



A Rosier Shade Of Grey

Christian democracy and social market are the buzzwords of the New Conservatism. **Will Hutton** analyses what they mean on the continent and argues that Major will fall far short

There is an universal refrain about John Major. It is that first and last he is a party politician. He may listen. He may take advice. He may carry little ideological baggage. Within his lights he may be intensely patriotic. But above all, he wants his party to win, and to that he bends his every waking move.

Nothing is wrong with that; it is the object of the party leader throughout history. But John Major has a difficulty. Even if you accept the argument that there has been a great leap forward economically and socially over the Thatcher years, there is little doubt that it has been bought at some cost. And for clear-headed Conservatives, there is even some doubt about how much has been achieved. A recession; an enduring trade deficit; and the visible signs all about of social disintegration and the decay of the public sector carry an unavoidable message. If Major wants to win, and to leave something better behind, he has to change policy.

This he knows - and is signalling as much as he dare that he knows. But he has a Right to square off; and gains - some imagined, some real - to protect. This intensely political politician is feeling his way to an accommodation with the past, and a compass with which to steer in the future that will not be Thatcherite - of that rest assured.

Which confronts those who oppose him for the winner-take-all spoils of the British constitution with a problem. If they gun for him as the acceptable but continuing face of Thatcherism they are shooting at a rapidly moving and increasingly implausible target; but equally this man is not a Tory grandee. He is searching for practical answers to practical problems; and if a policy works, he is likely to try it.

So what are his choices likely to be, and will they be adequate? Unscrambling this requires two essential preconditions. The first is to understand who he is; and the second to understand what it is that stands as the fault line between the opposition's view of the world and his. In the swirling uncertainties of post-Thatcherite Britain, this is not so obvious as it seems - but never so necessary. For what political progress is there, if there are ambiguities about what the argument with Major is - especially as they may be very different from the ones mounted?

For this is a prime minister who has appointed a highly intelligent Catholic in the mainstream of the European christian democratic tradition as the chairman of his party; and one who may have a better grip of what the European notion of the so-called 'social market' means than almost any other prominent British Conservative. Who has another Catholic and mainstream Conservative in Sarah Hogg running his policy unit. And who has a close and symbiotic relationship with a non-ideological Catholic - his press secretary, Gus O'Donnell.

Catholicism is one of the important routes by which mainstream European conservatism finds its way to the social market. It is this credo, with its marriage of belief in markets and a strong system of social provision, that characterises christian democracy - and it seems to represent the kind of acceptable softening at the edges of Thatcherism that the Conservative Party must now accomplish. As a way of managing capitalism its British parallel throws back to Macmillan and Macleod, and beyond them to the Conservative Party of the 1930s. Whatever it is, this is not the credo of free-market individualism - which, Thatcher found, led her to search for roots in Judaism rather than continental Catholicism.

Not that the project of the Conservative Party under its new master has in essence substantially changed. It remains the promotion of the very particular English notion of private enterprise, the county values and institutions of middle England, and keeping the other lot out - but the means are different. Above all there is a very much stronger awareness that the privileged few have obligations to the unprivileged many; and that it is not good enough to say they can take their chance in a market. In the long run that imperils the whole enterprise, because the social disaffection grows so high - which is why, although she may never understand it, Thatcher had to go.

The Conservative need to do just enough to keep 42% of the electorate outside will dominate the politics of the next decade. For that is what Chris Patten means when he talks about the social market - intellectual cover for spending more public money and relieving the conditions of the lower orders in a manner that allows Tory England to sleep better at night. But the European social market which Patten claims to be emulating is not the social market Keith Joseph and the early Thatcherites commended. For them, the social market was a minimum safety net of targeted and barely indexed social expenditure (more might be a disincentive), while the market implied competition, privatisation and deregulation - and above all, financial deregulation.

This is another name for Thatcherism; and it is what has brought us to our current pass. Financial deregulation has engulfed individuals and business alike with debt; privatisation has implied a bias against the public that has dramatically underscored the deterioration in our education and transport system - while the targeted safety net has brought cardboard city and colossal impoverishment. Sorry. This is not what Ludwig Erhard did in the 1950s. Nor has it anything to do with the social market as espoused by the German, Dutch and to a lesser extent Italian Christian Democrats. And Major, skirting round the issue in his speech in Bonn - attesting that, while some might confuse this social solidarity with a

downvaluing of the individual, he would not - does not solve the problem. British ideas of the social market are still a long way from those in mainland Europe.

This is where the role of Catholicism - or at the very least an active notion of Christianity - is important. The European idea of social means a much more comprehensive notion of inclusive societal obligation than the British Right dares recognise but suspects. Christian democrats do not see it as quasi-socialism; it is a philosophy which expresses Christian solidarity - for the Christian in their title is not idle. Christians do not pass by on the other side of cardboard city or excuse it as both an incentive and warning to the *hoi polloi*; it is a phenomenon which requires redress and attention, and necessarily by the state and with public money. The Catholic injunction is to love your neighbour as yourself; but you can still consent to massive social welfare while believing that competition brings better results than planning and controls.

So it is that European conservatism is the co-sponsor with the social democrats of a system of national insurance besides whose generosity and scope the Labour Party's ambitions look decidedly modest. But that is only the beginning of a continuum that stretches through worker participation on company boards to empowered citizens living in pluralist democracies. In Britain an independent central bank is supposedly anti-democratic; in Germany the Bundesbank is another social partner - along with regional governments, trade unions and employer federations. The notion of the social is just that; inclusive, participative and human.

This is a long way from integrating the tax and benefit system, leasehold reform and paying performance salaries to teachers - which is as far towards the social market as Patten seems to have been able to drag the next Conservative manifesto. And this is the first clue to where part of the fault line lies between Major and the opposition parties; for however keen his Catholics are to introduce moral social institutions to underwrite the operation of the market place, they exist in the braying agnostic desert into which Thatcher has transformed a substantial part of the British Tory Party. The social market may imply generous social solidarity, 'voice' and inclusion; in a British Conservative context it still has to be presented as another way of selling the targeting of relief, opting out and the privatisation of public provision. Joseph's and Thatcher's minimalist safety-net and the need to assault the 'dependency culture' continues to dog the whole conception.

And so to the other half of the philosophy - the market. This at least should be uncomplicated; but not a bit of it. Ludwig Erhard is always celebrated as the great economic liberal promoting unfettered competition and lifting

price, wage and dividend controls; all that is true but it was also under him that the German banks reconstituted themselves as the great financial holding companies of the inter-war and war years. Quite right. Enterprise cannot flourish in casino capital markets, and by permitting banks to recover their position, German industry was given access to plentiful, cheap and above all patient funding.

Nor was the famed cartel office the dread policeman of competition either; its role was much more moderate, but that was all that was needed. For the essence of the market economy is as much collaboration and collusion as competition; new technologies need to be jointly funded, standards jointly campaigned for, tax concessions and subsidies jealously protected. There is competition too, of course; but it takes place in a managed and regulated environment. This the Germans, Italians, Dutch and French have never forgotten - which is one important reason their GDP per capita has grown so much faster than our own.

So here, too, another fault line. Major and his men abjure regulation. They remain the privatisers - of British Coal and British Rail. And although there may be some softening of the draconian controls of public spending and borrowing, it will be marginal - despite the fact that the national debt is the lowest for 200 years. Extra teacher pay and more hospital beds can be paid for by the growth and peace dividends.

Well, it's a position, and presentable enough - but in the circumstances in which Britain finds itself today it is besides the point, and in some respects actively damaging. For it continues the philosophy which refuses any active role for the state so that all institutional reform has had to be deregulatory; and it has been reckless deregulation and the prohibition of any state-led rewriting of the institutional framework that has caused many of Britain's current problems.

So for example, 40 years of exhortation to widen share ownership has not prevented denser and denser concentrations of institutional share ownership - and more and more short-termism. What is required is a determined intervention to reorganise the City root and branch, but John Major's social market will give us a self-managing Personal Equity Plan, widely trailed as a manifesto commitment, in order to widen individual share ownership. It is not that PEPs are a poor idea necessarily; but they are not a priority - and they certainly do not address the core issue.

Across the board there is this disjunction between what must necessarily be done to revive the economy, promote equality of opportunity and construct the social market and what must necessarily be offered by the Conservatives. Reindustrialisation requires initiative from the centre, substantial reform of economic institutions, notably financial institutions, and the reorganisation of

'The European social market which Patten claims to be emulating is not the social market Keith Joseph and the early Thatcherites commended'



much of the legal and regulatory context in which business is done. The issue is dodged. As for the social, this requires a parallel initiative from the centre, and a willingness to build an inclusive and universal welfare system rather than ape what the market would do.

This does not mean the denial of choice, whose promotion is one of the great political gains of the Thatcherite Tory Party. In Germany, for example, there are three bands of national insurance contribution that deliver ever more security (single-bed, four-bed and eight-bed wards for example), depending on what rate you choose to pay. In Britain, by contrast, whatever the level of national insurance contributions we contribute, we all get the same benefit. This is not social insurance at all - it is taxation. In Germany pensions are linked to actual earnings, and hospital accommodation varies with what you have paid. The collective system provides for high earners to choose to pay more in - and get more out. In effect Bupa has been collectivised.

The German system preserves the notion of insurance by conceding that there is inequality of income (which is conceding the inevitable) and therefore different capacities to contribute. There is a trade-off; the loss of equal benefits for the gain of inclusion and universality. As in any society, the better-off are going to find ways of spending money on their health, education and benefits - is it not better for the state to provide the means for that choice than the market? At least some social solidarity is preserved rather than the emerging system in Britain - second-class provision for the majority, first-class provision for the economically advantaged. And forget the abolition of private property as the answer to these problems - that is nihilism and the avoidance of the world as it is.

The social market a la Conservative manifesto is not going to address these issues; rather it will argue for the merging of the national insurance, tax and benefit system. In this conception there is no such thing as national insurance and social provision; just individuals paying taxes and receiving minimal benefits if their circumstances warrant it. If you want more, provide for it yourself. Nor will education be addressed in terms of building a national system that serves the average and motivates the ordinary; the accent will be on choice, voluntarism and preserving excellence, ie, private schools for those that can afford them and cash limited 'opted out' schools for the majority. As for training the state will be kept firmly from any intervention or regulation, it will be organised by the same system that has failed in the past.

In short, Messrs Major and Patten, wrestling with these matters and knowing how desperate the position has become, are trapped by the need to preserve continuity with Thatcherism into mov-

ing only crab-like to some British version of the continental social market - and in some respects not moving at all. But even if they were freer, an important and perhaps crucial roadblock remains; and that is the curious anti-democratic configuration of the British constitution, which conservatism must necessarily defend.

For the social market does not take place in a political and constitutional vacuum. It is located in a tradition of government and relationship between ruler and ruled that is again wholly different from British conceptions. It is a tribute to British complacency about our constitutional arrangements that after the energies of Tom Paine and John Stuart Mill, Walter Bagehot ruled off the whole debate a hundred years ago and, apart from some upsets with the House of Lords before the first world war, the issue has remained largely undisturbed. Nor has the left/marxist tradition contributed very much, constitutional issues are apparently written off as bourgeois besides the larger aim of the abolition of private property and the implementation of nirvana through scientific planning.

For the building blocks of the social market are citizens - citizens with rights, regular votes at national, regional and local level, and entitlements written down and enshrined in constitutions. For example, when the Germans reformed their health service, choices were delegated right down to the patients. It was they who chose hospital and treatment, making the trade-offs between costs and availability; but that was what befitted citizens. In Britain choices are delegated down to the doctor to be made on the patient's behalf; patients, after all, might make mistakes - and anyway patients had no natural right to make their own choices.

This is a relationship Westminster can never amend. It is a sovereign parliament, ruler of all it surveys and exercising unqualified regal power legitimised by regular elections. It cannot lend or limit that prerogative; because, necessarily, it has the prerogative to take it back - and what is lent cannot be entrenched. Thus to construct a social market, with the concomitant of unshakeable rights to pensions, minimum schooling and all the rest, is beyond the capacity of the Westminster system: such rights can always be taken away.

Thus the Beveridge notion of welfare as a system of insurance providing entitlements (the nearest the British have come to the social market conception) could never flourish in the British context - and was always bound to collapse into a quasi-tax system to fund means-tested discretionary payments.

It is a profound failure. For the social market is a kind of guarantee over the nature of risk in a market economy. Markets malfunction and throw up all kinds of perverse results; and what the social in the equation does is to protect

'Enterprise cannot flourish in casino capital markets; by permitting banks to recover their position, German industry was given access to plentiful, cheap and patient funding'



individuals from these risks - whether from the results of monopoly, unemployment or simple lack of provision for old age - in an unqualified manner that the market could not be relied on to do. 'Social' does not mean discretionary welfare; it is an expression of solidarity before what we know *a priori* the market will deliver along with its wealth - namely inequality of income, opportunity and luck.

For although markets are great wealth creators, they should not be allowed to go unsupervised and unregulated. The social market expresses the social, certainly, but it also implies a willingness to manage the institutions of capitalism; and above all to regulate the financial system. The Anglo-Saxon system of share ownership is the enemy of the social market for it puts at the heart of the economy not relations between social partners - but the necessity of short-term profit maximisation. Thus in continental Europe the stock market is weak and the banks strong; and company law insists that workers and bankers have formal claims upon the company to rank alongside those of the share-owners. The deal-oriented culture of the Anglo-Saxons is eclipsed by the concept of the firm as a system of social relations. Workers have a place on the board, managers plan long-term and there is a bias to more organic investment and growth.

But for all that the social market is not a collectivist construct. It is a way of managing a market economy equitably and democratically - and helping it to grow. If planning and state control are defunct, and Thatcherism a dead end - this is the next place to go economically and politically. Major may huff and puff, but until he embraces a notion of democracy, a Christian conception of the social, and the reform of the City of London and British company law, the idea will be a broken reed in his hand.

This is where the argument lies; and Labour, with its growing commitment to constitutional reform, its natural affinity with Beveridge and incipient awareness that the City has to be challenged is much nearer formulating it than commonly realised. And do not forget the Liberal Democrats, whose commitment to constitutional reform is without reserve.

The opposition parties have reached a position where they are saying the right thing without understanding what it is they mean, and Labour in particular is guilty of being righter than it knows but apparently unable to explain why - or what it should do to harden up its advantage. The time for such luxuries is fast running out. The purpose of John Major's social market is that he can sound tough and tender at the same time - but his programme is only the faintest shadow of its continental model. The sooner his ruse is exposed and a proper version advocated the better.O

Will Hutton is economics editor on The Guardian.