

# What Happened to Britain's Labor Party?

MARTIN SMITH

The United Kingdom today is in the middle of a long election campaign that began informally in January. The Labor government is nearing the end of its third term in office, having held power since a landslide election in 1997. As with many governments of long duration, a sense of exhaustion has developed. But the fundamental problem undermining Labor's electoral prospects this year is the recent economic crisis.

Labor's 13 years in power have seen fundamental changes in the nature of British society. The Labor government oversaw a period of unprecedented economic growth, as the United Kingdom seemed both to end its economic decline relative to other European countries and to break out of the boom-and-bust cycle that had dominated Britain's postwar economic history.

With the fruits of an expanding economy, the Labor government invested heavily in the public sector, increasing state expenditures significantly both as a percentage of GDP and in real terms. This spending trend highlighted the way in which Labor's traditional social democratic principles had evolved, as party leaders promoted market growth to pursue social justice goals.

Without a doubt, the Labor government enjoyed considerable luck with its economic policies, as an expansionist world economy drove domestic growth while inflation was limited by increasing production in China, combined with relatively low oil prices. Between 1997 and 2005, Britain's annual GDP increased in real terms by 21 percent, and much of this extra income went toward increases in public expenditures rather than reductions in taxation. This spending resulted in qualitative changes to the country's provision of education and health care.

Some of the most noticeable changes under the Prime Minister Tony Blair's government occurred

in public spaces. Not only were hospitals and schools built or improved after many years of declining capital expenditures, but in some cases town and city centers themselves were transformed. Many of the formerly industrial cities of northern England—cities that had seemed in irreversible decline during the Margaret Thatcher years—saw significant regeneration during Blair's tenure. And again, these economic and social advances resulted from using the free market, and in particular a loosely regulated financial sector, to generate economic growth.

But Labor's period of economic success coincided with Blair's prime ministership—not Gordon Brown's. It can be argued that Brown, the former chancellor of the exchequer, has had difficulty adapting to the role of prime minister since he took over in June 2007, particularly as he has faced more challenging economic times. Brown's public support declined when his premiership began uncertainly, with indecision over whether to call an early general election.

## ECONOMIC TURBULENCE

More problematic, however, was that Brown's reputation was built on his perceived success as chancellor of the exchequer. In that post he had presided over a sustained period of economic growth—yet his administration has been troubled by worsening economic conditions. These were starkly illustrated in early 2008 by the near-collapse of a British bank, Northern Rock. As a consequence of the subprime mortgage crisis in the United States (which developed in part from low-income borrowers' inability to meet repayment obligations on property loans), Northern Rock encountered liquidity problems, reports of which prompted a run on the bank.

And these problems in the financial sector merely presaged the economic and political upheaval that was to face the Labor administration toward the end of 2008 and into 2009. It was soon apparent that measures taken by the government regarding the banks—which included assuming

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MARTIN SMITH is a professor of politics at the University of Sheffield. His books include *Power and the State* (Palgrave Macmillan, 2009) and, coauthored with David Richards, *Governance and Public Policy in the United Kingdom* (Oxford University Press, 2002).

ownership of Northern Rock—could not prevent, in the context of a worldwide downturn, a major recession in Britain.

By early 2009 economists agreed that Britain was facing one of its worst recessions in many years—far worse than those experienced in the 1980s and 1990s, and one that, according to experts, would last well into 2010. In the first quarter of 2009, the country's economy contracted by 2.4 percent from the previous quarter. It shrank an additional 0.9 percent in the second quarter. Consequently, by the summer of 2009, 2.5 million people were unemployed and that number was continuing to rise.

The Bank of England attempted to counteract the recession by cutting interest rates, dropping its base rate to 0.5 percent. With no realistic prospect of reducing interest rates further, the monetary authorities also adopted a policy of quantitative easing—in other words, printing money. However, the impact of these measures was limited by consumers' unwillingness to spend. Facing high levels of unemployment, continued credit restrictions, and rises in certain commodity prices (despite declining inflation overall), British consumers last year tended to save rather than spend. Much of the extra money pumped into the economy hence remained in bank accounts.

## DEFEAT AND DESPAIR

For the Labor government, the political consequences of the recession were severe. In June 2009, local and European Union elections dramatized Labor's loss of public support. In elections for the European Parliament, Labor finished behind not only the Tories but also the UK Independence Party, winning only 15.7 percent of the vote and losing 5 seats. A measure of public disaffection was that the extreme-right British National Party won over 8 percent of the vote and sent 2 representatives to the European Parliament, the first time it had won seats in that body.

In the 2009 county council elections, Labor lost all four councils that it controlled, and it was reduced to just 178 council members nationwide (out of a total of more than 3,000). The elections, marking Labor's worst defeat in many years, deepened the party's crisis. In the run-up to the balloting two cabinet members resigned. Following the voting, a third cabinet member quit and called on Brown to step down as leader.

However, while many saw the resignations as a concerted attempt to undermine the prime minis-

ter, Brown managed to survive. Partly, this resulted from the unwillingness of David Miliband, the foreign secretary, to declare openly against Brown. Also, though a number of Labor members of Parliament called on Brown to resign, most party leaders gave him their support.

Essentially, Labor lacked the required ruthlessness to remove Brown as prime minister. But Brown retained his position at a price. Alistair Darling, the chancellor of the exchequer whom Brown had wanted to move, remained in his post, and Peter Mandelson was handed a new "super department" as first secretary, effectively making him deputy prime minister, with considerable influence over domestic policy. Mandelson, having been appointed to 35 of 42 cabinet committees, is probably the most powerful official in the government after the prime minister.

Even so, disquiet within Labor over Brown's leadership has continued, and in January 2010 two former cabinet ministers called for his resignation—a risky strategy so close to an election. Brown has hung on, but Labor has entered the election period on shaky foundations.

## THE TORIES' NEW STRATEGY

Meanwhile, the public's growing disillusionment with the Labor government has allowed the Conservatives to fashion a more distinctive policy agenda. Although the Conservatives were not effective at articulating policies to deal with the economic crisis, they did start to develop an alternative position to the Labor government in terms of the extent of government debt.

Conservative politicians have promised reductions in taxation and public expenditure (saying that only health care and overseas development aid would be protected). The Conservatives are also committed to augmenting the powers of the Bank of England in order to increase regulation of the market and to depoliticize economic policy.

David Cameron, who has led the Conservatives since December 2005, changed the party's strategy in 2009. Essentially, he shifted it from one largely replicating Blairism toward a more distinctly conservative position, closer to Thatcherism. Cameron's party, amid continuing anxiety about the economy, has bet its electoral prospects on calls to reduce the size of the state, shrink budget deficits, and ultimately cut taxes. With the election campaign gathering momentum, it currently looks like it is the Conservatives' to lose. ■