



## Press release

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**Ed Miliband MP, Leader of the Labour Party**

### **THE CHALLENGE FOR LABOUR: BECOMING THE STANDARD-BEARER OF BRITAIN'S PROGRESSIVE MAJORITY**

Ed Miliband MP, Leader of the Labour Party, said today in a speech to the Fabian Society:

We've just witnessed our first by-election of the Parliament in Oldham East and Saddleworth.

It was an unusual by-election not only because - I am proud to say - Labour won, but also because of the behaviour of our opponents and the great churning of votes between the parties.

David Cameron became the first prime minister in recent years to campaign in a by-election.

And definitely the first party leader that I can remember to not know the name of his own party's candidate.

Then we saw Nick Clegg vowing to have more public rows with Mr Cameron just to remind people that the Liberal Democrats still have a separate identity.

That is an unusual, probably unhealthy, way to conduct any relationship let alone one in a government that is having such a profound impact on people's lives.

I suspect it is a symptom of a having coalition based on political convenience rather than values.

But, as I said, it was also unusual because we saw significant transfers of votes from the Liberal Democrats to Labour. From the Conservatives to the Liberal Democrats. And from Conservatives to Labour.

Above all, what the Oldham East and Saddleworth by-election shows us is that people are deeply uneasy about where this Conservative-led government is taking the country.

However our party would be deluding itself if we thought that meant that the next election would fall into our lap.

The next election will be as much about us as about them—and our ability to change and become the voice and standard-bearer of Britain's progressive majority once again. And that's what I want to talk about today.

Because I believe that from the very founding of the Labour party as the Labour Representation Committee through to the great reforming Labour governments of the second half of the twentieth century and the early years of this, Labour has succeeded when it has seen itself not as a narrow party of sectional interest, but when through a sense of mission, passion and optimism for the future it has become the voice and vehicle for progressive change.

We need to be honest over 13 years in government we forfeited the right in too many people's minds to be the natural standard bearers for this progressive majority in Britain.

I want to talk today about the reasons why that happened and about the three ways we need to change and change profoundly if we are to put it right.

The first is to understand why our economy has stopped working for people – and how we can again offer a new economic model for Labour and for Britain. In particular, understanding that simply redistributing taxpayers' money through the welfare state, important though that is, is inadequate and will not build the more just, more sustainable economy.

The second is to recognise the way our managerialism took us away from the instincts and values of the broad progressive majority in Britain.

That our communities came to see us as the people who put markets and commerce before the common good.

And many citizens came to see us also as the people who did not understand that the state could be intrusive as well as empowering.

We must respond to this by breathing new life into our sense of ideological purpose, drawing on what is enduringly good in the Labour tradition, and reaching outside it too.

And third we must accept that in how we do our politics we came to be not leaders of a broad, open progressive majority built on a coalition of values, but into a political force that was far less than that.

We must respond by putting democratic renewal and a willingness to reach out to others beyond our party at the heart of the way we do our politics.

Understanding that Labour must change the way it works and that no one party can claim to have a monopoly of wisdom in today's politics. That Labour must earn its leadership of Britain's progressive majority - it is not ours by right.

### **The Context**

Before turning to my argument, let me set the context.

It's two years since I opened the Fabian New Year Conference of 2009.

I remarked then that the Tories had never been more on the ideological defensive in my political lifetime.

The financial crash had demolished the Conservative fallacy that markets always know best and David Cameron was busy discovering that there was such a thing as society.

Two years later, we are clearly in a very different place.

David Cameron didn't win the general election last May. But he did end up as Prime Minister and he hasn't let the absence of a mandate stop him from embarking on the most ideologically dangerous assault on our public services in a generation.

These changes will re-shape Britain in as profound a way as Mrs Thatcher re-shaped Britain in the 1980s. I'm sure I speak for everyone here when I say that everywhere I go I see an assault on many of the things I value – from Sure Start to the way in which the trebling of student debt will kick the ladder of opportunity away from a generation of our young people.

The combination of this assault on our institutions, the global economic crisis and the formation of the Conservative-led government has marked a period of change which occurs only once in a generation.

There have been two other moments in my lifetime when economic upheaval has been followed by a dramatic break in the established pattern of British politics.

The first was the IMF crisis in 1976 and the Winter of Discontent two years later, followed by the defeat of the Callaghan government, the formation of the SDP and eighteen years of Conservative government.

The second was Britain's ejection from the Exchange Rate Mechanism on Black Wednesday, the emergence of New Labour and the election of the first three-term Labour government in our history.

In both cases a fundamental shift in the character and direction of our national politics proved to be enduring.

### **Facing Up to Defeat**

On these two occasions a governing party lost power on the expectation of a quick return to office, and it ended up in the wilderness for a generation.

In both cases that was because they didn't learn the right lessons about the changing economic circumstances, about what their values meant for their time, and the way they did their politics.

We cannot afford to sit back and wait for this Conservative-led government to fail. That is why we must seize this moment to understand these lessons and to change if we are to ensure that this is a one-term government.

This government is making costly mistakes and will continue to do so. But it is the changes we make to ourselves that will decide whether we avoid the fate that has befallen parties in the past.

That is why "one more heave" just won't do.

A party that slumps below 30% of the popular vote has a responsibility to face up to the scale of its loss.

Understanding why we lost touch means learning to see ourselves as the British people see us.

We began learning that lesson after 1983, but it took us far too long. I am determined that we will not make the same mistake again.

Of course I am proud of the achievements of our last Labour government. The truth is that for a lot of people those achievements are clearer, now that they are under threat from this government.

But let's not mislead ourselves – aspects of our record in government are also the reason we are now in opposition.

Parties don't suffer defeats like the one we suffered last May because of an accumulation of small errors.

They do so by making serious mistakes, and that's why I have said what I have said on issues like Iraq, failing to properly regulate the banks, ignoring concerns about economic security and not doing enough to deliver on the promise of a new politics.

We have to show that we have learnt lessons if the British people are to trust us again.

### **The Progressive Majority**

So that is the scale of the challenge we face.

But if the result of the election showed why we need to change, it also revealed something important about the nature of British politics from which we ought to draw encouragement.

Most people cast their votes for parties that talked about the need to make Britain fairer and more equal, that warned against the dangers of cutting the deficit too early and urged a deepening of democratic reform.

It's easy to forget today, but that brief bout of Cleggmania was animated by this progressive hunger for change.

So there is a progressive majority in Britain. It's just that we failed to attract enough of it to Labour's cause to return a viable progressive government.

We will rebuild ourselves as a broad movement by understanding where the centre-ground of British politics truly lies.

I want us to become the voice and hope of those who feel squeezed by an economic system that promised to liberate them.

I want us to articulate the frustration of people who are fed up with bankers taking vast public subsidies and then rewarding themselves for failure while the rest of the country struggles.

I want us to be the party that answers the call for a fairer sharing of the nation's wealth, strong and responsive public services and a different kind of politics.

Over the coming months, I will be talking in greater detail about how we approach the economic challenges, the challenges of renewing our values and the challenge of renewing our politics.

Today I want to set out the direction of that journey.

### **Economic Crisis**

So let me start with the first change we need – on the economy.

The financial crisis shook the world economy, but more specifically it exposed some of the flawed assumptions on which the economic policies of Britain have been based under successive governments.

The last election saw a majority crying out for a party and a government which had learned the lessons of the crisis and could offer Britain a new economic future. But we must accept that we failed to win the argument that it was Labour that could offer people a better economy working in their interests.

If we are again to offer a vision of hope and change to the majority in Britain it is essential that we learn the right lessons of the crisis. This is the argument that will define this decade and beyond.

The implication of much of what the Conservative-led government say is that it was high levels of public borrowing that caused the crisis. That is just not true.

In fact, it was the crisis that caused high levels of public borrowing.

The deficit rose from manageable levels of around 2% of national income to above 10% because of the global financial crisis.

And when the Tories and the Liberal Democrats are trying to propagate this myth about the past we must not let them get away with it.

The reason is not simply because of desire for truth about the past but because they are using it to shape our future.

They want to tell people that the only lesson to learn from the crisis is that as long as we simply cut back spending far and fast enough, we will contain the deficit and reach the sunny uplands of economic prosperity.

But just as we need to counter their myth about the past, we need to acknowledge what we got wrong. Along with other national governments, we didn't get banking regulation right.

And our economy was too vulnerable to the crisis because we were too reliant on financial services.

These are two important lessons of the crisis. But there is a deeper issue about why the crisis happened and what it teaches us about the economy we need to create.

Freer markets combined with 'light touch' regulation were sold to middle Britain on the basis that they would guarantee economic freedom, rising living standards and a fair reward for the hard working majority.

For the best of reasons, New Labour signed up to this vision precisely because it spoke to the hopes of aspirational voters.

Our period in office was marked by notable successes: record levels of employment, a decade of continuous growth until 2008, low inflation, low interest rates and the minimum wage.

What is more we used the proceeds of growth to both rebuild public services and tackle poverty.

Whereas before 1997, relative poverty had trebled and the public realm had crumbled, we comprehensively changed the direction in which our country was headed.

But economic growth and productivity masked a hidden truth: that life in the middle was getting harder not easier.

Real wages in the middle may have been rising but they weren't keeping pace with the rest of the economy.

And they were wildly outstripped by the gains made by those at the top.

And though Labour did a lot to offset this with tax credits and other forms of public support, we found ourselves swimming against stronger economic currents.

The "squeezed middle", a phrase some people might have thought I would never use again, is not a marketing concept but a reality of life for millions of people as the result of the economy we have.

It speaks to families working hard for long hours, stretching a limited family budget and who found the only way to increase their living standards was to increase their personal debt.

The lesson we must draw is that there is a connection between the inequality of a system that distributes wealth unfairly and the economic imbalances of a country that became too reliant on personal debt and financial services.

Put these parts of the argument together—about regulation, about the need for a broader industrial base and about inequality – and I come to this conclusion: we can't build economic efficiency or social justice simply in the way we have tried before.

It won't be enough to rely on a deregulated market economy providing the tax revenues for redistribution.

New Labour's critical insight in the 1990s and 2000s was that we needed to be stewards of a successful market economy to make possible social justice through redistribution. The critical insight of Labour in my generation is that both wealth creation and social justice need to be built into the way our economy works.

That's why I think the living wage, for example, is such a powerful idea.

Because I know that tax credits for all the good they do have their limits.

If we can build an economy with more living wage jobs – and well paying jobs – we embed social justice at the heart of the way the market economy is run rather than having to make it an optional extra.

This is important for us not just because it is necessary to create social justice but because it reflects the fiscal climate we will face in the coming decade.

Why was the last Labour government too slow in the language that we used, after the financial crisis had created a big deficit, to acknowledge what our own plans implied, that there would eventually have to be cuts? Part of the answer is that we hadn't shown other ways of delivering social justice.

So the first part of the way we must change is to show we can build a fair economy, with wealth creation and social justice for all at its heart.

### **Our Values**

The second part of our challenge is to understand how over 13 years of government we came to seem detached and remote from the instincts and values of families across Britain – families who share our values but saw a party that was out of touch with their daily struggle.

For all our achievements, I know what our biggest problem was – it afflicts all governments.

We became too technocratic and managerial.

But more than that, we sometimes lost sight of people as individuals, and of the importance of communities.

In our use of state power, too often we didn't take people with us. That is why over time people railed against the target culture, the managerialism of public service reform and overbearing government.

At the same time, we seemed in thrall to a vision of the market that seemed to place too little importance on the values, institutions and relationships that people cherish the most.

We turned a blind eye to the impact of out of town retail developments and post office branch closures on our high streets. We knew all about the benefits of a flexible and mobile labour force, but we didn't think enough about its impact on weakening social bonds and squeezing time with our families.

So people began to see a government which looked remote from they cared about. They could see a government doing things they either agreed with or disagreed with, but not a political movement that spoke to their values.

To change, we will look critically at our traditions and why they have led us to become remote.

Among the many strands of the British Labour tradition, two have proved particularly influential.

The first was the idea of socialism as a kind of missionary work to be undertaken on behalf of the people.

I'm sorry to give the Fabians a hard time, but this view is most obviously associated with the early Fabians around Sidney and Beatrice Webb.

The alternative strand, represented by the co-operative movement and the early trade unions, saw Labour as a grassroots, democratic movement to enable people to lead the most fulfilling lives.

As we seek the right traditions to draw on as a political party in the 21st century, it is so important that we understand the appropriate role of each tradition.

The Webb Fabian tradition was born of an era where the challenge of the Left was meeting people's basic needs for health, housing, education and relief of poverty.

That need will always remain.

But people rightly expect more out of their lives than simply meeting basic needs.

The New Labour tradition which embraced dynamic markets is also important for our future and creating wealth.

But people don't just care about the bottom line, there is so much more to life.

So the bureaucratic state and the overbearing market will never meet our real ambition as a party, that each citizen can be liberated to have the real freedom to shape their own lives.

To do that, we need to draw on that other tradition based on mutualism, localism and the common bonds of solidarity that captures the essence of our party at its best.

The belief in those common bonds means we should also be defenders of the things that people value and which are threatened – sometimes by market, sometimes by government.

When we say we care about the closure of a Sure Start, it isn't just about the supply of a service to individual families. Sure Start is a place where community is built, as families get to know each other and form friendships.

The same is true of local libraries.

The same is true of ways of life which are deeply ingrained in our country and which we should understand.

Just before Christmas, I went with Jon Cruddas to Billingsgate fish market and met a porter there who told me that the best day of his life was when he got his porter's badge and that there has not been a day since when he has not woken up feeling proud to be doing the job he does.

That is why politicians should not shrug and walk away when they hear that traditional ways of life are under threat. We should seek to defend ways of life which give people self-respect.

And a Britain of respect and decency demands obligations from all of us. What offends me most about the outrages in the banks is the sense that some of the bankers apparently feel little obligation to the society and country in which they are located.

It isn't enough to say this is what the market will pay me – societies are built on deeper social obligation.

I care about the success of our financial services industry – about the jobs it creates.

But today when we you see some of our leading bankers constantly threatening to leave the country, trying to hold the country to ransom and thinking only of themselves, it makes me angry.

And that is why it makes me so angry that this government is refusing to act.

To be at heart of the progressive mainstream, we also need to draw on values that may not have always been central to our party. One of our tasks is to learn the lessons of the green movement and put sustainability at the heart of what we do. Another is to draw on the traditions of liberty.

Progressive politics is not just about meeting economic and social needs.

Those are only ever a means to human flourishing and freedom.

Part of that is about upholding the liberty of the person.

Nobody should pretend there aren't important and difficult choices to be made about how to uphold security and protect liberty. But we didn't take the need to uphold liberty seriously enough.

In recent months, we have shown with our willingness to support the reduction of 28 day detention to 14 days, we are determined to take liberty seriously as part of our governing philosophy.

### **The Way We Do Politics**

So we must renew our approach to the economy, and renew our values.

But thirdly, we also have to reform our approach to politics.

Not since the era of the rotten borough has our political system faced such a grave crisis of legitimacy as the one it now faces.

From declining turnout and shrinking electoral rolls to anger over expenses and broken promises on tuition fees, people have lost trust in politics and its ability to offer solutions to the problems they face.

That crisis is a matter of national urgency. It's a crisis of unreformed institutions, broken promises, remote political parties and a knee-jerk adversarial political culture.

Part of the problem has been the failure of all parties to honour repeated promises to usher in a new politics.

Of course that involves reforming our political institutions. Our own credibility was undermined by our failure to honour a manifesto commitment to hold a referendum on voting reform and the stalling of democratic reform of the House of Lords.

We will take every opportunity to reform the way our political system works. That is the reason I will be campaigning in favour of the Alternative Vote in the referendum. I will keep my promise.

But this audience knows that very few people on the doorstep ask about the Alternative Vote or reform of the House of Lords. They think the reason politics is discredited is because politicians always break their promises.

The reality is that that the broken promises of this government do not just damage their own reputations, but that of all politicians. That is why we have to be careful not to over-promise, either in terms of language or in terms of policy.

But that is just part of the story of how we renew our politics.

Think back to our early days as a political party.

Of course, we fought elections but we did a lot more than that.

We were part of the fabric of community life through our wider movement: not just the trade unions, but the co-operative movement.

Nostalgia for times past is not an answer to the challenges of the future.

But the challenge to us all is to be a genuine movement for change appropriate to our time up and down the country.

That is why as part of our party reform, we want to learn the lessons of organisations like London Citizens to become a genuine community organising movement.

The only way we rebuild the case for politics is from the ground up.

The campaign for the local library, the local zebra crossing, the improvement of a school, must be our campaign.

And not just campaigns for the state to do things, but campaigns that achieve things themselves.

There is one other thing we need to change in our politics.

No party has a monopoly of wisdom or virtue, and it is foolish to pretend that they do.

The decision of the Liberal Democrats to join a Conservative-led government was a tragic mistake, and I hope they come to see that in time.

Forgive me if I decline to join those who are gloating at the expense of the Liberal Democrats.

Because their mistake means they are part of a government attempting to shift politics to the Right.

I am certainly pleased that many Liberal Democrats now see Labour as the main progressive hope in British politics.

Thousands of them have joined us since the election.

I want them to find a welcome home in our party – not just making up the numbers, but contributing actively to the strengthening of our values and the renewal of our policies.

But equally there are many Liberal Democrats who have decided to stay and fight for the progressive soul of their party. Most of them do not want to see their progressive tradition sacrificed for personal ambition.

I respect their choice too and I understand how painful it must be to watch what is happening to their party.

We do not doubt that they hold sincere views and we will co-operate, where we can in Parliament and outside, with those that want to fight the direction of this government.

It is our duty to work with progressives everywhere.

### **Conclusion**

So this is the way we need to seize the mantle of progressive politics and shape the economic, ideological and political landscape of the future.

Building a fair economy.

Rooting our values in traditions and ideas that go beyond the bureaucratic state and the overbearing market

And a different kind of politics

The prize is not simply a Labour government but more than that.

It is about a political movement that in every community up and down this country can shape the politics of the future.

Make our values and our ideas the commonsense of our age.

And shape a country and a world based on our ideals.

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