

8 | A MODERN, HUMANISED STATE

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The problems with a politics dominated by either the state or the market are remarkably similar: they are both human institutions which do not seem to be under the control of people, but instead unleash huge, impersonal forces, alienating people from their communities and environments, unable to respond to the individual.

The state may never be able to create good people or perfect the good society, but the state can make spaces in which people do this themselves. That requires a people's state, which is open and flexible rather than rigid and coercive.

Forty years ago it was common ground amongst the left and the right that the state was the dominant political actor. Ralph Miliband began *The State in Capitalist Society* with the words: "more than ever before men now live in the shadow of the state". Today, with his son as leader of the Labour party, it seems more true to say "more than ever before, people now live in the shadow of the market". The reasons for this are familiar: massive privatisation, the liberalisation of international trade, and the triumph of neo-liberal ideology. These things have wrought huge social and cultural changes, instability and the loss of a sense of community.

Yet the problems with the old state and the new market-driven politics are remarkably similar, reflected in Ed Miliband's desire to be a "reformer of the state as well as the market" – they are both human institutions which do not seem to be under the control of people, but instead unleash huge, impersonal forces, alienating people from their communities and environments, unable to respond to the individual.

Yet just at the moment we were moving decisively from the era of the state to the era of the market, there emerged a vision of a modern state, able to act for the common good, to see off powerful vested interests, yet also responsive and accountable to individuals and acting on a human scale. The greatest author of this vision was, of course, Vaclav Havel, the last president of Czechoslovakia and the first president of the Czech Republic, who said in 1990: "I dream of a state, independent, free and democratic; of a state economically prosperous yet socially just; in short of a humane state which serves the individual and which therefore holds the hope that individual will serve it in turn".

This provides a model for Ed in his desire to be a reformer for our times: a state that has the strength it requires to act on our behalf without creating an oppressive, lumbering bureaucracy.

New Labour

From 1997 to 2010, the New Labour governments did a great deal to modernise the formal arrangements of the British constitution and to recapitalise the welfare state, frequently using markets and the private sector.

In order to achieve the political objectives of the next Labour government – greater equality and security, environmental responsibility, stable communities and industrial activism – state action will be needed. This fact

has become evident to many people since the crisis of 2008. But we cannot continue either with an unmodified 1945 model of the state or with the New Labour approach. We will need to address widespread alienation from current political structures; be more effective in countering powerful vested interests; and take greater account of people's attachment to groups, communities and their social roles.

We must therefore remake the state so that it goes with the grain of human nature. We now understand that man is not simply competitive, but that we also need to take into account our capacity to co-operate and our desire to play social roles in groups, be they personal, like parenting, or professional and work related. One very negative aspect of modern capitalism is the way it is destructive of these social roles – levelling down all actions and motivations to that of economic agency, focusing too much on our competitiveness.

So a modern, humanised state needs expression in institutions which support and control different aspects of human life for a healthy society – to promote the common good. We cannot create good people, we may not ever be able to perfect the good society, but the state can make spaces in which people do this themselves and that requires a state that is open and flexible rather than rigid and coercive.

Civil liberties and the individual

As Ed Miliband noted in his leadership campaign, people perceived New Labour as too casual with civil liberties. Bossiness got the better of us – sometimes fed by a genuine desire to improve outcomes, sometimes by a failure of imagination over what it's like to be an outsider, a small business or running a voluntary group. We need to make sure in future that we place individual civil liberties before state convenience.

We also need to strengthen and defend our democracy. This has both an institutional and behavioural dimension.

We must defend parliament and resist the coalition agenda of undermining our democratic structures and replacing them with a politics based on money – the Berlusconi-isation of politics – creating 120 unelected legislators in the Lords while shrinking the Commons.

A related issue is the loss of accountability when public services are privatised. We (MPs, the National Audit Office, the press) cannot explore how taxpayers' money is being used in contracted out services because of commercial confidentiality. This is wrong in itself, but also leaves us struggling to ensure our services provide value for money.

Under New Labour, a lot of appointments and boards were depoliticised – this, it was argued, would raise transparency and earn trust. There was one key occasion when it was successful: the establishment of an independent Monetary Policy Committee at the Bank of England. The idea was promulgated that any politician was incapable of taking 'hard' decisions. However turning decisions into technocratic issues is not always in the best interests of ordinary people, as it has taken power further away from them. The professionalisation of appointments on public services has increased the stranglehold of the middle classes and further excluded working class people from positions on local NHS boards amongst others. This is deeply problematic because the voice of working class service users, whose experience is very different, is then not at the table at key points. It is dividing society in new ways.

Professionalising and depoliticising has led to a greater alienation of the public from decisions about service delivery. Democracy is one way to tackle this, by putting local councillors onto boards or introducing direct elections for appointments.

Decentralisation and local democratic control

New Labour also continued the centralising agenda of Mrs Thatcher. Targets drove up standards – often in the short term – and led to new ways of doing things, but at the expense of taking much power away from local democratic institutions. Local authorities would be given money one year for Sure Start and money the next year for Decent Homes schemes, all excellent initiatives but which did not always allow areas to set their own priorities for spending.

Only towards the end did Labour begin to develop a compelling case for a more radical devolution of resources and powers (within England), particularly around the Total Place concept of pooling public service spending, so that councils could experiment with different and more efficient ways of using resources across public sector institutions which could be calibrated to local need and local priorities.

The localism agenda of this government purports to give more local accountability, but the various arms of policy are pulling in too many opposing directions for this to work. Labour needs to develop its own more collective approach, building on local democratic institutions and expanding and strengthening accountability. Even on a practical level, extracting maximum efficiency from funds will mean trusting local politicians to know their own areas and deliver on priorities in the most efficient way possible. The response to huge cuts in local government spending has meant some boroughs and police authorities sharing resources for instance.

This means giving power away. But in the long term it may be the only way to retain it and actually spread wealth throughout the country.

Communities will be better at finding solutions to local problems than civil servants in London. And the more power that is retained locally, the greater the calibre of the people who will be encouraged to stay and work at local and regional level.

Modernising the welfare state and managing the public sector

Reciprocity and responsibility were at the heart of the Beveridge settlement, but along the way things have gone awry: for example we ended up paying £1,000 a week in housing benefit, but only £55 a week to carers who save the taxpayer billions. This is clearly wrong both morally and economically.

The idea of the welfare state was established as fact by the 1945 Labour government. It was agreed that the state must:

- provide those things which society needs to function, or in some cases ensure that they are provided by others
- defend people against risks they cannot manage individually
- provide and protect those things that are necessarily shared, such as environmental goods and public health
- provide the entitlements of social citizenship: those rights a person can expect to be guaranteed and provided by the state (education, a minimum level of income, health etc) and which enable them to participate fully in society
- deliver certain goods and services which are natural monopolies and which function best as unified systems, like the London underground
- manage and regulate markets to ensure they deliver socially optimal outcomes, whether this means Keynesian demand management, support for strategic industries or the correction of specific market failures.

This still forms the foundations for most people's experience of the state and it has played an enormous role in improving the lives of millions. There is a good international evidence base that strong welfare systems lead to better lives across the population as a whole. But the risk aversion, hierarchy, insensitivity and bureaucracy of parts of the public sector remain to be addressed. More public participation, on both an individual and collective basis, is needed to tackle this.

Where we are: the New Labour record on public services and some widely recognised problems

Alongside the very significant investment in public services, New Labour made considerable changes to their management. Indeed, this was one of the major projects of the post-2001 governments.

This had a number of themes: the use of targets and standards to improve services and reduce the postcode lottery; the use of individual choice in quasi markets to increase personalisation and drive up standards; increased transparency; and the involvement of the voluntary sector and continued privatisation to drive innovation and efficiency, especially the notion of contestability.

Up to a point this worked. For example, GCSE results improved and NHS waiting lists fell.

But there is still criticism that the public sector is over-centralised, inflexible and does not respond adequately to individual circumstances, that concerns about process override outcomes and that there has been a loss of responsibility and professional standards. The running of Haringey social services during the Baby P scandal is a case in point.

The use of the private sector and internal markets also brought a new set of difficulties with maintaining a motivated work force, genuinely transferring risk, and ensuring transparency and accountability. Moreover, the projected

savings for the taxpayer have not always materialised as countless Public Accounts Committee reports testify.

Democratic control is important, but it is not the same as management accountability within the public services. We need to re-inject public service with an ethos of pride, and see this as an opportunity to foster the shared sense of responsibility that is the uniting theme of Ed Miliband's leadership. Public servants need to be accountable, but they also need to be free to take the initiative and innovate and not be so burdened with centrally driven bureaucratic chores that they lack time to deal with clients.

In a world of austerity we cannot of course ignore the resource constraints we face. The recent Treasury Select Committee report on the private finance initiative demonstrates the long-term costs of adopting unusual financing: for example, short-term injections of private capital can lead to high long-term costs for the state. The currently fashionable payment by results carries similar risks and we should resist its extension and any more such wheezes – because complex financial arrangements often obscure the fact that there has not been a transfer of risk (for example, Southern Cross). What we might look at instead is greater use of hypothecation, whereby the public can clearly see a link between the tax they pay and the services they get, which seems to reduce public resistance to paying for public services.

Conclusion

It is crucial that things are done in the right spirit. Returning to Havel, he said:

“Let us make no mistake: the best government in the world, the best parliament in the world and the best president in the world cannot achieve much on their own. Freedom and democracy require participation and therefore responsible action from us all”.

This is where Labour's statecraft is heading, with Ed Miliband saying "the job of making our state more democratic was incomplete ... there is much left to do to engage people in changing their own lives". Maintaining our commitment to the positive power of the state whilst opening up its structures to public participation is the way to promote the common good – and give the state not just a human face, but a human spirit.