racism against anybody. Anti-English attitudes have no place in Welsh politics. However, the party cannot simply dismiss the issue, not least because the inability of people to afford housing is a socialist issue. If the party is to be seen as an all-Wales party it is important that it is supportive of the language, developing effective policies to support it. For instance, much good work has been done through the Homebuy scheme to help local people in rural areas where house prices are being forced up by market pressures.

In summary, Welsh-speaking communities did not turn against the party in the 1970s. Rather the party turned against Welsh-speaking Wales in its attempts to link the language with support for Plaid Cymru. The efforts of those in Ynys Môn have shown that we can win back support in Welsh-speaking as much as in English-speaking Wales.

4. CREATING A WELSH LABOUR TEAM

The Welsh party cannot forget that it is part of a wider movement. It remains important for Westminster to be seen as a place Wales needs to influence. It is in London that the economic conditions are created for the growth of the British economy. In order to retain Wales' influence, the position of Secretary of State must be maintained, especially in the absence of primary law-making powers in Cardiff. There is a tendency in the party to regard Westminster as a more distant body than the Assembly and, indeed, media coverage in Wales often adds to this impression. There is a future risk that the Assembly will be full of Welsh-based politicians while Westminster is full of London-based politicians who happen to have a seat in Wales. This would not augur well for co-operation between the institutions. There is still a need for politicians from Wales to go to London as well as Cardiff.

Devolution needs friends in London. One Welsh Labour MP once declared that the Assembly should have no more power because he had worked hard to get into Parliament and was not inclined to see power lost to the Assembly. In a more forthright manner, Denzil Davies MP, in a submission to the Richard Commission, declared that if the Assembly had more powers then it should pay for them itself. One wonders whether he would have said the same thing about local government! Both institutions need to work with each other for the good of Wales, and with the European Parliament, where Welsh representatives, such as Glenys Kinnock and Eluned Morgan, are invaluable in securing influence for both Wales and the Assembly.

When asked to comment on the result of the 1979 devolution referendum the late Councillor Phil Squire, leader of the then Mid Glamorgan County Council, declared that Wales' strength was that it was a land of strong and individualistic communities. In some ways he was right. Suspicion between communities was a factor in both referendums in 1979 and 1997. Yet this aspect of Welsh life is one of the greatest obstacles that the party must overcome.

During the Foot and Mouth crisis it became necessary to seek landfill sites to dispose of sheep carcasses. Some local authorities were approached for their assistance. All of them sympathised with the position and accepted that somewhere had to be found to put the carcasses. However, with a few exceptions, they said that the carcasses should not come to their own areas. One authority even suggested that it would take carcasses as long as they were from their own county!

Local authorities are the main deliverers of services in their areas, and for many members of the public their usual contact with government is via local councils. The Assembly should be ready to devolve power downward to county and county borough councils as well as community councils. There are occasions though where local authorities have to pull together for the good of the whole of Wales and look beyond their own immediate areas.

After a difficult start the relationship between local authorities and the Assembly has improved over the last three years. For instance, the Welsh Local Government Association has come to appreciate the regular access to national policy-making that devolution provides. After all, Labour councillors and Labour AMs are members of the same party. Certainly, electors seldom distinguish between the two when they come to vote. Many campaigns during the Assembly election and the 2001 General Election were mainly fought around issues to do with the local council.

Labour at all levels must always strive to work together. Councillors cannot pretend that AMs are somehow in a different party to them or ignore the fact that the Assembly is Labour-run. Similarly, AMs know that a Labour local authority is always an advantage to them and should work hard to keep it that way. There are bound to be disagreements from time to time between the different levels of government, and this is a healthy situation for democracy. At the same time long running disputes are in nobody's interest.

5. THE NATIONAL ASSEMBLY

The National Assembly is Welsh Labour's greatest creation. To have turned around the four-to-one vote against devolution in 1979 to a majority in favour in 1997, despite internal wrangling and a sceptical public, ranks as a significant achievement. Yet the present structure of the Assembly reflects uncertainties about devolution and the compromises that were made in order to bring the project into being.

The Assembly itself is a hybrid of different systems. It has a committee structure with Ministers as committee members. This happens nowhere else in the UK. There is a full system of scrutiny of secondary legislation that is unique in Britain, largely because the Assembly doesn't have primary powers. The original intention was for the Assembly to have a structure akin to local government, with a First Secretary and committee chairs taking decisions. Fortunately, this was abandoned during the passage of the Bill. If it had gone ahead it would have slowed down decision-making, blurred lines of accountability, and weakened the institution in the process. It is difficult to imagine a committee taking quick decisions during a crisis such as the one we were faced with during the foot and mouth outbreak. Even so, there is not a proper distinction between the legislature and the executive as is the case in Scotland. This means for example that Ministers are members of committees that scrutinise them and have a vote on their own performance!

Perhaps the greatest oddity is the Assembly's establishment as a corporate body. This means that, theoretically at least, Ministers take decisions on behalf of the whole body, much to the consternation of opposition members in whose names these decisions are taken. The myth is perpetuated that decisions emerge from a consensus across the parties in a non-confrontational manner, which of course is not the case. Inevitably, this structure leads to confusion in the minds of the public and must change. The establishment of the Richard Commission is an important step in this process. Although criticised by many as a sop to the Liberal Democrats, the Commission will be able to identify structural weaknesses and suggest ways forward.

6. THE QUANGO STATE

During the course of the referendum campaign, one of the most effective arguments in support of devolution was the abolition of the un-elected quangos that had ruled Wales for so long. It is sometimes forgotten that these bodies were set up with executive powers to rule Wales because the government of the day was unable to secure the election of politicians to do so. They allowed those sympathetic to the government of the day to rule without the inconvenience of being elected. Although a few opposition members were allowed on to the quango boards for appearance's sake, the main basis for appointment was political conviction. During the Llandrindod Wells conference of the Yes for Wales campaign in 1997, Viscount St. David's, the Tory devolution-supporting peer made it abundantly clear that this was the case, Elected MPs had very little power over their workings and the lines of their accountability were to a distant Secretary of State in London. No wonder that it was often said that the quango chairmen used to meet on a regular basis to decide how Wales was to be governed!

We are now in a devolved world, yet there has been no serious debate about the future of these bodies. Is there a need to have them now that the Assembly has brought government closer to the people of Wales? Of course, there have been major changes in the way that they operate. They are now known as Assembly Sponsored Public Bodies (ASPBs), and scrutiny of them has greatly increased. Instead of very occasionally being called before Parliamentary committees at Westminster, they are now subject to regular examination by the Assembly's subject committees in Cardiff Bay. They also have a much closer relationship with Assembly Government Ministers and meet them regularly. Gone are the days when the Wales Tourist Board was unable to secure a meeting with the Secretary of State during the whole of his term of office. The appointments procedure also much more open, and subject to the Nolan principles. Indeed there are many in the party who believe that the system is too generous to our opponents as they see the same people in charge of some ASPBs as were there in the days of the Tories.

There is no doubt that the new system is fairer and much more open, at the expense of the governing party. Given the fact that there is more accountability, is there a need to change the system? We must remember that ASPBs are still arms-length organisations that are able to operate with little reference to Ministers. However, it is the Minister responsible who takes the blame when things go wrong. The public no longer accepts that because an arms-length body has taken a decision then politicians are absolved of responsibility.

There is also confusion in the public mind about the nature of ASPBs. There is often much discussion of “partnership” between them and the Assembly. Yet all ASPBs rely on the Assembly for their existence and their finance. It must be remembered that ASPBs are subordinate to the Assembly, not its partners. It is also true to say that some ASPBs have been more than reluctant to acknowledge this fact. In some cases, for example, it has taken some time and persuasion for the Assembly Government logo to be incorporated into their literature.

There may be little need now for some bodies to have a separate existence from the Assembly. Much of their work could easily be done by Assembly civil servants, making it more accountable and removing an unnecessary tier of decision-making. We should of course make sure that in reorganising the ASPBs we do not impose a policy of blanket abolition. There may well be an argument for preserving bodies such as the Countryside Council for Wales or the Environment Agency which were set up to act as independent advisers to government. It will also be important to keep experienced and able staff working within the new structures. We should avoid falling into the trap of thinking that the abolition of ASPBs is simply a way of getting rid of personnel. In some instances there will be a case for keeping the present ASPB boards as advisory bodies to assist Ministers when taking decisions.

Nonetheless, the fundamental point remains that the present structure of many ASPBs is superfluous. They should be brought properly under the wing of the elected government elected by the people of Wales to take decisions. The debate over their future must begin soon so that the restructuring of government begun in 1999 can continue.

7. THE CASE FOR PRIMARY POWERS

There are some of course that take the view that the Assembly should have no more powers. Yet over the past four years numerous powers have been devolved by way of Transfer of Function Orders. This quiet process has gone largely unnoticed, apart from the devolution of power over student finance which it is essential to deliver as one of Welsh Labour's election promises of 2003.

The Scottish devolution settlement is a simple one. There are delegated and reserved powers and everybody knows where they stand. Devolution in Wales is more complex. The Welsh Office tended to be given bits of powers where previously it had shared responsibility with Westminster. This position has continued since the Assembly has been established. For example, the Assembly is responsible for the control of animal diseases except foot and mouth. This is despite the fact that DEFRA, which is the body legally responsible, does not have staff in Wales to cope with an outbreak. Instead it is reliant on the goodwill of the Assembly Government to borrow its staff, a situation unique in the UK. Equally, the Assembly Government is responsible for policing some of the Welsh fisheries, but not others. Higher education is devolved, but student finance initially was not. There are numerous other examples.

Where these anomalies have occurred, the Assembly Government has sought further devolution. This has been helped by the support of the Wales Office in Whitehall. However, areas remain where disputes can become very public, such as the power of direction over the Strategic Rail Authority. The argument put forward to deny this power to the Assembly is based on the fact that Wales' rail network is integrated with England. Although this is a geographical fact, it is not the basis for a sound argument. Scotland's railways do not stop at the border, nor do London's railways come to an end as they reach Kent or Essex, yet both these bodies have powers of direction.

Major transfers of responsibilities such as the Fire Service are proceeding, and the police might follow in the future. Such transfers have taken place relatively smoothly because of the existence of a sympathetic government in London willing to listen. Problems will inevitably occur when there is a government in London of a different shade to that of the Assembly which may not be as willing to listen. Not only that, opportunities will arise to roll back devolution because the Assembly does not have any reserved powers.

The Assembly is dependent for its powers on primary legislation passed in Westminster. All that Parliament has to do to diminish the Assembly's powers is simply to fail to mention it in legislation. This is not the case in Scotland or Northern Ireland or indeed in the Isle of Man or Alderney. Wales is in a position of unique weakness, which can only be rectified by the Assembly gaining the powers of every other legislature in the United Kingdom.

There are many in the party who argue that the Assembly should not get primary powers, or at least not yet, and there is yet to be a full debate on this issue. The present structure of devolution in Wales reflects the compromise that was made in the party between the pro and anti devolutionists. Like many compromises, it is a mess. Wales is the only constituent part of the UK that lacks the ability to make its own laws as of right. It is in a uniquely weak position as a result. As already mentioned, a Tory government could do far more damage in Wales than in other devolved parts of the UK. It may well take this scenario to convince many of the present-day doubters of the case for primary powers. History suggests this may be the case. After all, following 1979 it took 18 years of Tory government to change the minds of many, notably Ron Davies, who had previously been anti devolution.

Even to make the case for primary powers runs the risk of being accused of following a nationalist agenda. It is said that you cannot 'out-nat the Nats'. That is true. Yet the advocates of primary powers are simply embracing what is already the policy of the Scottish Labour Party and the policy of the UK government in Northern Ireland. It is a little difficult to accuse the late Donald Dewar and Tony Blair of being nationalists. It is also thought that it would lead to the break up of the UK, although the Scottish example gives the lie to this.

Finally, it is suggested that Wales and England are integrated through their common legal system. Yet Northern Ireland's legal system is not separate, but simply runs in parallel with England and Wales. Indeed, the legal system has run ahead of government as the establishment of the Mercantile and Administrative Courts of Wales illustrate.

In 1997 the lack of primary powers prevented many from voting Yes in the referendum because they thought Wales was not being offered enough. The low turnout in 2003 was partly to do with the fact that people perceived the Assembly as having few relevant powers. As things stand, the Assembly Government must continually knock at Whitehall's door to get primary legislation. Although it has been successful in obtaining Wales-only legislation and Wales-only clauses in Bills, these are no substitute for having the ability to do it yourself, particularly if a future Tory government in London fails to answer that door.

Following devolution to Wales inherent absurdities within the legislative system at Westminster have been exposed. Take the case of the Education Bill where England and Wales had separate clauses that were different in philosophy. There can be few other legislatures that makes contradictory laws at the same time.

To give the Assembly limited powers in devolved areas is akin to giving a carpenter half a set of tools. A good job can be done, but it would be better to have a full set. Although areas such as education and health are devolved, the structure of both is controlled ultimately in London. Perhaps the greatest irony is that Westminster and not Cardiff has the power over primary legislation dealing with the Welsh language.

The difference between Labour and Plaid Cymru on this issue is simply that Plaid Cymru seeks independence as an ultimate aim whereas Labour does not. Welsh Labour has the ability to say to the electorate that a Welsh parliament is the furthest that it wishes to go, which nationalists cannot do. The nationalists also fail to recognise that a good deal of planning is needed before we can assume legislative powers. If they were given to the Assembly now it would struggle to cope and the people of Wales would be disappointed.

However, planned properly, the devolution of primary powers in devolved areas to the Assembly would simply place Wales on a par with the other UK nations and create a better symmetry that would enhance the unity of the UK. It is often said that the Assembly must prove itself, and that a solid case must be built up to support the transfer of primary powers to Cardiff. Yet devolution has occurred, and primary powers have already been given to Scotland and Northern Ireland. Now that there is an Assembly, and now that England, Scotland and Northern Ireland all have primary powers, the argument is not whether Wales *should* have these powers, but why it *should not*.

The onus is on those who argue against primary powers to make their case as to why Wales alone is not suited to being able to make its own laws in devolved areas. It is for Welsh Labour to move this debate forward in a mature and sensible fashion.

8. FINANCING THE ASSEMBLY

The National Assembly is not directly responsible to the people of Wales for its expenditure in the way that UK government, county councils and community councils are. Nobody pays a tax to the Assembly that they can grumble about. Of course, the Scottish Parliament has the power to increase or decrease income tax by three per cent, although given the exceptionally generous settlement they receive through the Barnett formula they have never needed to do this. In Wales the Assembly can do no such thing, as it is constrained entirely within its block grant from London. Is there a case for giving the power to the Assembly to regulate taxes on the Scottish model?

There are two reasons why the Assembly might seek tax-raising powers, the first of these being macro-economic control. This is outside the devolution settlement and there is little reason to seek such powers given the reliance that Wales has on subsidies from the UK treasury. A range of 3 per cent either way would also only have a marginal effect on the economy. The second reason is simply to allow the Assembly to raise extra revenue funding. Knowing the GDP of Wales and the small tax base that Wales has, increasing income tax would simply take more money from people's pockets for a disproportionately smaller increase in government finance. It is far more effective to increase tax at UK level and distribute it across the country. This of course gives Wales access to money raised in the south-east of England and levels of finance that it could never hope to raise in Wales alone. This simple fact has always been the fundamental weakness in the nationalist argument for independence, as the electorate has consistently recognised.

Even if taxes were raised or lowered, this would be bound to have an effect on the Treasury block grant for Wales. For example why should Wales receive the same amount of money from the Treasury if it took the step of reducing tax rates in Wales and therefore reducing the Treasury's tax take? This would mean UK taxpayers subsidising tax cuts for the Welsh taxpayer, a move unlikely to be popular elsewhere in the UK.

The power to alter tax rates is a tool that very few Assembly governments would seek to use and it cannot be a priority for the future. Yet not wanting to use a power does not necessarily mean that it should be ruled out forever. A Tory government elected on a ticket to cut taxes and public services could easily trim the Assembly's budget and force it to make cuts in Wales. The same is true of Northern Ireland, but the need to prevent the province lapsing into violence and bolster Unionist arguments that the province is economically better off as part of the UK make this unlikely. In Scotland, the Executive could cushion such a financial blow by increasing income tax to maintain public services at reasonable levels. Wales (and England for that matter, but at least such a government would have won a majority of English seats to get elected) is vulnerable in a way that no other devolved nation is.

Tax-raising powers could only be given to the Assembly after another referendum, following the Scottish example, and it is unlikely that such a vote could be won at present. However, the question of powers over income tax will need examination in the future.

(i) Other Tax Models

There are other forms of finance that could potentially be of use to the Assembly. If it had power to set the rate of corporation tax it could stimulate investment from abroad. In the Republic of Ireland, the role played by favourable tax rates in attracting foreign investment is often overlooked. Lowering the rate of corporation tax would be a powerful tool in the Assembly's box.

Again, however, leaving aside the extreme unlikelihood of the Treasury agreeing to such a move, the same problem would remain. Lowering the tax rate, and therefore the tax take in the short term in Wales, would mean that English taxpayers would simply be paying extra to cover the shortfall. Moreover, at the same time they would be subsidising Wales to create a tax regime that would jeopardise the ability of England's regions to attract investment.

One possibility that is rarely explored is that the Assembly could issue its own bonds. The UK Treasury would have concerns, but there are precedents. In Stormont days the Northern Ireland Government was able to issue bonds. They represent a good way to borrow money cheaply on the market since investors are willing to sacrifice larger potential returns elsewhere for the cast iron security of knowing that their investment is safe. UK gilts have always been sought after for this very reason, as the UK government has never defaulted on them. If the Assembly were to follow the same path then it would have to convince investors that the bonds were sound and that the investment was secure. This would probably require them to be underwritten by the UK Treasury, at least in the short term. For this reason, the Treasury would be reluctant to approve this course. It would need guarantees of its own that the UK taxpayer would not have to fork out if the Assembly government defaulted. Yet this form of borrowing has its advantages. It offers another way of financing capital expenditure and provides an alternative to the Private Finance Initiative.

(ii) Changing the Barnett Formula

While it is unlikely that the Assembly will receive tax-raising powers in the near future, that does not mean it should be content to accept its present financial arrangements under the Barnett formula. Though Wales undoubtedly does better than the English regions under the formula, Scotland does very well indeed. It must be remembered that the formula was put into place in the late 1970s when the income levels in Wales and Scotland were very different. Scotland's GDP is close to the level of the UK as a whole which represents a significant improvement on where it was at when the formula was devised. On the other hand Wales has a GDP which is roughly 80 per cent of the UK average. Yet Scotland is better funded per head than Wales is.

There are dangers in seeking to change an established formula. Some English regions have a better claim even than Wales to a larger slice of the cake, and Scotland is bound to fight changes tooth and nail. The presence of Gordon Brown, a Scotsman, in the Chancellor's job is also bound to act as a brake on the process.

There are many who would want guarantees that Wales would get a better deal before moving away from Barnett. They are also concerned that, as Plaid Cymru continue to press for a change in Barnett, that this is a sop to nationalists. Yet Plaid Cymru's argument is inherently flawed, as their ultimate aim would result in Wales being cut off from the UK tax base and forced to finance itself.

The review of Barnett is a Labour issue. Any redistribution of wealth from richer to poorer areas must be natural territory for the party. The Barnett formula cannot last forever, and pressure is bound to grow for its replacement. Scotland never seems to be short of money, nor should it be given the disproportionate benefit it gets from the formula. With English devolution, the question will inevitably be raised by the English regions. The Assembly Government must tread carefully on this issue however because to the extent that it is successful in raising Welsh GDP, it could end up worse off as a result of a review of the formula.

9. THE ELECTORAL SYSTEM

The present additional member PR system for electing the Assembly is undoubtedly unpopular within the party. Members cannot understand why an opposition politician can lose in a constituency and yet be elected as a “fastest loser” on the List. This feeling is compounded by the fact that because of the nature of the system, hundreds of thousands of Labour voters are disenfranchised in the List section because the party is so successful at winning constituencies.

PR does not lead to stable government. In Scotland there is every possibility that after their next election in 2007 there will be a three or four party coalition governing the country. In Wales, the situation is not so bad, but it is the view of the public that List members are not quite at the level of those who win in constituencies, and there are occasional calls within the Labour party to downgrade their status. Of course, they are treated as the equal of constituency members in the Assembly chamber, and given the fact that the standing orders require all members to be treated equally the Presiding Officer has no choice but to do so.

The system that we have is an uneasy mix. It represents the sort of compromise that was necessary to gain the support of other parties in the referendum campaign. However, It remains the fact that people do not understand the system, nor do they understand why their Labour vote on the List section is ignored in so much of Wales. The system was shown at its most farcical in Clwyd West in the 2003 election where three of the four candidates were at the top of their respective parties’ lists, virtually guaranteeing them election in the List section. This left Welsh Labour’s candidate Alun Pugh in the credible position of saying that he was the only candidate seriously standing for election in the constituency, a position which found resonance because he won when so many predicted he would lose. It is difficult to see how a system that creates such an anomaly can be taken seriously.

The party will have to look at alternatives such as an 80-Member Assembly made up of two members elected from dual member constituencies across Wales. The opposition parties may well cry foul at this. However, there is no guarantee that people will use their two votes for the same party, as we see often enough in council elections. In Llanelli for example, such a system might return both Catherine Thomas and Helen Mary Jones as members as voters split their ticket. It is far from certain that the Labour Party would win every single election under this system, but it would have the advantage of ensuring that people have one chance for election and that they cannot get in by the back door.

Nevertheless, the party should be cautious about changes in the near future. There are many who say we should scrap the system overnight and return to first past the post. Whilst this would be a popular view in the party, it would alienate the public. The impression would be given that the party was 'taking the ball home' because it could not win on the List. The public would not accept that and would punish the party for its presumption. Instead, we must show that we are capable of winning more than one election under the present system before seeking to change it. We could not then be accused of seeking change simply to win elections.

10. BUILDING A PROGRAMME FOR IMPROVEMENT

Many who have read this far will ask what contribution this Paper seeks to make regarding bread and butter issues. Some may take the view that debating constitutional issues is a distraction from getting down to the business of creating a fairer and more prosperous Wales. The answer, of course, is that reforming the quango state and improving our constitutional arrangements are important factors in creating a better Wales. Constitutional change is not a matter of academic debate. It is an essential requirement in providing the framework for improving the lives of our people. In addition, three broad principles – fairness, social justice, and economic opportunity - should guide the party in building a programme for improvement.

(i) Fairness

Fairness - ensuring mutual respect and recognition for all our people - might seem a pretty obvious statement of principle for a left of centre party. What exactly does it mean, however? All parties will claim that this is what they stand for, but fairness forms the very soul of the Labour party. Fundamentally, it means ensuring the elimination of prejudice and artificial obstacles to an individual's enjoyment of life. It encompasses at the very least a strong commitment to equal opportunities and the combating of racism and sexism.

We are lucky to be largely free in Wales of the scourge of the BNP, but we often deceive ourselves that as a small nation we have some kind of immunity to racism. In reality, there are many communities in Wales who could fall prey to the BNP in certain circumstances. It was often thought that the Irish, with their experiences of racism as economic migrants around the world, were free from racist beliefs. However, the increased immigration into Ireland has led to a rise in racial attacks.

Welsh Labour must be resolute in its opposition to racism, and that includes opposing prejudice against those who speak Welsh as well as those who cannot. The party cannot have double standards when it comes to linguistic attitudes.

To combat prejudice, we should be looking to create a sense of civic nationality in Wales that is based on the desire to belong, on a nation that is proud and supportive of its Celtic roots and language and on a society that delights in being multi-cultural. The more confident nations tend to be those which accommodate the different strands of belief, colour, language and roots of those who make it up. Contemporary USA and Australia are good examples.

We already have a template in Wales in the case of the southern Valleys. In the past, observers such as Sir Alfred Zimmern and Professor Gwyn A. Williams described the region as American Wales. This was because people from so many outside nationalities, including English, Irish, Italian and Polish, fused with Welsh speakers to create their own definition of Welshness. The Gwent valleys probably contain a majority of people whose ancestors were not from Wales. Nevertheless, people there are proud of their sense of Welshness that American Wales has created. It shows what can be done with an inclusive sense of nationality that minimises prejudice.

Of course, fairness is about more than just identity. The party must seek to improve and spread prosperity and opportunity at all levels. We know of the disparities in income that exist across the land and we should not be afraid to stand for redistribution so that our Valley communities, which gave so much to the prosperity of the UK and received little in return, receive a fair share of the cake. Many of our communities have fallen into a culture of depression. In Blaenau Gwent and Merthyr it is hard for people to see an end to the economic problems that have dogged them for generations, despite the undoubted improvements over the last six years. Rightly, local politicians point to this and call for improvement. The party must show it can deliver that improvement. The free market has failed these areas, and the long years of Tory rule, during which well-paid jobs were destroyed, have led to the position where change can occur only with encouragement from government. We live in an uneven society. Disparity is kept in place not just by lack of educational opportunity and sustainable jobs, but also by a lack of confidence generated by years of disappointment. The party must concentrate on both if it is to improve the social and economic well being of our people.

(ii) Social Justice

The appointment of a Minister for Social Justice in the second term of the Assembly Government was an important move by the First Minister. It was a signal that this was an issue that was being taken seriously. To secure a fairer social and economic system must surely be the driving force of any Labour administration.

Social justice can encompass many things: the chance of a job and the opportunity to travel to it; the chance of a decent education; and the right to access good healthcare. Many of these objectives might be assisted if the Assembly had tax raising powers. For example, a hypothecated penny in the pound income tax rise to pay for transport would do wonders for the development of good transport links to our Valleys and rural areas. Improved transport would give people better access to those places where jobs are more easily available. Even without this power much good work has already been done. A good example is the implementation of the Communities First scheme and projects aimed at providing affordable housing for young people.

At its core a programme for social justice must encourage people to raise their horizons. Many of our most deprived communities have seen years of economic and social problems, and it is difficult for people to believe that their lives can actually improve. Where economic inactivity is endemic, people don't expect to get a job. They simply do not believe opportunities are there. In many of our communities people have become resigned to economic inactivity and even worse, are prey to drug dealers who see a way of making a fast buck on the backs of others. We have to ensure that people truly believe that life can improve. We need to convince young girls who get pregnant at 15 that this isn't the pinnacle of what they can expect from their lives. Without raising people's expectations there is no hope of regenerating communities.

The education system has to be the place where this starts. Too many of our youngsters believe that there are artificial limitations on what they can do. Many of our young people could have gone into higher education but didn't do so because they did not believe that such an option was open to them.

The ending of the apprenticeship system in industry has not helped, as this was a way in which many learned a trade that set them up for the future. It used to be the case in many Valley communities that all the electricians were NCB trained. The education system should be geared towards a variety of learning experiences that can be accessed throughout people's lives. Indeed, this has been threaded through Assembly Government policy. One of the key elements of social justice is ensuring that people can access education and training at a point in their lives when they are ready for it, not when their age dictates.

It goes without saying that we should also look to bring jobs to those communities that need them. At the same time we must also ensure that links are in place to enable people to commute to areas where jobs are available. A good example of this is the reopening of the Ebbw Valley railway, connecting communities with Cardiff that are difficult to access by road. The potential opening up of job opportunities to Blaenau Gwent by making this link is massive.

The Assembly Government itself has a direct role. As one of the biggest white collar employers in Wales it needs to ensure that jobs are created outside Cardiff. It is already one of the biggest employers in Caernarfon and Llandrindod Wells, and the opening of the new offices in Merthyr represents a strong commitment to creating relatively well-paid jobs in areas of low income. The moving of jobs from Cardiff to Brynaman or Blaenau Ffestiniog would have a marked effect on delivering social justice in these communities!

We also need to concentrate on removing personal barriers to employment that people experience. One of the strengths of the policy of abolishing prescription charges is that it will enable those who have a long-term illness to work without worrying about losing their present exemption from payment. For somebody who needs to take a lot of medication, the fear of paying for it acts as a disincentive to work because the extra income they receive will be offset by the extra money they have to pay for their drugs.

It is in the area of childcare however, that much work still needs to be done in securing social justice. Looking after children is one of the highest barriers parents, usually women, have to face. It is all very well providing job opportunities, but if there is no one to look after the kids, then those opportunities are worthless. There is a severe problem in Wales, and indeed in the UK as a whole, in providing childcare at a reasonable cost. Indeed, many parts of Wales have no childcare facilities at all. Where the facilities exist they are often extremely expensive. The provision of access to childcare across Wales would have a marked effect on widening access to work and therefore on securing social justice.

Another major plank of securing social justice is the right of communities to live in security. Time and time again, crime figures show that those who live in poorer areas are far more likely to be the victims of crime than those in areas of affluence. The tabloids often create an image of the poor preying on the rich, but the reality is that it is often young people who are beaten up, women who are abused, and pensioners who are too afraid of going out at night for fear of being mugged or having their homes burgled.

It has always been a myth that Labour voters are in some way not interested in crime as an issue. In reality the reverse is the case since they are often the people most affected by it. Increased policing in areas of high crime is essential as a tool to secure social justice.

Drugs and the consequences of their use also blight many of our communities. There have been instances of dealers giving out “goodie bags” to children to get them hooked. For such people punishments meted out by the criminal justice system must be harsh because they make a living on the misery of others and what they sell has the capacity to cripple communities. It is estimated that a heroin addict needs to obtain £50,000 a year to feed the habit, a sum that inevitably leads to crime.

However, being hard on the dealers does not mean that punishing addicts simply for taking drugs makes sense any more than punishing alcoholics for drinking. Addicts are ill, and as such must be also be able to access treatment. Prison is often the worst place for them, even though many end up there as a result of committing crime to feed the habit.

The availability of rehabilitation facilities will therefore be a major issue for Welsh society over the next ten years. The availability of such facilities to try to move people away from the drugs that destroy them and their communities will be a major factor in securing social justice.

The final piece in the social justice jigsaw that the party must complete is the provision of good, affordable housing. The legacy of the council house sell-off that took place under the Tories is still being felt. This is particularly true in rural areas where the number of council houses has dropped by a half over the past twenty years. Housing associations are trying desperately to make up the shortfall, but much has been lost. On the plus side, the public housing being built now is of a high standard and indistinguishable from private estates, as should be the case. The rebuilding of the Lewistown estate in the Ogmore Valley is a prime example of dreadfully built and ill-designed houses being replaced by those that are fit to live in. There are many within the party who are uncomfortable with the fact that housing associations have had to be created to progress this work, but what counts is that tenants get a fair deal and decent housing

There remains a crisis of accommodation in many parts of Wales, both urban and rural, but the problem tends to be more acute in rural settlements because the variety of accommodation at different prices tends not to be there. Where there might be a supply of flats in Cardiff at affordable prices, that choice is unavailable to rural dwellers. Wage levels are also higher in urban areas, allowing those who live there a greater choice of housing. It is the rural areas of Wales that are going through the greatest problem, with local youngsters being unable to live in the areas that they work in because they have to compete with those with greater resources in the housing market.

It is simply not possible to prevent people moving to rural areas. In any event many are people returning home to where they originally came from. But a community without a reasonable spread of people across the age range is by definition imbalanced. There is therefore a need to give serious consideration to schemes for allowing the building of houses for young people in parts of rural Wales where currently planning laws are unduly restrictive.

Guarantees should be put in place to prevent these houses being sold on the open market for a set period of time to ensure that those who build them aren't trying to make a quick profit by selling on the open market. This kind of development prevents young people from living in their communities, thus jeopardising their sustainability.

(iii) Economic Opportunity

The Welsh economy is doing well in creating jobs for its people, but there is still work to be done in developing greater entrepreneurial initiatives as well giving our people the confidence that they can be successful.

Historically, the economy of Wales has been based on heavy industry and farming. Those who did not want to stay in those jobs saw a future for their children in salaried and "respectable" professional jobs that had a pension at the end of it. The creation of the 'teaching, preaching and nursing' job horizon has been well documented. The idea of entering business was largely anathema because of its instability and because the idea of making money through business was seen as not quite respectable. Those with ambition to become entrepreneurs were often driven to develop those skills outside Wales and so were lost to the Welsh economy.

This attitude has persisted and it is only since the advent of the National Assembly that serious thought has been given to developing the entrepreneurial talents of the people of Wales. The WDA has placed more emphasis on this through innovations such as the entrepreneurial scholarship scheme. Yet there still remains a fear of failure. Many regard failing in business as some kind of shame that must be borne for evermore. This is in stark contrast with the USA, for example, where the culture is for people who fail in one business simply to try again and eventually succeed. It is noteworthy that successful business ventures in the agri-food sector in Wales are often led by those who have moved in. Sometimes it is only then that locals follow the example.

The Wales of the future should see itself as being able to nurture people who are willing to innovate and create small and medium sized enterprises. An important next step is for some of these to go on to create larger companies on a scale that is normal in other parts of the UK. We have tended to accept that we are a 'branch office' economy rather than one which houses the headquarters of large companies. This is often brought home in the field of sports sponsorship where Scotland can look to its whisky and banking sector for support and even Northern Ireland has its own financial sector based there which can help. In Wales sponsorship decisions are invariably made elsewhere. If we are to be serious about promoting business we will have to build a greater number of large indigenous companies.

The run-down of the Welsh coal and steel industries in the 1980s caused levels of unemployment that not even the Thatcher government could ignore. At the time a great deal of effort was put into attracting foreign companies on the basis that Welsh people would accept lower wages than elsewhere. As a strategy to create jobs, albeit those with low pay and expectations it was successful.

Yet, as we have found, if your major competitive advantage is simply cost then in a short space of time you will be defeated by those who can undercut you. When the Iron Curtain disappeared the writing was on the wall for this strategy. Eastern Europe and the Far East are far more attractive to companies who are simply looking for a cheap source of labour. This option will never be available again.

The future surely lies in attracting investment from abroad based on a number of factors such as a well-educated workforce that offers skills not easily found elsewhere and an attractive environment for senior management to live. Creating a pool of highly skilled people produces high levels of investment which, in turn, leads to secure and well paid jobs. The sustainability of these jobs is an important issue for the Assembly Government given its legal duty to promote sustainable development. The key must be to assess what skills the world will need in ten years rather than the present, and make sure that we can provide them. The Assembly government has led the way in this regard.

We can learn from the example of Ireland in taking a society low on entrepreneurship and GDP and turning the situation around in a generation. Many of Ireland's larger companies such as Irish Life and Aer Lingus were simply set up after independence by the government. Few sectors were able to prosper without government help. Yet the situation has changed. High quality investment has flowed in, such as the establishment of Microsoft at Killorglin County Kerry. Those who left Ireland have returned and for the first time the country is a net importer of people. There remain some weaknesses such as the failure to invest in infrastructure and the lack of an even distribution of economic benefit throughout the country, but in the main the Celtic Tiger has roared. If the Irish can do it, there is no reason why the Welsh cannot as well.

11. A PARTY CONFIDENT TO DEBATE AND LEAD

The Welsh Labour Party is at the height of its powers. Having comprehensively defeated the Tories in the 1997 and 2001 general elections, in the 2003 Assembly election it dismissed the very real threat that Plaid Cymru posed following the first elections to the Assembly in 1999. It now stands as the sole party of government in London, in most of our local authorities, and crucially in Cardiff despite an electoral system biased against such an outcome. Rhodri Morgan consistently sits at the top of all opinion polls on who would make the best First Minister.

Despite this, many in the party still see any form of internal debate as something to be feared, and worry about 'rocking the boat'. But it is precisely when the party is in a position of strength that debate should take place over future directions. It is a natural consequence of devolution that Welsh Labour in the Assembly should take a different approach to Labour in the UK as a whole. If this were not the case what would be the point in having devolution? The electorate sees this as a sign of strength, not weakness, as long as debate does not lead to a bitter and public argument.

An example of where more debate is needed is over the future of coalition politics. The most controversial act for any Labour administration is to go into coalition. At the moment, Welsh Labour has a majority in the Assembly, albeit a precarious one, and party members are happy. However, the electoral system makes a one party majority extremely unlikely for most of the time and we should not see the present situation as the norm.

It is very likely that, given the present system, coalition will have to be considered again as the only way to provide a stable Labour-led administration. The party must face up to this and think about what sort of agreement it would want with other parties.

There will be some who argue that we should not go into coalition with others but should seek to govern as a minority when this is the case. Yet past experience suggests that this would lead to disaster, as the period 1999-2000 shows. Government motions were repeatedly voted down and Ministers such as Christine Gwyther were forced to endure confidence votes on motions that were baseless. No government can hope to survive in such conditions. At Westminster the impasse would be broken by an election, an option that is not open to us since every Assembly has a fixed term. Consequently, the only sensible way forward is to broker agreements with another party to ensure that a majority is secured in the chamber on every occasion. Some will be uncomfortable at Labour sharing power, but a Labour-led administration is better than one without the party being involved. Ultimately, government is about delivery, not purity, and if a coalition can deliver Labour policies, then that must be better for the party's supporters.

These days, political parties are often accused of being all the same. One reflection of this is that turnout has dropped markedly in all elections. That's why the Welsh Labour Party must look forward to leading a debate about Wales' future and the kind of country we want to live in. Issues such as constitutional change cannot be sidelined forever given that so many party members support change. In fairness, it was impossible to come to a settled view before the Richard Commission deadline given the breadth of the issues to be debated, but the debate must still be had.

The Scottish party has been through these debates and has emerged the stronger for it. The Welsh party must engage in mature debate and show that it can look sensibly at what is best for Wales. It must get rid of its hang-ups on Welsh identity and forge its own path based on its Welshness and Britishness without worrying that one will compromise the other.

The party has been helped by Plaid Cymru's move towards supporting full-blown independence, and consequently its retreat from serious examination of Wales' constitutional future. When Peter Hain described the idea as one which would make Wales a laughing stock he probably didn't emphasise the crucial point. There are many countries smaller and poorer than Wales which are independent states in their own right.

The argument against independence is, of course, simply that it is not in Wales' best interest. The mark of one who truly holds Wales' interests at heart is the acknowledgement that, financially and economically, Wales benefits from being part of the multi-ethnic state that is the United Kingdom.

In defining their constitutional objective as independence Plaid Cymru have abandoned the aspirations of the vast majority of the people of Wales. As for the Tories, although their AMs claim an affinity with devolution, the reality is that most of their membership is still living in the days of Empire.

The middle ground of constitutional change has been left to the Labour party and to a lesser extent, because of their size, to the Liberal Democrats. Those in the party who hold the view that Wales is no different from Scotland and consequently the settlement should reflect that, were always wary of putting forward their view for fear of being called 'closet nationalists'. However, with the nationalists having abandoned the middle ground, the most they risk is being called a closet Liberal Democrat, which doesn't quite have the same resonance.

The next ten years will be crucial for both Wales and Britain. The UK can emerge as a truly devolved, even federal state where government is brought closer to people. It would be a state where its four constituent parts are true partners in the great British project. Indeed, it would be one where England's regions would also see devolution of power that has been held for so long at the centre in London. For Wales it would mean ending old suspicions, both with others in the UK and between ourselves. We would become a nation confident in our own identity while happy to celebrate and strengthen our links with its fellow Britons and Europeans.

Welsh Labour must also stand firm against the idea that government will always be inferior to the private sector in delivery and that state intervention is a waste of time. It must renew its pledge of assistance to those who are left out socially and economically, as the founders of the party intended. Much good work has already been done since 1997. Welsh Labour must build on that and decide what sort of party it intends to be in the future.



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