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The “Third Way”: Marketing Mirage or Trojan Horse?

by *Patrick Basham, The Fraser Institute*

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The “Third Way”: Marketing Mirage or Trojan Horse?

Executive Summary

The Third Way has been described as the Loch Ness Monster of contemporary public policy—everyone has heard of it, there are occasional sightings, but no one is sure that the beast really exists. It is of considerable importance, therefore, that proponents of the competitive market determine whether the Third Way is merely a highly sophisticated and successful marketing mirage, or whether this movement is, instead, a Trojan Horse for socialists whose ideology threatens free society?

Specifically, it is important to recognize that, as Niall Dickson has suggested, “At its heart is social policy—shaping a new set of relationships within society,” delivering in its proponents’ eyes, “not just a fairer society... but a more effective one.” This, of course, begs the questions, why, how, and for whom? By surveying the policy and political foundations upon which the Third Way movement has been built, then analyzing the “theory and practice” of the leading Third Way politicians in North America and Western Europe, this report attempts to provide a preliminary response to such questions.

Present-day electoral contests are won in the ideological centre. As such, the strategy underlying the Third Way movement may be viewed as an astute political marketing response by left-of-centre politicians to a decline in traditional class loyalties and, consequently, traditional partisan loyalties. However, its proponents strenuously claim that the Third Way is more than merely opinion poll-driven platitudes. Rather, they argue that the Third Way lends itself to substantive policy prescriptions. The Third Way is seen as a distinctive way forward for the centre and the left, that is, a *socialist* “Way Forward”; one, however, that is neither corporatist, traditional, nor bureaucratic.

While the Third Way movement may have graduated first in its class at “Socialists Anonymous,” swearing off the traditional left-wing economic levers, the Third Way, while overtly sympathetic to (particularly big) business, is overtly unsympathetic to the competitive market. May it be surmised, then, that the Third Way lies somewhere on the ideological spectrum between the “Old Left” and the “New Right” (to borrow more Third Way labelling)? Instead, its proponents inform us that the Third Way lies not between right and left but *beyond* right and left.

If there is a central policy thesis to the Third Way, it is that it is a self-consciously pragmatic approach to public policy; unlike traditional socialism, the Third Way explicitly recognizes real-world constraints. However, this analysis does not extend to the Third Way’s critique of the capitalist experience, where repeatedly the facts do not support the charge. Revealingly, Third Way advocates appear unaware of the considerable body of research documenting a causal link between democratic capitalism and higher standards of living. This is accompanied by an unwillingness to acknowledge that economic regulations increase the cost of conducting business and, therefore, are reflected in lower incomes.

Although there is, at least rhetorically, a market orientation to some Third Way policies, such prescriptions are certainly not libertarian in nature. Arguably, some policies resemble fuzzy versions of certain aspects of social conservatism, often lending a somewhat authoritarian flavour. It is also in such aspects of Third Way thinking on social regulation that one observes communitarianism, tinged with social authoritarianism, winning out over social libertarianism. The US campaign waged against the use of illegal drugs, extended under Clinton’s “leadership,” is an obvious example.

The Third Way accepts (as opposed to approves of) globalization. Advocates of the Third Way are concerned that modern governments are no longer in control of their national destinies. Here, the Third Way seeks to combine dynamism and equity, ensuring both minimum standards and equality of opportunity, the latter through improved access to education, training, and child care. As such, Third Way social policy is employment-centred, and is inspired more by Swedish than American labour market policy, i.e., emphasis is placed upon providing incentives to disadvantaged workers (for example, the introduction of a minimum wage and acceptance of government as the employer of last resort), and encouraging worker training.

Most troubling, perhaps, is the Third Way's avowedly internationalist outlook, supporting greater global governance of the world economy. In concrete terms, this includes efforts to promote the stabilization of the movement of financial capital, especially currency speculation, as well as increased funding for the International Monetary Fund. Alarmingly, the European Union project—continental Europe's very own socialist Trojan Horse—is described as a pioneering phenomenon. In predictable communitarian fashion, the problem of how to live in a finite world consumes a significant portion of the Third Way's intellectual resources. Dangerously, both for the competitive market and for the environment, most of the recommended solutions fit under the disingenuous heading of “sustainable development,” i.e., command-and-control-style environmental economics on a global scale.

It is in their detailed practical effects, not in their general philosophy, that the Third Way's policies will be judged. A survey of such “practical effect” occupies much of this report. Considerable emphasis is placed upon the so-called “Three Political Horsemen” of the Third Way—America's Bill Clinton, Britain's Tony Blair, and Germany's Gerhard Schroeder.

After having raised taxes early on in his presidency, for the past few years President Clinton's chosen instrument for meddling in fiscal policy has been the tax credit. This reflects, at least in part, a Third Way obsession with micromanaging individuals' financial decision-making. On education, Clinton's New Democrats are frequently on sounder policy footing. There appears to be a genuine commitment to the expansion of choice and accountability within the *public* school system. However, there is little appreciation for the necessity of expanding choice between the public and private school systems.

On welfare reform, the Republican majority in Congress provided Clinton with the policy ammunition and the political cover to sign on to bold, overdue measures. Clinton's major positions and actions on other social policies similarly reflect a timid, government-knows-best inclination. His opposition to school vouchers and support for affirmative action and gun control belie any claim that Clinton may have to radical or innovative Third Way policy making.

In practice, the record of Prime Minister Blair's version of the Third Way is mixed, at best. For example, reflexive socialist thinking is the only plausible explanation for the dismantling of the previous Conservative government's more imaginative health care reforms.

In terms of revenue generation, Blair's New Labour has withstood the pressure from its traditional supporters to raise personal income tax. Such fiscal parsimony does not tell the full story, however, as various sources of indirect taxation have been increased. New Labour's relative inactivity on the macroeconomic front has been compensated for by frequent microeconomic meddling, part of a well-intentioned, yet naïve, effort to promote business, especially the high-tech sector.

In an encouraging development, Blair announced that private sector firms are allowed to take over

poorly performing schools in run-down, inner-city areas. There are also plans to introduce performance-related pay for teachers tied to students' examination results. Unfortunately, these truly progressive measures come on the heels of regressive decisions regarding academic independence and parental choice.

Regarding welfare, an unwillingness to match its strong rhetoric with action has meant that welfare spending has continued to rise. Regrettably, the New Labour government has brought a somewhat illiberal streak to law-and-order and social regulation issues that emphasizes social conformity over the pursuit of individual choices and preferences.

By the late 1990s, Germany's so-called "Social Market" model, with its stress upon consensus and private-public sector and corporate-labour partnerships, was in disarray. Consequently, during Social Democratic Party (SPD) Leader Schroeder's 1998 election campaign, he advocated "a new paradigm in German politics." He claimed his approach, balancing capitalism and the welfare state, represented an ill-defined "New Middle."

The leading indication that Schroeder's New Middle might be serious about tackling Germany's economic malady appeared in the summer of 1999 when the government announced a series of spending and tax cuts. However, subsequent electoral setbacks soured Schroeder on the Third Way's political benefits, with predictable negative policy consequences.

The most explicit Canadian illustration of the Third Way comes in the form of the New Democratic Party (NDP). Unable to break out of its small, niche electoral market, the federal NDP has embarked on a similar journey of ideological discovery to that taken by Britain's Labour Party earlier this decade.

At the end of August 1999, federal leader Alexa McDonough's campaign for a national Canadian Third Way began to bear fruit. The NDP's national convention passed a series of centrist policy resolutions committing the party to campaign in favour of fiscal responsibility, including balanced budgets, tax cuts, and debt repayment.

If this tried-and-true formula proves importable to the nation's capital from provincial Prairie capitals in Western Canada, and from national capitals both to the east and to the south, then the federal NDP will be able to put to rest perennial doubts about the acuity of its financial management skills.

When analyzing the policy makers leading the public campaign for the Third Way, it is difficult not to conclude that the move toward the political centre reflects more a change of tactics than a change of heart. However, as the second half of this report details, whether by accident or design, some of the policies emanating from the Third Way are preferred to those found on the traditional socialist policy menu. Whatever the political motivation, there are some improvements occurring on the Third Way's policy watch.

Should one be grateful for small policy mercies? As the goal is the improvement of public policy, rather than partisan competition, such progress is most welcome. Nevertheless, it would be naïve not to appreciate that the ideological instincts of these modernized social democrats are aligned with a general philosophy which places the value of the State above that of the individual. As such, they are prepared (enthusiastically so, at times) to limit the latter's freedom in order to conduct experiments in social engineering that 20th century history suggests will result in considerable net social and economic cost. Therefore, a highly cautious approach to the Third Way is the most prudent course of action.

Introduction¹

The fight for freedom...is not over, and probably never will be. It will always be confronted by a variety of opponents, be they outright collectivists or, as is more common today, those who play the worn but nonetheless seductive tune of the Third Way.²

The mid-to-late 1990s have seen self-styled “progressive” policy makers in the ascendant. As such, the current period is described by a leading British political figure as, “The era of the catch-all Third Way,”³ while an American commentator concludes that, “The development of Third Way politics does indeed look like a historic shift, not least because it is global in scope.”⁴ These assertions are borne out by the fact that left-of-centre politicians subscribing to the Third Way paradigm now govern five out of the seven leading Western nations and head 12 of 15 European Union (EU) governments.⁵ This is an impressive achievement and, given President Clinton’s policy zigzagging over the past 7 years, a fortuitous one, as the credibility of the Third Way movement now rests most heavily upon the shoulders of its Western European membership.

Following upon several years of informal interactions, the imprint of leading political and intellectual figures is being stamped on the Third Way

movement at a series of on-going policy seminars attended by an international coterie of centre-left policy makers, most notably President Clinton, First Lady Hillary Rodham Clinton, and British Prime Minister Tony Blair, and their closest advisors. Organized by senior White House strategist Sidney Blumenthal and David Miliband, Blair’s senior policy advisor, these seminars began at Chequers⁶ in November 1997, and have since taken place at the White House (February 1998), again at Chequers (May 1998), in New York (September 1998) with then-Italian Prime Minister Romano Prodi and Bulgarian President Petar Stoyanov also participating, at a forum in Washington, DC (April 1999), in the company of German Chancellor Gerhard Schroeder, the environmentalist Dutch Prime Minister Wim Kok, and Italian Prime Minister Massimo D’Alema, leader of the former Communist Party now known as the Democratic Party of the Left, and, most recently, in Florence (November 1999) with the additional participation of France’s Socialist Prime Minister, Lionel Jospin, and Brazilian President Fernando Henrique Cardoso.

Consequently, such a flurry of transatlantic brainstorming led an American newspaper to editorialize that, “At century’s end, a new political formula seems to be emerging around the globe,” posing the question, “Is the Third Way an innovative political reconstruction or just a new arrange-

1 The author gratefully acknowledges the insightful and constructive reviewing of this paper by Owen Lippert, Jason Clemens, and Martin Zelder, as well as William A. Niskanen’s helpful comments on an earlier version of this material, which was presented at The Mont Pelerin Society regional meeting, Vancouver, August 30, 1999.

2 Samuel Gregg and Wolfgang Kasper, “No Third Way: Hayek and the Recovery of Freedom,” *Policy*, Winter 1999, p. 12.

3 Charles Kennedy, Leader of Britain’s Liberal Democrats, “A Sickness At the Heart of Our Nation,” *The Times*, August 11, 1999.

4 Tod Lindberg, “Third Way Politics Anyone?,” *The Washington Times*, November 2, 1999.

5 Third Way candidacies are also proving electorally attractive throughout Latin America. After a decade of free market gains, recent national elections in Uruguay, Argentina, and Chile saw relatively moderate centre-left candidates triumph over their more conservative opponents. See, also, Jose Pinera, *The “Third Way” Keeps Countries in the Third World*, paper presented at the Cato Institute’s 16th Annual Monetary Conference, Washington, DC, October 22, 1998.

6 The British Prime Minister’s country residence.

ment of the same old furniture?"⁷ As such, the Third Way has been described as the Loch Ness Monster of contemporary public policy—everyone has heard of it, there are occasional sightings, but no one is sure that the beast really exists.⁸ It is of considerable importance that proponents of the competitive market determine whether the Third Way is merely a highly sophisticated and successful marketing mirage, or whether this movement is, instead, a Trojan Horse for socialists whose ideology threatens the free society. Specifically, it is important to recognize that, "At its heart is social policy—shaping a new set of relationships within society," delivering in its proponents' eyes, "Not just a fairer society... but a more effective one."⁹ This, of course, begs the questions, why, how, and for whom? By surveying the policy and political foundations upon which the Third Way movement has been built, then analyzing the "theory and practice" of the leading Third Way politicians in North America and Western Europe, this report attempts to provide a preliminary response to such larger and smaller questions.

The "Third Way"—A Brief History of the Term

For more than a century, the term "Third Way" has been employed by individuals, movements, and parties on both the right and the left of the ideological spectrum. In the late 19th century, Pope Pius XII called for a "Third Way" between socialism and capitalism that would put a more human face on the free market. Wilhelm Roepke,

the classical liberal economist, said the "Third Way" consisted of the free society, which lay between socialism and historical liberalism. However, a free society (at least by classical liberal standards) was no longer the definition employed by General Francisco Franco's Spanish fascists when they appropriated the term in the 1930s. During the same decade, the American journalist Marquis Childs suggested that Sweden's socialist welfare state constituted a "Middle Way" between American capitalism and Soviet communism.¹⁰ During his tenure as British Prime Minister, Conservative Harold Macmillan spoke of Britain's post-war, mixed economy as a "Middle Way." By the 1960s, many reform-minded Eastern European communists were referring to "market socialism" as a Third Way, as were Eurocommunists throughout Western Europe. The contemporary application of the term originated in the United States in 1990. It was coined by the Democratic Leadership Council (DLC), the national political lobby organization, as convenient shorthand for the allegedly distinctive viewpoint of the "New Democrat" politicians and thinkers who, according to the DLC, were "addressing the very new problems facing the country in a new era."¹¹

The "Third Way" in Theory—The Political Foundation

The Third Way is the route to renewal and success for modern social democracy.¹²

7 *The Fort Worth Star-Telegram*, October 4, 1998.

8 Niall Dickson, "What is the Third Way?," speech delivered by the BBC's social affairs editor to the Institute of Directors of Social Affairs, London, September 27, 1999.

9 *Ibid.*

10 Marquis Childs, *Sweden: The Middle Way*, New Haven: Yale University Press, 1936.

11 "Idea of the Week: The Third Way," *The DLC Update*, August 14, 1998.

12 Tony Blair, *The Third Way: New Politics for a New Century*, Fabian Society pamphlet, September 1998.

British Prime Minister Tony Blair

Present-day political battles are won in the ideological centre, or what Clinton refers to as the “vital centre.”¹³ Therefore, according to the German economist, Christian Watrin, this emphasis upon a “new middle” reflects “a simple application of the median-voter theorem of public choice theory.”¹⁴ The evolving nature of the electorates of North America and Western Europe are most clearly illustrated by the parallel growth of the middle class and decline in trade union membership. As such, the strategy underlying the Third Way movement may be viewed as an astute political marketing response to a decline in traditional class loyalties and, consequently, traditional partisan loyalties. According to Gerry Holtham, the director of the centre-left British Institute for Public Policy Research (IPPR), the answer lies in, “The sociology of developed societies”:

While in principle the left-right distinction still holds, societies have developed in such a way as to make any left-wing electoral coalition impossible. The mass proletariat with a highly developed class consciousness has disappeared. Most people see advancement in purely personal terms. A successful electoral coalition must include reasonably well-to-do people who are frightened of... redistribution.¹⁵

In the late 1930s, the governments of Western industrialized countries consumed, on average, only 20 percent of Gross Domestic Product (GDP); today, that figure has risen to approximately 40 percent.¹⁶ Consequently, it is now far more difficult politically for governments to increase (especially direct) taxes to finance additional expenditures on social programs.¹⁷ This reality has led to the explicit pursuit of the middle-class voter by centre-left politicians and parties. Centre-left political strategists have especially targeted those middle-class electors whose socio-demographic profile may be summarized as female, suburban, politically independent, and heavy consumers of mass media and information technology. The policy preferences that such electors bring to the political marketplace epitomize current Western electorates’ responsiveness to apparently pragmatic solutions rather than partisan appeals. The American historian Kevin Starr suggests an analogy with the immediate post-War II, non-ideological electorates who viewed government as a potential problem-solver.¹⁸

Cynically, but astutely, Michael Novak has observed that, “Social democrats seldom have to say they were wrong; confident in good intentions, they simply pivot in a new direction.”¹⁹ Hence, as mentioned, the modernized centre-left speaks of a “vital” or “radical” centre as a device to attract and maintain the support of middle-class voters. Now that the centre-left has ridden into power atop the shoulders of a seemingly moderate Third

13 This phrase remained dormant for several decades. Originally, it was popularized by Arthur Schlesinger, Jr., in his 1949 book, *The Vital Centre: The Politics of Freedom*, Boston: Houghton Mifflin Co., and referred to the contest between democracy and totalitarianism.

14 Christian Watrin, “Europe’s ‘New’ Third Way,” Heritage Foundation lecture, May 11, 1999.

15 Gerry Holtham, “The Third Way,” discussion paper, *Nexus* on-line debate.

16 *OECD Economic Outlook*, June 1999.

17 Dani Rodrik, “Has Globalization Gone Too Far?,” Institute for International Economics, Washington, DC, March 1997.

18 *The Economist*, “California’s Politics: In Search of the Golden Mean,” January 9, 1999, p. 27.

19 Michael Novak, “Rejoinder: Considerable Common Ground,” in *Is There a Third Way?*, The Institute of Economic Affairs, September 1998, p. 48.

Way movement, “progressive” statesmen find themselves charged with resolving a particularly problematic question: How to produce, in a conventionally compassionate and efficient manner, the overall economic conditions (and to deliver the public services) that matter most to middle class voters?

The “Third Way” in Theory—The Policy Foundation

Political economy for the 21st century must combine dynamism and equity, defining a Third Way between old Left and New Right.²⁰

Its proponents strenuously claim that the Third Way is more than merely opinion poll-driven platitudes. Rather, they argue that the Third Way lends itself to substantive policy prescriptions that flow from the “basic principles we have in common.”²¹ For Michael Jacobs, the General-Secretary of Britain’s socialist Fabian Society, the challenge is “to find a new interpretation of social democracy relevant to today’s society.” The Third Way is seen as a distinctive way forward for the centre and the left, that is, a *socialist* “Way Forward”; one, however, that is neither corporatist, traditional, nor bureaucratic. In practice, in macroeconomic terms, this is translated as an end to the predilection for inflationary expansion of the money supply and an end to the discredited tax-and-spend approach that led to large budget deficits and soaring levels of public debt across the industrialized world.

While the Third Way movement may have graduated first in its class at “Socialists Anonymous,” swearing off the traditional left-wing economic levers, the Third Way, while overtly sympathetic to (particularly big) business, is overtly unsympathetic to the free market (or neo-liberalism as most European Third Way thinkers choose to label their opponents’ ideology). May it be surmised, then, that the Third Way lies somewhere on the ideological spectrum between the “Old Left” and the “New Right” (to borrow more Third Way labelling)? No, apparently it does not. Like so many other disciples of the Third Way, the eminent British sociologist Anthony Giddens has determined that the traditional left-right ideological continuum retains only partial relevance. For Giddens, today, “There are many concrete issues of policy which... don’t fit,”²² along the left-right continuum, such as environmental issues and the debate over the quantity and quality of employment.

Instead, one is informed that the Third Way lies not between right and left but *beyond* right and left. It is this intricate ideological manoeuvring that allows Third Way prescriptions for public policy to appear, in their promoters’ eyes, so modern, so innovative, so robust, so internationalist, and, of course, so forward-looking.²³ According to Blair, the Third Way lies, “Beyond an Old Left preoccupied by state control, high taxation and producer interests; and beyond a new laissez-faire Right championing narrow individualism and a belief that free markets are the answer to every problem.”²⁴ The Third Way stresses activist, dynamic government for, “In a

20 David Miliband, Director of Policy, Downing Street Policy Unit, January 25, 1998.

21 Third Way seminar participant, quoted in Jay Branegan, “The Third Way Wonkfest,” *Time*, May 18, 1998, p. 28.

22 Anthony Giddens, “The Director’s Lectures: *Politics After Socialism*,” London School of Economics, February 3, 1999.

23 For an articulation of the enduring utility of the left-right ideological continuum employed since the French Revolution, see Norberto Bobbio, *Left and Right*, Rome: Donzelli, 1994. For a contrary, and libertarian, view see Virginia I. Postrel, *The Future and Its Enemies*, New York: Free Press, 1998.

24 Tony Blair, *Fabian Society* pamphlet.

globalizing world, we need *more* government, not less."²⁵ After all, "We need the active hand of government to refurbish civic culture, to reconstruct everyday civility." Hence, Blair is able to "argue as confidently as ever that the Right does not have the answer to the problems of social polarization, rising crime, failing education and low productivity and growth."²⁶

If there is a central policy thesis to the Third Way, it is that it is a self-consciously pragmatic approach to public policy; unlike traditional socialism, the Third Way explicitly recognizes real-world constraints. According to Third Way academic Julian Le Grand, "The best method is that which is most likely to promote the values of community, accountability and responsibility... What's best is what works."²⁷ This helps to explain why there is, "No single 'Big Idea'. Rather... a steady accumulation of small to medium-sized ideas"²⁸ making their way around Third Way policy circles. It is assumed that, over the long term, such utilitarian Third Way policy prescriptions will produce a "new," mixed economy, thereby avoiding either a so-called "North American" economy, with low unemployment but a relatively high degree of economic inequality, and a so-called "European" economy, with a relatively low degree of economic inequality but high unemployment.²⁹

Anthony Giddens is *the* leading intellectual impetus behind the Third Way movement and, as

such, in the media is often referred to as "Mr. Third Way." A social liberal (in the politically correct, North American sense), Giddens, a Cambridge don-turned-Director of the London School of Economics, is widely known as the British Prime Minister's favourite intellectual. In his role as the Third Way's principal thinker he attends and participates, alongside the British Prime Minister, in all international Third Way summits. Giddens' intellectual preoccupation is the development of a new political philosophy that avoids what he terms the extremes of both left and right. His thinking is encapsulated in his book, *The Third Way: The Renewal of Social Democracy*.³⁰ According to Giddens, the Third Way:

Means... trying to steer a way between the two dominant philosophies that have failed us, socialism more generally and market fundamentalism; Thatcherism here or Reaganism in the US. You simply can't run the world as though it was a gigantic marketplace... We used to think we could control history—that's what Marxism was based on. The alternative view was that you could just leave everything to the marketplace. But you can't run the world that way either. There is now a vacuum.³¹

Giddens shares the commonly held social democratic response of, "Yes, to the market economy; no, to the market society." Giddens has assumed responsibility for fleshing out that position within a coherent political framework:

25 Giddens lecture.

26 Blair pamphlet.

27 Julian Le Gand, op.cit.

28 Stuart White, "The Third Way," discussion paper, Nexus on-line debate.

29 See, for example, the Third Way discussion moderated by the Blairite *Nexus* on-line think-tank. Such attitudes ignore, for example, the fact that the American economy created more net new jobs in December 1998 than the German and French economies had created collectively in the past decade.

30 Anthony Giddens, *The Third Way: The Renewal of Social Democracy*, Cambridge: Polity Press, 1998.

31 Giddens, quoted in William Underhill, "Third Way's the Charm," *Newsweek*, September 28, 1998.

You can't say 'no' to markets... The only possibility is making them work for people economically, socially and culturally... For the past 20 years, there has been this idea that markets can provide leadership because they are the sum total of what people want. You can now see that it is not really right. You need markets but you also need good political leadership³²... You can see all around you that markets create problems, not just resolve them.³³

Giddens is highly representative of Third Way advocates in basing his dismissal of free market economics on the "fact" that, in America, for example, "There are large numbers of working poor."³⁴ Unfortunately, as with so much of the Third Way's critique of the capitalist experience, the facts do not support the charge. For example, in 1996, only 2.3 percent of all those Americans considered poor were working full-time.³⁵ Revealingly, Third Way advocates appear unaware of the considerable body of research documenting a causal link between democratic capitalism and higher standards of living.³⁶ Economist Sadequl Islam, for example, found a direct relationship between economic freedom and the growth rate of per capita income.³⁷ Further, "Increased economic restrictions lower the rate of economic

growth."³⁸ Similarly, Third Way advocates maintain adherence to an outdated, static model of the effects of tax cuts upon government revenue.³⁹ This is accompanied by an unwillingness to acknowledge that economic regulations (for example, minimum wages, environmental protection measures, etcetera) increase the cost of conducting business and, therefore, are reflected in lower incomes.

Giddens concurs with Francis Fukuyama that the collapse of Communism in Eastern Europe a decade ago signified the triumph of democratic capitalism. However, although the Third Way rhetorically accepts the inherent efficiency of the economic marketplace, when it comes to observing a fundamental system of values, according to Giddens, "Third Way politics... is simply modernized social democracy... sustaining socialist values and applying them to a globalized world."⁴⁰ As an adherent to the Third Way approach, "You're still trying to follow... the traditional left-of-centre values: Inclusion, do something about inequality, create a solidary society which cares more for vulnerable people — all those things are still core values,"⁴¹ for, "These are socialist values... Those values surely will not themselves go away, even though the economic

32 Ibid.

33 Giddens lecture.

34 Anthony Giddens, "The Future of the Welfare State," in *Is There a Third Way?* p. 26.

35 *Work Experience During Year by Selected Characteristics and Poverty Status in 1996 of Persons 16 Years Old and Over*, US Census Bureau.

36 See, for example, Stephen T. Easton and Michael A. Walker, "Income Growth and Economic Freedom," *AEA Papers and Proceedings*, May 1997, pp. 328-332.

37 Sadequl Islam, "Economic Freedom, Per Capita Income and Economic Growth," *Applied Economics Letters*, 1996, 3, pp. 595-597.

38 Ibid., p. 596.

39 A popularized, Canadian articulation of the contrary view, i.e., that tax cuts will pay for themselves, may be found in Sherry Cooper, "No One Loses If Ottawa Cuts Taxes," *The National Post*, August 20, 1999.

40 Giddens lecture.

41 Quoted in Nyta Mann, "All Aboard the Third Way," BBC News, March 19, 1999.

theory which underlay them has done so."⁴² For example, Giddens disagrees with the view that the best model for equality is equality of opportunity,⁴³ for so-called "positive discrimination" may be required, and, although essential, "Welfare reform... shouldn't mean spending less on the welfare state, it should mean spending it more effectively."⁴⁴

Competing for intellectual influence within the Third Way movement are exponents of communitarianism. This may be observed in, for example, the Third Way's preoccupation with exclusion (social and economic), inclusion and social involvement being central facets of the communitarian philosophy. Similarly, the Third Way extols a communitarian commitment to civic responsibility, that is, a delineation of "the precise range of behaviours for which individuals are appropriately seen as responsible to the community and which the State may therefore legitimately seek to regulate."⁴⁵ It is in this context that both Blair's and Clinton's speeches often allude to communitarian themes, frequently calling for a better balance between rights and responsibilities. In the Third Way approach, much has been gleaned from the noted communitarian academic Amitai Etzioni's "I-and-We" paradigm.⁴⁶ In the hands of the Third Way, "Where the Old Left over-stressed the commitment to collective identify, and the New Right to the selfish ego, the Third Way pays attention to both and attempts to keep them in some kind of balance."⁴⁷ There is intense criticism of the negative impact of the indi-

vidualization of modern life, allegedly leading to a more dehumanized society. One observes a concern with building or maintaining a sense of community and social cohesion that removes or reduces existing conditions of social fragmentation and social inequality.

Although there is, at least rhetorically, a market orientation to some Third Way policies, such prescriptions are certainly not libertarian in nature. Arguably, some policies resemble fuzzy versions of certain aspects of social conservatism, often lending a somewhat authoritarian flavour.⁴⁸ It is also in such aspects of Third Way thinking on social regulation that one observes communitarianism, tinged with social authoritarianism, winning out over social libertarianism. The campaign waged in the United States against the use of illegal drugs, extended under Clinton's "leadership," is an obvious example. The most recent and vivid reminder of the danger inherent in this approach is provided by Samuel Brittan, who writes:

The danger of Communitarianism is that of attributing superior value to collective entities over and above the individuals who compose them. This disastrous error was made respectable by the teachings of Hegel, and reached its apotheosis in the State worship of the Nazi and Communist regimes.⁴⁹

42 Giddens lecture.

43 Mann, op. cit.

44 Giddens lecture.

45 Stuart White, op. cit

46 Amitai Etzioni, *The Moral Dimension: Toward a New Economics*, New York: Free Press, 1988.

47 Michael Jacobs, "The Third Way," discussion paper, Nexus on-line debate.

48 See, for example, the observations of Julian Le Grand, "The Third Way," Nexus discussion paper.

49 Samuel Brittan, *Essays: Moral, Political and Economic*, Edinburgh: Edinburgh University Press, 1999.

In part, operating in a Third Way world means fashioning so-called “hard choices.” As voters will not accept significant tax increases to fund increases in social programs, current revenue levels

must be better targeted toward the “excluded”⁵⁰ members of society. This is viewed as a particularly pressing matter given the Third Way’s acceptance (as opposed to approval) of globalization. Advocates of the Third Way are concerned that “modern governments are no longer in control of their national destinies,” for they are cognizant of the fact that “electronic money... is 60 times the value of goods (and) the capacity of government to influence events is thus diminished.”⁵¹ Here, the Third Way seeks to combine dynamism and equity, ensuring both minimum standards and equality of opportunity, the latter through improved access to education, training, and child care. As such, Third Way social policy is employment-centred, and is inspired more by Swedish than American labour market policy, that is, emphasis is placed upon providing incentives to disadvantaged workers (for example, the introduction of a minimum wage and acceptance of the State as the employer of last resort), and encouraging worker training “so that otherwise vulnerable people can enter the labour market with better skills.”⁵²

Most troubling, perhaps, is the Third Way’s avowedly internationalist outlook, supporting “greater global governance of the world economy.”⁵³ In concrete terms, this includes efforts to promote the stabilization of the movement of fi-

nancial capital, especially currency speculation, as well as increased funding for the International Monetary Fund (IMF), and the payment of United Nations (UN) arrears by the American government. Alarming, the EU project—continental Europe’s very own socialist Trojan Horse—is described as “a pioneering phenomenon.”⁵⁴ In addition, some Third Way supporters continue to advocate the imposition of a so-called “Tobin tax” on international currency transactions to reduce the volatile nature of short-term capital flows. After all, it is argued that, with UN and EU support, “If the leading economies acted in concert, they could make business difficult indeed for governments permitting evasion of a transactions tax.”⁵⁵ In predictable communitarian fashion, the problem of how to live in a finite world consumes a significant portion of the Third Way’s intellectual resources. Dangerously, both for the free-market and for the environment, most of the recommended solutions fit under the disingenuous heading of “sustainable development,” which is translatable as command-and-control-style environmental economics on a global scale.

The “Third Way” in Practice

In rhetoric and aspiration it is certainly more than watered down conservatism, but is it in practice.⁵⁶

The British journalist Anatole Kaletsky has written that, “It is in their detailed practical effects, not in their general philosophy, that the Third Way’s policies will have to be judged.”⁵⁷ A survey

50 This is the Third Way term used to categorize what traditionally have been referred to as society’s “have nots.”

51 Dickson, op.cit.

52 Giddens lecture.

53 Giddens, *Newsweek*.

54 Ibid.

55 See, for example, Tom Kent, “A Route For The Third Way,” *Policy Options*, January/February 1999, p. 20.

56 Mark Mardell, “Third Way Points Way Forward,” BBC News, September 21, 1998.

of such “practical effect” occupies the remainder of this paper. Here, considerable, but not exclusive, emphasis is placed upon the so-called “Three Political Horsemen” of the Third Way—America’s Bill Clinton, Britain’s Tony Blair, and Germany’s Gerhard Schroeder.

The American “New Democrat” Model

The era of big government is over.
— President Bill Clinton
1996 State of the Union Address

In the United States, the politics of the Third Way is most commonly referred to as the “New Democrat” strategy. In 1985, Al From and other moderate and Southern Democrats, such as then-Arkansas Governor Bill Clinton, founded the DLC. The catalysts for this intra-party revolt were the crushing 1980 and 1984 Democratic presidential election defeats at the hands of Ronald Reagan, which confirmed the political cost resulting from contemporary liberalism’s capture of the national Democratic Party. Intellectually buttressed by such neo-liberal⁵⁸ publications as *The New Republic*, “The search for a Third Way was on.”⁵⁹ Over the course of the next decade, the DLC travelled a route from the extreme to the mainstream of Democratic Party thought. To a degree, the DLC’s success in promulgating its message illustrates the role that think tanks now share with political parties as the principal incubators of public policy prescriptions.⁶⁰

In March 1990, at the DLC’s annual conference, Governor Clinton assumed the chairmanship of the DLC. The core principles of the Third Way were first articulated in the “New Orleans Declaration” issued at this meeting. The following year, in May 1991, Clinton presided over the adoption of the “New American Choice” resolutions that articulated the first Third Way policy agenda (stressing opportunity, responsibility, and community). This agenda was further fleshed out in the 1992 book, *Mandate for Change*, published by William Marshall’s Progressive Policy Institute (PPI), an think tank affiliated with the DLC. On July 10, 1996, the PPI published “The New Progressive Declaration: A Political Philosophy for the Information Age.”⁶¹ This document provides, according to DLC president Al From, “The clearest, most complete articulation of the Third Way philosophy to date.”⁶² According to the PPI, the document outlined a progressive alternative to the worn-out dogmas of traditional liberalism and conservatism, setting out the core principles of the Third Way movement. In doing so, the PPI advocated a policy shift that would “move us beyond the sterile left-right debate—for most voters have rejected modern-day liberalism due to its identification with high taxes, big government, and a decaying social fabric.” Overall:

Americans... have ceased believing that the solutions to today’s problems are to be found in a larger, stronger central government... Nor do they buy the conservative argument that the federal government is

57 Anatole Kaletsky, “How I Stopped Worrying and Learnt to Love the Third Way,” *The Times*, April 29, 1999.

58 The term “neo-liberal” is employed in the American, rather than the European, context.

59 Elliott Abrams, “Is There a ‘Third Way’?,” *Commentary*, April 1999, p. 18.

60 See, for example, Donald E. Abelson and Christine M. Carberry, “Following Suit or Falling Behind?: A Comparative Analysis of Think Tanks in Canada and the United States,” *Canadian Journal of Political Science*, Vol. 31, No. 3 (1998), 525-55.

61 “The New Progressive Declaration: A Political Philosophy For the Information Age,” *The Progressive Policy Institute*, July 10, 1996.

62 Al From, “Understanding the Third Way: A Primer on the New Politics for the Information Age,” *The New Democrat*, September/October 1998.

the source of our problems and that dismantling it will solve them. America needs a third choice that replaces the left's reflexive defense of the bureaucratic status quo and counters the right's destructive bid to simply dismantle government.⁶³

The PPI's governing philosophy explicitly "rejects libertarianism—the idea that we have no obligations other than the ones we choose; it is equally at odds with the philosophy of entitlement—the belief that we can make demands on others without giving something back."⁶⁴ Instead, the explicit goals of public policy are, "Expanding wealth, rather than redistributing it... investing in economic growth and education... strengthening families, attacking crime, and empowering the urban poor... building enduring new international structures of economic and political freedom."⁶⁵

The PPI explains the American Third Way philosophy as follows:

The Third way approach to economic opportunity and security stresses technological innovation, competitive enterprise, and education rather than top-down redistribution or laissez faire. On questions of values, it embraces "tolerant traditionalism," honouring traditional moral and family values while resisting attempts to impose them on others. It favours an enabling rather than a bureaucratic government... encouraging civic and community institutions to play a larger role in public life.⁶⁶

The summer of 1998 saw the premier issue of the DLC's new quarterly journal of Third Way public policy entitled *Blueprint: Ideas for a New Century*. This publication asserts, for the benefit of the non-historians among its readership, that, "The New Deal era has ended." Now, according to the editors of *Blueprint*, "The private sector, not government, is the primary engine for economic growth." *Blueprint* also extols a "commitment to equal opportunity for all and special privileges for none."

Today, at the political zenith of the Third Way movement, American intellectual influence is wielded most heavily by, among others, DLC co-founder Al From, the PPI's William Marshall, Elaine Kamarck, a former senior policy advisor to Al Gore, and the communitarian academics William Galston, a former White House aide, Amitai Etzioni, and Benjamin Barber. Within the White House, journalist-turned-senior advisor Sidney Blumenthal, a long-standing promoter of Tony Blair, is the leading American proselytizer for the Third Way approach to governance. Blumenthal's strategizing is given empirical shape by the work of pollster Mark Penn, who conducts regular opinion surveys for both the Clinton White House and the DLC.

In philosophical tandem with their European brethren, in the American context, "The Third Way is fluid, not static; pragmatic, not ideological; experimental rather than dogmatic."⁶⁷ Hence, the position held by America's New Democrats in favour of free trade, specifically the 1993 North American Free Trade Agreement (NAFTA). On the micro-issues affecting education, the New

63 "The New Progressive Declaration."

64 Ibid.

65 Ibid.

66 "The Third Way Philosophy," The Progressive Policy Institute.

67 "The Third Way Goes Global," The Progressive Policy Institute.

Democrats are frequently on sounder policy footing than is Britain's New Labour. Among New Democrats, there appears to be a genuine commitment to the expansion of choice and accountability within the *public* school system. To this end, New Democrats favour an expansion of the highly successful charter school experiment, the introduction of rigorous teacher testing programs, and an end to so-called "social promotion."⁶⁸ However, there is little appreciation for the necessity of expanding choice between the public and private school systems, namely through the expansion of existing public voucher programs for economically disadvantaged students. There is, also, a commensurate lack of appreciation of the empirical evidence casting doubt on the widely-held view that higher spending on education produces higher levels of achievement.⁶⁹ Hence, for example, Clinton's declaration at the recent Third Way summit in Florence that, "We have to spend more money, not less, than ever before on education."⁷⁰

New Democrats are said to be rethinking how best to apply the "progressive" principles of equal opportunity, civil rights, cultural tolerance, activist government, and a commitment to the needy. In this regard, the communitarian influence upon New Democrat thinking is illustrated by the latter's willingness to support families and reinforce mainstream values with taxpayer funds that, allegedly, give families the necessary tools to solve their own problems in their own communities.⁷¹ More generally, New Democrats assert that it is the responsibility of government to shape market forces to produce broad-based economic

and social progress. In this vein, stringent environmental standards are endorsed, standards that may be met through the application of market-based mechanisms, such as emission trading permits. Less encouraging for proponents of the free market is the considerable emphasis that these New Democrats place upon so-called "social investments." Consistent with their belief in the utility of an active, dynamic government, New Democrats are enthusiastic about "investing in people." In practice, of course, this foreordains new spending on education and worker training, as well as the need for additional funding for health and child care, so as, it is argued, to "expand the winner's circle"⁷² from participation in the global marketplace.

A decade ago, DLC researchers specifically attributed the failure of Democratic candidates in five of the previous six presidential elections to their advocacy of tax-and-spend, pro-government solutions to the nation's problems. New Democrats, by contrast, championed fiscal conservatism through pro-business, pro-free trade policies which, it was argued, would provide the revenues necessary to support essential, if not exorbitant, social programs. Encapsulated within a progressive social agenda, the DLC attempted to carve out a moderate position between the increasingly liberal agenda of the party's congressional leadership and the staunchly conservative Republican agenda.

When he formally announced his presidential candidacy in early 1991, Clinton projected the image of an intelligent, energetic, experienced

68 Social promotion occurs when a student advances to the next grade regardless of his or her academic performance.

69 See, for example, Patrick Basham, "Paying More For Less," *Fraser Forum*, September 1998.

70 Quoted in Dina Temple-Raston, "Clinton Urges Improved Communications Access," *Bloomberg News*, in *The Vancouver Sun*, November 22, 1999.

71 See, for example, Al From, "Understanding the Third Way: A Primer on the New Politics for the Information Age," *The New Democrat*, September/October 1998, and "Idea of the Week: The Third Way," *The DLC Update*, August 14, 1998.

72 E.J. Dionne, Jr., op.cit.

governor who would champion the cause of “New Democrats.” Clinton ran for president as an ideological centrist, arguing that “we ought to have a Third Way.” Clinton’s advisors tinkered with this DLC-inspired formula and ended up presenting Clinton and, in turn, the American people with a package of proposals to “reform” public policy that appealed across wide swathes of the electorate. Clinton pollster Stanley Greenberg’s research found that, just as Republican candidates had long added the support of middle-class voters to their upper-class base through their advocacy of tax cuts, so Democrats could loosen middle-class voters’ attachment to the Republicans through the provision of a national health insurance program, a proposal long favoured by blue-collar voters and the union movement. Therefore, Clinton promised all Americans adequate medical insurance, regardless of their financial health. Appealing to liberal voters, Clinton engaged in heated class-warfare rhetoric, railing against the alleged “decade of greed” overseen by Reagan and then-President George Bush during the 1980s which, he contended, saw the rich get richer and the poor get poorer. According to Clinton, it was time to “put people first” and profits second.

While such talk resonated with traditional urban Democratic voters, Clinton additionally targeted Republican-leaning suburban swing voters with a call for a tax cut for the middle-class,⁷³ a commitment to welfare reform (he promised “to end welfare as we know it.”), a reiteration of his support for the death penalty (avoiding the “soft on crime” image trap which had bedeviled liberal

Governor Michael Dukakis in 1988), and a promise to clean up politics through his and his staff’s adherence to the highest ethical standards. As desired by the Clinton strategy, the national media promptly characterized the Clinton campaign as moderate, substantive, policy-oriented, and representative of outsider, anti-Washington sentiment.

Clinton’s superior performance at the May 1991 DLC convention in Cleveland, coupled with his impressive display at the New Hampshire Democratic Party convention in November 1991, encouraged much of the party organization’s support, enthusiasm, and fundraising capability to fall in line behind his candidacy. Once the nomination was in hand, the Clinton campaign sought a strategy for the general election campaign. The campaign’s extensive use of both quantitative and qualitative research to identify the key issues and voter groups that would decide the presidential contest⁷⁴ included conducting focus groups⁷⁵ among independents and Democratic-leaning suburban voters. The Clinton campaign targeted suburbanites because a majority of the electorate now lived in the suburbs, especially in Northeastern and Midwestern swing states.⁷⁶ Arguably, events would reveal that Clinton “won election as the candidate of suburban populism.”⁷⁷

The campaign’s central *defensive* strategy was to present an image of Clinton as a moderate, young, dynamic, and populist leader. The research data had been synthesized by Greenberg so as to satisfy campaign manager James Carville’s

73 Clinton personally opposed a middle-class tax cut but his advisors persuaded him to endorse it based upon the electoral benefits that its advocacy would produce.

74 See *Newsweek*, “Manhattan Project, 1992,” November/December 1992, p. 40.

75 *Newsweek*, “To The Wire,” November/December 1992, p. 92.

76 See, for example, William Schneider, “The New Suburban Majority,” *The Atlantic Monthly*, August 1992, and *The Economist*, “Fear Beats Loathing In Suburbia,” November 7, 1992, p. 35.

77 *The Economist*, “Scenes From The Counter-Revolution,” February 27, 1993, p. 29.

insistence upon a thematic, economic-centred policy message. Greenberg's conclusion favoured a centre-left, rather than a centre-right, policy strategy.⁷⁸ The final product emphasized the following themes: running an anti-Washington, outsider's campaign; investing in people to improve their economic security (better schools, job training); opportunity *with* responsibility (welfare reform); populist proposals agreeable to middle-class voters (affordable health care); and the reinvention, rather than the radical reduction, of government to make it work better for the average person.⁷⁹ The target groups identified as most receptive to this message were working females, blue-collar Catholics, and middle-to-lower middle-class voters. Greenberg's surveys found the refined message improved support for Clinton by eight percent.⁸⁰ The platform also contained support for a number of moderate policies, including such measures as expanded trade, welfare reform, the earned income tax credit, community policing, charter schools, and reinventing government.⁸¹

This last policy item, reinventing government, illustrates the manner in which the Third Way stresses greater accountability in the public sector. There is an enthusiasm for creating performance indicators to measure the efficiency and effectiveness of the work performed by specific government bodies. Unfortunately, however, the internal debate remains centred around the pub-

lic sector performing the same tasks either for less money or with greater output, rather than addressing the question of whether the public sector should be in the business of performing these tasks in the first place.

The "New Democrat" Model in Practice

New Democrats purport to challenge... Republican thinking. What they actually do is co-opt it, and then wrap it in a coat of nice, warm rhetoric.⁸²

As one would expect, President Clinton argues that seven years of New Democrat leadership has borne out the wisdom of those meetings, declarations, and publications stimulated by the founding of the DLC in the mid-1980s. Clinton proudly asserts that, "We have the smallest government in 35 years, but a more progressive one. We have a smaller government, but a stronger nation."⁸³ He informs his fellow citizens that, "We have called our approach 'the third way'—with a government that is more active, more effective, less expensive; one that can bring us together and move us forward, not drive us apart and set us back."⁸⁴ Do the facts support the rhetoric? It appears that, to be charitable, the evidence is mixed. For example, an examination of the claims regarding the size and cost of government produces the following results: in 1997, the federal government spent

78 See "'Manhattan Project,' 1992," p. 55.

79 *Ibid.*, pp. 42-43 & p. 55. Clinton's platform included \$220 billion over four years in new spending on urban housing, employment training, and infrastructure, as well as a new top income tax bracket of 38.5 percent for incomes over \$200,000 in order to raise \$150 billion in additional revenue over a four year period.

80 *Ibid.*, p.55.

81 The Clinton administration's formal effort to "reinvent" government, conducted under the auspices of Vice-President Al Gore, was inspired by, and used as a blueprint, the pragmatic how-to treatise by David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming The Public Sector*, New York: Plume, 1992.

82 Clive Crook, "The Third Way Is a Fraud, and a Very Handy One, Too," *National Journal*, October 30, 1998.

83 President Bill Clinton, State of the Union Address, January 1998.

84 Clinton, Remarks by the President to the DLC National Conversation, Washington, D.C., June 4, 1998.

US\$1.772 trillion dollars, an increase of US\$242.5 billion over Clinton's first year in office; meanwhile, federal government spending as a percentage of GDP was 22.2 in 1997, or 4.4 percent higher than a generation earlier.⁸⁵ Federal revenues as a percentage of GDP have risen every year since 1992. Currently, they are at their highest point since 1944.

On July 16, 1992, Clinton's nomination acceptance speech at the Democratic convention in New York City had been crafted around the theme of a "New Covenant" between Americans and their federal government. Once in office, however, Clinton spent much of his first two years moving the policy pendulum to the left. As president, Clinton successfully raised taxes in his first budget. Clinton's first significant policy initiative was the attempt to nationalize America's health care system. It is noteworthy that Clinton maintains that this constituted a Third Way initiative, as it rejected the socialist alternative — a single payer (that is, government-funded) system.⁸⁶

In December 1994, in the traumatic aftermath of the historic Republican take-over of both Houses of Congress, Clinton turned to political consultant Dick Morris for political marketing counsel. Morris' diagnosis was that Clinton was perceived, especially on social and cultural issues, as too liberal. Middle-class voters, especially, no longer felt the President was on their side, or shared their values, as he had suggested in 1992.⁸⁷ As such, Clinton should ignore the advice of congressional partisans and staffers and, instead, em-

phasize those moderate and, in some cases, traditionally Republican causes, that Morris' late 1994 polling for the White House spelled out as the framework for a centrist re-election platform. Specifically, Morris argued, voters wanted tax cuts, economic growth, more spending on education, and an emphasis on family-oriented programs.⁸⁸

The culmination of Morris' polling and reflection was a Machiavellian marketing strategy that he termed "triangulation."⁸⁹ The genesis of this strategic turn lay in a memorandum sent to the White House by British Labour Party pollster Philip Gould. Gould argued the applicability of French President Francois Mitterrand's adoption of a similar strategy when seeking re-election in 1988. In short, triangulation meant the repositioning of Clinton both *between* and *above* his liberal congressional party and the conservative Republicans in Congress, that is, at the apex of a political triangle. From this electoral vantage point in the political centre, so Morris argued, Clinton would be in a position to appropriate the most saleable policies from both sides *and* to embrace issues lying outside traditional partisan politics and presidential concern.⁹⁰ In this manner, Clinton would appear more moderate and reasonable than either the Republicans or more traditional Democrats. The first course of action recommended by Morris was the neutralization of Republican strengths on the issues of taxes, crime, foreign policy, and welfare. This would be accomplished by minimizing the policy differences between Clinton and his opponents. Between early 1995 and late 1996, the

85 Scott Moody, ed., *Facts & Figures: On Government Finance*, The Tax Foundation, 1998.

86 Tod Lindberg, "Why the 'Third Way' Is Winning," *The Wall Street Journal*, May 26, 1999.

87 Bob Woodward, *The Choice*, New York: Simon & Schuster, 1997, p. 25.

88 See, for example, Woodward, *ibid.*, p. 45.

89 See Dick Morris, *Behind The Oval Office: Winning The Presidency In The Nineties*, New York: Random House, 1997, pp. 79-88.

90 Traditionally non-presidential issues emphasized by Clinton included parental leave, college tuition credits, school uniforms, youth curfews, television and domestic violence, teenage smoking, extending cellular telephones to "neighbourhood watch" groups, and tax credits to encourage responsible behaviour.

Clinton White House adjusted itself to the reality that the American electorate was in a broadly conservative frame of mind. Having done so, Clinton was in a position to campaign on his own strengths, such as education and the environment.

In policy terms, triangulation meant a marriage of the public generosity of liberalism with the realism of conservatism. Morris's advice was to emphasize values over economic issues. Supported by communications director Donald Baer and domestic policy advisor Bruce Reed, this advice was based on the extensive quantitative and qualitative research performed by pollsters Mark Penn and Douglas Schoen.⁹¹ Penn's and Schoen's polling found that traditionally non-presidential issues, such as television violence and teenage smoking, were important to families, especially young married couples. Specifically, a value-centred campaign meant an emphasis on the family, children, and seniors.⁹² This meant a campaign targeted at a politically moderate, middle-class coalition of swing voters living in suburban families, whose concerns were with social issues and fiscal frugality more than with economic security and wages.⁹³ These swing voters comprised 54 percent of the electorate.⁹⁴ With a synthesis of compassion and toughness, illustrated by the pronouncement of a series of small, simplistic policies addressing practical aspects of contemporary family life, Clinton could persuade these voters to give him another term.

Clinton's January 23, 1996, State of the Union speech to Congress achieved its goal in that it seized for Clinton's campaign the centre ground

of American politics, successfully blurring his differences with the Republicans, and distancing himself from liberal Democrats. Twice during his hour-long oration Clinton reminded his audience that "The era of big government *is* over." This repositioning stood in stark contrast to his first State of the Union speech only three years earlier, when he had proclaimed that "Government *must* do more." According to the post-speech media polls, between two-thirds and three-quarters of Americans approved of Clinton's triangulation-based speech and its Third Way calls for greater emphasis upon personal responsibility, welfare reform, family values, law and order, and curbs on illegal immigration.⁹⁵

By 1999, with a balanced budget and an economy in an expansionary mood since the last year of President Bush's term of office, Clinton's activist instincts came to the fore. In his 1999 budget, Clinton unveiled a laundry list of new spending programs, including the still-born idea that the federal government purchase shares on the stock market as a financial safety net for social security. After having raised taxes early on in his presidency, for the past few years Clinton's chosen instrument for meddling in fiscal policy has been the tax credit. This reflects, at least in part, a Third Way obsession with micromanaging individuals' financial decision-making. Strategists such as Morris counter the free market position that more of the taxpayers' money should be returned to them to spend as they see fit. Morris' revealing Clintonian retort is, "Yes, but how do we know they'll spend it on the right things." On other issues, such as welfare reform, the Republican majority in Congress has provided Clinton with the

91 During 1996, Penn and Schoen conducted a poll *every* night.

92 See, for example, *The International Herald Tribune*, "Two Democratic Party Visions," January 29, 1996, p. 3.

93 Ibid and *The Washington Post*, "Two Views Of Clinton's Voters," in *The International Herald Tribune*, November 22, 1996, p. 3.

94 Penn's and Schoen's benchmark survey, June 1996. The data suggests this group was split fairly evenly between Democratic- and Republican-leaning voters.

95 *CBS News* found a 64 percent approval rate; *ABC News* found 75 percent approving of the speech.

policy ammunition and the political cover to sign on to bold, overdue measures. There has been some limited progress regarding “reinventing” government. Sadly, the really significant gains will not accrue until certain parts of government are *deinvented*, not merely made to perform less inefficiently. Clinton’s major positions and actions on social policy similarly reflect a timid, government-knows-best inclination. His opposition to school vouchers and support of the “War on Drugs,” affirmative action, and gun control belie any claim that Clinton may have to radical or innovative Third Way policymaking.

The New Democrat strand of the Third Way movement also has important adherents at the state level, most notably in the governor’s office in Sacramento, California. Elected governor, in November 1998, by an overwhelming 20 percentage points after campaigning on a relatively moderate Democratic policy platform, Gray Davis used his January 4th, 1999 inaugural address to outline his plans to govern from the “pragmatic centre.” As governor, Davis sought to borrow ideas from both the right and the left, to combine both government intervention and private initiative to solve collective problems, and to be both “tough-minded and big-hearted.”

Since January, Davis has placed policy emphasis on education reform. Many of his ideas are laudable, including holding schools accountable for their students’ academic performance, ending social promotion, introducing merit pay for teachers, and removing “deficient” teachers. However, whether it is the outgrowth of a genuine commitment to New Democrat views on the primacy of a public (that is, government) education system or the fact that so significant a portion of his campaign budget was funded by labour (especially the teachers’) unions, Davis’ California-style Third Way places particular emphasis upon appeals to labour unions and racial minorities, hence his opposition to school vouchers and his support of immoderate affirmative action, along

with such short-sighted policies as guaranteeing to the top four percent of each high school’s graduating class admission to the University of California.

Britain’s “New Labour” Model

Across the Atlantic, meanwhile, Britain’s political marketplace is becoming more “American” as a result of an electoral environment characterized by class and partisan dealignment, greater electoral volatility, and the primacy of television as a communication tool. Current popular culture, dominated by visual imagery, stimulates voters to give more weight than ever before to the image of the leaders and their parties, hence the Labour Party’s decision to base its electoral comeback upon the rebuilding of its public image. Labour’s success in “selling” the British voting public on the New Labour project won them the campaign and the general election.

The parallels between the marketing of the most recent American and British Third Way campaigns are striking. These political marketing ideas were transferred from the American context to the British scene through the semi-institutional route of White House and Democratic Party consultants offering their Labour Party peers the benefit of their recent experiences. Labour’s qualitative and quantitative research was supplemented by an on-going transfusion of American ideas courtesy of Clinton Cabinet members, such as Labour Secretary Robert Reich, who communicated regularly with Brown and his economics adviser Ed Balls. The period from 1993 to 1997 represented the Clintonization of Labour Party political marketing. It has been suggested that “New Labour probably owes more to Madison Avenue techniques than old Labour ever owed to Marx.”⁹⁶ Based upon their study of the two Clinton victories, Labour Leader Tony Blair and his advisors adopted an overtly marketing perspective, that is, they concluded that if the electorate would not come to Labour, then Labour would go

to the electorate. New Labour was especially interested in targeting so-called “aspirational” voters who “typify the kind of voters that New Labour must attract if it is to win the election.”⁹⁷ Labour’s message was deliberately crafted to attract these skilled blue-collar voters.

There are a number of people whose intellectual influence either has been or continues to be harvested by Prime Minister Blair as he leads the European wing of the Third Way movement. As noted earlier, Giddens is preeminent in this role. Other intellectual and academic influences include the late John Macmurray, the philosopher, Geoff Mulgan (seconded to Blair’s policy unit from the radical Left-wing think-tank, Demos), the aforementioned Michael Jacobs and Gerald Holtham, and Nexus, a centre-left virtual think-tank run by Cambridge University’s David Halpern. Other left-wing academics active in the ongoing dialogue with Blair include Oxford University’s David Marquand and Iain McLean, Cambridge’s Melissa Lane, and the London School of Economics’ Julian Le Grand, Howard Glennerster, and John Gray. Of particular note is that not a single academic economist has a significant role in Blair’s Third Way brainstorming.

Similar to Giddens, Blair maintains that the Third Way is “not an attempt to split the difference between right and left.” It is about “traditional values in a changed world.” This is particularly important given that, in typical Third Way fashion, for Blair, “Governing is about management, not ideology... his comments are managerial—

not about great issues of principle but about what works.”⁹⁸ Blair maintains that this philosophy comes from the centre-left.⁹⁹ According to Blair, the Third Way “seeks to take the essential values of the centre and centre-left” (that is, solidarity, social justice, responsibility, and opportunity) “and apply them to a world of fundamental social and economic change; and to do so free from outdated ideology... My politics are rooted in a belief that we can only realize ourselves as individuals in a thriving civil society, comprising strong families and civic institutions buttressed by intelligent government.”¹⁰⁰ Consequently, Blair asserts that:

The truth is that freedom for the many requires strong government. A key challenge of progressive politics is to use the state as an enabling force, protecting effective communities and voluntary organizations and encouraging their growth to tackle new needs, in partnership as appropriate.¹⁰¹

For both Blair and Clinton, the determination to “reinvent their party”¹⁰² was a several years-long, calculated attempt to minimize the negative aspects of their respective parties’ images. The American influence upon New Labour was felt in several guises. The first concerned policy and pre-dated Blair’s ascension to the party leadership. Blair first adopted Clintonite ideas and discourse in 1993 in a conscious linking of political self-interest to new organizational and policy ideas. Following his January 1993 visit, as Shadow Home Secretary, to the White House and to the DLC, Blair began attacking “trickle-down

96 Michael Jones, “Clinton’s Gunslingers Show Labour How To Shoot A Line,” *The Sunday Times*, April 27, 1997, section 5, p. 3.

97 Excerpt from Labour Party campaign memorandum.

98 Peter Riddell, “Managing Without The Vision Thing,” *The Times*, August 3, 1999.

99 Blair pamphlet.

100 Ibid.

101 Ibid.

102 George Stephanopolous, interviewed on BBC Radio 4’s *Today* program, April 30, 1997.

economics,” proposing training and educational reforms a la Clinton,¹⁰³ and desiring a welfare system that provided “a hand up, not just a handout.”

Under Mandelson’s tutelage, the Labour campaign merely substituted Blair for Clinton, then Prime Minister John Major for Bush, “New Labour” for “New Democrat,” “Britain deserves better” for “make America better,” and so on—accurately judging that “the ruthless application of a tried and tested formula”¹⁰⁴ would prove highly effective. This formula led Blair to adopt the same rhetoric as Clinton. Both men referred to new spending as new “investment” and both asserted that “the era of big government is over.” Blair and his advisers were sold on the electoral benefits that would accrue from the successful promotion of a new centrist agenda that explicitly reached out beyond traditional class-based boundaries of support to appeal to Britain’s new middle-class majority.¹⁰⁵ This centrist agenda promised to preserve the values of the welfare state within a more individualistic society by linking opportunity to responsibility. Both candidates, Clinton and Blair, promised to lead activist, yet fiscally conservative, governments whose activism would be carefully targeted towards the areas of health care, education, and employment training. Labour’s private polling found this inclusive, communitarian philosophy was very attractive to floating white-collar Conservative

voters, as these voters sought a kinder, gentler conservatism, that is, “conservatism with a human face.”¹⁰⁶

In December 1996, Mandelson and Gould visited Clinton’s advisors¹⁰⁷ at the White House to learn the lessons of the recently completed presidential election. These included Morris’ “triangulation” strategy, which in Labour’s case precipitated policy positions, especially on the issues of taxation, spending, crime, and the unions, that soothed the electorate’s deep-seated policy fears by symbolically distancing New Labour from Old Labour, yet maintained a modicum of policy differentiation from current Conservative policy. As was the goal with Clinton, triangulation sought to position Blair *above* the centre of the political spectrum so that he occupied the “post-ideological centre,” a path allegedly between—and ahead of—the Old Left and the New Right.

In just three years, Blair’s leadership single-handedly transformed the public’s image of the Labour Party as he convinced most British voters that New Labour was real. Blair successfully recreated his party in his own telegenic image, for much of the successful redrawing of the party’s image stemmed directly from Blair’s personal profile—young, classless,¹⁰⁸ aspirational, and without strong ties to the unions—which, overtly, was not Old Labour. Blair’s election as party

103 These included investment in new technologies and skills, government partnerships with private industry, and “equipping people for change.”

104 Ibid.

105 This is the view of Byron Shafer, in comments reported in Fred Barbash, “Tory Stamp On Society Will Endure,” *The Washington Post*, in *International Herald Tribune*, May 2, 1997, p. 1. Over the past three decades, Labour’s traditional core support among blue-collar workers has gradually shrunk in proportionate terms as a large portion of the working class moved into the middle class.

106 Martin Kettle, “Conservatism With A Human Face,” *The Guardian*, April 15, 1997, p. 16.

107 White House Communications Director Don Baer, policy aide Rahm Emanuel, and pollster Mark Penn.

108 On September 28, 1999, during his annual party conference speech, Blair declared that, “The class war is over. But the struggle for true equality has only just begun. For the 21st century will not be about the battle between capitalism and socialism but between the forces of progress and the forces of conservatism.”

leader in July 1994, and the subsequent policy and strategic changes that he successfully championed, arguably was *the* critical event in altering the electorate's image of Labour—from a party to be feared (the prevailing image of the Michael Foot- and Neil Kinnock-led party of the 1980s) to a party that offered a viable alternative government.

The transformation of Labour's image was, in part, about policy. Blair aggressively and firmly removed all remaining vestiges of the party's socialist past from policy documents. Traditional Labour commitments to the redistribution of wealth, expansion of the welfare state, support for the trade union movement, along with a historical antipathy to the corporate sector, were all thrown out. Instead, the party made a new-found commitment to spending restraint, the virtues of the private sector, and the harshening of party policy toward criminals and criminal behaviour. No battle was more public, nor more contentious, than Blair's commitment to the rewriting of the historic Clause IV¹⁰⁹ of the party's constitution, which had committed the party, when in office, to establish the common ownership of the means of production. The fact that, in the spring of 1995, Blair's year-long campaign against such statist economic commitments was publicly supported by a majority of the party's membership served both to define Blair's, and to redefine his party's, public image as one whose policy agenda was un beholden either to economic nostalgia or to narrow, sectional interests.

For Labour, campaign presentation needed to be tailored to appeal to the prejudices and predilections of so-called "Middle England,"¹¹⁰ with its fondness for tax cuts, personal responsibility, nostalgia for aspects of Thatcherism, and antipathy toward criminals, unions, and welfare fraud. Such a strategy necessitated a policy platform overtly sympathetic to middle-class concerns.¹¹¹ This would be an uncontroversial, vision-less policy platform which provided clear pledges in a very few areas while avoiding detailed promises in all others. Blair made five highly publicized pledges: (1) not to raise personal income tax rates during his party's first term in office; (2) to abide by the then-Conservative government's spending plans for the first two years of a Labour government; (3) to reduce hospital waiting lists by 100,000 during the first term in office; (4) to reduce class sizes; and (5) to impose a so-called "windfall tax" on the privatized utilities; the new \$8 billion in revenue to be used to reduce youth unemployment by 250,000.

Blair also spoke of the need to raise Britain's long-term rate of economic growth. He actively and successfully courted the traditionally anti-Labour business community: "We are proud to be supported by business leaders as well as trade unions."¹¹² There was much talk of doing a better job of marketing Britain and her leading businesses abroad. These were unsurprising acts of corporate cheerleading given that:

Collectivist politicians... do indeed prate on about what the global market requires

109 Drafted in 1918, Clause IV advocated the "common ownership of the means of production, distribution, and exchange." As the clarion call of socialism and a commitment to radical social change, it was printed on the back of all of the Party's membership cards.

110 In this research, this term is used as the English equivalent of Middle America, that is, more of a socio-economic group than a geographic location. Middle England is middle-class, culturally conservative, and both rural- and urban-based.

111 The electoral logic is obvious: in the 1960s, 50 percent of Britons were considered to be working-class and 20 percent middle-class; by the late 1990s, the inverse was true.

112 Blair pamphlet.

if Britain PLC or America Inc is to prosper in the world. The Tony Blairs and Bill Clintons of this world do equate national income with national well-being. But then they are not “free-market” liberals.¹¹³

New Labour promised “fundamental reform of our welfare state.” Spending on welfare benefits would be reduced to fund increases in spending on health and education. Considerable emphasis was placed upon the development of cost-effective public services whose credo should be, “Putting consumers first.” Picking up on a Clintonian Third Way theme, Blair said, “We must reinvent government itself for the new age... to work in partnership with the private and voluntary sectors; to... answer to a more demanding public; and to co-operate internationally in new ways”¹¹⁴ over issues such as terrorism, drugs, and environmental protection. New Labour also promised the British people constitutional change. Under a Labour government political power would be devolved downwards to national and regional assemblies. Interestingly, New Labour would also devolve power upwards to the international level (that is, to the EU) for, “New Labour stands for a strong, decentralized Europe.”¹¹⁵

Therefore, in terms of ideological positioning, Blair and his advisers sought to distinguish between, on the one hand, left and right, and, on the other hand, “what works and what does not work.” This was the new Blairite Third Way political paradigm: wisdom, knowledge, and expertise were more important than passionately held philosophical beliefs. To this end, Labour’s manifesto,

an amalgam of pro-business economics and social authoritarianism, bore far greater resemblance to the more small-c conservative 1996 Clinton platform than Clinton’s more moderate 1992 platform.

The appearance, at least, of veering to the ideological right on policy was top Labour party strategist Peter Mandelson’s carefully orchestrated marketing plan for gaining the confidence of middle-class, instinctively Conservative-voting Britons. His sharp political instincts were reinforced by the advice given to him by Clinton aide George Stephanopolous on ideological positioning when confronting a conservative opponent: “There is no such thing as going too far to the right.”¹¹⁶ Blair made both rhetorical and substantive moves that suggested he heeded this counsel. On April 7, 1997, Blair announced his support for the principle of privatization, arguing that the presumption should be that “economic activity is best left to the private sector.”¹¹⁷ In late February 1997, one of Blair’s senior Shadow Cabinet members announced that old-style redistribution of wealth was no longer appropriate policy. Instead, the party would now favour wealth creation and increasing help to the poor in order that they might learn to help themselves.¹¹⁸ Elaborating on these comments recently, the now-Education Secretary David Blunkett acknowledged that simply giving poor people money is not sufficient to lift them out of poverty. Instead, he argued for a “something for something,” rather than a “something for nothing,” welfare system approach to helping the poor to help themselves.¹¹⁹

113 *The Economist*, “Economic Focus: What’s Progress?” July 31, 1999, p. 66.

114 Blair pamphlet.

115 *Ibid.*

116 Stephanopolous, cited in Sarah Baxter, “New Labour Balks At The Nouveaux,” *The Sunday Times*, April 20, 1997, p. 14.

“New Labour” in Practice

New Labour in government is putting the Third Way into practice.¹²⁰

British Prime Minister Tony Blair

Once in power, New Labour acted quickly. Within days of taking office, Blair’s government gave independence over monetary policy to the Bank of England. Although there is considerable evidence that independent central banks, free of political interference, are better able to maintain price stability, arguably the Blair government took the right policy decision for the wrong reasons. Blair’s policy priority was not keeping inflation low, for that was a secondary goal; the primary goal was to establish a stepping-stone to acceptance of a common European currency.¹²¹

On the macroeconomic front, the new prime minister entered office proclaiming that, “In the economy, our approach is neither laissez-faire nor one of state interference.”¹²² But, what has New La-

bour actually done? It appears that, as planned, Blair’s government will keep net government debt at 40 percent of GDP over the course of the business cycle. On government spending, Blair adhered to the campaign promise of Conservative levels of spending. However, now that the two-year spending “freeze” is over, projected spending will rise by 2.75 percent annually in real terms (faster than GDP growth) over the next three years. This is partly explained by the fact that, by the end of its electoral mandate, New Labour will have increased annual spending on the State-run National Health Service (NHS) by four percent in real terms over five years. In more specific terms, reflexive socialist thinking is the only plausible explanation for the dismantling of the previous Conservative government’s more imaginative reforms, especially the NHS’ so-called “internal market. Alarming, this move occurred under the official guise of “modernizing the NHS.”¹²³ Such modernization means that, according to the *Health Service Journal*, “Patients have less choice than ever in the NHS’ history.”¹²⁴

117 The argument that the public interest necessitates a healthy private sector reflected the influence of Australian Labour Party politicians, particularly former Prime Ministers Bob Hawke and Paul Keating, who were both visited by Blair during his period as Opposition Leader and whom he continued to liaise with via telephone throughout the campaign. By dropping class politics and embracing populism, the free market, and privatization, throughout the 1980s and early 1990s Australian Labour appeared to have found a winning electoral formula. See Robert Taylor, “Mr. Blair’s Young Models,” *The Spectator*, May 3, 1997, p. 9.

118 See, for example, Joy Coploy, “Wealth Transfer Policy Ditched by Blunkett,” *The Daily Telegraph*, February 22, 1997, p. 1. This followed Shadow Chancellor Gordon Brown’s January 20, 1997 announcement that a Labour government would raise neither the basic nor the top rate of income tax during its first full term in office and would freeze public expenditure for two years. These policy changes were a direct reaction to blunt, and increasingly successful, attacks by the Conservatives on Labour’s plans for taxes and spending. Also in January, Blair told the homeless magazine *The Big Issue* of his support for “zero tolerance” policing of petty street crime and that he *never* gave money to beggars. A “tough on crime” philosophy and zero tolerance policing had, according to an NOP poll, the support of three-quarters of the British public.

119 Comments reported in BBC News, “Blunkett Attacks ‘Hand-Out Culture,’” November 4, 1999.

120 Ibid.

121 The Maastricht Treaty requires an independent central bank as a precondition for admission to the European Monetary Union. See, also, Peter David, “Survey: Undoing Britain,” *The Economist*, November 6, 1999.

122 Blair pamphlet.

123 Labour Party Weekly Brief, January 14, 1999.

124 Quoted in *The Times*, “Choice in the NHS is a Tory Issue,” November 3, 1999.

In terms of revenue generation, New Labour has withstood the pressure from its traditional supporters among the trade unions and public sector professions to raise the top rate (40 percent) of personal income tax. Chancellor Brown has reduced by one percent the basic rate to 23 percent and introduced a 10 percent starting rate. Such fiscal parsimony does not tell the full story, however, as various sources of indirect taxation¹²⁵ have been increased since Chancellor Brown's first budget,¹²⁶ and indirect taxation will continue to increase to finance the new spending. In fact, a recent study by the Organization for Economic Cooperation and Development (OECD) concluded that Britain's overall tax burden is rising faster than that of any other European country.¹²⁷ For example, the OECD found that the tax burden rose by six percent during the first year of the Blair government.¹²⁸ Tax revenues as a share of GDP rose from 35.4 percent in 1997 to 37.6 percent in 1998, the largest increase in 16 years, providing Britain with its highest level of taxation since 1986.

New Labour's relative inactivity on the macroeconomic front has been compensated for by frequent microeconomic meddling, all part of a

well-intentioned, yet quite naïve, effort "to promote enterprise, particularly the knowledge-based industries of the future."¹²⁹ There has been a concerted effort to abet investment in high technology¹³⁰ (a favourite policy of Mandelson's during his brief tenure as Secretary of State for Industry), ignoring the international evidence that "if money is targeted at firms and industries that the government, rather than the market, deems deserving, much of it will be wasted."¹³¹ Furthermore, New Labour has flooded the private sector with a plethora of new regulations, at an annual cost of \$12 billion.¹³² From a free market perspective, the regulatory nadir was reached with the introduction of a minimum wage designed, in New Labour's words, to "tackle the scandal of poverty pay."¹³³ It is little wonder, therefore, that labour productivity is stagnant.

In Opposition, Blair promised a "revolution" in education but, in practice, has frequently chosen to turn back the educational clock. Charitably described, "New Labour education policy could be defined as 'Toryism with more money.'"¹³⁴ Spending on education will increase an average of 2.9 percent in real terms over the course of Blair's first term (education spending had been rising by

125 These increases, totalling more than 30 in number, include taxes on petrol, diesel, pensions, savings, and social insurance contributions for middle-income and self-employed taxpayers, and the abolition of mortgage tax relief.

126 These so-called "stealth taxes" have increased revenues by \$25 billion annually. See *The Economist*, "William Hague's Battle Plan," October 9, 1999.

127 See, for example, Lea Paterson and Roland Watson, "Britain's Tax Now Fastest Rising in Europe," *The Times*, November 4, 1999, and BBC News, "UK Tax Burden Jumps Under Labour," November 4, 1999.

128 Calculations performed by the accounting firm, Chantrey Vellacott DFK, suggest that the Blair government had raised taxes by the equivalent of an 8 percent increase in the basic rate of income tax.

129 Blair pamphlet.

130 See, for example, BBC News, "Tax Boost for Enterprise," November 1, 1999.

131 *The Economist*, "Phew," July 31, 1999, p. 49.

132 "Tax Boost for Enterprise," op.cit.

133 Labour Party Weekly Brief, January 14, 1999. A recent critique of the minimum wage may be found in Marc T. Law, *The Economics of Minimum Wage Laws*, The Fraser Institute, Public Policy Sources, No. 14.

134 *The Economist*, "Does Class Size Matter?," July 31, 1999, p. 48.

1.7 percent annually in real terms under the Conservatives). There has been little educational devolution; rather, New Labour has gone to great lengths to exercise centralized control over the school curriculum. Blair's government has sought to raise educational standards by bringing back traditional teaching methods, publishing more extensive school-by-school academic rankings, and has reinforced the prior Conservative government's national testing program in English, math, and science. In an encouraging development, Blair announced that private sector firms will be allowed to take over poorly performing schools in so-called "education action zones," that is, run-down, inner-city areas. There are also plans to introduce performance-related pay for teachers tied to students' examination results.¹³⁵ In the post-secondary education area, New Labour bravely introduced (albeit quite modest) university tuition fees. Unfortunately, these truly progressive measures come on the heels of two regressive decisions regarding academic independence and parental choice, respectively: first, to halt the expansion of so-called "grant maintained" (that is, charter) schools; and, second, to end the hugely successful "Assisted Places Scheme," which under the Conservative government had provided private school scholarships to students from low-income families.¹³⁶

Reflecting the importance that the Third Way movement places upon the issue of welfare reform, Blair instructed his first Social Security Minister, Frank Field, to "think the unthinkable" while reviewing how to improve the welfare system. When Field tabled his proposals in the spring of 1998, he announced a "Third Way... a welfare state to meet modern needs." He advocated a blend of carrots and sticks, calling, for example, for the expansion of subsidized child care

while recommending a crackdown on welfare fraud. New Labour has introduced a "Working Families Tax Credit" for low-income families at an annual cost of Cdn\$12 billion. Such measures, in tandem with an unwillingness to match "tough love" rhetoric with action, have meant that welfare spending has continued to rise.

Actual spending on welfare programs is even higher once one factors in New Labour's anachronistic attempt at "workfare." Having rejected both the largely positive results of American-style welfare reform¹³⁷—on the grounds of moral opposition to so "punitive" an approach—and the warnings of those, such as Nobel Laureate Robert Solow, who point out that New Deal-type schemes have a failed history, the reality of the Blair government's much-hyped "New Deal" program is anything but new or innovative. The brain-child of the London School of Economics' Richard Layard, an expert on unemployment, the New Deal for young, unemployed Britons commenced in April 1998. It employs a carrot-and-stick approach by offering unemployed youths subsidized job training, followed by either subsidized private sector employment, subsidized volunteer work, subsidized environmental work, or failing that, participation in public sector make-work programs. Non-participation in the New Deal by an unemployed youth results in the withdrawal of welfare benefits.

The New Deal has cost \$12 billion (\$4 billion more than the revenue earmarked from the windfall tax) to remove 284,000 participants off the welfare rolls, 24 percent of whom have found unsubsidized employment. Of course, the results of this New Deal beg several important questions, among them: What is the amount of dead-weight loss?, that is, how many young people would

135 See, for example, *The Economist*, "Caning The Teachers," October 23, 1999, pp. 63-64.

136 See, for example, Claudia Rebanks Hepburn, "Vouchers Get an 'A' Grade," *Fraser Forum*, March 1999.

137 See Patrick Basham, "After Welfare, What Comes Next? The American Experience," *Fraser Forum*, May 1999.

have found those jobs regardless of government intervention? One estimate is that 80 percent would have done so;¹³⁸ Is it the role of the State to act as an employer of last resort?; and, Is it appropriate for the State to be distorting the marketplace by subsidizing private businesses?

Prior to gaining office, Blair's most memorable and effective sound-bite was his insistence that New Labour would be, "Tough on crime, and tough on the causes of crime." In practice, this has translated itself, for example, into plans to hire several thousand more policemen, echoing Clinton's 1994 anti-crime legislation. Furthermore, criminals are to be responsible for providing reparations for their victims, parents are to be held responsible for school truancy and are expected to comply with curfews for their children under 10 years of age. In fact, the New Labour government, especially Home Secretary Jack Straw, has brought a somewhat illiberal streak to law-and-order and social regulation issues that emphasizes social conformity over the pursuit of individual choices and preferences.¹³⁹ For example, communitarian New Labour has already introduced a complete ban on handguns; it is planning to introduce a so-called "Three strikes, You're out!" crime policy (i.e., mandatory sentences for burglars convicted of a third such offence)¹⁴⁰ and to ban fox hunting before the next election. For proponents of a free and civil society, "There are too many signs that New Labour does not attach sufficient importance to personal

liberty or even to... compassion or humanity,"¹⁴¹ and, as such, may be advancing "the incremental totalitarianism of the authoritarian centre."¹⁴²

In the view of Giddens, et. al., the nation state is too large to solve many smaller problems and is too small to solve a host of larger problems.¹⁴³ Therefore, other levels of government must be empowered (or created). In terms of constitutional reform, there have been several acts of downward devolution: an elected assembly for Northern Ireland; an elected Scottish Parliament with limited taxation powers; and an elected Welsh Assembly with so little power that it is commonly referred to as "a glorified talking-shop"¹⁴⁴; and, regarding local government, the re-introduction of an elected mayor for London. Blair's acceptance of the EU's statist "Social Chapter" is illustrative both of his Third Way commitment to upward devolution and a lack of regard for the nation's economic and political independence. On August 3rd, 1999, for example, the Blair government brought Britain into line with other EU countries' interventionist social regulations with the announcement that, as of December 1999, various forms of family and parental leave would be expanded and that these measures will apply equally to private and public sector workplaces. The hedging, all-things-to-all-voters utterances made in the build-up to the 1997 election have fallen by the wayside, supplanted by explicitly pro-EU commentaries.

138 Cited in Peter Brown, "A Good or Bad Deal for the Jobless?" *The Times*, June 22, 1999.

139 See, for example, John Jackson, "What Price Liberty If Hunting Is Hounded Out By Westminster?," *The Times*, September 23, 1999, p. 22.

140 See, for example, *Reuters*, "Tough-on-Crime Labour Government Aims to Ease Middle-Class Anxiety," in *The National Post*, November 30, 1999.

141 Brittan, op.cit.

142 Michael Diboll, "United Against The Centre," *The Spectator*, November 27, 1999, p. 22.

143 Dickson.

144 Bagehot, "A Long Way From Paris," *The Economist*, June 26, 1999, p. 66. See, also, David, op.cit.

Germany's "New Middle" Model

The New Middle appeals to all those who want to grasp the initiative and experience the growing flexibility of the labour market. The New Middle appeals to those who want to fulfill the dream of self-employment, who are willing to take risks.

—German Chancellor Gerhard Schroeder

On June 8th, 1999, Blair and Social Democratic Party (SPD) Leader Gerhard Schroeder published a joint paper entitled, *Europe, The Third Way/Die Neue Mitte*. The purpose of the paper was to provide a public blueprint for the modernization of the democratic European left. Policy emphasis was placed upon improving workers' skills, introducing labour market "flexibility," fostering technological innovation, and reinforcing social "solidarity" through a recommitment to a system of rights and responsibilities. The document is littered with New Labourish platitudes about the importance of "consensus," "social justice," "fairness," and "traditional values in a modern context." As such, it has been termed, "A triumph of Sierra focus group social democracy over siesta socialism."¹⁴⁵ The heavy dose of poll-tested sound-bites is unsurprising given that the paper was ghostwritten by two of Western Europe's most accomplished political marketers—Mandelson and Bodo Hombach,¹⁴⁶ the SPD's principal strategist who, at that time, was Schroeder's chief-of-staff.

In publishing this paper, Blair's and Schroeder's overriding goal was to enlist the assistance of additional "progressive" European statesmen in spreading the Third Way message throughout the political mainstream of the EU.¹⁴⁷ Other European leaders taking up seats aboard the Third Way political train include, most notably, the new president of the European Commission, Prof. Romano Prodi, who first came on board during his tenure (1996-98) as Italian Prime Minister (at the head of the centre-left, so-called "Olive Tree" alliance).¹⁴⁸ In an attempt to preempt the accusation, heard especially from the French Socialists and "old guard" SPD politicians, that this new social democratic movement is so moderate as to be ideologically impotent, now Blair stresses to leftist continental European audiences that the Third Way "is not an argument to undermine the European social model; it is an argument to modernize it."¹⁴⁹

Schroeder meticulously modeled his September 1998 election campaign on Blair's 1997 victory and Clinton's two presidential campaign triumphs. In power in a coalition government with the Green party, Schroeder has continued his attempt "to recast his party in the style of new Labour,"¹⁵⁰ following neither left- nor right-wing policies; rather, it would be "modern."¹⁵¹ The SPD's election manifesto even went so far as to claim that, "We are the new German centrist party." As Schroeder's partisan base is found among young SPD politicians, who wish to mod-

145 Roger Boyes, "Sober North Vies With Siesta South," *The Times*, March 17, 1999.

146 During the post-Kosovo summer, Hombach was appointed to run the EU's Stability Pact, with responsibility for the Balkan region's wholesale political and economic reconstruction.

147 BBC News, "Blair and Schroeder Meet To Plan Third Way," November 2, 1998.

148 See, for example, Richard Owen, "The Professor Takes Lessons on Blair's Third Way," *The Times*, March 18, 1999.

149 Speech to Milan conference of the European Socialist Party, as reported in *Agence France-Press*, "Britain's Blair, in Italy, Defends 'Third Way,'" March 2, 1999.

150 Roger Boyes, "Germans Turn on Leader 'In Thrall to Blair,'" *The Times*, July 30, 1999.

151 Quoted in *The Associated Press*, "Schroeder Targets German Unemployment," in *The Globe and Mail*, November 11, 1998.

ernize German bureaucracy and promote a more self-reliant work ethic,¹⁵² during campaigning, Schroeder advocated “a new paradigm in German politics.” He claimed his approach, balancing capitalism and the welfare state, represented an ill-defined “New Middle.” The nearest to a specific policy declaration was the stated goal of maximizing access to education and skills training while not relieving people of their societal duties.¹⁵³

In public policy terms, what comprised the “Old Middle”? Edmund L. Andrews explains that the Old Middle was:

A system based on tightly intertwined networks of banks, industrial manufacturers and powerful labour unions. That system... is grounded on the idea that all the major players in the economy work together in pursuit of consensus rather than conflict. It assumed that banks would finance industry and come to the rescue in times of need. It assumed that corporations would respect one another’s territory, partly because the big banks are shareholders in the biggest industrial companies. It also assumed that corporations would avoid conflict with labour. Wages would be set through nationwide negotiations between industry and labour. Unions would have a direct hand in

corporate “co-determination”—with representation on corporate supervisory boards and union-controlled “work councils” that approve many day-to-day decisions.¹⁵⁴

By the late 1990s, Germany’s so-called “Social Market”¹⁵⁵ model, with its stress upon consensus and private-public sector and corporate-labour partnerships, was in disarray. Double-digit unemployment (four million jobless), an unsustainable public pension system, a highly inflexible, costly, labour market,¹⁵⁶ high taxes, a public debt that had tripled in a decade, and a private sector encumbered by red tape illustrated both the fact that, “Germany is still an example of socialism at work,”¹⁵⁷ and the urgent need for structural economic reform. The dilemma for the SPD leadership was how to make Germany internationally competitive while maintaining a welfare state.

The “New Middle” in Practice

For a period of several months in office, Schroeder’s policy hands were tied by his appointment of the staunch socialist Oskar Lafontaine as finance minister. Then in March 1999 Lafontaine resigned both of his senior posts, as Chancellor and as Party Chairman.¹⁵⁸ The first indication that Schroeder’s “New Middle” might be serious about tackling Germany’s economic malady ap-

152 See, for example, *The Economist*, “Germany: Schroeder’s Babies,” July 31, 1999, p. 42.

153 Remarks by Chancellor Schroeder at April 25, 1999 DLC forum, as reported in Kalpana Srinivasan, “Leaders Discuss Political Movements In Their Nations,” *The Associated Press*, April 25, 1999.

154 Edmund L. Andrews, “Germany’s Consensus Economy at Risk of Unraveling,” *The New York Times*, November 26, 1999.

155 Germany’s post-war public policy compromise has centred around the establishment (and then the maintenance) of what is alternatively referred to as the “social market model,” “Rhineland capitalism,” “stakeholder capitalism,” and “consensus capitalism.”

156 Unit labour costs in Germany are 50 percent higher than in the United States.

157 Norbert Walter, chief economist of *Deutsche Bank*, quoted in Roger Cohen, “Triumphant, The Left Asks What Else It Is,” *The New York Times*, November 21, 1999.

158 Lafontaine’s account of the first five months of Schroeder’s New Middle-in-office may be found in Oskar Lafontaine, *The Heart Beats on The Left*, 1999.

peared soon after Lafontaine's departure. This summer, the new German finance minister, Hans Eichel, announced a series of spending and tax cuts that project annual government expenditures being reduced by US\$16 billion (including a cut in the rate of growth of spending to 1.5 percent, a two-year freeze on pension benefits, a reduction in unemployment benefits, and a modest—1.5 percent—paring of the civil service), slight reductions in income tax (down to a top rate of 48.5 percent), and a fall in corporate taxes from 40 to 25 percent (that is, to below American levels).¹⁵⁹ Eichel plans to balance the federal budget over the next eight years, allowing for a gradual reduction in the government's share of GDP, from 48.8 to 40 percent.

One German newspaper editor described the Eichel Plan as "the most radical and Thatcherite economic plan ever produced by a German politician."¹⁶⁰ According to the government's advertising campaign, "There are no alternatives" to reforming Germany "from top to bottom."¹⁶¹ One may be further encouraged by the government's proposal to permit supplementary retirement savings accounts that operate parallel to the State-funded social security program. Another positive development saw Eichel express his desire to end the nation's traditional sector-by-sector collective bargaining system. The staying power of such reformist intentions was dependent, in part, upon the extent to which the post-Lafontaine Schroeder government continued to rely upon the counsel of modernizers, such as Kurt Biedenkopf, the Christian Democratic pre-

mier of the eastern state of Saxony, at the expense of the SPD's traditional voices of unionism and redistribution.¹⁶²

However, an almost unbroken string of severe electoral setbacks for the SPD in respective state elections during the summer and fall of 1999 soured Schroeder on the Third Way's political benefits. Consequently, Schroeder recently announced plans to reintroduce a wealth tax and to reduce the age at which workers retire.¹⁶³ Furthermore, Schroeder intervened in two contemporaneous corporate struggles; unfortunately, in both cases the German Chancellor reverted to traditional socialist precepts. In the first instance, Schroeder publicly opposed the US\$127.7 billion hostile bid by the British company Vodafone Air-Touch, the largest cell phone company in the world, to takeover Mannesmann AG, the German telecommunications and engineering powerhouse.¹⁶⁴ Rationalizing his intervention, Schroeder provided the following economics lesson:

In an open economy, takeovers should be free, with *just* (emphasis added) two restrictions. One: Hostile bids destroy the culture of the company. They damage the target but also... the predator, itself. Two: Those who launch such actions in Germany underestimate the virtues of co-determination.¹⁶⁵

Second, Schroeder personally intervened to ensure the government-led bailout of Philipp Holzmann AG, Germany's largest (and consistently mismanaged) construction company.¹⁶⁶ Justify-

159 *The Economist*, "Germany's Economic Measures: Towards the New Middle, At Last," June 26, 1999, pp. 59-60.

160 Quoted in Carl Honore, "Trimming The Fat Off Germany's Welfare State," *The National Post*, August 4, 1999.

161 Cited in Norbert Walter, "Europe Gets Back In Gear," *The New York Times*, August 4, 1999.

162 See, for example, Charlemagne, "Kurt Biedenkopf, King of Saxony," *The Economist*, September 25, 1999, p. 64.

163 See, for example, Peter Cook, "The Europe of Two Faces," *The Globe and Mail*, November 3, 1999.

164 See, for example, Roland Watson, "Schroeder and Blair Clash on Vodafone Bid," *The Times*, November 22, 1999.

165 Interview with *Le Monde*, November 19, 1999.

ing the US\$131 million taxpayer investment, Schroeder asserted that, "I am simply not ready to accept that a company should go bust because of a mistake made by its management."¹⁶⁷ Clearly, the SPD's pro-market faction is in retreat to the combined forces of unionism and socialism. How long it remains on the policy defensive will be determined by the path of the German economy and the outcome of Germany's largest state election, the vital contest in the industrial heartland of North Rhine-Westphalia, where a Schroederesque SPD government seeks re-election in the spring of 2000.¹⁶⁸

Canada's "New" New Democratic Party

Politics in the past 20 years or so has seen a variety of third ways aiming to avoid the left- and right-wing extremism that allegedly plagues us. From Joe Clark through... to the BC Liberals, Mario Dumont and the United Alternative, everyone... is looking for the middle road.¹⁶⁹

The most explicit Canadian illustration of the Third Way comes in the form of our social democratic party, the New Democratic Party (NDP).¹⁷⁰ The NDP is currently embarking on a similar

journey of ideological discovery to that taken by Britain's Labour Party earlier this decade. Nationally, the NDP is a minor party, with only 20 out of 301 seats in the House of Commons, the result of a meagre share of the popular vote in the most recent federal election—an election in which the small-c conservative Reform Party out-pollled the NDP among union members. In the recent Ontario provincial election, the NDP was reduced to just nine seats from 17 prior to dissolution. Popular, if misguided, policy prescriptions for the health care system and protection of the environment notwithstanding, electorally the federal NDP is unable to break out of its small, niche market. Unfortunately for leftist Canadian politicians, parallel socio-economic forces have been laying waste to the labour union movement, while high taxes and a less flexible labour market have restricted the growth of disposable income and ensured a higher rate of unemployment than experienced in the United States. Consequently, as political scientist Robert Vipond has observed, "With the exception of NDP voters, just about everybody in Canada seems to have drifted to the right."¹⁷¹

The political drive behind the attempt to modernize (in Third Way parlance) the NDP is the national Party Leader, Alexa McDonough. Her

166 See, for example, Roger Boyes, "Schroeder Shifts Left With Jobs Pledge," *The Times*, November 24, 1999, and Tony Czuczka, "Schroeder Makes Another U-Turn," *The Associated Press*, in *The Vancouver Sun*, November 27, 1999.

167 Quoted in Peter Cook, "Last Gasp of the German Model," *The Globe and Mail*, November 29, 1999.

168 See, for example, John Schmid, "'Consensus' In German Business Shaken Up," *International Herald Tribune*, November 20, 1999, and Roger Cohen, "Electoral Setbacks Force German Chancellor to Retreat From Lure of the Free Market," *The New York Times*, November 21, 1999.

169 John Robson, "Madly Off in One Direction," *The National Post*, November 24, 1999.

170 This section exclusively discusses those Canadian political leaders and political organizations explicitly grappling with the adoption of a Third Way identity. It does not, therefore, analyze the policy prescriptions, etc., of those politicians and political organizations, such as the federal Liberal Party of Canada, who may implicitly represent a form of Third Way governance.

171 Robert Vipond, "Why Ontario Resists Reform," *The Globe and Mail*, July 21, 1999. See, also, comments by pollster Donna Dasko of *Enviro-nics Research*, in Sandra Cordon, "Fiscal Issues Top of Mind for Many New Democrats," *The Canadian Press*, August 1, 1999, as well as those of political scientist David Wolfe, in Hollie Shaw, "NDP's Future in Question," *The Canadian Press*, June 9, 1999.

conversion was hastened by a tour of the social democratic capitals of Western Europe (at which time Blair proved enormously influential) and a “listening tour” by train across Canada, which convinced McDonough of the party’s need to address the interests of the small business community. Besides the international success of Third Way politicians, McDonough and the other federal NDP modernizers aim also to draw lessons and inspiration from a provincial NDP politician who, while not explicitly subscribing to the Third Way philosophy, has nevertheless instituted a set of policies which bear close resemblance to those discussed in other political settings.

Since his election in 1991, Saskatchewan Premier Roy Romanow has followed a fiscally conservative path, cutting both government spending and the provincial government deficit; in fact, Saskatchewan has had a balanced budget for six years, the best record of any Canadian province. During this period, the provincial debt was reduced by \$3.5 billion—from 70 percent of GDP to 40 percent. Romanow also reduced the provincial sales tax from nine to six percent. Since 1994, Saskatchewan (along with the neighbouring prairie province of Manitoba) has had the highest per capita GDP growth of all 10 Canadian provinces.¹⁷²

While both European and American Third Way leaders trumpet the tough policy choices they say they (are prepared to) make, the Romanow government led the way by taking decisive action in cutting health care spending early on, which necessitated the closure of some hospitals. More recently, in the spring of 1999, Romanow passed

back-to-work legislation on the first day of an illegal nurses strike.¹⁷³ Such acts are especially impressive when one considers the political culture in which they have occurred: Saskatchewan is the spiritual home of “Medicare,” Canada’s socialized health care system. Campaigning for reelection earlier in 1999, Romanow unveiled a plan which demonstrated the schizophrenic nature of so much contemporary social democratic policy-making. Romanow’s plan included several perennial, and perennially dubious, social democratic favourites, such as targeted job creation, a small increase in government spending to pay for education “reform” and “better” health care, and increased aid to farmers, as well as more forward-looking measures, such as modest tax cuts for the middle-class, and a Third Way-like commitment to continue to balance the provincial budget.¹⁷⁴

The most recently successful Canadian exponent of the Third Way is Gary Doer, the newly elected NDP Premier of Manitoba, whose moderate policy platform enabled his Party to draw the support of disaffected provincial Liberal voters.¹⁷⁵ Doer’s self-styled “New NDP” won the September 21st, 1999 election, ending more than a decade in the political wilderness, on the strength of a five-point plan which called for hiring more nurses to reduce hospital waiting lists, a 10 percent reduction in tuition fees, anti-crime initiatives (“tackling the causes of crime” with enhanced youth programs and “by ensuring immediate consequences for gang violence and home invasion”), a balanced budget, and lower property taxes.¹⁷⁶ Doer’s NDP also promised to increase annually the minimum wage and, unlike

172 For further details, see Joel Emes, *Fraser Institute Fiscal Performance Index, 1999*, The Fraser Institute, Public Policy Sources, No. 20.

173 David Roberts, “Romanow Invites Grumpy Electorate To Polls On Sept. 16,” *The Globe and Mail*, August 20, 1999, and *The Globe and Mail*, editorial, “Mr. Romanow’s Record,” August 20, 1999.

174 Adam Killick, “Roy Romanow Gambles on a Harvest-Time Election,” *The National Post*, August 20, 1999.

175 See, for example, Janice Tibbetts, “Manitoba NDP Ends Filmon Era,” *The Ottawa Citizen*, September 22, 1999.

the governing Conservatives, to reconsider the province's antiquated rent control laws.¹⁷⁷

The recasting of the NDP's image has been made easier by the acquiescence of many party stalwarts. For example, former Ontario NDP Premier Bob Rae, a committed anti-free trader during his governing days in the early 1990s, has publicly declared the "triumph of the market." According to Rae, "It really isn't possible on the basis of the empirical evidence... to argue that... an economy that is dominated by the State is likely to be an economy that will produce the greatest number of jobs and the greatest amount of wealth and the greatest efficiencies."¹⁷⁸ At the end of August 1999, McDonough's campaign for a national Canadian Third Way began to bear fruit. On August 27th and 28th, over the heated objections of the party's staunch socialists, such as Canadian Auto Workers president Buzz Hargrove,¹⁷⁹ the NDP's national convention passed a series of centrist policy resolutions committing the party to campaign in favour of fiscal responsibility. These included, for example, a balanced budget over the life of the business cycle, modest tax cuts for low-to-middle income Canadians, a faster rate of federal government debt repayment, and support for small business and the mixed economy, as "we recognize the importance of a strong public sector and a dynamic private sector and the two must

work together on behalf of Canadians." McDonough marketed these changes on the basis of their pragmatic nature, both in political and substantive terms. While insisting that neither her nor the party's core values have changed, McDonough told the delegates, "Friends, if we are to achieve our goals... our party must meet change with change."¹⁸⁰ Supremely conscious of Canadian (especially social democratic) sensitivity to cultural imports, McDonough said, "We must lay out a new way for Canadians to navigate the 21st century. Not an old way, not a third way, but a made-in-Canada way, our New Democratic way."

*If this tried-and-true formula proves importable to the nation's capital from western Canada, and from national capitals both to the east and to the south, then the federal NDP will be able to put to rest perennial popular doubts about the acuity of its financial management skills. These doubts have grown in recent years and are compounded by two province's recent experiences with NDP provincial governments, governments whose respective economic policies laid waste to industrial Ontario during the first half of this decade and continue to hang like an albatross around the neck of British Columbia's natural resource-driven economy.*¹⁸¹

176 See the Manitoba NDP's "5 Commitments for You and Your Family" advertisement, and Lori Culbert, "NDP's Doer Cites Five 'Priorities of Manitobans,'" *The National Post*, August 19, 1999.

177 John Collison, "Manitoba's Contrarian Vote for the NDP," *Alberta Report*, October 4, 1999, p. 9. Saskatchewan Premier Romanow repealed his province's rent control legislation.

178 Quoted in Greg Crone, "Market 1 State 0, Rae Tells Conference," *The National Post*, November 4, 1999.

179 See, for example, Sarah Hampson, "Why Buzz Won't Behave," *Report on Business Magazine*, November 1999, pp. 27-29

180 Quoted in Brian Laghi, "Battered NDP Edges to the Right," *The Globe and Mail*, August 28, 1999.

181 See, for example, *BC Government Report Card*, The Fraser Institute, 1998.

Conclusion

It is certainly a formula for winning elections. The question is whether it is anything more than that.¹⁸²

This paper has surveyed the respective political and policy rationales for the Third Way, and has examined some of the political marketing strategies, policy appeals, and governing approaches of leading North American and Western European political leaders within the Third Way movement. At this juncture, then, is one able to determine whether or not the hitherto political success of the Third Way merely reflects the triumph of marketing stratagems designed to acquire power? or, more ominously, will the Third Way's true "value" consist of making the world safe again for socialism?

When one is discussing the politicians leading the public campaign for the Third Way, it is difficult not to conclude that the move toward the political centre reflects more a change of tactics than a change of heart. At one time, the Three Political Horsemen of the Third Way were wild-eyed, young, radical leftists, protesting against capitalism and NATO, and campaigning for nuclear disarmament, etcetera. Today, however, "It is true these people are ideologically rootless pragmatists who borrow shamelessly from their opponents' principles and ideas."¹⁸³ In this vein, British academic Colin McCabe, a left-wing opponent of modernized social democracy, has concluded that:

The Third Way is... nothing more than the recognition that the audiovisual media's domination of the processes of representa-

tive democracy means that capital has won and all left politics can now be is a tinkering with the marginal forms of state regulation and a gentle promotion of a non-sexist, multi-cultural agenda.¹⁸⁴

A similar perspective, although gathered from a different ideological vantage point, is held by the British journalist Clive Crook, who suggests:

New Left parties have discovered exactly what voters want: market-friendly economics without guilt, compassion for the unfortunate without higher taxes, conservative policies with Third Way ribbons. Conservatives... have won the battle of ideas, and then lost the elections—to converts whose rhetoric is so effective that it fools not only voters but very often the converts as well.¹⁸⁵

Then, Crook wonders:

Is there really no substance at all to the Third Way? Well, no, there isn't... the Left's traditional policies... were bad all along, and with time (and the collapse of socialism in Eastern Europe after 1989), they became increasingly unpopular as well. Leaders of the New Left saw this. Rather than say so, it was wise to assert that the world had changed, and therefore so must the Left's policies. How much better to stay true to one's boldly adapting values, than to admit... that the values and the policies were misguided all along... The Third Way is indeed empty of content... But it misses the point to say that the Third Way is "just" rhetoric, as it would to say that dynamite is "just" an explosive. In politics... rhetoric matters.¹⁸⁶

182 Abrams, op.cit., p. 17.

183 Anatole Kaletsky, "How I Stopped Worrying and Learnt to Love the Third Way," *The Times*, April 29, 1999.

184 Colin McCabe, letter, *The Observer*, September 20, 1998.

185 Crook, op.cit.

With George Orwell's ghost lurking in the Machiavellian shadows, Crook has identified the thread that connects the first and second parts of the question. Yes, of course, an increasing number of ambitious, telegenic, social democratic politicians are enthusiastically obeying their respective political consultants' counsel to act and to sound more moderate. Apparently, some do not mind abdicating their official ideology in exchange for power; for others, it would appear that the transition is even less painful, for they entered, and continue in, politics without an ideological compass of their own and, therefore, are easily blown from one opinion poll to the next.

However, as the second half of this paper has outlined, whether it be by accident or design, Third Way governments are doing just that, governing. They are making public policy decisions that, as far as this traditional form of categorization remains useful, fall within the ideology of the moderate centre-left. Some of the policies emanating from the Third Way are preferred to those found on the traditional socialist policy menu. Whatever the political motivation, there are some improvements occurring on the Third Way's policy watch—be they American welfare reform, the introduction of British university tuition fees, German fiscal conservatism or, more broadly, a rhetorical emphasis on personal responsibility (unlike the traditional socialist approach, although it is a far cry from free market adherents' emphasis upon self-reliance).

Should one be grateful for small ideological mercies? As the goal is the improvement of public

policy, rather than partisan competition, such progress is most welcome. Nevertheless, it would be naïve not to appreciate that the ideological instincts of these modernized social democrats are aligned with a general philosophy which places the value of the State above that of the individual and, as such, is prepared (enthusiastically so, at times) to limit the latter's freedom in order to conduct experiments in social engineering that the history of this century suggests will result in considerable net social and economic cost. Overall, there has been little progress regarding the democratic left's preoccupation with social and economic equality, and with, as Michael Novak phrases it, "generating a sense of 'belonging.'"¹⁸⁷ Clearly, the Third Way retains a paternalistic view of government as an instrument that shapes and controls society.¹⁸⁸ To this day, "Those who support the Third Way believe in the capacity of government and of planning."¹⁸⁹ In his seminal work, *The Road to Serfdom*, Nobel laureate F.A. Hayek warned that socialists "want to direct the efforts of society."¹⁹⁰ For those of us skeptical about collective action, it is disconcerting to observe such a deep-seated belief that problems, large and small, may be "managed away" if only the right people with the right intentions are set to work on the problem. Of course, for those such as Blair, "History does not set problems that humanity cannot solve."¹⁹¹ The Third Way's inherent assumption that the pragmatic State can meet our "needs," as workers, parents, and students is far too Hegelian not to send mild shivers up and down one's ideological spine. As Novak reminds us, "The great guiding theme of the 20th century was provided by Hegel: the state as the embodiment of

186 Ibid.

187 Novak, "Rejoinder: Considerable Common Ground," p. 55.

188 Watrin lecture.

189 Dickson speech.

190 F.A. Hayek, *The Road to Serfdom*, Chicago: University of Chicago, 1944, p. 56.

191 Quoted in Anatole Kaletsky, "How I Stopped Worrying and Learnt to Love the Third Way," *The Times*, April 29, 1999.

human desire and human action; the state imagined as beneficent, compassionate, and noble.”¹⁹²

Therefore, is Vaclav Klaus, the former Prime Minister of the Czech Republic, correct when he predicts that, “The Third Way is the fastest route to the Third World”?¹⁹³ It is unlikely. The Third Way is one route, perhaps, but quite a slow lane vis-à-vis the full-throttle socialism that, for example, sent pre-Thatcher Britain begging to the IMF on

her bended and bloodied economic knees. Nonetheless, a cautious approach to the Third Way is the most prudent course of action. The words chosen some 55 years ago by Hayek to conclude his classic treatise provide a timeless reminder to those attracted to today’s “progressive” Third Way:

The guiding principle that a policy of freedom for the individual is the only truly progressive policy remains as true today as it was in the 19th century.¹⁹⁴

About the Author

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192 Novak, “The Crisis of Social Democracy,” in *Is There a Third Way?* p. 13.

193 Quoted in Kate Galbraith, “The Three Horsemen of the Third Way,” *Slate*, September 29, 1998. See, also, Vaclav Klaus, *The Third Way and Its Fatal Conceits*, paper presented at *The Mont Pelerin Society* regional meeting, Vancouver, August 30, 1999.

194 Hayek, *op.cit.*, p. 240.