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Reinventing the Left?
The Third Way and New Zealand’s Fifth Labour Governments

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Abstract

This thesis analyses the emergence of the 'third way' and the policy approaches implemented by the Labour-led Governments elected at the 1999 and 2002 New Zealand General Elections. Evaluating Anthony Giddens' claims that the third way is the 'renewal of social democracy' which is, therefore, 'unequivocally a politics of the left' is the first aim. Assessing whether New Zealand's fifth Labour Governments could make the same claims is the second objective. Thus the thesis contributes to debates about the contemporary meaning of 'social democracy' and 'the left'. It is contended that the definitive feature of 'the left' is a genuine commitment to the reduction of existing social inequality. Based on this criterion, it is explained that neither Giddens' third way, nor any other manifestation of 'the' third way, can be legitimately regarded as the 'renewal of social democracy'. Similarly, the thesis asserts that to regard the policy approaches of the fifth Labour Governments as an accurate reflection of a contemporary politics of 'the left' amounts to the excessive dilution of the aspirations of 'the left'.
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As much as I would like to record the names of all the people who have helped me complete this thesis, I will restrict myself to the following.

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Introduction

At the heart of this thesis lie two seemingly innocuous questions. First, what is the third way? And second, has this third way been implemented in New Zealand by the Labour-led Governments elected at the 1999 and 2002 general elections? Answering these questions is a more challenging proposition than it may first appear due to what advocates of the third way have proclaimed it to be. Specifically, the principal architect of the third way declared that it constitutes ‘the renewal of social democracy’ (Giddens, 1998) and is, therefore, ‘unequivocally a politics of the left’ (Giddens, 2000: 38). Consequently, defining the third way – answering the “what is” question – necessitates engaging with questions of a much more fundamental nature; in defining what the third way is, this thesis is significantly concerned with identifying the appropriate contemporary meanings of “a politics of the left” and of “social democracy.”

In exploring these universal aspects of modern politics, this thesis postulates that “a politics of the left” is characterised by a commitment to the ideal of greater social equality (see Bobbio, 1996); the fervency and sincerity of this commitment determines the extent to which a politics can be described as being “of the left”. Thus, with respect to social democracy and the third way, this thesis insists that their conceptualisation be from the basis of their advocated and actual commitment to equality. However, rather than thinking of social democracy and the third way as narrow theoretical constructs that can be situated at specific points on a continuum or spectrum that represents the extent of their commitment to equality, it is suggested that social democracy and the third way each occupy a certain area of that continuum. As such, social democracy and the third way are defined as “fields of political discourse” to convey that a plurality of points on that continuum are consistent with varying

1 Alternatively, the second question can also be thought of as: can New Zealand’s fifth Labour Governments be labeled as “third way governments”? Throughout this thesis, the Labour-led Governments will be referred to as a plural (i.e. “governments”) to reflect that, while the governments of the 1999-2002 and 2002-2005 parliamentary terms were Labour-led, they were comprised of, and dependent on, different coalition and support arrangements.

2 It is important to include the “actual” commitment to equality because a manifesto commitment to equality may not necessarily be implemented after a party has successfully campaigned on that commitment.
conceptions of those paradigms. It is with reference to the third way as a “political field” that the policies of New Zealand’s fifth Labour Governments are analysed. Ultimately, it is concluded that neither the third way, nor the fifth Labour Governments, represent a politics that is ‘unequivocally’ of the left.

Structure of the Thesis

Because this thesis is primarily concerned with two core questions, the following chapters form two main sections. The first section – Chapters One, Two and Three – address the question of “what is the third way?”, and in doing so, construct the third way as a political field. The second section – Chapters Four and Five – situate the first two terms of New Zealand’s fifth Labour Government within the field of the third way. Finally, a concluding chapter brings together and consolidates the key insights and arguments generated by the analysis of the previous chapters, as well as offering potential avenues for further research.

A crucial contention of section one is that the political field of the third way shares areas of “paradigmatic overlap” with the field of social democracy and the field of neoliberalism. That is, the political field of the third way includes positions that coincide with part of the field of social democracy, and also includes positions that coincide with part of the field of neoliberalism. Therefore, the third way can be interpreted so as to appeal to voters inclined toward social democracy, as well as voters inclined toward neoliberalism, and, crucially, voters who are “between” the two. Even more importantly, this reveals that the third way is the combination of elements of the left and right, and, ergo, is not a politics that is ‘unequivocally’ of the left.

To begin the construction of the third way as a political field, Chapter One considers the context in which the third way emerged, and analyses two early (self-proclaimed) progenitors of the third way: the policies implemented by Bill Clinton during his tenure as President of the United States of America; and the policies implemented by

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3 The concept of a “field of political discourse” is drawn from Bourdieu (1991) and Roper (2002, 2005). However, in this thesis, the concept is not employed in exactly the same way as by Bourdieu or Roper. Instead, it was their texts (and texts on the history of social democracy, such as Przeworski (1985)) that led me to thinking of social democracy, the third way and neoliberalism as relatively broad paradigms. The metaphor of a “field” also appeared appropriate because, although broad, the paradigms were still defined by certain parameters (or “fences”). The idea of thinking of political paradigms as political fields is further developed and explained in the following sections of this Introduction.
Tony Blair and "New" Labour in the United Kingdom. It is argued that the policies implemented by Clinton gave the emergent third way a rightward parameter which could be situated within the field of neoliberalism due to an evident indifference to inequality. Blair and New Labour, while to the left of Clinton are argued to be situated in a position that is ambivalent to inequality. Chapter Two then asserts that the third way, as articulated by Anthony Giddens, can be situated within the political field of social democracy (hence establishing the leftward parameter of the field of the third way). However, it is also suggested that it would be misleading to regard Giddens' conception of the third way as 'unequivocally' of the left. Chapter Three further explores the doubt surrounding Giddens' claim that the third way is 'unequivocally' of the left by considering key scholarly interpretations and critiques of the third way. Finally, the conclusion to Chapter Three reinforces the core argument of the entire first section: that the third way is best conceptualised as a political field that includes the political centre and is, therefore, a politics that is neither 'unequivocally of the left', nor the 'renewal of social democracy'.

In the second section of the thesis – Chapters Four and Five – it is argued that although the policies of New Zealand's fifth Labour Governments can be situated within the field of the third way, the particular approaches implemented in either the first or second terms should not be situated within that area of paradigmatic overlap that the third way shares with social democracy. To do so, Chapters Four and Five analyse the Governments' approaches in the first and second terms, respectively. Subsequently, the conclusion of Chapter Five asserts that, while the Labour-led Governments have initiated policies that distinguish them from their (neoliberal) predecessors, to regard those policies as consistent with a position within the field of social democracy would be an acute misrepresentation of social democracy.

To bring the thesis to a close, a concluding discussion consolidates the central and recurrent themes of the previous chapters. Moreover, the conclusion further distils these core arguments to reveal the primary contribution of the thesis: instead of contending that the third way (in any of its manifold forms) and the fifth Labour Governments should have exhibited a more palpable commitment to the reduction of inequality in order to be "better", the (objective) conclusion is that both the third way and the fifth Labour Governments required a more palpable commitment to reducing inequality in order to be regarded as that which they claimed to be (or have been presented as being). That is, neither the third way, nor the fifth Labour Governments correspond to a
politics that is 'unequivocally of the left'. The journey to that conclusion begins by elucidating the meaning of "the left", establishing the idea of "political fields", and exploring the content of the political field of social democracy.

**Thinking About Left and Right**

In the realm of contemporary politics, the axioms of left and right are ubiquitous, though their pervasive usage perhaps belies the extent to which their meanings are understood (see Kitschelt and Hellemans, 1990: 212-3). To adopt an overly simplistic perspective of twentieth century politics, the left has been traditionally associated with theories of socialism and/or increasing the proportion of property rights held by the state, whereas the right has been associated with capitalism and the extension of private property rights. The frequency with which left and right are employed as descriptive terms, and the simultaneous ambiguity of their precise meanings, is perhaps due to the terms themselves being a convenient simplification of the necessarily adversarial nature of politics (Bobbio, 1996: 1). Thus to be "on the left" amounts to being opposed to those "on the right"; instead of left and right, the dichotomy often appears as left versus right. In the New Zealand context this has meant that identification with the left has corresponded to a preference for a Labour-led government rather than a National-led government. However, defining each as merely opposed to the other does not bestow either with much normative or prescriptive content, and leaves the "centre" as nebulous and open to interpretation. Moreover, what normative content the left did have was eroded and discredited by the proclaimed triumph of capitalism and representative democracy around 1990 (further discussed in Chapter One). Therefore, although the left has always been defined by its inherent opposition to the right, and those on the left are united in knowing what they oppose, the contemporary aspirations of the left often appear less than unanimous. In this context, Noberto Bobbio sought to define what the left stood for.

Bobbio (1996: xxiii) contended that equality provides 'the irreducible, inescapable core of the dichotomy' that is left and right (see also 1996: 60-71). Therefore, to be "on the left" correlates to a commitment to the ideal of equality and, consequently, a politics that is 'unequivocally of the left' is a politics that is unequivocally committed to achieving greater social equality. Moreover, the entire 'left/right distinction revolves

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4 Furthermore, no matter how much left and right are derided as vacuous or meaningless, they are descriptions of political behaviour and policy that 'we still do not seem to be able to do without' (Bobbio, 1996: xxii).
around the concept of the left’ (Bobbio, 1996: 58). This is not to say that the left pursues equality, hence the right pursues inequality; rather, Bobbio’s distinction is that while the left pursues (greater) equality, the right is willing and able to justify the presence and exacerbation of inequality in order to achieve other objectives. Furthermore, as Bobbio explained, an exponent of the left bases ‘his beliefs on the conviction that the majority of the inequalities which most outrage him and which he would like to see removed are social, and as such can be eradicated’. On the other hand, an exponent of the right believes many inequalities are natural (and beneficent) and cannot (and should not) be eradicated (Bobbio, 1996: 67). Thus, like Rousseau, ‘the egalitarian condemns social inequality in the name of natural equality’, while, like Nietzsche, ‘the anti-egalitarian condemns social equality in the name of natural inequality’ (Bobbio, 1996: 68-9; emphasis added). Left and right can, therefore, be represented as a continuum on which the greater a subject’s commitment is to the ‘maximalist egalitarian principle ... “To everyone the same amount”’ (Bobbio, 1996: 61), the further left is that subject’s position on the continuum. Conversely, the more prepared a subject is to justify the presence and exacerbation of inequality, the further right is that subject’s position on the continuum. Applied to the contemporary context, and New Zealand in particular, this distinction between left and right infers that the greater a subject’s commitment is to reducing the inequality created during the 1980s and 1990s (see Chapter Four), the “further left” that subject can be described as being.

With left and right defined as revolving around the concept of equality which can be represented as a continuum, a crucial implication is that there exists a centre-ground between left and right that corresponds to an ambivalent commitment to equality. That is, the centre-ground is that space in which a subject can be situated when they advocate (or implement) policies that will preserve existing levels of inequality. Therefore, on the political spectrum which extends from left to right, there is a space of ambivalence, which can be called the political centre. Furthermore, a subject can be situated at (or near) the political centre when a proclaimed commitment to equality is belied by a lack of sincerity to that commitment; as a key contributor to the normative content of the left argued, it is not that an aspiration ‘should be completely obtained, 

5 It is Bobbio (1996: 68), not me, that aligns the philosophy of Rousseau (in which ‘men are created equal but are made unequal by civil society’) with the left and the philosophy of Nietzsche (in which ‘men are by nature born unequal’) with the right.

6 The Conclusion to this thesis suggests that it is important to define this as the political centre because another “centre” might exist: a centre which corresponds to the median position of the distribution of the voting population. This electoral centre may not coincide with the political centre.
but that it should be *sincerely sought*. That is, not only must a theorist, politician, or party communicate a commitment to (greater) equality in order to be regarded as being “on the left”, the policies which they advocate must be able to attain greater equality. And, if in a position in which that commitment could be implemented, the extent to which they are “of the left” must be evaluated against their actual progress toward achieving greater equality. Thus the criterion against which Giddens’ claim that the third way is ‘unequivocally of the left’, and the degree to which the fifth Labour Governments are “of the left”, will be evaluated is the extent to which the *reduction of actually existing inequality* is “sincerely sought” by each.

**Thinking About Paradigms as Political Fields**

To further reinvigorate and enhance the contemporary understanding of the terms left and right, and of the particular ideological paradigms that are associated with them, this thesis employs the concept of “fields of political discourse”. The idea of a “political field” infers that a paradigm is defined by a particular range of concepts and values; different interpretations of these concepts and values lead to differing interpretations of that paradigm. Thus a political paradigm is *not* a narrow theoretical construct, but a *field* of various perspectives that each claim to be definitive of that paradigm. Hence there is no “ideal” form of a political paradigm. Pierre Bourdieu wrote that the political field can be understood as ‘a field of struggles aimed at transforming the relation of forces which confers on this field its structure at any given moment’ (1991: 171). Furthermore, these ‘struggles’ produce the political ‘products between which ordinary citizens ... have to choose’ (1991: 172). If, instead, these struggles are themselves thought of as being between competing “fields” (paradigms), then this “Bourdieuian” idea becomes even more applicable to contemporary politics. Bourdieu himself provided the basis for this: ‘The same dyadic [left-right] or triadic [left-centre-right] structure which organizes the field as a whole can be reproduced in each of its points – that is, within the political party or splinter group’ (1991: 186). Thus each paradigm includes a multiplicity of positions that extend from left to right. More specifically, this ‘internal pluralism’ is produced by competing interpretations of concepts and values that are held to be constitutive of the field.⁸

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⁸ ‘Internal pluralism’ is a phrase employed by White (1998, 2001) to describe the third way (see Chapter Three). This thesis agrees with this, but also suggests that the concept of ‘internal pluralism’ can be applied to social democracy and neoliberalism, as well as the third way.
Juliet Roper (2002, 2005) has applied Bourdieu's concept of the political field, arguing that political fields 'occupy a space within the left/right continuum of the universe of political discourse' (2002: 3). However, rather than there being multiple, competing fields at any one time, Roper suggested that over time there are different political fields, which are 'determined by the socio-political conditions and beliefs of the period in which the field occurs' (2002: 3). In contrast, this thesis suggests that the contemporary 'universe of political discourse' is dominated by three political fields: social democracy, the third way, and neoliberalism. That is, social democracy, the third way and neoliberalism can be conceptualised as “fields of political discourse” that are within the contemporary ‘universe of political discourse’. The political field of social democracy dominates the left, the field of neoliberalism dominates the right, and the field of the third way dominates the area between the other two. Furthermore, there are positions to the left of the political centre that are not within the political field of social democracy, and there are positions to the right of the political centre that are not within the political field of neoliberalism. This point also highlights a further reason for conceptualising social democracy as a political field (and not "paradigm" or "ideology"): the concept of a political field implies the presence of distinct parameters; that there are positions outside each field. In particular, the ambivalent space surrounding the political centre is consistent with neither the political field of social democracy nor neoliberalism; similarly, the spaces at the extremities of the spectrum are also inconsistent with social democracy or neoliberalism.

**Thinking About the Political Field of Social Democracy**

While the idea of social democracy most likely means "many things to many people", it is also most likely to be associated with a politics "of the left". That is, while to some "social democracy" will mean "the democratic path to socialism", and to others it will mean "the humanisation of capitalism", its alignment with "the left" is universal. Thus, despite a contested meaning, the core feature of social democracy is a commitment to achieving greater equality, although the veracity of this commitment varies from one interpretation to another (or, perhaps more accurately, from one

9 'Universe of political discourse' is also adopted from Bourdieu (1991).

10 The extreme ends of the political continuum represent ideological perspectives that are authoritarian: the space to the left of social democracy can be equated with a pursuit of "equality at all costs" ("totalitarian socialism"), while the space to the right of neoliberalism can be equated with the subjugation of those who are "different" ("tyrannical fascism"); that is, at the extreme left, people are subjugated and coerced into being equal, and at the extreme right, people are subjugated and coerced into being unequal. However, it should be noted that the extreme left and extreme right are both beyond the scope of this thesis.
incarnation to the next). The political field of social democracy therefore has a multiplicity of conceptions, each of which reflects a differing intensity of commitment to achieving greater equality. More specifically, the field of social democracy has a leftward parameter (or “fence”) that corresponds to a strident commitment to achieving greater equality; it represents a commitment to equality that is willing to compromise other objectives in order to progress toward a more egalitarian society. However, the compromises which this perspective is willing to make are not unlimited: even at its most leftward point, social democracy does not represent an authoritarian “equality at all costs” approach. Similarly, the field of social democracy has a rightward parameter (or “fence”), which is to the left of the political centre, but corresponds to a position that tolerates a gradual pursuit of greater equality; nevertheless, it remains a position that is not ambivalent or ambiguous in its commitment to equality. For example, this rightward parameter of the field of social democracy is quite likely to correlate to a strong rhetorical commitment to greater equality, but which is undermined by the absence of policies that would bring that commitment to fruition. Moreover, a rhetorical commitment to equality that is subverted by policies that would actually increase inequality would lead to that particular position being situated outside the field of social democracy. Hence, in evaluating whether Giddens’ third way and the fifth Labour Governments can be legitimately situated within the field of social democracy, this thesis considers rhetorical commitments, but attaches greater significance to the policies (and the likely outcomes of those policies) that have been advocated by proponents of the third way and the existing and likely outcomes of the policies implemented by the fifth Labour Governments. Furthermore, this potentially

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11 In the same way that social democracy can be regarded as a political field with leftward and rightward parameters, neoliberalism can be similarly conceptualised. The leftward parameter of the political field of neoliberalism correlates to a position that tolerates and justifies gradual increases in inequality (and is therefore still to the right of the political centre). The rightward parameter of the field of neoliberalism correlates to a position that tolerates and justifies dramatic increases in inequality (though is not oppressive in that it does not deliberately seek to make some specific proportion of the population less equal). That is, although the rightward parameter (or “fence”) of the field of neoliberalism corresponds to a policy agenda that precipitates dramatically increased levels of inequality, that position nevertheless maintains that all individuals are “equal before the law”. Furthermore, it should again be stressed that the right does not pursue inequality, but that inequality is a product of the goals that the right does pursue.

12 Evaluating the extent to which New Zealand’s fifth Labour Governments are “of the left”, with particular concern given to the policies that have been implemented, is arguably more appropriate than considering only rhetorical commitments for (at least) three reasons. First, since elected in 1999, the Government has demanded that its ministries and departments give greater attention to (and be accountable for) the policy outcomes achieved, rather than focusing predominantly on policy outputs (for example, rather than measuring organisational performance in terms of the number of people receiving unemployment benefits, the Ministry of Social Development also considers the trajectories of those who move off benefits, as well as providing an annual Social...
differentiates this thesis from other studies that seek to situate parties and
governments along a left-right spectrum.\textsuperscript{13}

The multiplicity of positions that are within the field social democracy is the legacy
of a tradition of social democratic \textit{revisionism}. The ‘original meaning’ of social
democracy has been described as being:

\ldots associated with orthodox Marxism and was designed to highlight the
distinction between the narrow goal of political democracy and the more radical
task of collectivizing, or democratizing, productive wealth. Marxist parties
formed in the late nineteenth century thus often styled themselves as social
democratic parties, the best known example being the German Social Democratic
Party (SPD), founded in 1875. (Heywood, 2003: 139)

Therefore, the early conception of social democracy sought an egalitarian (and
ultimately socialist) society through the mechanisms of parliamentary democracy
(rather than the revolutionary overpowering of the bourgeoisie by the exploited
proletariat that Marx had envisaged). Social democracy soon became distinguished
from Marxist socialism due to the writings of Eduard Bernstein, which were ‘a
comprehensive criticism of Marx and the first major revision of Marxist analysis’.\textsuperscript{14} The
distinction between Marxism and social democracy became more pronounced in the early
1900s as theorists developed a critique of capitalism that was based more on moral and
religious grounds than on Marx’s analysis. As exemplified in the writings of R.H.
Tawney, social democracy continued to pursue an egalitarian society, though from the
Christian assumption that humans were “ethical creatures” whose concern for others
was inherently sympathetic and compassionate (thus providing the basis for an
egalitarian society).\textsuperscript{15} Nevertheless, irrespective of whether it is Bernstein’s
“revisionist socialism” or Tawney’s “ethical socialism” that is held to be the
progenitor of social democracy, a strong commitment to achieving greater equality was an unambiguous constitutive aspect of the field of social democracy.

As the twentieth century progressed, contributors to the field of social democracy increasingly came to advocate that, rather than being inexorably exploitative and oppressive of the working class, capitalism could be "tamed" or "humanised" (through democratic processes) in ways that would still create a more egalitarian society. The clearest exposition of this was provided by J.M. Keynes, who contended that capitalism could be "managed" so as to create "full employment". Keynes argued that governments could (and should) intervene in their economies to influence "aggregate demand", even if borrowing finance was required to "stimulate" demand.16 However, because Keynesian theory sought the modification of capitalism, rather than a "democratic path to socialism", it advocated the management of inequality, and not its elimination (yet, to be sure, Keynesian theory was clearly predicated on a belief that a more egalitarian society was a guiding ideal, and aspired for greater equality than that which existed in Britain in the 1930s).17 Thus, while unmistakably to the left of the political centre, a Keynesian expression of social democracy did not involve a commitment to equality that situated it as far to the left as Bernstein or Tawney.

The revision of social democracy was continued by Anthony Crosland in The Future of Socialism (1956), and it is with Crosland that the term "social democratic revisionism" is predominantly associated. Crosland argued that a growing economy was 'essential to generate the tax revenues needed to finance more generous social expenditure', though he 'remained faithful to the goal of social justice, which he understood to mean a more equal distribution of wealth' (Heywood, 2003: 145-6). However, although Crosland desired a 'more equal' society, he did not desire a society defined by material equality. Instead, Crosland's aspiration was for the state to reduce the incidence of actually existing inequality: 'The objects of state welfare provision were to cushion insecurity and to ameliorate excessive inequality rather than to promote equality'.18 Another key

16 Keynesian theory is based on Keynes' (1936) The General Theory of Employment, Interest and Money. For an introductory account of Keynes, see Heywood (2003: 62-5). Any number of macroeconomics textbooks will provide the reader with a starting point from which to explore the intricacies of Keynesian economic theory; however, for a concise treatment, see Shaw (1997). Shaw (1997: 55) begins his essay with: 'Before we can discuss the relevance of Keynesian economics 60 years after the publication of The General Theory, it is necessary to define what is meant by the term "Keynesian".' See also Glyn (1995, 2001), Shaw (2003) and Vane and Thompson (1992).

17 See also Przeworski (1985: 35-8).

figure in the history of social democratic revisionism was T.H. Marshall, who, like Crosland, saw the objective of social democracy as ensuring equality of citizenship rights rather than equality of socioeconomic status. Marshall regarded excessive inequality as antithetical to a society characterised by an equality of citizenship rights.\textsuperscript{19} Although it is difficult to discern what level of inequality Marshall and Crosland would deem to be 'excessive', it is safe to infer that both regarded the circa-1950s levels of inequality in industrialised countries to be, if not excessive, then at least close to it. Therefore, while still defined by an unequivocal commitment to the ideal of greater social equality, the positions of Marshall and Crosland can also be regarded as being (albeit only slightly) to the right of the Bernstein and Tawney conceptions of social democracy.

Incremental shifts to the right by revisionists of social democracy continued throughout the second half of the twentieth century. Explanations for this have been provided by Downs (1957) and Przeworski (1985). While social democracy had clear normative aspirations, progress toward those goals was dependent on the proponents of social democracy attaining positions in which policy could be implemented. In short, elections had to be won if social democratic policy was to be deployed. However, as Downs argued in \textit{An Economic Theory of Democracy}, in order to win elections, parties are confronted with the imperative of appealing to a greater number of voters than their opposition, which inevitably leads parties to moderate their policies (Downs, 1957). A policy approach that concentrates on, for example, improving the living standards of the poorest ten percent of the population is unlikely to be electorally successful if pitted against an approach that concentrates on improving the living standards of sixty percent of the population.\textsuperscript{20} Similarly, Przeworski (1985) argued that because the constituents whom social democrats predominantly represented (that is, the "working class") were an insufficient body of voters, such parties 'must choose between [being] a party homogenous in its class appeal but sentenced to perpetual electoral defeats and

\textsuperscript{19} Marshall's key text was his (1950) \textit{Citizenship and Social Class, and other essays}; although his (1963) \textit{Sociology at the Crossroads, and other essays} provides a compilation of various lectures and articles authored between 1938 and 1962. For an interpretation and analysis of the relevance of Marshall's work to the contemporary context, see Turner (2001).

\textsuperscript{20} I do not mean to infer that the (left-right) distribution of voters' preferences is directly correlated to income status or that any, all, or only the poorest 10 percent would vote for a policy approach that primarily benefits that cohort. The intended argument is that a policy approach which primarily benefits only ten percent of the population is \textit{likely} to be less attractive to a sufficient plurality or majority of voters than an approach that primarily benefits sixty percent of the population. For more detailed interpretation and analysis of Downs (1957), see Adams \textit{et al} (2005), Grofman (2004), or Hindmoor (2004, 2005); for an overview, see Miller (2005: 160-3).
[being] a party that struggles for electoral success at the cost of diluting its class character' (Przeworski, 1985: 24). There is, therefore, a tension between those who wish to stay loyal to the normative origins of social democracy and those who wish to attain positions of power that enable policies to be initiated. Consequently, political parties that claim an allegiance to social democracy have, throughout the twentieth century, been (understandably) prone to diluting doctrine in order to pursue power (see, for example, McKenzie, 2002). In addition, the electoral imperative faced by such parties has, as a result, created a problematic typology of social democracy; a typology which this thesis seeks to discourage.

Social democracy has, in New Zealand and elsewhere, often been equated with "whatever Labour does". That is, the policies and perspectives advocated by the major party "of the left" in many countries have often been identified as indelibly characteristic of social democracy. Yet because such parties have (due to an electoral imperative) often implemented policy when in government that has not established a genuine commitment to reducing inequality, this typology both misrepresents and discredits the fundamental basis of social democracy: the ideal of greater equality. As McEachern (2001: 68) asserts, social democracy has been 'contaminated' by periods of government by parties that have been identified with "the left" and social democracy, but did not implement policy that matched with that identity. This thesis contends that this is true in the case of New Zealand's fifth Labour Governments: although the Labour Party has a heritage that reflects a location within the field of social democracy (specifically, as found in the first Labour Government), the Labour-led Governments of the 1999-2005 period should not be situated within the field of social democracy (see Chapters Five and Six). Similarly, this thesis also discourages the typology of the third way as "whatever Labour does": the policies implemented by the fifth Labour Governments in New Zealand are not a full reflection of the third way; crucially, the governments led by Helen Clark have implemented policy which is, at best, ambivalent to inequality, and therefore misrepresents and discredits the extent to

21 Przeworski also asserted that: 'When social democrats extend their appeal, they must promise to struggle not for objectives specific to workers as a collectivity – those that constitute the public goods for workers as a class – but only those [public goods] which workers share as individuals with members of other classes' (1985: 27). Therefore, the capacity of social democratic parties to reduce inequality is inhibited by the electoral imperative.

22 For example, Esping-Andersen and van Kersbergen (1992: 189) have written that 'The most common heuristic approach' to contemporary research on social democracy has involved social democracy being 'simply equated with whatever locally constitutes the "left"...'.

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which the third way (as conceived by Anthony Giddens (1998, 2000)) can be considered as a politics that is "of the left".

Related to the characterisation of social democracy as "whatever Labour does" is an additional consideration (or susceptibility) which this thesis seeks to both avoid and discourage. This concerns the romanticising of social democracy and the deification (and hence misrepresentation) of what Labour may have done in the past. That is, there often appears to be a tendency in some literature to imagine an era when governments of both left and right hue presided over a period of social democratic consensus and egalitarian serenity. It is for this reason that this introduction has explored what the theoretical architects advocated as being the fundamental pillars of social democracy, rather than purporting to provide an "ideal" form or example of social democracy. Thus the examinations of the third way and of the fifth Labour Governments in the following chapters are undertaken via an analysis of their commitment to equality, instead of being concerned only with whether "policy x" is or is not present. However, the analysis of the commitment of the third way and of the fifth Labour Governments to greater equality does inevitably require consideration of broad policy areas, particularly welfare or social security policy. Closely linked to the prescribed approach to welfare, or perhaps even determinants of that approach, are the advocated and/or implemented manifestations of the perceived relationship between the state and the individual (and between the state, the individual, and the wider society each is a part of), and of the perceived priorities for economic policy.

With respect to social relationships, an approach that is consistent with social democracy would be predicated on Marshall's 'equality of citizenship rights'. More specifically, this would involve universality in the 'right to a modicum of economic and welfare security [and] ... to live the life of a civilised being according to the standards

23 For example, Meredith (2006: 245) argues that many critics of New Labour in Britain have 'a tendency ... to evaluate the present government through the idealistic lens of a social democratic golden age.'

24 If this tendency is not as pervasive as I believe it to be, it is because I admit an initial vulnerability to concocting such an image of social democracy. For this realisation, I would like to acknowledge the comments provided by Jack Vowles following a presentation of ideas gleaned from the first eight months of research into this thesis at the 2004 New Zealand Political Studies Association Conference. Professor Vowles' feedback led me to reconsider the actual nature of social democracy (although I must add that his feedback prompted me to explore social democracy in more depth, not that the above argument was suggested by him).

25 That is, the third way and the fifth Labour Governments are not assessed against a checklist of "right" policies.
prevailing in society'. Furthermore, each and every citizen would have the right to work, and it would be the responsibility of the state to ensure that citizens were protected from unemployment and deprivation; thus the priority of both economic and social policy (if they were considered to be separate) was full employment. In addition, social democracy is associated with a conviction (courtesy of J.M. Keynes) that unemployment was caused by deficient demand, and that the effective management of aggregate demand was the key determinant in realising full employment. An overarching goal that was the basis for equality of citizenship, and the pursuit of an egalitarian society through full employment, was to realise the aspiration of social solidarity: 'a desire to replace competitive social relations by fellowship and social solidarity and the motive of personal profit by a more altruistic and other-regarding motive'. Thus social democracy promoted an ethic through which individuals would seek to maximise their contribution to society, rather than acting predominantly from the motivation of self-interest. Perhaps most importantly, a policy approach that is consistent with social democracy would include mechanisms to ensure that the incomes and wealth of the already-affluent did not grow at a faster rate than the incomes and wealth of the poorest members of society; the extent to which these mechanisms redistribute income and wealth from top to bottom, and raises the standard of living available to the most disadvantaged in relation to the standard of living available "at the top" (and hence create a more egalitarian society) is the primary determinant of the extent to which that approach is "of the left".

A key contention of this thesis is that there is a limit to the extent that social democracy can be revised (or diluted) before it begins to lose its distinctive identity as social democracy. It is true that over the course of the twentieth century the field of

26 Marshall (1950) Citizenship and Social Class, reproduced (without original page reference) in Shaw (2003: 7). Emphasis has been added to the latter part of this quote to stress that "the standards prevailing in society" does not necessarily infer some minimum level of subsistence, but implies that as median living standards increase, so too should the living standards of those "at the bottom". Thus the 'standards prevailing in society' would now most likely involve not only living in a home with electricity and a phone, the means to adequately feed a family, and other standard necessities, but also the ability to enjoy other experiences that are seen as "normal".


29 That is, a policy approach that creates a gradual reduction in inequality is consistent with social democracy, though would not be situated as far to the left within the field of social democracy as an approach that creates an immediate and larger reduction in inequality.

30 Various metaphors or analogies could be used to clarify this point; take, for example the life-cycle of a caterpillar. A caterpillar starts out small, though grows in size thereafter. At some point the caterpillar enters a stage of metamorphosis, becoming cocooned in a chrysalis. From this
social democracy became wider: its rightward parameter edged closer to the political centre as its contributors responded to an electoral imperative, and also came increasingly to accept that some level of inequality was inevitable despite efforts to mitigate the exploitative properties of capitalism. However, with each revision of social democracy there remained a constant theme: that each revisionist appeared offended by the prevalence of actually existing inequality. Hence egalitarianism – the quest for a more equal society – has always been at the core of social democracy: the political field of social democracy is, always and everywhere, unequivocally a politics of the left. The following chapters seek to ascertain whether the same conclusion can be reached with regard to, first, the third way, and second, New Zealand's fifth Labour Governments.

period of apparent inactivity emerges a butterfly (which, incidentally, is usually perceived as more attractive and dynamic than the caterpillar it once was). Now, apply the same life-cycle to social democracy: when the paradigm of social democracy first emerged, it was relatively narrow; over time it became more willing to compromise its founding objective and thus became wider. By the mid-1980s social democracy (in English-speaking countries at least) appeared to be cocooned in a state of apparent inactivity. In the late 1990s, the third way was declared to have emerged from the chrysalis of social democracy; yet, like the biological analogy, what emerged from the chrysalis was much different to what it had previously been (and, incidentally, was perceived as more attractive and dynamic than the paradigm of social democracy it had once been).
Chapter One

The Political Third Way: An Electoral Strategy for New Times

In the early stages of the 1990s the entire political field of social democracy appeared to be in a somewhat irreversible decline. The rise of neoliberalism during the 1980s to a status of hegemonic orthodoxy had followed the effective capitulation of the once-dominant Keynesian demand management paradigm. Rising rates of inflation and unemployment in many developed states, and the collapse of the “communist” states of the crumbling Soviet bloc signalled to many observers “the death of socialism” and the inevitable demise of the “traditional” left; as Fukuyama (1989) had famously declared, the world was witnessing ‘The End of History’ and the symbolic victory of liberal representative democracy and market-based economies. Yet only a few years into the final decade of the twentieth century, neoliberalism itself appeared to be faltering, if not mortally flawed, as it failed to deliver broadly-distributed benefits and provide the core public services demanded by a critical mass of voting citizens. With the prospect of an electoral renaissance, could the left be salvaged, or had its decay during the 1980s become terminal? But if a resurrection could be achieved, would that be at the cost of a distinctive identity as being “of the left”? 1

The debate surrounding the idea of a contemporary third way has been the most significant project aimed at the reinvigoration of the political left. 2 Moreover, since the mid-1990s, the idea of a third way has emerged as pervasive in both political

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1 As Przeworski’s (1985) thesis contended, electoral success was a possibility for parties aligned with social democracy, but only through the further revisionism of their principles; further revision of goals and policies could mean that social democracy would be diluted to the extent that social democracy would be defined by a willingness to change, rather than by a normative aspiration.

2 I use the prefix “contemporary” to acknowledge that the term “third way” is not a new one, and that it has a somewhat dubious history: at various points in time during the past 150 years it has been associated with a variety of political movements, of both left and right orientations (see, for example, Callinicos (2001: 4-5), McKenzie (2002: 96), and Rose (1999: 469; 2000: 1396)). This point is freely acknowledged by Anthony Giddens, the third way’s leading theorist and proponent (Giddens, 1998: 25-6; 2000: 27; 2001b: 1). Giddens stresses that (as he interprets it) the term ‘owes little or nothing to its usage in previous generations’, and we ‘must look behind the terminology’ so as to be concerned with a contemporary project ‘to restructure leftist doctrines’ (Giddens 2001b: 1-2). Critiques of the contemporary third way that focus on past usages of the term are also somewhat misdirected and distracted. Given the concentration of this thesis on policy developments influenced by third way thinking within the past decade, I too, while acknowledging an ambiguous history of the term, will be concerned only with the third way as a contemporary project.
theory and political practice: it is associated with both a theoretical project aimed at rejuvenating the normative content of the political left and with a political project aimed at securing the electoral viability of political parties in many industrialised countries. The two projects are, of course, inherently linked; though that does not mean they cannot be considered separately. As stated in the introduction, this thesis discourages classifying either social democracy or the third way as “whatever Labour does”; as will be shown through this Chapter, and through Chapters Two and Three, there are significant differences between the third way as a theoretical project and the third way as a political project. A political third way will inevitably be an electoral strategy, oriented toward election and re-election. In contrast, a theoretical third way, if it is to remain identifiable as a politics that is distinctively “of the left”, must retain a genuine commitment to the ideal of greater equality. It was, however, as a political project that the third way first emerged and became popularised; and it is the third way as a political project (or electoral strategy) that is the concern of this chapter.

Detailing the emergence of the third way as a political project also identifies the context in which the third way emerged as a theoretical project. This context is described in the next section, where it is contended that the demise of the credibility of the “old” or “traditional” left, combined with profound sociological changes, established the imperative for a “new” approach that was distinguishable from both the “old” left and the “new” right (neoliberalism). Second, the implications and legacy of the policies implemented during the “Clinton years” in America are discussed; despite Clinton’s promise to ‘reform welfare as we know it’, the subsequent policies are shown to be populist exhortations to impoverished individuals to “get off welfare”, rather than a comprehensive approach to reducing America’s disturbing prevalence of inequality. A third section considers Tony Blair’s creation of “New” Labour in the United Kingdom, and surveys a sample of the vast expanse of literature that collectively undermines a typology of the politics of New Labour as being “of the left”. Finally, it is concluded that, at the turn of the new millennium, the field of the third way had, as its rightward parameter, the policies of the Clinton Administration, which meant the (infant) field of the third way shared a space of paradigmatic overlap with the field of neoliberalism. The policies of the Blairite project, whilst to the left of Clinton’s, are assessed as being difficult to locate to the left of the political centre. Therefore, prior to the introduction of the third way as a theoretical project (i.e. Giddens, 1998) the field of the third way was a relatively narrow field that had more in common with the field of neoliberalism than it did with social democracy.
Origins of the Third Way

The exact origins of the third way are open for debate and interpretation. Indeed, there are a variety of possible arguments. For example, as two advocates of the third way assert:

The roots of the Third Way lay in a post-Keynesian intellectual environment and more specifically in the formative years surrounding the economic recession of the early 1990s, at a time when the left had faced many forlorn years in opposition. (Newman and de Zoysa, 2001: vii)

Two specific circumstances can thus be isolated and given further elaboration. First, the 'post-Keynesian intellectual environment' referred to the various events that ultimately culminated in the demise of Keynesian demand management economic theory, which had maintained that governments could (and should) insulate their economies from exogenous shocks and attain full employment by using fiscal policy to influence the level of aggregate demand in the economy.3 The oil price shocks of the 1970s and the following increases in both unemployment and inflation, creating economic stagnation, destroyed the "Keynesian consensus" that had prevailed since WWII.4 Related to, and invariably a part of, the collapse of Keynesian social democracy was the rise of neoliberalism and its moral critique of the legitimacy of state intervention: theorists revived the ideas of classical economics, which then became accepted as the explanation for the economic stagnation of the 1970s; neoliberalism’s laissez-faire prescriptions for the solution to the economic woes were then presented as the only viable option. In contrast, the left was without a (credible) guiding ideology.5

Second, the early 1990s provided fertile ground for an alternative to neoliberalism because, after being implemented in the 1980s, the "new" right had proven itself unable to markedly increase rates of economic growth, or widely distribute the dividends of any growth that did occur.6 (Apologists, of course, claim that the policies were not "pure" enough and/or that the policies had not been granted sufficient time to

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6 Because New Zealand went “further down the neoliberal path” than any other country between 1984 and 1996, New Zealand’s negligible rate of economic growth between 1996 and 1999 can be regarded as evidence of the neoliberal policy “failing to deliver” - see Dalziel and Lattimore (2004: 113-126); see also Kelsey (1995) and Roper (2005).
transform the “short-term pain” of restructuring in to the “long term gain” of accelerated economic growth). Furthermore, many parties of the left had been in opposition to conservative governments for extended periods of time; that is, not only had neoliberalism been unable to deliver its promises of economic growth, but it was parties of the left who were likely to benefit from an emergent “mood for a change”. However, still without a coherent replacement to Keynesianism, the left remained somewhat adrift and unable to fully exploit the political opportunity presented by a recession and discontent for the new right. Therefore, as Faux (1999: 75) has noted, the third way developed as a tactical response to the failures of Democrat Party candidates in the American presidential elections in 1980 and 1984, to which the 1988 failure can surely also be added. On the same line of reasoning, the third way as advocated by New Labour in Britain emerged as a tactical response to Labour’s 1979, 1983, 1987 and 1992 electoral defeats.

Not only were the policies of the “traditional” left vastly discredited during the 1980s, but, irrespective of whether those policies had caused the economic underperformance of that era, the costs incurred in maintaining a “traditional” approach were becoming increasingly prohibitive (and, consequently, increasingly destructive of their credibility). As unemployment rose, the costs of maintaining income support programmes (or the cost of maintaining state-funded public works and employment subsidisation schemes) also rose, and the implications of an ageing population on state-funded superannuation were becoming increasingly ominous. This was, of course, compounded by reduced taxation revenue and the increasing cost of servicing debt (incurred though attempts to “stimulate” a domestic economy). These fiscal pressures confronted major parties of the left with a reality to which they were already historically familiar: sustaining electoral viability evidently required sacrificing “traditional” doctrine and assimilating core elements of the increasingly dominant

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7 See, for example, Sautet (2006), who argues that the neoliberal reform process in New Zealand ‘has not been completed, and more reforms need to be implemented’ if higher rates of growth are to be achieved (2006: 591-2). Unsurprisingly, Sautet’s paper is also available via the New Zealand Business Roundtable website (http://www.nzbr.org.nz/); the NZBR has produced a vast expanse of material that argues that the neoliberal reform agenda has not gone far enough, and is a prominent critic of the fifth Labour Government.

8 For example, see Dalziel and Lattimore (2004: 22-3) for a brief description of the expensive “Think Big” economic strategy implemented by the Muldoon National government in New Zealand in the late 1970s and early 1980s.
neoliberal paradigm. Therefore, the emergence of a third way as a response to electoral and fiscal pressure has been regarded by many to be the continuation of the revisionist tradition within social democracy. However, there surely must be a limit to how much social democracy could be “revised” before it lost its distinctive identity; and that limit is reached when a commitment to greater equality lapses into ambivalence.

The third way also emerged not just as a response to the manifestations of electoral unattractiveness and fiscal pressure, but also in response to emergent sociological explanations for the structural causes of those phenomena. In a widely referenced article, Alan Finlayson explains that the third way’s ‘immediate intellectual sources are clear’ (Finlayson, 1999: 271). Finlayson argues that ‘two main strands comprise the theoretical basis of the third way’; the first deriving from the analyses presented in the publication Marxism Today (primarily those of Stuart Hall), and the second arising ‘from the kind of sociology exemplified by, though not restricted to, the work of Anthony Giddens’ (1999: 271). Finlayson explains how Hall interpreted Thatcherite neoliberalism as a ‘hegemonic project’, which:

... aimed to construct a new consensus, a new definition of our social situation; one that would reverse ‘common sense’ and undermine any automatic assumption that a welfare state and mixed economy, managed by a state that could represent a general social interest, were inviolable features of the British form of capitalism (1999: 272).

In becoming increasingly accepted as “common sense”, the policies of the neoliberal paradigm marginalised the parties associated with the traditional left and redefined individuals’ political identity and disposition, thus establishing the ‘social legitimacy for a project of transformation’ (Finlayson, 1999: 272). Through practitioners such as Thatcher and Reagan, neoliberalism developed to be broadly successful in propagating itself as a widely-supported, rational approach to government (to which there was no alternative). While the left was able to critique neoliberalism, its faltering and discredited theoretical basis did not offer a viable alternative with which to re-gather electoral support.

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9 See McKenzie (2002) for an account of how the British and New Zealand Labour Parties consistently sacrificed doctrine in the pursuit of electoral survival throughout the twentieth century.

10 Such interpretations have, in general, regarded “New Labour’s third way” to be a continuation of (British) Labour’s history of revisionism, rather than explicitly identifying Giddens’ conception of the third way as a continuation of revisionism; see, for example, Meredith (2006).

Hall's analysis of neoliberalism as a hegemonic project was supplemented by his inherently interconnected thesis of 'New Times', which postulated that an economic transformation had occurred within contemporary capitalism that had fatally undermined the social structures upon which the left had depended for electoral support. The New Times thesis held that a fundamental change in the means of economic production had instituted 'a new configuration of the entirety of society': 'The uniform, mass production of "Fordism" had given way to a diverse and flexible "Post-Fordism" shaped by computers and information technology' (Finlayson, 1999: 272). As a result of this transformation, fewer and fewer people were employed in traditional labour-intensive industries, and there was a greater demand for labour in service-based industries, though much of this demand was for part-time and temporary work (which would be largely met by increased female employment). Consequently, the traditional distinction between "blue-collar" and "white-collar" work would become increasingly blurred, undermining the basis of class-based politics and the traditional constituency of manual workers aligned with the "working class" politics of the left. Therefore, due to the advent of New Times, the challenge faced by the left was 'to develop new strategies beyond simple appeal to class allegiances that could generate a wide enough constituency for a hegemonic project of socialist renewal' (Finlayson, 1999: 273).

The idea of New Times was given further credence by the sociological analysis of Anthony Giddens, which Finlayson (1999) identifies as the second intellectual source of the third way. Through the course of a prolific publishing record, Giddens' analysis came to the conclusion that, in an emerging new world order, the ideas of socialism and Keynesianism were obsolete. In the new environment, social democracy had 'to be rethought to fit a society too complex, fluid and diverse to be managed by a central state' (Finlayson 1999: 274). Giddens' understanding of the increasingly globalised world of the late twentieth century (or 'late modernity') was premised upon the existence of 'manufactured uncertainty', the emergence of a 'post-traditional order' and the expansion of 'social reflexivity' (or 'reflexive modernisation'). Manufactured uncertainty referred to the significantly altered sources and scope of risk due to increasing human intervention in to the conditions of social life and nature. Giddens also contended that, although traditions had not disappeared, they were now questioned, requiring the justification of behaviours and/or practices that were once regarded as "normal". In this post-traditional society, and with a practically limitless

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mass of information and growing (global) interdependency, Giddens argued that individuals would need to become increasingly accustomed 'to filtering all sorts of information relevant to their life situations and routinely act on the basis of that filtering process' (Giddens, 1994: 6). This 'reflexivity' was necessary to meet the demands of a new stage of human development: individuals needed 'to engage with the wider world if they are to survive in it' (1994: 7). Moreover, Giddens also viewed this social reflexivity as a key driver of change – that individuals' greater access (and subsequent reaction) to more specialised information was 'the key influence on a diversity of changes that otherwise seem to have little in common', such as the emergence of 'post-Fordism' and 'widespread disaffection with orthodox political mechanisms' (1994: 7). Combined with globalisation – 'the transformation of space and time' induced by 'means of instantaneous global communication and mass transportation' (1994: 4) – Giddens argued that these sociological concepts and new social context demanded a fundamental reorientation of the traditional approach of the political left, for it had been constructed for an epoch and social structure that had now ceased to exist.

Thus Giddens argued that the political left move beyond its central commitment to 'emancipation' and embrace a politics concerned with 'how we should live in a world where everything that used to be natural (or traditional) now has in some sense to be decided about' (Giddens, 1994: 90-91; emphasis added). That is, even before the mid-1990s Anthony Giddens had defined the central commitment of the left as being to something other than greater equality; emancipation implied a commitment to equality of citizenship status (all individuals being of equal intrinsic worth), rather than a commitment to achieving a society wherein all individuals were equally able to achieve the same outcome. Giddens advocated that whereas the traditional approach of the left concerned itself with equalizing 'life chances', a new politics of the left should concern itself with maximising the benefits to individuals from the ever-expanding 'life decisions' they now faced (Giddens, 1994; Giddens, 1998: 44). Furthermore, Giddens advocated that the left endeavour to enhance the capacity of individuals to succeed in their reflexivity to the challenges posed by contemporary capitalism, rather than focus on seeking an alternative to it.13

13 As Giddens (1998: 64) would later state: 'The overall aim of third way politics should be to help citizens pilot their way through the major revolutions of our time'.
Although the analysis of Stuart Hall and Anthony Giddens provided a sophisticated theoretical explanation of the context which now confronted parties of the political left, a distinctive policy consensus amongst such parties had yet to fill the void created by the capitulation of the Keynesian consensus to the seemingly inexorable forces of contemporary capitalism. Hence it is probably unsurprising that, after Bill Clinton defeated George Bush (Senior) in the 1992 US Presidential election, the policies that were subsequently implemented were seen as a source of inspiration for parties of the left elsewhere (despite the contextual uniqueness of American politics, and that Clinton’s Democrat Party had never been associated with a commitment to greater equality that would justify it as being a party “of the left”).

The Clinton Administration: A rightward fence for the field of the third way?

The entirety of Clinton’s presidential tenure (1992-2000) influenced the development of both the third way as a political project and as a theoretical project, not least because Clinton represented a party (the Democrats) of an allegedly leftward orientation at a time when the “tax and spend” policies of the traditional left were no longer a sustainable (or credible) option. However, the development of an American or “Clintonite” third way cannot be regarded as being of a genuinely leftward orientation. In fact, if the policies implemented under the Clinton Administration are to be regarded as a constitutive aspect in the construction of the third way as a political field, then the location to which Clinton’s third way corresponded was actually situated within the field of neoliberalism. That is, the policies of the Clintonite third way were not even ambivalent to the degree of inequality and prevalence of poverty within America; instead, the Clinton Administration instituted an approach through which inequality would be further entrenched and justified, and held to be attributable to individuals’ failure to secure employment.

The neoliberal nature of Clinton’s legacy is not, however, solely attributable to the man himself. As Green and Wilson (2000: 428) have noted, Clinton initially proposed ‘some of the most progressive ideas to appear in US politics ... including positive economic management, labour law reform favourable to trade unions and a publicly funded

14 That is, what may be regarded as being characteristic of “the left” in the American context did not necessarily apply elsewhere; Clinton’s Democrat Party has, arguably, always been much more ambivalent toward, and tolerant of, increasing inequality than had parties of the left in other developed countries.
health service'. But, 'a massive conservative counter-attack' to these initiatives resulted in a 'Republican landslide in the 1994 Congressional elections' and a 'swing to the right' in terms of the policy that was thereafter passed through Congress (Green and Wilson, 2000: 428). Furthermore, the administration's subsequent policy approach appeared to be heavily influenced by the rhetorically-charged *Reinventing Government* (Osborne and Gaebler, 1992), which claimed: 'Our fundamental problem is that we have the wrong kind of government. We do not need more or less government, we need better government. To be precise we need better governance' (Osborne and Gaebler, 1992: 23-4; emphasis in original). Yet, the 'entrepreneurial government' that Osborne and Gaebler (1992) advocated involved the adoption of 'organisational techniques and concepts drawn from private-sector management' (Scanlon, 2001: 484). Indeed, as much as Osborne and Gaebler professed that government could not be 'run like a business' (1992: 20-22), their core argument was that the way forward was through 'market-oriented government' (1992: 280-310) that focused on 'injecting competition into service delivery' (1992: 76-107), which (through user-pays price mechanisms) would allow individuals 'to make decisions for themselves' (1992: 285). Without equivocation, the book was replete with a neoliberal-inspired faith that the inherent properties of markets would generate 'better governance'.

President Clinton's post-1994 spin doctor sought to categorise the Administration's 'National Partnership for Reinventing Government' under the term 'triangulation', which purportedly allowed Clinton to stand 'between and above' established Democrat (left) and Republican (right) prescriptions. Both Clinton's pre-1994 spin doctor (Reich, 1999) and Green and Wilson (2000) charge that, in reality, it was no more than the justification of a shift to the right, as what followed under the nomenclature of 'triangulation' 'involved abandoning traditional Democratic policies and absorbing Republican views, especially on welfare' (Green and Wilson, 2000: 428). Indeed, it is the welfare "reforms" implemented under Clinton that most clearly evidence the

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15 See also Baratz and White (1996); Eitzen and Zinn (2000); Midgley (2001); O'Connor (2002); and Weir (2001).

16 The back cover of *Reinventing Government* (Osborne and Gaebler, 1992) presented the following endorsement by Clinton: 'Those of us who want to revitalize government in the 1990s are going to have to reinvent it. This book gives us the blueprint' (emphasis added).

17 Interestingly, on the penultimate page of the last chapter, Osborne and Gaebler (1992: 330) heap praise on New Zealand for going 'the farthest along the entrepreneurial path'; as Chapter Four of this thesis notes later, by the mid-1990s there was little that could be praised about the consequences of market-based reform in New Zealand (see Kelsey (1995); Boston et al (1999); and Roper, (2005)).
appropriateness of situating the Clintonite third way within the field of neoliberalism.

In August 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act into law. The new legislation supplanted the provision of Aid to Families with Dependent Children (AFDC), which had prevailed since 1935, with Temporary Assistance to Needy Families (TANF). Thereafter provision of "welfare" became known as "workfare" and "assistance" became a rigidly temporary source of income support for individuals without employment. Entitlement to assistance was limited to a lifetime maximum of five years (although each state administration could make it less if they wished), so that the support provided the necessary "incentives" for individuals to find work. Clinton clearly believed that the receipt of a benefit amounted to a contractual obligation for the individual to meet the expectations of the government.\(^{18}\) The requirement that individuals, particularly parents with school-age children, move into employment within five years, or face the entire absence of an income was the implementation of Clinton's promise to 'end welfare as we know it' (Baratz and White, 1996; O'Connor, 2002; Zuckerman, 2000a). Therefore (and this cannot be emphasised enough), despite the perception of Clinton being a liberal (i.e. of a leftward disposition), the evidence provided by policies such as the 1996 welfare reforms does not validate that perception (Lewis and Morgan, 2001). That is, rather than being a concerted project aimed at reducing inequality, Clinton's welfare reforms amounted to the guaranteed entrenchment of poverty and the compulsion of allegedly slovenly parents to "get a job, or else" (see Albelda, 2001; Baratz and White, 1996; Duncan and Brooks-Gunn, 2001; Eitzen and Zinn, 2000; Lindhorst, et al. 2000; Midgley, 2001; and Zuckerman, 2000b). Also, the reforms were predominantly concerned only with the number of people "on welfare" and not with the situation of those requiring assistance, or of those once they were in work (or had had their welfare terminated) (see Albert, 2000; Cancian, 2001; Caraley, 2002; and Duncan and Brooks-Gunn, 2001). Irrespective of the actual position of those in poverty, if the numbers "on welfare" could later be presented as having decreased, then the reforms would be a "success".

\(^{18}\) For a more detailed discussion of the changes heralded by Clinton's 1996 "welfare reforms", see: Albelda (2001); Albert (2000); Baratz and White (1996); Cancian (2001); Caraley (2002); Duncan and Brooks-Gunn (2001); Eitzen and Zinn (2000); Lindhorst, et al. (2000); Midgley (2001); Myles and Quadagno (2000); O'Connor (2002); Queralt, et al. (2000); Stoez and Saunders (1999); Weir (2001); or Zuckerman (2000a, 2000b).
Although the policies implemented by the Clinton Administration were certainly influenced by the Republican (neoliberal) domination of Congress, because Clinton declared in his 1998 State of the Union Address that ‘My Fellow Americans, we have found a Third Way’ which had ‘moved past the sterile debate between those who say government is the enemy and those who say government is the answer’ (reproduced in O’Connor, 2002: 396; emphasis added), the policies of the Clinton Administration are unavoidably associated with being a constitutive element of the third way. More than that, the Clinton Administration’s indifference to inequality (and willingness to justify it as due to individuals’ failure) situated the Clintonite third way significantly to the right of the political centre, to the extent that it correlated to a location within the field of neoliberalism. Therefore, at this early stage in the development of the third way as a political field, it could already be described as sharing a space of paradigmatic overlap with neoliberalism. Whether the third way would remain identifiable with a position that had more in common with the right than it did with the left would depend, to a large degree, on the advent of “New” Labour in the United Kingdom.

Tony Blair and “New” Labour: Widening the field of the third way

The notion of the third way as a political project has been primarily associated with the British Labour Party since its electoral victory in 1997. As party leader and Prime Minister, Tony Blair, far more so than Clinton, promoted the third way as the vehicle through which left-of-centre parties could secure repeated electoral success in contemporary times. Furthermore, Blair has also presented his conceptualisation of the third way as ‘a modernised social democracy for a changed world’ (Blair, 1998: 20). That is, Blair was adamant that his third way would represent a modernised commitment to the core values, principles and objectives of social democracy (see Blair, 1998). As the following section contends, however, the “modernisation” of the British Labour Party and the advent of “New” Labour involved the reconceptualisation and dilution of the core values, principles and objectives of social democracy.

As previously inferred, the British Labour Party’s fourth successive loss to the “hegemonic” politics of Thatcherite neoliberalism in 1992 effectively demanded that the party respond by reconfiguring itself to be attractive in New Times. Upon becoming party leader in 1994, Tony Blair recognised that Labour was weighed down by the ideological baggage of the now dysfunctional traditional left; the new leader was convinced that success in the 1992 election had evaded Labour’s grasp because the party
had not demonstrated that it was different, and different in a way that was compatible with the different circumstances of modern times (see Gould, 1998: 183-230). Thus Blair sought to show the public that his leadership marked a decisive break from Labour's past. From Blair's perspective, a clear manifestation of the party's ideological baggage, and inhibitor to convincing voters of the party's ability to govern, was Labour's constitution. Amongst other archaic statements, Clause Four of the constitution (which dated back to 1918) committed the party to pursuing 'the common ownership of the means of production, distribution and exchange, and the best obtainable system of popular administration and control of each industry or service' (reproduced in Fielding, 2003: 62). For Blair, such an obvious commitment to state intervention was a severe obstacle to the party's rejuvenation. In reality, the clause held little actual authority over policy formulation: 'Labour had long before effectively embraced capitalism and accepted the merits of competition' (Fielding, 2003: 78). Nevertheless, it was a symbolic commitment, which the party's membership agreed to revise at a 1995 party conference; although there was some resistance:

Despite the practical irrelevance of the clause, the party's [traditional] left looked on change in apocalyptic terms. Ironically, such opposition was necessary to the drama the leadership hoped to choreograph: without it the sense of transformation would have been substantially diminished. ... It was precisely due to its symbolic significance that Blair wanted the clause revised (Fielding, 2003: 75).

By mid-1995, the British Labour Party had adopted a new Clause Four, which now identified it as a 'democratic socialist party' that sought 'a dynamic market economy, serving the public interest, in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and co-operation to produce the wealth the nation needs and the opportunity for all to work and prosper'. Furthermore, the new clause also implied that, if in government, the party demanded to be judged 'on the position of the weak as much as the strong', and the actual extent to which it 'promotes equality of opportunity and delivers people from the tyranny of poverty' (reproduced in Fielding, 2003: 77). Clearly, it was the rhetoric of 'enterprise' and 'competition' that divorced this incarnation of the party from its perceived historical commitment to state ownership and central planning. Indeed, whilst in opposition, it was upon this rhetoric that Blair concentrated; his approach 'was to obscure Labour's differences with Thatcherism and stress his willingness to maintain key Conservative reforms', as well as to criticise social-democratic policies for their over-dependence on the state, to attract volatile Tory voters (Fielding, 2003: 78). That is, Blair accepted the hegemony of the prevailing economic policies, and sought to convince voters of this
acceptance, though he also sought to galvanise the support of voters of left and right dispositions by promising to improve the performance of public services (an area in which the Conservative incumbents were particularly vulnerable). Ultimately, the strategy was successful for Blair and his "New" Labour Party, as it achieved a landslide victory in the 1997 election and a commanding parliamentary majority.19

Once in Government, Blair was eager to promote a popular understanding of what he liked to describe as the "new politics". To do so:

... Blair tried to show how far Labour had moved on from what most believed was its time-honoured reliance on the state and hostility to the market, while illustrating how different the new position was to Thatcherism. He also wanted to indicate that, whilst pragmatic, his own was not an unprincipled government but one rooted in social democratic ethics (Fielding, 2003: 79, referring to Blair, 1998).

Blair summarised his "new politics" in The Third Way: New Politics for the New Century (Blair, 1998). With that title, the short booklet inevitably became a constitutive element of the field of the third way. Although the revision of Clause Four toward a much more "market-friendly" approach appeared to be an assimilation of conservative policies, Blair stressed that his third way was 'not an attempt to split the difference between Right and Left' (1998: 1). Blair sought to 'promote and reconcile' the 'traditional values' of, equal worth of all individuals, opportunity for all, responsibility, and community. These values were claimed to be 'essential to a just society which maximises the freedom and potential of all our people' (1998: 3). By invoking traditional notions, Blair had thus positioned himself to reply to an allegation of pursuing centrist or populist politics.

The commitment to market mechanisms established by the revision of Clause Four was consolidated in Blair's 1998 publication in two notable respects. First, Blair endorsed the properties of markets: 'With the right policies, market mechanisms are critical to meeting social objectives, entrepreneurial zeal can promote social justice, and new technology represents an opportunity, not a threat' (Blair, 1998: 4). Second, Blair also endorsed many of the policies of the Thatcherite neoliberal project, arguing that some of the 'reforms were, in retrospect, necessary acts of modernisation, particularly the exposure of much of the state industrial sector to reform and competition' (1998: 5).

Blair also asserted that 'The Left can only be successful if it demonstrates economic competence; this means responsibility in fiscal policy and no risks in monetary' policy

19 For more detail on the 1997 British General Election, see, for example, Butler and Kavanagh (1997), which also includes a chapter on "The Road to New Labour" (pp. 46-67).
However, Blair did not offer an unreserved endorsement of markets or his Conservative party predecessors:

While learning lessons about efficiency and choice, particularly in the public sector, we argue as confidently as ever that the Right does not have the answer to the problems of social polarisation, rising crime, failing education and low productivity and growth (Blair, 1998: 2).

Furthermore, Blair made clear the inappropriateness and inadequacy of the neoliberal project in a now much changed (and changing) world: 'Just as economic and social change were critical to sweeping the Right to power, so they were critical in its undoing' (1998: 5). Instead of ideologically determined policies, Blair dedicated Labour to an approach of "permanent revisionism", a continual search for better means to meet our goals, based on a clear view of the changes taking place in advanced industrial societies' (Blair, 1998: 4).

As could be expected, Blair's conception of equality did not convey an overly strong commitment to reducing inequality. Instead, Blair claimed that the left's past concern with egalitarianism had 'downplayed its duty [in government] to promote a wide range of opportunities for individuals to advance themselves and their families. At worst, it [had] stifled opportunity in the name of abstract equality' (Blair, 1998: 3). Although Blair acknowledged the effect of generational transference of inequality (wealth and privilege), and urged that 'the progressive Left must robustly tackle the obstacles to true equality of opportunity' (1998: 3), the pamphlet was undeniably vague on the means to do so. However, it could easily be inferred that Blair believed that economic growth and not the redistribution of income was the key to generating a "just society".

Importantly, Blair (1998: 4) also declared, 'If for too long, the demand for rights from the state was separated from the duties of citizenship and the imperative for mutual responsibility on the part of individuals and institutions'. The receipt of, for example, an unemployment benefit, should involve 'reciprocal obligations', such as active search for employment. The scope of responsibility was not limited to the unemployed, as 'the responsibility to protect the environment' was universal, and, more importantly, the wealthy should (to some undisclosed extent) reciprocate their good fortune: 'The rights we enjoy reflect the duties we owe: rights and opportunity without responsibility are engines of selfishness and greed' (Blair, 1998: 4). Previously traditional rights of citizenship, particularly assistance to the disadvantaged, would therefore become contingent upon duties to the state. For Blair, however, this was not an accommodation of the critique of the right, but part of the process of modernisation: 'To provide for
those at the bottom is in some ways the essence of the good society. But the ways in which we help people need to change' (1998: 14).

Overall, Blair's third way was not the creation of a "new politics". Instead, it was the adoption of a *pragmatic* approach to government. More accurately, it was the justification of Blair's dilution of social democracy in order to be popular. That is, Blair's articulation of a third way should be interpreted as a statement of policy by a politician who believed that a strong and explicit commitment to reducing inequality might cost him the next election. Despite his claims to the contrary, the third way, as envisaged by Blair (1998) involved the assimilation of many of the key arguments emanating from the right. However, although Blair's conception of a third way could be derided for diluting the meaning and content of social democracy, it must also be commended for its significance as an *electoral strategy*: Blair's rebranding of Labour as "New" and creation of a third way marginalised Labour's Conservative opposition by acknowledging the perceived validity of their arguments concerning fiscal prudence and monetary policy, while simultaneously convincing traditional Labour voters that such policies were not incompatible with their concerns.

Thus Tony Blair brought Labour's policies within close proximity of the *political centre*. Furthermore, although this movement involved a clearly diluted commitment to achieving greater equality, Blair's third way did, nevertheless, communicate a concern for 'those at the bottom' of society (1998: 14); however, in neglecting to explain how their participation would be improved (other than demanding greater responsibility) it is difficult to locate Blair's conception of the third way within the field of social democracy. Moreover, numerous analyses of New Labour *in government* can be employed to evidence that to situate New Labour within the field of social democracy amounts to a misrepresentation (and excessive dilution) of social democracy.

The policy approach that was *implemented* by New Labour in its first (1997-2001) and second (2001-2005) terms has spawned a vast expanse of academic literature.\(^{20}\) As a

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\(^{20}\) Though by no means exhaustive, the resources consulted to gain an understanding of New Labour's policies included: Allender (2001); Anderson (2004); Annesley (2003); Beer (2001); Bevir (2000); Brewer *et al* (2003); Buckler and Dolowitz (2000, 2004); Coates (2001); Daguerre (2004); Davies (2004); Driver (2004); Driver and Martell (2002); Dwyer (2004); Fielding (2003); Finn (2000, 2003); Glyn and Wood (2001); Gray (2004); Grover (2005); Hale (2004); Hay (2004); Hills and Waldfogel (2004); Hindmoor (2005); Holden (2003); Johnson (2001); Kenny and Smith (1997); King and Wickham-Jones (1999); Levitas (2004); Marsh (2004); Meredith (2006);
general rule, much of the literature interprets New Labour as having implemented the third way, and has thus correlated the third way with "whatever Labour does". A pertinent point with which to begin an overview of New Labour's policies is to note that various authors have persuasively argued that Blair "imported" policy from the Clinton Administration (see Annesley, 2003; Daguerre, 2004; Driver, 2004; Fergusson, 2002; King and Wickham-Jones, 1999; and Prideaux, 2001). Specifically, the British Labour Government implemented a "workfare" approach to social policy that clearly had Clinton's 1996 welfare reforms as their inspiration: rather than targeting inequality, the Blair Administration prioritised "social exclusion", which became synonymous with unemployment. Social policy in Britain thus became punctuated with rhetoric of "responsibilities" and "obligations" in Labour's initial governing years. Policies such as the 'New Deal for Young People' also involved the increased use of sanctions (or threats to use sanctions) that would jeopardise benefit eligibility in order to provide individuals with the appropriate "incentives" to behave according to their "responsibilities" (see Finn, 2000, 2003; Brewer et al, 2002; Dwyer, 2004; Oppenheim, 2001). However, it must be noted that, when compared to Clinton's reforms, 'the U.K. has pursued a set of more generous reforms, raising benefits for families with children even if the parents are not working, and relying on voluntary work incentives rather than time limits and sanctions to boost single mothers' employment' (Hills and Waldofogel, 2004: 784). Yet, rather than being evidence of Blair's "generosity", the fact that Clinton opted for "more stick" and "less carrot" to "encourage" the unemployed to find work demonstrates the appropriateness of locating Clinton's approach within the field of neoliberalism. Although the Blair Government's approach to the prevalence and degree of inequality within the U.K. can be located to the left of Clinton's (thus widening the field of the third way), New Labour's questionable actual commitment to reducing inequality means that it cannot be located within the field of social democracy.

Even though the British Labour Party may have never been as committed to achieving greater equality as many have imagined or desired (see Fielding, 2003; Meredith, 2006), the basis of this thesis maintains that the core property of the left and of social democracy is a genuine commitment to achieving greater equality. Therefore, while past Labour Governments may be identifiable with social democracy, it does not automatically follow that contemporary Labour Governments are also identifiable

with social democracy. With respect to New Labour, this is indeed true. When Blair became Prime Minister in 1997, his administration became the Government of a country that had experienced a dramatic rise in social inequality and poverty during some 18 years of Conservative Party rule (Johnson, 2001: 66). Since 1997, New Labour has been preoccupied with increasing labour market participation to reduce “social exclusion” (see Davies, 2005; Levitas, 2004; Oppenheim, 2001). Although the Blair Government has implemented (commendable) policies that support and encourage shifts into paid employment, and has provided increased assistance to employed parents with dependent children, there are key aspects of the approach that preclude its classification as being consistent with social democracy. Many analysts have argued that the policies are likely to lock low-skilled and financially-vulnerable people into patterns of repeated periods of low-paid temporary employment, and that the industries and locations in which employment opportunities have grown are not readily available to many who are willing and able to work (see Oppenheim, 2001: 83). More important, however, is that the Blairite third way has fundamentally altered the concept of work as a right (in the provision of which, the state assumes a predominant responsibility), to work being a duty (see Shaw, 2003). Moreover, by making work the only path out of poverty, the Blair Government has attributed the cause of unemployment to the individual (and has made poverty a consequence of unemployment which is deemed to be appropriate). Related to the reclassification of work as a duty, and the increased demands upon beneficiaries to meet their responsibilities, has been the absence of a corresponding increase in the responsibilities or obligations expected of the beneficiaries of economic growth. That is, whereas more has been demanded of the excluded, those who have benefited from government policy over the last two decades have only been asked to “give something back (please)”, and not told “give something back, or we will take some of it off you” (see Oppenheim, 2001: 90). This clearly damaged the potential for achieving greater equality.

New Labour has sought to emphasise the opportunities that are there and de-emphasise the role of redistribution in realising greater equality of opportunity, and by doing so has undermined an important structural basis of the inclusive society it wishes to create (Oppenheim, 2001: 88). Johnson (2001: 68) has identified that a significant challenge to

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21 For example, the U.K. has many towns and cities that were founded on the basis of mass-employment industries; the demise of, or increased use of technology within, many of these industries has created significant concentrations of unemployment.

22 The “give something back” bits are not quotes from Oppenheim, but are my own way of communicating Oppenheim’s (2001) observation.
the Government's prioritisation of employment is the number of people 'who are of working age and not employed but not registered as unemployed – largely lone parents and those on sickness and disability benefits'. Although some of these cohorts can be encouraged into employment, some cannot; and the Blair Government has run the risk of defining such groups as "excluded". Johnson (2001: 68-9) has also identified the increased targeting of benefits and has stated that this 'seems likely to be a continuing theme of Labour policy'. Levitas (2004) has critiqued New Labour’s approach to social exclusion on the basis that it works ‘against, rather than in favour of, egalitarianism’ and also legitimates the presence of poverty and inequality (2004: 47). Levitas’ argument can be summarised as positing that the nature of inclusion in Blair’s Britain neglects the true structural causes of exclusion: that poverty is presumed ‘to result from deficiencies in the skills and human capital offered to the labour market by workers, rather than to be a consequence of the distribution of positions generated by the social and economic characteristics of the system as a whole’ (Levitas, 2004: 47). Thus, in aspiring for an inclusive society, Blair may have actually set New Labour a goal that is, in reality, more difficult to achieve than initially thought.

Further critical analyses of the Blairite third way (such as Crouch, 2004; Davies, 2005; Glyn and Wood, 2001; Gray, 2004; Hay, 2004; and Shaw, 2003), when considered in conjunction with less hostile analyses (such as Buckler and Dolowitz, 2000, 2004; Driver, 2004; Fielding, 2003; and Meredith, 2006), lead to the conclusion that the New Labour project is “new” in that it has adopted an approach that is substantially different from both its “old” Labour ancestors and from the neoliberalism that had dominated the 1980s and 1990s. What cannot be denied, however, is that the “newness” of the approach has disguised the reality of it being a combination of moderated ideas from both the (old) left and (new) right, rather than involving the introduction of genuinely "new" ideas. Thus the conclusion that can be reached with respect to the Blairite third way in government is the same as that reached with respect to the Blairite third way as articulated in Blair (1998): New Labour adopted a pragmatic approach that diluted the central tenets of social democracy in order to be popular. Although the Blair Government has implemented an approach that aims to (and has) reduced the overall prevalence of poverty, the Government has not undertaken a commitment to reduce inequality (see Brewer et al, 2002). In addition, its initiatives to reduce poverty have been overwhelmingly preoccupied with increasing the labour market participation of the unemployed and those temporarily unable to work through
incentives, which invariably advantages those most able to work and those where increased employment opportunities are available.

The Blairite third way is, therefore, an electoral strategy which believes that instituting a sincere commitment to the reduction of inequality would be electorally unpopular. The Blairite third way has been consistent with a modified Downsian electoral strategy that has situated policy within close proximity of the political centre. It was a modified Downsian strategy in that with Blair at the helm, New Labour’s positioning at or near the political centre became credible (see Wickham-Jones, 2005). Merely advocating centrist policies did not guarantee electoral success. Prior to the 1997 election, Blair generated the credibility necessary to convince voters of the party’s centrist positioning in New Times; once in government, the policies that were implemented affirmed this centrality. The Blair Government’s ambivalence to the ideal of greater equality consequently leaves that government situated outside the field of social democracy. However, although ambivalent, the commitment of the Blairite third way to equality was less regressive than that which characterised the Clintonite third way; due to this difference between Blair and Clinton, the field of the third way was thus wider than it had previously been.

If Tony Blair’s third way can be characterised as a centrist electoral strategy that shifted British Government policy out of the field of neoliberalism, though did not situate itself within the field of social democracy, what conclusion can be reached with regard to the work of Anthony Giddens, widely held to be the intellectual drive or “the brains” behind the construction of the third way as a new political paradigm? Indeed, as Giddens asserted, his mission was clear:

> Bereft of the old certainties, governments claiming to represent the left are creating policy on the hoof. Theoretical flesh needs to be put on the skeleton of their policy-making — not just to endorse what they are doing, but to provide politics with a greater sense of purpose. For the left, of course, has always been linked to socialism and, at least as a system of economic management, socialism is no more. (Giddens, 1998: 2-3)

Giddens was, therefore, not seeking to merely justify the policies of Blair, but had set himself the challenge of establishing a new normative ideology for the entire left. Moreover, as pointed out in the introduction to this thesis, Giddens promoted his conception of the third way as ‘the renewal of social democracy’ that was ‘unequivocally a politics of the left’. Given that the constitutive aspect of both social democracy and the left is a sincere commitment to the ideal of greater equality, Chapters Two and Three endeavour to assess Giddens’ bold claims.
Chapter Two

Giddens' Third Way: Within the Field of Social Democracy

Anthony Giddens mentioned the notion of a third way in *Beyond Left and Right* (1994: 68-9). However, at that time Giddens saw the concept as 'market socialism' based on 'worker collectives' in which employees were 'able to accumulate funds in business or corporate sectors in such a way as eventually to eliminate the shareholder.' While Giddens categorically dismissed such a project ('There is no Third Way of this sort' (1994: 69)), others did seek to expand the idea of employees attaining a "stake" in the enterprises to which they sold their labour.1 Giddens rejected market socialism precisely because, in his analysis, socialism 'was no more' and anything even partly based on it was irretrievably flawed. Although *Beyond Left and Right* did lay much of the foundation for a new approach, it was the 1998 publication of *The Third Way: the Renewal of Social Democracy*, which coincided with Tony Blair's increasing use of the term, that gave momentum to Giddens' project to give social democracy a new identity. Indeed, as Geyer asserts, Giddens' 1994 text was his 'most thorough attempt to create a wide-ranging modern philosophy and strategy for the left', while his subsequent 1998 writings 'summarised and popularised his thinking' (2003: 247-8). Since the release of *The Third Way* (Giddens, 1998), Giddens' name has been associated with the third way to the extent that the very idea of a third way virtually cannot be raised without Giddens' name appearing soon thereafter.

Giddens' articulation of a third way through his 1998 and 2000 texts is the focus of this chapter. Specifically, the objective is to assess Giddens' claims that his ideas amounted to 'the renewal of social democracy' (Giddens, 1998) which represented a politics that was 'unequivocally ... of the left' (Giddens, 2000: 38). Based on assertions made in the introduction of this thesis (that a politics that is "unequivocally" of the left involves an unequivocal commitment to the ideal of greater equality), it is suggested within this chapter that Giddens' formulation of a third way can indeed be located within the political field of social democracy. However, it is argued that Giddens' third way nevertheless corresponds to a diluted form of social democracy. To do so, the chapter focuses on four key elements within Giddens' construction of his third

way. First, consideration is given to Giddens' (re)conceptualisation of equality. Second, the ‘new social contract’ between the individual and the state which Giddens advocates is identified. Third, Giddens’ notion of a ‘new mixed economy’ is discussed. Fourth, the approach to welfare or social security that Giddens advocates is explained. Together, these four features enable the argument that although Giddens’ third way could be considered to be a continuation of the “revisionist” tradition within social democracy, much of the actual approach that can be inferred from Giddens’ writings involved the repudiation of ideas that are constitutive of social democracy. This provides the basis from which Chapter Three identifies other theorists’ interpretations of Giddens’ third way.

**Giddens' (re)conceptualisation of equality**

Giddens’ sociological analysis had proclaimed that the traditional approach of the left was no longer viable. While generally accepting Norberto Bobbio’s (1996) thesis that the left was committed to achieving greater equality, for Giddens it needed ‘some refining’; a new politics of the left could not be concerned solely with equality, nor could it be solely defined by a commitment to equality:

> Those on the left not only pursue social justice, but believe that government has to play a key role in furthering that aim. Rather than speaking of social justice as such, it is more accurate to say that to be on the left is to believe in a politics of emancipation. (Giddens, 1998: 41)

Later, Giddens further shifted the focus of his emergent third way further away from equality by arguing that the left should be less concerned with emancipation than with ‘how we should respond to a world in which tradition and custom are losing their hold over our lives, and where science and technology have altered much of what used to be “nature”’ (Giddens, 2000: 40).

That is not to say that Giddens advocated abandoning or jettisoning equality as an ideal. Giddens appeared to be sincerely averse to significant levels of social inequality: ‘A highly unequal society is harming itself by not making the best use of the talents and capacities of its citizens. Moreover, inequalities can threaten social cohesion and can have other socially undesirable consequences (such as provoking high rates of crime)’ (1998: 42). Nevertheless, Giddens argued that a new political ideology for the left had to embody a fundamentally revised conception of equality: ‘There is no future for the “egalitarianism at all costs” that absorbed leftists for so long’ (2000: 85). The equality
of outcome that was characteristic of the goals of the traditional left was, in Giddens' analysis, no longer possible, nor even desirable. Instead,

The contemporary left needs to develop a dynamic, life-chances approach to equality, placing prime emphasis upon equality of opportunity. Modernizing social democrats also have to find an approach that reconciles equality with pluralism and lifestyle diversity, recognizing that the clashes between freedom and equality to which classical liberals have always pointed are real. (Giddens, 2000: 86)

That is, the realities of post-modern (or post-traditional) societies necessitated an approach to equality that was consistent with the dynamism of the hegemonic capitalist world order. Equality of outcome was now a utopian vision compatible only with economic stagnation and authoritarian constraints. In effect, Giddens advocated the acceptance of some level of inequality as inevitable: 'Social democrats should not accept ... that high levels of inequality are functional for economic prosperity' (1998: 100; emphasis added). What remained for the left, then, was to enable citizens to avoid circumstances of poverty.

In order to move away from the static model of equality that defined the "old left", Giddens based a new definition on peoples' experiences: 'The new politics defines equality as inclusion and inequality as exclusion' (1998: 102; emphasis in original). More specifically:

Inclusion refers in its broadest sense to citizenship, to the civil and political rights and obligations that all members of a society should have, not just formally, but as a reality of their lives. It also refers to opportunities and to involvement in public space. In a society where work remains central to self-esteem and standard of living, access to work is one main context of opportunity. Education is another, and would be so even if it weren't so important for the employment possibilities to which it is relevant. (Giddens, 1998: 102-3)

A simple inference from this passage was that Giddens considered employment to be a key basis of inclusion. With respect to exclusion, while Giddens viewed it as a notion to 'replace' inequality, it was not, he argued, a notion to be used exclusively for referring to the members of society who were unemployed. Although 'those at the bottom, cut off from the mainstream of opportunities society has to offer' certainly constituted an excluded group, there was also 'voluntary exclusion' (1998: 103). At the top of the social strata, contemporary societies were exhibiting a 'revolt of the elites: a withdrawal from public institutions on the part of more affluent groups, who choose to live separately ... in fortress communities, and pull out from public education and public
health systems'. Subsequently, the pursuit of an inclusive society was concerned with both involuntary and voluntary exclusion.

To operationalise inclusion, Giddens presented Sen's concept of "social capability" as 'an appropriate starting point':

Equality and inequality don't just refer to the availability of social and material goods – individuals must have the capability to make effective use of them. Policies designed to promote equality should be focused upon what Sen calls the "capability set" – the overall freedom a person has to pursue his or her well-being. Disadvantage should similarly be defined as "capability failure" – not only a loss of resources, but loss of freedom to achieve.

Giddens then placed his 'prime emphasis upon equality of opportunity' as the precondition of 'social capability'. However, he sought to emphatically distinguish his conception of equality of opportunity from what he saw as the neoliberal (and dominant) meaning of the term. The Third Way launched a scathing attack upon the neoliberal meritocratic model of equality of opportunity (1998: 101-4). Giddens forcefully argued that 'a radically meritocratic society would create deep inequalities of outcome, which would threaten social cohesion.' Furthermore, 'not only would groups of people be at the bottom, but they would know that their lack of ability made this right and proper: it is hard to imagine anything more dispiriting.' Giddens' ultimate charge was that meritocracy was 'a self-contradictory idea', because 'the privileged are bound to be able to confer advantages on their children', thus creating inequality of opportunity (Giddens, 1998: 101-2). Such a strong rebuttal of the neoliberalism's meritocratic principle served to provide a fundamental distinction between his theories and those of the "new right", as well as a first defence against any claim that his politics displayed an indifference or agnosticism toward the consequences of inequality. It also provided the foundation for Giddens to establish his third way as "unequivocally of the left" by reaffirming the centrality of redistribution. This was best articulated in Giddens' later (2000: 89) consolidation of his arguments:

... since equality of opportunity produces inequality of outcome, redistribution is necessary because life-chances must be reallocated across generations. Without such redistribution, "one generation's inequality of outcome is the next generation's inequality of opportunity." ... There will always be people for whom opportunities will necessarily be limited, or who are left behind when others do well. They should not be denied the chance to lead fulfilling lives.

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This resurrection of redistribution marked a clear continuity between Giddens and the traditional left. However, the specific target redistribution advocated by Giddens was not of income, characteristic of the "old left". Giddens instead advocated the much more abstract idea of the 'redistribution of possibilities', where the 'cultivation of human potential should as far as possible replace "after the event" redistribution' (1998: 100-101).

Therefore, at this stage, Giddens' conceptualisation of equality as inclusion appears to fit within a tradition of social democratic revisionism. Yet, equality as inclusion was also clearly a diluted commitment to achieving an ideal of greater social equality. Furthermore, because Giddens was effectively silent on whether decisive, immediate action should be taken to even partially reverse the dramatic increases in inequality that had occurred in the 1990s, his commitment to greater equality was somewhat equivocal. In a similar fashion to Tony Blair, Giddens seemed to be implying "let's not let it get any worse" rather than advocating that the left would be justified in acting to reverse that trend. Also in similarity with Blair was the emphasis on employment in the notion of inclusion. Despite these points, Giddens' conceptualisation of equality as inclusion cannot be characterised as ambivalent to the consequences of inequality. However, a more exact statement on whether inclusion was "unequivocally" of the left is possible only by considering the mechanisms through which the 'redistribution of possibilities' would be implemented. In Giddens' third way, these would be a new social contract, a new mixed economy, and positive welfare.

A new social contract?

In Giddens' new politics, the redistribution of possibilities was dependent upon the acceptance of responsibilities throughout the citizenry. Thus the precept of 'no rights without responsibilities' was seen as the 'prime motto' for the third way. This was to be the basis of a 'new' social contract, replacing the perception associated with old-style social democracy, which (Giddens claimed) 'was inclined to treat rights as unconditional claims' (1998: 65; emphasis in original). Giddens believed that whereas the state may have once bestowed on individuals the right to, for example, an unemployment benefit or access to additional resources to help raise children in a secure environment, such rights of citizenship carried some degree of reciprocal obligation. Unemployment provided the most pertinent example; the receipt of an unemployment benefit should, Giddens argued, 'carry the obligation to look actively for work, and it is
up to governments to ensure that welfare systems do not discourage active search' (1998: 65). However, this also carried the implication that Giddens did not believe the state had a responsibility to the individual to ensure that work was available. Importantly, Giddens applied the same principle at the other end of the social spectrum: '[t]hose who profit from social goods [such as education] should both use them responsibly, and give something back to the wider community in return' (2000: 52).\footnote{Furthermore, Giddens (2000: 119) argued that: 'Those moralists who make extensive civic demands upon welfare recipients would do well to make them also of business leaders and other elite groups. A social contract of mutual obligation ... must stretch from bottom to top. Many business leaders do not act as full citizens, since they ignore the social outcomes of their business decisions'. For example, deliberately avoiding paying taxes (or using 'tax havens') was, to Giddens, an 'evasion of civic duty'.} Advocating a responsibility to 'give something back' as a fitting consequence of achievement kept Giddens closely aligned to the traditional left's penchant for progressivism, although it appeared it would only be a moral obligation.

Giddens insisted that it was necessary to 'accept the core importance of progressive taxation as a means of economic redistribution', though he also maintained that 'steeply graduated' rates of income taxation were 'no longer feasible, or desirable' (2000: 96-7). High rates of taxation, Giddens pointed out, encouraged tax evasion, acted as a disincentive and inhibitor of growth, and had lost much of their legitimacy due to a growing perception of government and bureaucratic waste (2000: 98). Given such equivocation between progressive taxation being important, though untenable, it appeared that Giddens' third way, like Tony Blair's would involve enforceable obligations for the poor, and voluntary obligations for the rich, thus reducing the scope for redistribution. Giddens' actual commitment to achieving greater equality may have, therefore, been less sincere than it had appeared.

Although Giddens' initial description of the third way (Giddens, 1998) conveyed the impression that the third way might struggle to raise sufficient revenue to undertake a significant 'redistribution of possibilities' (primarily due to Giddens' aversion to 'steeply graduated' progressive income taxation), his later iterations of the third way (Giddens, 2000, 2001) revealed avenues through which substantial revenue could be raised and directed at programmes of 'social investment'. Giddens (2000: 100) advocated the imposition of taxes upon production processes that created pollution. More importantly, Giddens (2000: 101-2) prescribed the imposition of wealth taxes, particularly upon inheritances: 'Equality of opportunity is not compatible with the unfettered transmission of wealth from generation to generation'. Although Giddens
did not discuss the details of how wealth taxes would be implemented, and how evasion would be countered (other than creating the moral responsibility to 'give something back'), the advocacy of such taxes alone strengthened Giddens' claims that his third way was "of the left". Furthermore, the taxation of inheritances has been a defining feature of Giddens' cogitations since 2000, and is an area on which he has been openly critical of the Blair Government.6

A new mixed economy?

In contrast to the 'old' mixed economy of Keynesianism, in which Giddens claimed markets were 'kept largely subordinate to government', the 'new mixed economy' promoted by Giddens looked 'for a synergy between public and private sectors, utilizing the dynamism of markets but with the public interest in mind.' The 'public interest' appeared to be 'wealth creation' from which civil society benefited, not where individuals were 'abandoned to sink or swim in an economic whirlpool'. Furthermore, Giddens believed that government had 'an essential role to play in investing in the human resources and infrastructure needed to develop an entrepreneurial culture' (Giddens 1998: 99-100). Giddens advocated his new mixed economy on the basis of an absence of alternatives: 'when no one knows of any viable alternative to a market economy, demonizing the corporations makes no sense' (2000: 52-3). Those on the left needed 'to overcome some of their worries and fears about markets', while also recognise 'that the state itself can produce inequality, as well as having other counterproductive effects on individuals' lives' (2000: 32-3). On the other hand, however,

... the neoliberal idea that markets should almost everywhere stand in place of public goods is ridiculous. Neoliberalism is a deeply flawed approach to politics, because it supposes that no responsibility needs to be taken for the social consequences of market-based decisions. (2000: 32-3)

Markets, Giddens contended, although 'vastly more dynamic than any other type of economic system', were intrinsically capable of generating major social costs and disruption; were not self-regulating in their tendencies toward cyclical fluctuation and monopoly; could 'breed a commercialism that threatens other life values'; and were unable to 'nurture the human capital they themselves require' (2000: 36). It was with respect to this latter element (human capital creation) that Giddens saw a particularly important role for government. Furthermore, Giddens' third way promoted attaining a

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balance that was not dogmatically predisposed toward expanding the role of markets or reducing the role of government, although Giddens did state that the scope of action for government 'expands rather than diminishes as globalisation proceeds' (1998: 32).

It was not only a balance between government and markets (ostensibly a balance between left and right) that Giddens sought. Civil society was seen as a necessary dimension of the post-traditional order and, as such, seen as equally instrumental in realising the goals of government. The state should increasingly 'act in partnership with agencies in civil society to foster community renewal and development' (1998: 69). However, the state should not assume that it 'knows best':

Depending on context, government needs sometimes to be drawn further into the civil area, sometimes to retreat. Where government withdraws from direct involvement, its resources might still be necessary to support activities that local groups take over or introduce - above all in poorer areas. ... [It] is particularly in poorer communities that the fostering of local initiative and involvement can generate the highest return. (1998: 80)

The third way, from Giddens' perspective adopted a viewpoint of 'structural pluralism': 'social order, democracy and social justice cannot be developed where one of these sets of institutions [government/markets/civil society] is dominant. A balance between them is required for a pluralistic society to be sustained' (2000: 55-6; emphasis in original). Just how to achieve this balance or how to determine whether (or when) it existed was left rather ambiguous by Giddens. It did, however, leave the clear indication that a central theme of Giddens' third way was a new mixed economy based on partnership and collaboration.

Giddens' redistribution of possibilities through a new mixed economy placed an emphasis upon wealth creation, which (he claimed) required a shift in the concentration of the left's policy formulation. Giddens argued for a shift away from the state-led demand management economic policies of the past (that were now as unpopular as they were unsustainable). Instead of 'offering subsidies to business, governments should foster conditions that lead firms to innovate and workers to become more efficient in the global economy' (2000: 3). The economic environment envisaged by Giddens was thus punctuated by notions such as flexibility, entrepreneurialism and investment. More significant was his insistence on the implications of the "knowledge economy". Much more prevalent in his 2000 text, Giddens saw the knowledge economy as the culmination of the information technology revolution, in which information was 'not yet all-conquering, but is well on the way to being so' (2000: 69). The keys areas of dynamic economic growth had shifted away from manufacturing toward finance,
electronic media, telecommunications and biotechnology, while the remaining
manufacturing processes had also become closely integrated with information
technology, as had retail and distribution. Consequently, it was knowledge and not
tangible assets that now determined the value of products, companies and economies
(and the market value of Microsoft was the most obvious example) (2000: 69-70).
Government, in this new context, needed to be concerned with establishing a 'knowledge
base' of skilled workers in order to capitalise on the new opportunities presented by
information technology. Moreover, in this environment, 'citizens will need the help of
government just as much as they used to; but state intervention has to be redirected, and
cooperation with other agencies will be essential' (2000: 72-3).

The policy approach that was associated with the 'new mixed economy' therefore
appeared to be one that provided a stable climate for private-sector investment and
encouraged the enhanced development of human and social capital. In terms of
macroeconomic policy, this implied that Giddens had either resigned himself to, or
had assimilated, the prevailing economic orthodoxy of price stability and fiscal
restraint. Although maintaining low inflation and cautious fiscal management is not
necessarily antithetical to a politics of the left, Giddens' notion of a new mixed
economy did involve the important implication that it was the supply of labour that
was crucial. Where in the past the left had steadfastly maintained that cyclical
economic fluctuations were an inevitable feature of market systems (but which could be
ameliorated through influencing the level of aggregate demand via expansionary
fiscal policy), such theorising was absent in Giddens' third way (see Giddens, 2000: 69-
75). That is, Giddens appeared to subscribe to a view which held that, so long as the
macroeconomic environment was "stable", investing in human capital development was
sufficient to generate prosperity. In addition, the venom with which Giddens critiqued
the properties of markets only became much more noticeable in the 2000 text, which
was a response to the leftist critics of his initial (1998) exposition of the third way.7
With respect to human and social capital development, Giddens' third way also
exhibited the interventionism that had defined the left in the past, but it was now in a
highly modified form: where the left may have once sought to ensure there were
sufficient jobs for the available workers, Giddens now saw the role of the state as

7 For example, it is not inconceivable to believe that following passages had actually been
forwarded by different authors: a) 'Welfare should be understood not as state benefits, but as
maximising economic progress, and therefore overall wealth, by allowing markets to work their
miracles' (Giddens, 1998: 13-4; emphasis added); and b) 'Excessive dependence on market
mechanisms has to be avoided for clear reasons... Without external controls, markets have no
restraining mechanisms...' (Giddens, 2000: 36).
ensuring there were workers with sufficient skills for the available jobs. The mechanisms through which this, and hence the 'redistribution of possibilities', would be achieved were positive welfare and the social investment state.

A new approach to welfare?

Both the new social contract and new mixed economy of the third way were inextricably tied to the need to recast the rationale for state action. For Giddens, a major determinant in the impossibility of traditional social democratic governance was its approach to welfare, epitomised by the welfare state. Consistent with his overarching goals for a third way, Giddens advocated an approach to welfare that aimed to reconcile economic efficiency with increased ‘inclusion’. To this end, Giddens promoted the social investment state and positive welfare. The former would come to replace the welfare state, while the latter referred to a necessary reconceptualisation of welfare, away from the passive distribution of assistance toward measures that enhanced individuals' ability to participate in the 'knowledge economy' and contribute to (and benefit from) wealth creation.

Giddens' contention of the need for a new approach to welfare had appeared well before his articulation of a third way. Beyond Left and Right had argued that:

[the welfare state has been less than wholly effective either in countering poverty or in producing large-scale income or wealth redistribution. It was tied to an implicit model of traditional gender roles, presuming male participation in the paid labour force, with a "second tier" of programmes directed towards families without a male breadwinner. Welfare state bureaucracies, like bureaucracies everywhere, have tended to become inflexible and impersonal; and welfare dependency is probably in some part a real phenomenon, not just an invention of neoliberalism. (Giddens, 1994: 17-8)

Giddens later stressed that such shortcomings were not 'a signal to dismantle the welfare state', as neoliberals claimed, but were 'part of the reason to reconstruct it' (1998: 112-3). Further justification for a reformulation of the welfare state was grounded in Giddens' analysis that the welfare state had been developed in a time of predictable external risk and was, therefore, unable to deal with the implications of a shift to the uncertainty of manufactured risk which now dominated society (see Giddens, 1994: 134-173). In the necessary reconstruction of state action, Giddens argued that the state would retain its paramount role in influencing the distribution of resources, particularly to enhance the capacity of the vulnerable or excluded to realise goals of self-advancement (see Giddens, 1998: 99-128). This reconfiguration concerned altering the motivation behind state action away from the protective paternalism of
the past toward a positive, facilitative orientation that would establish greater individual autonomy, encourage the acceptance of responsibilities and enhance individuals' capacity to participate in society. Rather than merely dispensing benefits to those without (or unable to) work, the state would become preoccupied with enabling or empowering such people to enter the labour market and gain employment, as well as establishing responsibilities to reciprocate the assistance made available. The new approach to welfare would be in contrast to the practices of the traditional welfare state, which had been 'designed to cope with events once they have happened' (Giddens 1994: 53), with policies that enabled people to avoid entering (or remaining in) circumstances of disadvantage or exclusion. Such an approach constituted positive welfare.

The primary role of the state in Giddens' third way was, then, not to ensure the disadvantaged had an adequate standard of living, but to encourage and enable those very people to escape an inadequate standard of living. Consequently, a 'key basis' of Giddens' "redistribution of possibilities" was investment in education: 'Education and training have to become the new mantra for social democratic politicians' (1998: 109).

To actively reconcile social justice and economic efficiency, the motivating principle of welfare would be 'wherever possible invest in human capital' (2000: 52; emphasis in original). The provision of welfare would be linked to an outcome: a more employable individual. Such an approach would, in theory, alleviate the symptoms of disadvantage, while also establishing a higher-skilled workforce. Importantly, it would also distinguish the third way from the approach of the neoliberal right, where welfare provision was conditional on performing (often banal) work—welfare for work, or work-for-the-dole schemes. From Giddens' perspective, such arbitrary compulsion had few, if any, positive outcomes: it did not serve to reduce involuntary exclusion, as those involved were not part of the mainstream labour force, and performing mundane or dead-end tasks was unlikely to enable those involved to escape disadvantage.

Although considerable emphasis was placed on education, particularly life-long education (a constant process of learning new skills, updating old skills, or even replacing outmoded skills), Giddens did not regard education as a panacea for social exclusion; education itself reflected 'wider social inequalities' (see Giddens, 1998: 109-110). Although Giddens did not elaborate, he was aware that educational achievement (and, in turn, access to employment) generally corresponds to socio-economic

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characteristics. Therefore, improving educational achievement among the disadvantaged is dependent upon improving their capacity to achieve in education, which is determined to a significant extent by their being socially and economically disadvantaged. Students from privileged backgrounds attend well-resourced schools, and are then over-represented in indicators of educational attainment and attendance at tertiary education institutions (particularly universities). In contrast, students from disadvantaged (excluded) families usually attend disadvantaged schools, and are then over-represented in indicators of under-achievement (incomplete school-level qualifications and truancy). An emphasis on education in Giddens' third way also, therefore, implied an emphasis on enabling (for those least likely to achieve in education) the capacity to acquire skills and employment in order to become self-sufficient and potentially prosperous (and thus interrupt or prevent an intergenerational transference of disadvantage). Furthermore, Giddens regarded intermittent or even continual employment in low-paid occupations as an insufficient solution for social exclusion:

People living more or less permanently on low incomes, especially when only one member of a family is working are vulnerable... [Such families are unable] to build up a stock of savings should things go wrong. They may have no capital assets at all, and can become pushed over into poverty should they face even relatively small crises.’ (Giddens, 2000: 112)

Giddens saw an intimate link between welfare and economic performance and, therefore, unemployment; the function of welfare was not to protect the unemployed, but to provide the economy with the labour force it needed in order to ‘redistribute wealth by means of creating new wealth’ (Giddens, 2000: 115). Improving access to education and training was a key aspect of Giddens' new approach; however, policies to avoid ‘moral hazard’ were also emphasized: ‘It isn’t so much that some forms of welfare provision create dependency cultures as that people take rational advantage of opportunities offered’ (1998: 114-5). An appropriate policy response was not, as neoliberals would contend, to reduce benefits so that welfare was simply no longer a viable lifestyle option, but to encourage and enable (not coerce) individuals to make a transition from welfare to paid work, or from low-paid to more rewarding employment, or from part-time to full-time employment (or undertake training to facilitate any of

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9 See, for example: Gewirtz et al, (1995); for discussion of the New Zealand context, see Gordon (1994); Lauder and Hughes et al (1999); Nash (1993); Olssen and Morris-Matthews (1997); or Connew (2003).

10 Also: ‘Benefit systems should been reformed where they induce moral hazard, and a more active risk-taking attitude encouraged, wherever possible through incentives, but where necessary by legal obligations’ (Giddens, 1998: 122; emphasis added).
these transitions). Such transitions were, for Giddens, akin to entrepreneurial decisions: each involved the confrontation of risk or uncertainty, both economic and psychological:

Active risk taking is recognised as inherent in entrepreneurial activity, but the same applies to the labour force. Deciding to go to work and give up benefits, or taking a job in a particular industry, are risk-infused activities – but such risk taking is often beneficial both to the individual and to the wider society (1998: 116).

Welfare provision should, therefore, be geared toward encouraging people to enter the labour force or to make a decision to enter employment (or training) that is shrouded in uncertainty – ‘a society of “responsible risk takers”’ (1998: 100). Moreover, Giddens suggested support be available to those who made such decisions so as to mitigate any possible inhibitors or disincentives (such as temporary absence of income between final receipt of a benefit and first waged payment, or tax breaks for those initiating self-employment).

While Giddens acknowledged that the idea of flexibility was associated with deregulation and insecurity, he argued that the social investment state should support flexibility in the labour market to avoid the high social costs of large-scale unemployment. Giddens’ commitment to flexibility was not, however, to the removal of labour market “rigidities” often identified by neoliberals (such as unions and minimum wage legislation), but to remove or reshape the ‘rules and regulations that hamper innovation and technological change’ (2000: 75-6). Flexibility, on this perspective, entailed ensuring the labour force had the requisite skills and capability to capitalise on areas of potential development created by technological change and globalisation, as well as to drive and benefit from innovation. In the era of the knowledge economy this would involve expanding the skills of the workforce in areas influenced by information technology and scientific development, while also increasing the acceptability of unorthodox working hours and reconciling the conditions of work with family life (by, for example, provision of childcare or greater scope for negotiated working hours). Flexibility was also relevant to welfare provision itself, in that it should allow individuals to undertake training or enter work without jeopardising financial security.

Another key aspect of Giddens’ revised approach to welfare concerned the actual circumstances of those in need of assistance. Welfare had traditionally been targeted at generic groups of people: the ‘unemployed’, the ‘disabled’, or the ‘elderly’. Now, more than ever before, such groups were inherently diverse: for some, being unemployed may
be a temporary experience and did not necessarily mean being ‘poor’; for others, unemployment did remain a long-term experience of acute poverty. Similarly, being unable to work did not necessarily imply a permanent disability, and being ‘elderly’ did not necessarily mean an inability or unwillingness to work (see Giddens, 2000: 103-113). There was also now the phenomenon of the ‘working poor’ – individuals and parents who worked, but struggled to make ends meet. These different ‘dynamics of inequality’ provided further justification for an enabling approach to social policy and a focus on exclusion rather than static inequality. Given these new realities, the motivation behind welfare policy needed to be ‘to minimize situations where either poverty brings about social exclusion, or social exclusion causes chronic poverty.’

Giddens also stressed the need to integrate positive welfare policies with the overall improvement of public education and health systems, control of criminal activity, and the provision of public amenities in order to reduce ‘social exclusion at the top’ – the voluntary retreat of the affluent from civil society (1998: 107-8).

The approach to welfare that Giddens’ third way advocated was, therefore, one that did have the causes and consequences of inequality as a core concern. However, although Giddens clearly justified increasing the ability of individuals to participate in, and benefit from, employment, it is much more difficult to ascertain whether Giddens gave the same commitment to reducing inequality as he did to increasing opportunity, particularly since he admitted that ‘equality of opportunity typically creates higher rather than lower inequalities of outcome’ (2000: 86). Thus, while Giddens was unequivocal in his disdain for inequality, the approach which he prescribed was at least somewhat equivocal in its scope for actually reducing inequality. The ‘moral hazard’ which Giddens ascribed to “generous” welfare payments also implied that Giddens did not perceive there to be any urgency related to the incomes of those people without work. Furthermore, while the emphasis on education and on providing support for individuals to take risks in the job market did amount to the extension of possibilities, claiming such measures to be a redistribution of possibilities verged on hyperbole: redistributing possibilities would imply a discriminatory restriction on the opportunities available to the already-rich.

Also relevant to Giddens’ approach to welfare was the lack of consideration he gave to employers in the prevalence of the “working poor”; although Giddens did insist that employers become more “flexible”, especially with respect to working parents, he was

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11 See also Giddens (1998: 118-121) and Giddens (2000: 92-3).
conspicuously silent on the relative "generosity" of the remuneration available to the low-paid, on the ability of the low-paid to negotiate their employment conditions with their employers, or on any responsibilities successful companies may have had to reward their employees. This is particularly important given the increases in part-time and service-industry employment, where remuneration is likely to be comparatively low. Instead of being "a voice for the poor", Giddens' third way appeared to promote that the poor take the opportunities "on offer", and did not suggest that their "disadvantaged" status might be exploited by employers seeking to maintain the lowest possible production costs.

Giddens' actual commitment to reducing inequality can be further questioned on the basis of his argument that '[o]nly a welfare system that benefits most of the population will generate a common morality of citizenship' (Giddens, 1998: 107). Although Giddens was surely correct to argue that any policy approach which involves even an incremental increase in tax revenue appropriated from affluent sections of the population should "compensate" such taxpayers through noticeable improvements in the provision of public services, in the context of "desirable, though untenable" progressive taxation, the scope for reducing inequality is invariably diluted. That is, maintaining the confidence of the "middle classes" would require spending money on policies that benefit those classes, leaving only part of any additional revenue raised able to be directed at reducing inequality (and increasing the possibilities available to the disadvantaged may require increasing the possibilities available to the affluent, thus creating a negligible relative change in the distribution of possibilities). Furthermore, the perceived imperative of maintaining the confidence of the middle classes evidences why Giddens' third way is situated closer to the political centre than he has claimed it to be. It is not just that a politics which "takes from the rich and gives to the poor" can be regarded as a politics of the left, but a politics that does so, and is accepted for doing so on the basis of a normative justification, should be considered as being situated further left than a politics that redistributes resources only by appeasing those who had had resources "taken". Moreover, this demonstrates that Giddens' approach to welfare was as concerned with maintaining popularity as with reducing inequality.

12 For example, it would be unlikely for an increase in state funding to schools whose students are predominantly from disadvantaged families to be unaccompanied by at least some increase in funding to schools serving relatively more advantaged families, thus meaning that the "possibilities" available to both disadvantaged and more-affluent families had increased.
Overall, Giddens’ approach to welfare can be considered as being “of the left”. Although some questions can be raised about the actual extent to which the social investment state would reduce inequality, it did, nevertheless, involve a commitment to reducing inequality, and its methods for doing so were certainly different to those of the “old left”. Indeed, that is true of Giddens’ third way in general. However, the point raised in the previous paragraph is particularly important. In Giddens' attempt to “renew” social democracy, he appears to have assumed that in order to be credible, his vision had to be popular. That is, Giddens' third way sought to displace an “old left” conception of social democracy with a “modernised” conception of social democracy. But, in reformulating social democracy to be popular in New Times, Giddens (1998, 2000) diluted, rather than strengthened, the central pillars of social democracy: Giddens advocated a diluted conception of equality; diminished the extent to which the state had a social contract of responsibility toward the individual; and abandoned economic doctrine that emphasised the centrality of changes in levels of aggregate demand. The social investment state, a culmination of these three “revisions”, may have involved a commitment to reducing inequality, but it was a commitment that was much more moderate than that which had previously defined social democracy. To attain a widely-supported conception of social democracy, Giddens’ third way sought to bring the policy approach associated with social democracy closer to the political centre. In addition, where the doctrine of social democracy had been diluted, it was due to the infusion of neoliberal ideas, which accounted for Giddens’ emphasis on individuals’ responsibilities and faith in the properties of markets (to be sure, it was an emphasis and faith that was much more adulterated than that expressed even by conservative neoliberals). Therefore, the third way which Anthony Giddens had nurtured into being was not drawn solely from the gene-pool of revisionist social democracy, which Giddens had then clothed in modern attire; Giddens’ third way was an infant with the DNA of both social democracy and neoliberalism (although the former was more prevalent).

**Giddens’ third way after 2000**

Reflecting the degree of scholarly and political interest which the emergence of the third way had generated, *The Global Third Way Debate* was published in 2001. The volume was comprised of articles and book chapters that Giddens believed would ‘help flesh out the third way approach and policy orientations’ (Giddens, 2001b: 21). Therefore, if Giddens' own writings (1998, 2000) were light on the detail required to
operationalise his third way, the various chapters of Giddens (2001a) may be taken as adding clearer substantive policy content to his conception of the third way. Giddens’ introduction to the volume (Giddens, 2001b) provided a succinct overview and defence of his conception of the third way. The third way, Giddens argued, was not to be solely identified with the policy practice of New Labour or ‘any other specific party’, but was ‘about how left of centre parties should respond to change’ (2001b: 1-3). Giddens outlined the core aspects of this ‘change’ (i.e. globalisation, the knowledge economy and transformed social structures; see 2001b: 3-5), before providing the ‘framework of third way politics’ (2001b: 5-13), which reaffirmed Giddens’ belief that an active and interventionist (but not dominant) state was necessary to achieving an inclusive society. Importantly, Giddens stated that ‘The pursuit of equality has to be at the core of third way politics’ (2001b: 8). Indeed, there is no doubt that Giddens now viewed greater equality as an obtainable and necessary objective, rather than the mere aspiration which it had appeared to be only three years earlier. Despite somehow claiming that a ‘full employment economy’ existed in the United States (2001b: 9), the framework outlined by Giddens was indelibly reflective of a politics of the left, with Giddens adamant that investment in education would lead to a more egalitarian ‘opportunity-based’ society. Also advocated was increased regulation of corporations that would require the corporate elite to accept responsibility for ‘the social and environmental costs that business can impose on the wider community’ (2001b: 13). A sincere conviction appeared to have displaced Giddens’ previous equivocation between the desirability and impracticality of policies that would enable a stronger commitment to reducing inequality.

While the chapters that were contained in Giddens (2001) traversed a wide variety of topics, more than a few are of particular relevance to the focus of this thesis (i.e. discerning what the third way is, with specific consideration given to its social policy content). A crucial feature of the chapter by Dalziel (2001) was the central importance attached to income (re)distribution and the incomes of families with dependent children (2001: 95-6). The chapters by Ferrera et al (2001), Esping-Andersen (2001), Midgley (2001), and Leisering and Liebfried (2001) all affirmed key features of the third way as expressed by Giddens. Ferrara et al advocated the importance of an ‘employment-friendly’ welfare state that encouraged employment ‘flexibility’ through increased labour market participation rather than exposing workers to deregulated

13 Although Giddens had previously argued for increased regulation of corporate behaviour, particularly with respect to polluting industries, the commitment to regulation conveyed by Giddens (2001b) was much stronger.
markets. Esping-Andersen argued for a welfare state with a ‘social investment bias’
toward children, though which also acknowledged that some people would inevitably
be dependent on passive income maintenance, and that such transfer payments were not
necessarily unproductive (particularly when children were involved). The chapter
which most resonated with Giddens’ previous expositions of the third way was that by
Midgley (2001), which advocated ‘a new conception of redistribution as social investment
that generates positive rates of return and continuously feeds resources back into the
economy’, thus making ‘a positive contribution to economic growth’ (2001: 158; emphasis
added). Moreover, Midgley’s “social development approach” emphasised policies that
‘invest[ed] in people and enhance[d] their capacity to participate in the productive
economy’ and ‘remove[d] impediments to economic participation’ including
‘institutionalized problems of discrimination’ (Midgley, 2001: 158-165; emphasis
added). 14 Like Giddens, Midgley also promoted increased use of community
development agencies to enhance the “social capital” of disadvantaged communities, 15
while also stressing that the need to focus on ‘a climate conducive to economic growth’
involved greater consideration of the ‘wider social and political environment in which
development occurs’, rather than a narrow focus on low taxes (2001: 165). The chapter by
Leisering and Liebfried, which Giddens had previously referred to (see Giddens, 2000:
93), gave further content to what might be involved in an ‘enabling approach’ to social
policy by highlighting the need for policy that adopted an approach that was
differentiated according to individuals’ specific circumstances, rather than merely
identifying generic ‘target groups’ such as ‘the unemployed’.

Following New Labour’s 2001 election success, Giddens released Where Now For New
Labour? (Giddens, 2002). In this relatively short publication, Giddens again responded
to critiques emanating from the left, primarily by reasserting that the left had to
change, and that his third way was a response to that imperative, through which the

14 Midgley (2001: 165): ‘[I]t is not acceptable that poor clients be exhorted to find work or
subjected to coercive threats without adequate investments that can help them to be productive
citizens’ … ‘it is a question of not only having the skills and abilities to find a job but of travelling
to work, securing child care, and overcoming numerous other obstacles that impede economic
participation’.

15 Midgley (2001: 162) refers the reader to a seminal text on social capital: Putnam’s (1993)
to increase and enhance “social capital”, which he defines as the ‘trust networks that individuals
can draw upon for social support, just as financial capital can be drawn upon to be used for
investment. Like financial capital, social capital can be expanded – invested and re-invested’
(Giddens, 2000: 78). Social capital has, since the mid-1990s, been the subject of a voluminous
amount of literature; see, for example, Field, J. (2003) Social Capital (London: Routledge) or
immutable values of social democracy would continue to be realised. As well as defending his own work, Giddens also defended New Labour’s record in government, claiming that in economic policy, welfare reform, redistribution and ‘some’ aspects of education policy, New Labour had achieved ‘success’ in its first term. Although he effectively gave the Blair Government “needs to improve” grades in health, crime and environmental policy, and particularly with respect to promoting corporate responsibility, Giddens (2002: 3-28) compounded the problematic typology of the third way as “whatever Labour does”. However, Giddens (2002) also explained an approach that he considered to be the ‘Third Way, Phase Two’ (2002: 29-37). Giddens clearly regarded New Labour’s first term as having laid the foundations for now implementing an agenda that was closer to his conception of the third way than that which the first term had actually been. Thus Giddens implored New Labour to ‘develop its ideological thinking further, to progress beyond the ideas taken from the New Democrats [Clinton], and to respond to the transformations of the wider sociopolitical environment’ (2002: 32). The Government should become more willing to ‘recognise that markets have imperfections and failures that need to be corrected by active government’ (2002: 35), and— in a thinly veiled criticism of Blair’s emphasis on choice— Giddens suggested that, in a good society, ‘citizenship is not the same as the right to roam the aisles of a supermarket’ (2002: 37). Thus, in 2002, Giddens was advocating an even more active role for the state, beyond aligning the “public interest” with the ability to choose between a variety of public service providers.

In the fourth chapter of Where Now? Giddens outlined an answer to the question ‘What kind of society should Britain become?’ (2002: 38-53). A crucial and unambiguous aspect of Giddens’ vision was that ‘we should want a society that is more egalitarian than it is today’ (2002: 38), in which equality of opportunity was achieved through redistribution (further implying that the nominal extension of choice was inadequate). Clearly, Giddens advocating that New Labour adopt a stronger commitment toward reducing inequality was not unfamiliar, given Giddens’ heightened concern for inequality in his 2000 and 2001 books. However, the conclusion of Where Now? did mark an important point in the evolution of the third way. Perhaps due to the sustained critical analysis to which the third way had been subjected, Giddens now began referring to his project as ‘the new progressivism’ instead of the third way. Despite this term coming to replace the third way, Giddens’ motivation remained unchanged:

16 This included, of course, the George W. Bush Republican administration in the US and the ‘post 9/11 environment’.
‘The new progressivism ... is social democracy, brought up to date and made relevant to a rapidly changing world’ (2002: 78). Therefore, because Giddens (2002) represented a point at which Giddens’ third way began to be conflated with, or replaced by, other terms, it is appropriate to pause here and discuss where Giddens’ third way might be situated in relation to the field of social democracy.

Conclusion: Giddens and the political field of the third way

It should be apparent by now that Giddens’ conception of the third way can be legitimately situated within the field of social democracy. Although Giddens had certainly diluted core elements of ‘traditional’ social democracy, the commitment to the reduction of inequality that was (increasingly) expressed by Giddens between 1998 and 2002 was certainly not ambivalent; indeed, Giddens’ rhetorical commitment to the ideal of greater equality became almost devoid of ambiguity in the post-1998 texts. However, a degree of conjecture can be raised about whether Giddens’ third way would realise a significant reduction of inequality, and concerning what the third way would be willing to sacrifice in order to achieve a significant reduction. The scope for reducing inequality within the policy framework either identified or inferred by Giddens was constrained in its ability to restrict growth in the earnings of the already-affluent, relative to the incomes of less-fortunate members of society. Although increasing individuals’ access to education would increase their ‘employability’, it does not automatically follow that their living standards will increase, particularly if insufficient demand for such labour eventuates. Such an approach may lead to, for example, people with small business management qualifications “competing” for jobs with a cleaning contractor. That is, Giddens does not appear to adequately consider the effects of low rates of remuneration in those job areas upon which society will always be dependent, or will become increasingly dependent, such as aged care providers. Therefore, although Giddens increasingly came to express a strong rhetorical commitment to the reduction of inequality, considerable uncertainty surrounded the ability of Giddens’ third way, if it were to be faithfully implemented, to actually reduce inequality.

Concerning the comparison between the third way as expressed by Giddens and the third way as implemented by Tony Blair, Giddens’ third way is demonstrably more sincere in its commitment toward equality, and is thus situated further left on the political spectrum. Consequently, Giddens’ articulation of his third way further widens
the conceptualisation of the third way as a political field. Moreover, situating Giddens' third way within the field of social democracy means that the political field of the third way now stretched from a point within the field of social democracy through to a point within the field of neoliberalism (that represented the location of the Clintonite third way). If considered as a single entity, the field of the third way therefore shared areas of overlap with both social democracy and neoliberalism, and which, crucially, included the political centre. Giddens' third way shared an area of paradigmatic overlap with social democracy due to Giddens' advocacy of wealth and inheritance taxes; had Giddens not promoted the taxation of “functionless wealth” that is a key driver in the intergenerational transference of advantage (and hence inequality of opportunity), Giddens' commitment to achieving greater equality would have been much more equivocal and resulted in his third way being situated outside rather than within the field of social democracy. However, before concluding that this interpretation is an accurate definition of what the third way is, it is both necessary and beneficial to consider other theorists' interpretations of the third way. That is, how have other analysts assessed Giddens' claim to have fashioned a paradigm that is 'unequivocally of the left'?
Chapter Three

Interpreting and Critiquing Giddens' Third Way

Chapters One and Two began the process through which the idea of the third way could be constructed as a political field. To complete that process, Chapter Three further explores the third way by considering a selection of the interpretations and analyses of the third way that have emerged since the late 1990s. The third way, either as espoused by various politicians, or as articulated by Anthony Giddens, attracted widespread interest from within a multitude of countries and generated a plethora of academic conferences, articles, book chapters and books, as well as a myriad of media commentaries and opinion-pieces. Providing an exhaustive account of these would be both difficult to compile and tedious to read. An overview of scholarly engagement with the notion of the third way is the objective of this chapter. Moreover, further exploration of the third way via theorists' interpretations is undertaken in order to consolidate the third way as a political field. Texts which offer destructive criticism are as important to this discussion as those which offer constructive criticism; critiques of the third way are a fundamental feature of the debate concerning the contemporary nature of the political left. After investigating interpretations that seek to elucidate the actual content of Giddens' third way, and those which seek to impugn its content, the Chapter concludes by providing a final description of what the third way is, which reinforces the appropriateness of thinking of the third way as a political field that shares spaces of paradigmatic overlap with both social democracy and neoliberalism.

Although the third way precipitated the emergence of a vast amount of literature, it should be noted that, due to the significant differences between the third way as implemented by Tony Blair, and the third way as envisaged by Anthony Giddens, a virulent critique of the Blairite third way is not necessarily wholly applicable to Giddens' third way.¹ Thus this chapter concentrates on interpretations and critiques

¹ As explained through Chapters One and Two, Giddens' third way is considerably "to the left" of the third way as implemented by Tony Blair, due to a much greater commitment to reducing inequality and the advocacy of policies that would increase the capacity of the state to reduce inequality – although there is considerable doubt about whether the policies which Giddens advocates would result in this increased capacity (generated by wealth and inheritance taxes) would actually be used to reduce inequality.
that can be directly applied to Giddens' conception of the third way. Yet it should also be noted that the frequent neglect of differences between Giddens' third and the various "third ways" of different politicians and parties is also at least in part due to Giddens himself. That is, although Giddens has stated that the third way 'is not to be identified solely with the outlook of the New Democrats [Clinton], New Labour, or indeed any other specific party' (2001b: 2), he had previously asserted that 'it would be more accurate to speak of a single broad stream of third way thinking, to which the various parties and governments are contributing' (2000: 31). Furthermore, Giddens' close relationship with the Blair Government and the perception of him defending rather than critiquing New Labour, has also encouraged the "lumping together" of his third way with the political praxis of the Blair Government. In failing to distinguish between the Blairite third way and his own vision of an "ideal" third way, or to be clearer about what an "ideal" third way might look like (which surely would have been possible if his 2000 text were even 40 pages longer), it is probably unsurprising that the third way has been predominantly identified with policies that politicians proclaim to be a third way and not with a normative theoretical project.

**Interpretations**

A particularly insightful interpretation of the third way is that offered by White (1998, 2001). White concludes that, in theory, a plurality of third ways exist: 'the distinctive space of third way thinking ... remains a relatively large space, and ... there can be (and currently are) important intellectual divisions within this space – divisions which correspond to potentially very different political projects' (2001: 3-4). White contends that although the core values of the third way are readily identifiable, 'it cannot be said that the framework amounts, in itself, to anything like a complete political philosophy. It is a framework, and a relatively general one at that' (2001: 6; emphasis in original). White identifies the core values or 'normative commitments' of the third way as being real opportunity, civic responsibility, and community. The commitment to real or 'substantive' opportunity for individuals to access and enjoy 'basic goods such as education, jobs, income and wealth' through mechanisms that emphasise redistribution differentiated the third way from neoliberalism's meritocratic and nominal conception of equality of opportunity (2001:

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2 Stuart White's (1998) 'Interpreting the "Third Way": Not One Route, But Many' was downloaded form the internet (http://www.netnexus.org/library/papers/white2.htm) as a complete webpage, there are, consequently, no page references. It was reproduced ('with some revisions') as White (2001).
4). However, White asserts that the third way is also differentiated from the traditional left through the way ‘real opportunity is conjoined with an emphasis on civic responsibility’ (2001: 5), including taking ‘responsibility for lifestyle choices’ and not behaving ‘in ways that harm the shared, public interests of others when this can be reasonably avoided’. 3 The third value, community, is held to be a derivative of the preceding two: the third way regards a collective of individuals to be a “community” ‘when, and only when, it secures real opportunity for all on the basis of shared, equitably enforced civic responsibilities’ (White, 2001: 5).

A key feature of White’s analysis of the third way was his contention that the third way is also defined ‘by reference to distinctive policy stances and instruments – the “means” of collective action rather than the “ends”’ (2001: 7). The central aspect of this is a reformulation of the role of the state: the state has a responsibility to ensure that all individuals have access to public goods, of which education, healthcare and access to employment are paramount, ‘but denies that the state must directly provide these goods itself in order to discharge this responsibility’ (2001: 7). Furthermore, White discerns that the third way involves innovative thinking about how the state obtains the necessary public finance which then enables it to guarantee universal access to public services of adequate quality. White interprets Giddens’ ‘redistribution of possibilities’ as involving an emphasis on ‘asset-based egalitarianism’, through which disadvantaged citizens are enabled access to rewarding employment (via education and skill acquisition) that then enhances their ability to accumulate assets, creating a more egalitarian ‘distribution of assets and productive endowments’ (2001: 10). 4

Stuart White’s most important contribution to an enhanced comprehension of the third way was his suggestion that Giddens’ third way can itself be differentiated along two competing theoretical dimensions:

There is, firstly, an important and potentially fractious division between “leftists” and “centrists” over the commitment to real opportunity: a philosophical division over exactly what this is a commitment to, and, derivatively, a division over exactly what policies are needed to satisfy it.

Secondly, there is a no less important and potentially fractious division between “liberals” and “communitarians” over the commitment to civic responsibility – more specifically, over 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. (White, 2001: 11)

3 From White’s 1998 text, which referred the reader to J.S. Mill’s On Liberty (1859).
As a result of these tensions, the third way is defined by an 'internal pluralism', which, therefore, creates a plurality of possible interpretations of what the third way is, and how it should be implemented. White contends that, on the first plane of division, Giddens' emphasis upon equality of opportunity could be construed as advocating a more meritocratic (centrist) understanding of the term, rather than advocating a model of equality of opportunity which stresses the core necessity of redistribution (a leftist interpretation). Indeed, if considered only on the basis of Giddens (1998), the third way is arguably more “centrist” than when defined on the basis of Giddens (1998 and 2000). On the other plane of division, the range of civic behaviours for which individuals can be held to be responsible may be interpreted quite narrowly (liberal) or quite broadly (communitarian), potentially revolving around differing perceptions of the meaning of ‘public interest’ and the means of acting according to that ‘interest’. Thus one interpretation of the third way might concentrate exclusively on the responsibilities the unemployed have to find work and on individual responsibility for “lifestyle choices” (a narrow range of behaviours), while a more expansive, communitarian interpretation of the third way would highlight the responsibilities of the employed and affluent to contribute to society, as well as stressing the obligations of the unemployed. Hence it is possible to have leftist-liberal, leftist-communitarian, centrist-liberal and centrist-communitarian conceptions of the third way. Giddens' critique of meritocracy, (later) insistence on wealth and inheritance taxes and the philanthropic obligation of the wealthy toward society would leave his conception of the third way predisposed to a leftist-communitarian interpretation, while a more selective reading of Giddens' texts might lead to one of the other interpretations. Tony Blair's third way is almost certainly identifiable with a centrist-liberal interpretation. White's analysis is, therefore, very amenable to the suggestion that the third way is best thought of as a political field, in which Giddens' third way can be regarded as “further left” than the third way as implemented by Blair and New Labour.

Driver and Martell (2001) took White's analysis further and contended that both of the planes of potential division within the third way (leftist/centrist and liberal/communitarian) are themselves contested terrain. For example, amongst leftist interpretations there is the clear potential for conflict between those who regard redistribution as exclusively consistent with progressive income taxation, and others (such as Giddens) who suggest a greater role for consumption and production taxes (on “luxury” goods and pollution). Similarly, amongst liberals there would easily also be
tension between those who believed that the state should, while recognising a "relatively narrow" range of behaviours as "civic responsibilities", enforce such responsibilities through the use of punitive sanctions and those who believed that the state could only encourage a culture of fraternal responsibility and could not legitimately coerce individuals into changing their behaviour. Again, this analysis of the third way as involving a plurality of possible interpretations and conflicting perspectives strengthens the validity of conceptualising the third way as a political field which can be represented by a continuum of possible manifestations that exhibit varying policy agendas, and which can be distinguished on the basis of being "further left" or "centrist" when compared to other expositions of "the" third way.

Scanlon (2001) offers an interpretation of the third way which argues that, although there are clear discontinuities between the third way and the preceding neoliberal consensus, its claims to being a "new politics" of the left are diminished by the reality of its policy approach representing 'more of a jump to the Centre-Right rather than a step to the Left' (2001: 496). Scanlon's focus is more on the policy practice of Tony Blair's proclaimed third way, the Clinton Administration, and the text of Latham's (1998) _Civilising Global Capital_, than it is on the theory of Giddens, and is therefore arguably less applicable to Giddens' third way. Nevertheless, his conclusion 'that the Third Way is not simply the pursuit of social-democratic objectives by other means, as its proponents insist, but a _recalibration of social democracy_ to the requirements of global capital' (2001: 496; emphasis added), should not be ignored when seeking a comprehensive understanding of the third way. A key aspect of Scanlon's analysis is that the core of the third way involves a contradiction:

In their apparent indifference to the effects of globalisation in breaking up community, the proponents of the Third Way undermine the very social relationships upon which their own strategies of government are dependent. (Scanlon, 2001: 495-6).^5^

In following Scanlon's lead, then, when Giddens dismisses neoliberalism on the basis of its 'self-contradictory' commitment to the free-market and the traditional family and nation (see Giddens, 1998: 15), his own desire for an inclusive society is similarly undermined by the same socially corrosive properties of globalisation, which,

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although qualified, Giddens perceives as a positive force that can be harnessed to contribute to the “public interest”.

Scanlon (2001) also argues that the third way should be interpreted as a pragmatic response to a perception that government has become ‘overloaded’ with responsibilities, an observation and argument drawn from Latham (1998). This interpretation views the third way as an approach that, with its analysis of the changed structure and nature of contemporary society, ‘can thus be understood not as a means of reducing the role of the state in government as a political end in itself but rather as a way of imposing limits on the scope of state action to sustainable levels’ (Scanlon, 2001: 493-4). Furthermore, the adoption of ‘private-sector managerialism and consumerist logic’ by practitioners and theorists of the third way, including Giddens, is seen as motivated not by a moral critique of the legitimacy of state action, but by ‘a more pragmatic concern about the extent and scope of state action and a desire to limit it to sustainable levels in order that government proceed in an effective manner’ (2001: 494-6). That is, while some aspects of “third way thinking” might appear to be the acquiescence of a neoliberal approach to public sector management, such an approach has been adopted due to the imperative to rationalise state action at a time when rapidly changing social and economic conditions had made the range of responsibilities for which the state had previously assumed unsustainable. In short, such policies have been adopted by the third way more as a matter of circumstance than due to a conscious assimilation of neoliberal theory.

Pierson and Castles’ (2002) interpretation of Giddens’ third way suggests that ‘there is more than a hint of a suspicion ... [of] a post hoc justification of the ad hoc rather than the intellectual underpinnings of a new governing agenda’ (2002: 684). Giddens’ third way is, in this interpretation, less an attempt to forge a “new politics” than it is a justification of the particular policy trajectory taken by Tony Blair. Although this simplification of the third way does neglect the important differences between Giddens and Blair, there is merit in their assertion that the third way is less a distinct programme than it is a wide-ranging ‘term for a particular reorientation of parties of the centre-left in the face of a series of substantial changes in their external

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6 Scanlon contends that Latham’s core argument was: ‘... overloaded government stems from a history of “policy incrementalism” whereby successive governments, motivated by social-democratic objectives for a just society, steadily added tiers of responsibility to the state without adequately addressing how these would be funded’ (Scanlon, 2001: 490, referring to Latham, 1998: 163-7).

7 See also Pierson and Castles (2002).
environment (encompassing both new threats and new opportunities)’ (Pierson and Castles, 2002: 684-5). Such an interpretation therefore also emphasises the inherently pragmatic nature of Giddens’ third way. In addition, although Pierson and Castles (2002) take White’s (1998) account of the third way as their guide, they charge that it ‘is possible that White’s gloss gives a greater intellectual coherence to the third way than it really merits’, because the proponents of the third way ‘are still clearest about what it is not’ rather than what it actually is (Pierson and Castles, 2002: 687).

In a similar vein to Pierson and Castles (2002), McKenzie (2002) has argued that, above all, Giddens’ third way is a response to change, but is not a concise, prescriptive theoretical stream of thought. It is better interpreted as a framework for contemporary left-of-centre parties to discern ‘the challenges they face’ and provide pragmatic guidelines by which the modernised aspirations of social democracy might be realised (2002: 98-9). On this view, '[t]he third way is about harnessing the strengths of both government and markets, but also recognising their limits' (2002: 100). As such, it 'seeks to give effect to social democratic values by creating a virtuous cycle of investments in human capital and economic growth' (2002: 105). However, McKenzie concludes that the third way, in the theory of Giddens and in the practice of Tony Blair, is an 'unashamedly electoral project' and is 'properly seen as a response to the extended period in which left-wing parties were excluded from office as a result of their narrow support bases' (2002: 144-5; emphasis in original).

Mouzelis (2001) interprets Giddens’ project as commendable due to its concentration on the ‘humanisation of capitalism’, instead of seeking a socialist alternative (2001: 436). However, Mouzelis contends that the ‘politics of emancipation’ and ‘traditional’ left/right dichotomy which Giddens attempts to distance his conception of the third way from, are actually as central to his politics as to any other paradigm. That is, Mouzelis (2001) claims that Giddens’ third way is itself a form of the ‘politics of emancipation’. Giddens’ third way, concerned as it is with lifestyle decisions, identity formation and recognition (framed in terms of inclusion and exclusion) can be regarded as being concerned with ‘cultural emancipation’; ‘it is a shift in focus from civil, political and socioeconomic to cultural rights’ (2001: 447). For example, Mouzelis believes the third way encourages ‘lifestyle diversity’ and the extension of rights and recognition to those who are ‘excluded’ on the basis of their ethnicity or sexuality, whereas the conservative forces of the right continue to defend the ‘traditional’ family and the non-differential treatment of minority groups. As such, and due to the left’s constitutive
concern for emancipation, 'the struggles for and against cultural/symbolic emancipation are as much linked to the Left-Right divide as were struggles for and against political and economic emancipation' (Mouzelis, 2001: 447). In addition, Mouzelis (2001: 450-2) also argues that Giddens' notion of positive welfare, 'although highly desirable, is even more expensive than the more conventional "negative welfare". ... [It] would dramatically aggravate the present fiscal crisis of the welfare system', not least because policies that increased workers' 'flexibility' would surely also increase employer's labour costs, leading to a reduction in the demand for labour.

Before the fifth Labour Government was elected to power in New Zealand, Eichbaum (1999) sought to understand Giddens' (1998) conception of the third way with the intention of ascertaining whether (or not) it held the potential to establish a new policy consensus (and hence replace neoliberalism): 'Do the policies of the Third Way suggest a new economics, or is it about more of the same?' (1999: 35). Although Eichbaum did not provide a definitive answer, he did give credit to Giddens for advocating a framework which reflected 'the need to fashion a contemporary policy response based on contemporary realities' (1999: 49). However, Eichbaum also argued that the economics which are either explicitly or implicitly associated with the third way were inadequate to constitute a new policy consensus: the third way is both a 'significant departure' from neoliberalism and traditional social democracy, but it is also 'arguably both narrow and conservative' (1999: 51). It is 'narrow and conservative' because it understates and/or underestimates the constraints imposed by open economies on 'the ability of domestic policymakers to exercise the discretion required of an investment state, even one that largely limits its sphere of activity to supply-side reforms' (1990: 50-1). Eichbaum also infers that Giddens' third way neglects the reassertion of aggregate demand that an alternative to neoliberalism might advocate.

Eichbaum concludes his analysis of Giddens' 1998 text by pre-empting the observation made by Pierson and Castles (2002): 'the third way as articulated by Giddens risks being perceived as an attempt to provide a rationale for a political repositioning after the event, and not as an ex ante set of ideas on which to build a viable [alternative] programme' (Eichbaum, 1999: 51; emphasis in original).

In an interpretation of the economics associated with the third way that neglects to distinguish between Giddens' third way and the Blairite third way, Arestis and

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8 Eichbaum also rephrased the question as '... is it a new politics or a re-branding of something with which we are already too familiar?' (1999: 37).
Sawyer (2001) employ the term 'new monetarist'. The authors proceed to describe the key elements of third way economics, which leaves little doubt that the title 'new monetarism' is more suitable than 'new Keynesianism': it is a monetarist policy framework that has been modified with lashings of Keynesian economic theory, rather than the other way round (Arestis and Sawyer, 2001: 2-6). Key to this interpretation are the contentions that the third way maintains the centrality of monetary policy that is divorced from political influence, that the government intervenes only where the market fails, and that 'even if aggregate demand policies matter in the short run... [expansionary] fiscal policy is not required to either “fine tune” or “coarse tune” the economy' (2001: 3-4). That is, the third way appears to accept more of neoliberalism than it disputes.  

Leggett (2004a, 2004b) forwards an interpretation of the third way that also views it as a 'functional response to meet the requirements of social change' rather than being an approach that has been 'developed on any a priori basis' (2004a: 13). However, Leggett also suggests that as Giddens' articulation of the third way progressed (in Giddens, 2000, 2001, 2002) he became increasingly concerned with 'demonstrating how the third way project is in fact anchored in social democracy rather than somehow transcending politics altogether' (2004a: 17). But Leggett also argues that Giddens' attempts to 'update' the values of social democracy have been 'insufficient for developing a lasting political project because the supposedly 'timeless' values he identifies have themselves always been 'subject to competing interpretations' (2004a: 17). Moreover, the third way 'seems to adopt an “end of history” approach that envisages the present state of sociological affairs as a permanent one' (2004a: 18). That is, the third way seeks to adapt the values of social democracy to the world as it is, and assumes that the social changes to which the third way is a response to will continue unchanged (see also Callinicos, 2001: 54-5; Geyer, 2003: 249-51; and Rose, 1999; 2000).  

Leggett (2004b) makes a similar argument: theorists of the third way are too inclined to 'treat the dynamic social transformations they have identified as a fact of nature, rather than [as] historical constructions that can be steered by purposeful political interventions' (2004b: 186). Leggett (2004b: 197) does, however, acknowledge that Giddens is more willing to influence (and create new) institutions at the global level, instead of seeing globalisation 'as something to which we must simply adapt'. Indeed, like Driver and

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9 See also Whyman (2003: 7-17).
10 Rose (1999: 490): '[Giddens' third way] describes the present in epochal terms, implying that there is only one right way to understand and respond to the real changes in our world'.
Martell (2001: 43-5), Leggett (2004b: 198) suggests that Giddens' third way can be regarded as "further left" than the third ways 'envisaged by its present practitioners'.

Perhaps the most common interpretation of the third way is the perspective which contends that the third way is, in fact, "nothing new". In addition, this interpretation has been forwarded as both a virulent critique and as a less critical attempt to comprehend the content of the third way. In general, the critique contends that the third way is not new because it is merely a continuation of neoliberalism; in contrast, others believe that it is nothing more than the latest phase in social democracy's tradition of revisionism. However, one interpretation that is both trenchantly critical, but maintains that the third way is also a continuation of long-established trend within the left, is offered by Nikolas Rose (1999; 2000), who argues that 'there is so little political inventiveness on display':

For despite its epochal wrapping, Giddens's [sic] Third Way is largely a repackaging of political proposals and philosophical themes that have shaped social-liberal thought for much of the 20th century: an admixture of democratization, constitutional tinkering, hopes for a vitalized mixed economy, support for family values, praise for civil society, aspirations to improve the effectiveness of welfare provisions, commitment to equality of opportunity, support for religious and value pluralism, and plans for better international regulation of trade. Not much is new in this politics, apart, perhaps, from the addition of a certain therapeutic individualism (the language of self-realization) and an expansion of the ethic of collective responsibility to include nature as well as humankind. Its techniques of government are minor modifications of those already entrenched, with the infusion of faith in the power of markets (already jettisoned by the former epigones of neoliberalism in the international economy) and a naïve enthusiasm for the mantras of managerial gurus. (Rose, 2000: 1396-7)

With much less venom, others contend that the third way does not offer a "new politics" because it represents a reconfiguration of government policy under the auspices of social democracy, which is itself characteristic of 'a longer-standing (and contested) process of the "programmatic renewal" of social democratic parties' (Pierson and Castles, 2002: 685). Similarly, McKenzie (2002) has argued that social democratic theorists have long been prone to policy revisions in order to facilitate (Labour) parties' election to office; they 'have diluted doctrine in a not always successful bid for votes and office' (2002: 95). Therefore, in the same way that Beer (2001), Fielding (2003), Meredith (2006) and Ryan (1999) insist that there is nothing essentially new about New Labour (as its "modernisation" merely continued a history of revisionism), the same argument has been applied to Giddens' claims about the third way "renewing" social democracy. However, a central argument of this thesis is that there is an extent to which social democracy can be "revised" (for which, read "diluted") before it loses its distinctive identity and characteristics. Critiques of Giddens' third way are crucial
to determining whether it represents an excessive dilution and misrepresentation of social democracy.

**Critiques**

Although many of the previously discussed contributions to the debate surrounding what is the most accurate interpretation of what the third way definitely did direct criticism at the third way, they did not appear to be motivated to discredit the third way (with the exception of Rose (1999, 2000)). That is, the interpretations offered by White (1999, 2001), Eichbaum (1999) *et al* were driven more by a curiosity to discern what the third way *is*, to identify its potential theoretical shortcomings, and to indicate where it needed to strengthen its coherency, than they were by a desire to undermine and reverse the momentum which the third way had attained. For example, when Scanlon (2001: 495-6) identified a potential conflict between the third way's emphasis on 'community' and an alleged indifference or agnosticism to the corrosive effects of globalisation upon communities, he appeared to do so in order to signal that, to realise its potential, the third way would have to acknowledge and resolve that tension. In contrast, the claim of Froud *et al* (1999) that the third way has a fundamental inability to prevent or deal with an economic recession represents a concerted critique of the credibility of the third way.

Froud *et al* (1999) argued that the third way is 'fatally weakened' by the assimilation of 1990s economic orthodoxy, and its propensity toward cyclical recession. As such, the third way lacks an economic management practice that allows it to realise its social objectives (1999: 155-6). The third way does not overcome the inherent tendency of contemporary capitalism toward recurrent cycles of "boom and bust", and instead lurches toward a 'jammed economy' (of which the Japanese experience during the 1990s is the exemplar). Froud *et al* (1999: 163) identify the key characteristic of a 'jammed economy' as being 'deficient consumption': even with a stable macroeconomy and low unemployment, an open economy will experience periods of stagnant economic growth (possibly triggered by exogenous events); the cyclical downturn may then become protracted as pessimism about economic conditions and future growth prospects induce depressed consumption, which then "jams" the economy. From this (essentially Keynesian) perspective, the third way, due to its neglect of the centrality of consumption and the contagious effects of uncertainty, does not provide the means to avoid or mitigate the consequences of the fluctuations which are intrinsic to an open,
globalised economic system. Furthermore, the third way's reliance on education and training as sufficient to generate growth means that, during a downturn, expenditure on education and training must increase; if a downturn were to produce a 'jammed economy' a third way government would thus be forced toward a return to the "tax-and-spend" (and/or "borrow-and-spend") policies it proclaimed to avoid.

Unsurprisingly, many of the critiques of the third way concentrate on the third way as implemented by Blair (or Clinton) rather than on the third way as conceived by Giddens (such as Faux, 1999; Hall, 1999; Ryan 1999). Such critiques emphasise the continuities between neoliberalism and the Blair/Clinton policies; as already explained, Giddens' third way is considerably "to the left" of Blair's (which is, in tum, "to the left" of Clinton's). Such critiques are therefore usually "less" applicable to Giddens' third way. However, a specific critique has been made which, although still not as applicable to Giddens as it is to Blair, remains important to highlight. Dahrendorf (1999) has claimed that an 'authoritarian streak' pervades the third way. Similarly, Rose has declared that:

... the Third Way aspires to a contract between those who exercise power and those who are obliged to be its subjects. Although the former must provide the conditions of the good life, the latter must deserve to inhabit it by building strong communities and exercising active responsible citizenship. (Rose, 2000: 1398)

This 'authoritarian streak' in the third way, where the state will increasingly 'no longer pay for things but will tell people what to do', is most notable with respect to the social contract prescribed by the third way in the sphere of welfare: 'Where normal employment - let alone desirable employment - is unavailable, people have to be forced to work by the withdrawal of benefits' (Dahrendorf, 1999: 16). In short, the third way is authoritarian in that its demands that citizens, in order to be citizens, accept responsibilities and obligations tends more toward punitive encouragement and contractualism than it does toward the paternalism that has long been associated with the left, especially since the third way does not seem to involve a commensurate reaffirmation of the state's responsibilities toward the citizen.

While Geyer (2003) regards the 'authoritarian streak' critique as significant from a perspective of 'complexity theory', a simpler analysis suggests that the authoritarian streak which Dahrendorf and Rose identify is arguably present within the third way because of an interpretation raised in Chapter Two. The third way exhibits an authoritarian streak due to Giddens' desire to be popular (and Blair's electoral imperative to be popular). In order to attain the confidence of an electorate where the
distinction between “working” and “middle” class has become increasingly blurred, and where such “class-based” political allegiances have been eroded by the phenomena of detraditionalisation and heightened individualism, Giddens sought to demonstrate that his conception of the third way was not “soft”. The third way would support and encourage those who accepted the responsibilities defined by the state (which, in turn, had been largely defined by the perceived attitudes of a plurality of voters), while also demonstrating that “free-riding” by those who resisted or avoided their “responsibilities” would not be tolerated.

Another aspect of Giddens’ third way which is vulnerable to an accusation of authoritarian tendencies concerns his stance toward crime. It is also further evidence of Giddens’ desire for his third way to be popular. In addition, whereas Giddens’ third way became more identifiable with a politics “of the left” following the release of Giddens (2000), with respect to crime, the opposite is potentially true. Giddens (2000: 4) endorsed Blair’s catchy soundbite “tough on crime and tough on the causes of crime”, and suggested that for too long ‘many on the left [had] denied the reality of crime, or sought to attribute criminality to other social problems’ (2000: 48). Giddens argued that the left ‘should accept that peoples’ worries about crime are often well founded ... [hence] measures need to be taken to improve the structural conditions that lead to crime, but more immediate policies are at least as important’ (2001b: 11). Therefore, when Giddens has argued that ‘the idea of substantive liberty is what matters – how far regulating some sorts of freedoms produces a net increase in freedom [from crime] for communities as a whole’ (2000: 49), the third way has been interpreted as advocating ‘overriding the [civil] liberties of the few [suspected criminals] in the alleged interest of the many’ (Callinicos, 2001: 60). That is, the third way appears to condone the authoritarian restriction of some peoples’ (or groups’) civil liberties in order to reduce crime.\footnote{This perception was strengthened by Giddens’ (10 January 2005) article in the New Statesman, in which Giddens argued that ‘Scaring people may be the only way to avoid the risks of new-style terrorism’ (Giddens, 2005).}

\footnote{Callinicos (2001:62) attributes the term ‘authoritarian populism’ to: Hall, S. (1983) ‘The Great Moving Right Show’, in Hall and Jacques (1983) pp. 19-39.} Callinicos (2001: 62) asserts that such a stance reflects an adoption by the third way of the ‘authoritarian populism’ that was prevalent in Thatcherite conservatism. The third way displays this streak of authoritarian populism in order to appeal to (or appease) voters who may otherwise be inclined to vote for a conservative party which promotes a “zero tolerance” approach to crime. A “strong” stance on crime and associated demands for individuals to accept greater personal responsibility for their
behaviours are, therefore, intrinsic to the third way's appeal to a wider voter base and indicative of its positioning near the political centre.

Callinicos' (2001) critique is also a prime example of some authors' unwillingness to distinguish between Giddens' and Blair's conceptions of the third way (that is, the treatment of the third way as "whatever Labour does"). Thus many of his charges are especially critical of Blair and somewhat less applicable to Giddens. Nevertheless, Callinicos' core contentions are certainly not irrelevant. For example, Callinicos argues that:

Far from renewing social democracy, the Third Way amounts to an attempt to mobilize the political capital of the reformist left in support of a project that abandons substantial reforms altogether and instead embraces neoliberalism. (Callinicos, 2001: 123)

Furthermore, Callinicos explains how, through the third way's acceptance of (or resignation to) the world as it is (or as it is perceived to be), and its subsequent assimilation of key elements of neoliberal economic orthodoxy, the (diluted) egalitarian aspirations that it does profess are inherently incompatible with, and unachievable within, the policy framework which it prescribes (2001: 54-5). Thus while the third way may claim to pursue inclusion, it is categorically unable to attain that goal; Callinicos ends the second chapter of his book by stating that 'The apostles of the Third Way believe they can ride the tiger of global capitalism. They are likely to be disappointed' (2001: 67). In a very similar fashion, Rose (1999) asserts that Giddens' third way simply does not amount to an alternative to neoliberalism when:

... such a politics offers very little for those who think that our present is still characterized by some rather old forces of injustice, domination, exploitation, cruelty and indifference, that its practices support and obscure some pretty fundamental divisions of power and resources between the "haves" and the "have-nots", and that its political language is suffused with hypocrisy and double-speak. (Rose, 1999: 474)

In a critique that does concentrate on Giddens' (1998) text, Cammack (2004) provides a scathing (though entertaining) deconstruction of Giddens' third way. The third way, Cammack claims, is not 'an innocent manifesto for a resurgent Centre-Left, but [is] a systematic appropriation of the vocabulary and values of social democracy to legitimise and consolidate a new politics of the Centre-Right' (2004: 152). Furthermore, the rhetorical structure of Giddens (1998) amounts to 'the redefinition of key entries in

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13 Also, recall Levitas' critique of Blair's policies: the third way presumes that poverty 'result[s] from deficiencies in the skills and human capital offered to the labour market by workers, rather than ... [as] a consequence of the distribution of positions generated by the social and economic characteristics of the system as a whole' (Levitas, 2004: 47).
the social democratic lexicon in a way which assimilates them to the neo-liberal agenda ... and gets in the way of a genuinely social democratic alternative' (Cammack, 2004: 153). Through a process of 'semantic engineering' ('of making words mean what Giddens chooses them to mean'), which is facilitated by the vilifying of socialism and social democracy, the third way manages 'to legitimise neo-liberal policies by clothing them in the vocabulary of social democracy' (Cammack, 2004: 154-6). Thus Giddens (1998) detaches emancipation 'from the social oppression inherent in the unequal structures of capitalism' and, instead, links emancipation to 'the individual exercise of personal responsibility in a context where government is emphatically not responsible for furthering social justice. Responsibility, it turns out, is the new emancipation' (Cammack, 2004: 154-6). Following from this, Cammack notes that Giddens displaces social democracy's concern for security with the active promotion of risk through the direct exposure of citizens to the 'structured uncertainty' of market forces (2004: 160).

Cammack also contends that the third way's approach to welfare, and unemployment in particular, is 'a straightforward “New Right” stance' in which welfare is conceived of as ensuring the working class are 'attractive to capitalists' and allows the state to distribute (more) resources to entrepreneurs (2004: 162-3). Finally, Cammack's Orwellian interpretation of the third way ('responsibility is emancipation; risk is security; ... inclusion is equality; self-help is welfare') concludes that 'It obviously won’t do to pass this off as renewed social democracy' (2004: 165). Hence, like critiques of New Labour (such as Levitas (2004)), Cammack contends that Giddens' third way is far too acquiescent of markets and neoliberalism to be regarded as a politics that is "of the left". Similarly, McEachern (2001) argued that Giddens has, 'despite his intentions':

... made it clear that it is social democratic goals and not neo-liberal goals that need to be recast. To be more precise, social democratic goals are to be rejected and the objectives of social democratic politics restated as a form of neoliberalism. Despite claims to the contrary, this is not a politics of the left. (McEachern, 2001: 68)

The third way, from this perspective, is far too willing to explain unemployment and inequality in terms of individuals' failure to gain sufficient skills or adequately apply themselves to new technologies (see McEachern, 2001: 72), rather than regarding unemployment and inequality as inevitable consequences of a faith in market mechanisms.

Finally, a critique of the third way that is of particular relevance to this thesis is that offered by Wetherly (2001). Wetherly is one of the few who stress that the third way
should not 'simply be equated with what New Labour does in office' (2001: 149).

Wetherly's subsequent focus is on Giddens' conception of the third way, with specific consideration given to his prescribed approach to welfare. Wetherly contends that although Giddens is much more sceptical than New Labour about the extent of the alleged constraints imposed by globalisation on the domestic policy-making autonomy of governments, and about the prospects for regulating the emergent global (dis)order, he does not give sufficient consideration to the extent to which the economic power exercised by global actors (such as the ability of multinational corporations to 'exit' economies) does shape social policy (Wetherly, 2001: 153-6). Wetherly also argues that although Giddens does recognise capitalism as the source of the problems which are 'the purpose of left-wing politics to confront', and does advocate the importance of wealth taxes and the redistribution of income for enhancing equality of opportunity, Giddens still ascribes 'limiting inequality of outcome ... a poor second place to maximising equality of opportunity' (Wetherly, 2001: 159-61). Hence Giddens undermines his own stated commitment to equality of opportunity. For Wetherly, this palpably weaker commitment to redistribution is confirmed by Giddens 'audaciously reinterpreting the relevant social value, equality, in such a way that the redistributive response is more or less ruled out' (2001: 161). So long as those at the bottom of society are included in the 'mainstream' of society (that is, are employed), attention is distracted from the structural causes of material inequality, and redistribution appears to be superfluous, or (at best) only a minor theme against the importance given to the benefits of flexibility and market forces. Moreover, 'the emphasis on self-actualization minimizes the extent to which unemployment and poverty can overwhelm rather than succumb to our ability to manage our own lives, and this is not least because these risks are structural in origin' (Wetherly, 2001: 164; emphasis added).

Ultimately, Weatherly's critique is reduced to the charge that, like numerous others, 'It is the needs of capitalism which seems to take precedence in the Third Way over human needs' (Weatherly, 2001: 165). Therefore, Giddens' rhetorical commitment to the ideal of greater equality remains shrouded in doubt, due to an inability to avoid the apparent inevitability of unemployment and inequality that the prioritisation of

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14 Wetherly suggests that while the third way can be considered to be 'the "official ideology" of New Labour there will, as with all ideologies, be a gap between ideas and values on the one hand and policy development and implementation on the other. This is because politics responds to a whole set of pressures and influences in addition to ideas and values, not the least of which are maintaining support and setting achievable policy objectives' (2001: 149).
'economic dynamism' creates. While the third way might reduce unemployment and poverty, its incremental adjustments to the structure of contemporary capitalism appear unlikely to eliminate unemployment, or markedly reduce inequality.

Conclusion: The Political Field of the Third Way

Chapter Two concluded that Giddens' conception of the third way could be legitimately situated within the political field of social democracy, particularly since Giddens (2000) appeared to diminish some of the ambiguity surrounding his actual commitment to the ideal of greater equality. Yet many of the interpretations of Giddens' third way identified in this chapter clearly do not consider Giddens' third way to be consistent with social democracy. However, rather than discrediting the conclusion of Chapter Two, such interpretations reinforce the contention that the third way is best thought of as a political field that encompasses positions that can be considered to be to the left of the political centre, as well as positions to the right of the political centre. Thus the third way is defined by an 'internal pluralism' (White, 1998, 2001). Moreover, when thought of as comprising the third way as conceived by Giddens (1998, 2000), as well as the third way as implemented by Blair and Clinton, the political field of the third way is not a politics that is "unequivocally of the left". But when divorced from the policies of Blair and Clinton, Giddens' third way appeared to involve a commitment to equality that distinguished it as a politics "of the left", though not to an extent that could be described as 'unequivocal': there is significant doubt as to whether Giddens was rhetorically committed to achieving greater equality, but actually unable to realise that commitment due to an inadequate approach toward mitigating the economically divisive consequences of contemporary capitalism. Indeed, it is this doubt about the actual capacity of Giddens' third way to achieve greater equality that has been intensified by the interpretations and critiques of the third way identified in this chapter. Can Giddens' third way still be regarded as situated within the field of social democracy?

A passage written by Norberto Bobbio before Giddens penned his first book on the third way provides a particularly accurate interpretation of the field of the third way. Bobbio (1996: 8) wrote that, based on the numerous previous attempts to create an 'inclusive middle' when either the left or the right had gained ascendancy at some historical juncture, the result was always clearly centrist: 'because it attempts to bring together two opposing sets of ideas, which have always proved to be incompatible',

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any attempt at a third way ‘is essentially a doctrine in search of a practical politics, and as soon as this is achieved, it reveals itself as centrist’ (Bobbio, 1996: 8-9; emphasis added). That is, in attempting to reconcile the best of both left and right, which may (and probably will) appear attractive and coherent in theory, the awkward combination of competing ideals will inevitably produce, when implemented, a compromise between left and right. The compromise is the consequence of the insoluble tension between the aspirations that distinguish left from right. This is why critics of Giddens’ third way are able to raise considerable doubt about the capacity of the third way to produce outcomes that would legitimize its claim to being ‘unequivocally of the left’. However, critics simultaneously embellish the extent to which the third way is “unequivocally of the right”.

Giddens’ conception of the third way, while clearly assimilating some key economic arguments that originate on the right, also clearly contests key elements of neoliberalism, particularly the concept of meritocracy. His endorsement of the taxation of “functionless wealth”, such as inheritances, and greater regulation of corporate behaviour also distinguishes his project from the right; without reservation, Giddens aspires to a more egalitarian society than that created by the ideological dominance of neoliberalism during the 1980s and 1990s. Nevertheless, the tension between his commitment to egalitarianism and the ‘economic dynamism’ which he prioritises mean that the third way, as suggested by Driver and Martell (2001):

... involves the combination rather than the transcendence of left and right. Principles such as equality, efficiency, autonomy and pluralism, over which the left and right have long been divided, get mixed together rather than left behind. The novelty of the third way lies in this combination of left and right: it is a mixture which is neither exclusively of the left or of the right (2001:41-2)

Therefore, the conceptualisation of the third way as a political field remains relevant: the third way can be interpreted (by focusing on Giddens’ goals) as being similar to social democracy, but it can also be interpreted (by focusing on likely policy outcomes) as being similar to neoliberalism. Thus, overall, the third way should be interpreted as including aspects of both social democracy and neoliberalism. The field of the third way therefore includes the political centre and shares spaces of paradigmatic overlap with both the field of social democracy and the field of neoliberalism. Consequently, the third way is a politics that is not unequivocally of the left, but nor is it unequivocally of the right. Bobbio’s contention, that once a third way is implemented, ‘it reveals itself as centrist’, also turns out to be particularly astute, as the case study of New Zealand’s fifth Labour Governments in Chapters Four and Five will now evidence.
Chapter Four

Labour’s First Term: Taking Policy to the Centre

The 1999 New Zealand general election was unquestionably a landmark event in the country’s history. At the very end of the twentieth century, the New Zealand public clearly signalled its desire for a new government to take the country into the new millennium. What was somewhat more ambiguous, however, was the degree of change in policy direction that voters had called for. While the result itself was a distinct victory for Labour over the incumbent National-led minority government, Labour did not attain sufficient votes for a parliamentary majority and thus not an explicit endorsement of its policies or personnel. Yet the ability of the Alliance and the Greens to secure seventeen seats between them gave the centre-left 66 out of 120 parliamentary seats and meant that the 1999 election result was indeed a ‘Left Turn’ (Boston et al., 2000: 7-11). Nevertheless, after 15 years of being an antipodean laboratory for a neoliberal policy agenda of economic reform (see Kelsey, 1995; Jesson, 1999; Roper, 2005), there is also salience in contending that the 1999 election result was more a vote of no-confidence in a continuation of National’s economic and social policies rather than a resounding mandate for a leftward lurch and the restructuring of what had been restructured. Had the citizenry voted for stability and pragmatism instead of dramatic change? Did the Labour-led Government provide this by implementing a policy agenda drawn from the centre of the political field of the third way?

Situating Labour’s policy practice within the theoretical construct that is the field of the third way is not necessarily a straightforward task. As previously identified, although Tony Blair professed that his New Labour administration was a ‘third way government’, there were (and are) significant differences between his approach and that advocated by Anthony Giddens. Hence, given that Helen Clark declared her regime to be ‘a classic Third Way government’ (Clark, 16 June 2000a), it should not be automatically assumed that the policies of the Clark-led governments since 1999 have been quintessentially reflective of any of the many possible interpretations of the third way.¹ Moreover, while Clark and other Ministers, most notably Steve Maharey, did proclaim themselves to be exponents of the third way during the 1999-2002 term, there

¹ Please note the structure of the bibliography; speeches by Helen Clark and Government Ministers are in a separate section, due to number that were collected and analysed.
appeared to be a directive to avoid using the specific term “third way” during its second (2002-2005) term (as explained in Chapter Five). Nevertheless, terminology and rhetoric associated with the third way has continually punctuated the Government’s approach since 1999; Helen Clark, for example, stated in June 2004 that:

> Our government has been redefining and rebuilding the role of the state in an open economy. While twenty-first century governments exercise fewer formal and regulatory powers than in the past, there are still critical and important roles for governments to play. We have defined these roles as being leadership, partnership, facilitation, brokerage, and funding and direct provision where appropriate. (Clark, 8 June 2004)

This proactive role for the state, determined by the decision-making constraints of globalisation, comes after the times when ‘governments have swung between the extremes of hands on and hands off government. It is now clear that the appropriate role for government lies between these two extremes’ (Clark, 27 August 2002). For Helen Clark, the appropriate role for government is defined by a programme which:

> is reinforced by our commitment to strong leadership, a stable policy framework, a commitment to opening up world markets to our goods and services, and by the priority we place on social cohesion, participation, and opportunity so that the benefits of progress can be widely shared (Clark, 11 February 2003; emphasis added)

At first glance, then, it appears that from 1999 the third way was adopted by the fifth Labour Government. However, in the realm of politics, actions have a more enduring legacy than words alone. Therefore, categorising Labour’s approach as a definitive portrayal of the third way requires much deeper investigation. Hence the task of determining the consistency of the policy approaches of the fifth Labour Governments with those of the third way will be spread over two chapters. This chapter provides a discussion of key policies of the Government’s first term, and shows that these policies meant the Government could be accurately described as a “third way government”, but not one with a genuine commitment to reducing inequality. Chapter Five then considers key features of the fifth Labour Government’s second (2002-2005) term. Again, the approach of the Government is shown to clearly lend itself to characterisation as being unequivocally of the third way, though not as a politics that is unequivocally “of the left”.

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2 Steve Maharey, however, appears to have been less enthusiastic to distance himself from employing the term: in June 2003, Maharey gave a speech entitled ‘The Third Way and how I got on to it’ (Maharey, 3 June 2003).
Labouring to Power: The context of the 1999 election

The National Party, elected to govern in October 1990, dominated New Zealand's political landscape throughout the 1990s. During its time in government, National implemented a policy agenda that was clearly drawn from the field of neoliberalism. Consequently, by the end of the 1990s, New Zealand was a dramatically different place to that in which much of the voting age population had grown up. Many, particularly the low skilled, had experienced often protracted or repetitive periods of unemployment. A large number of children were being raised in over-crowded homes where the parents (or sole parent) were battling to pay for electricity and power bills, let alone provide adequate clothing or nutrition, or books to enhance their children's learning. And that was the all-too-often repeated case even before the National Government privatised thousands of state-owned houses and instituted 'market-referenced' rent-setting in 1996 (see Murphy, 1999). By 1998, the country's lowest 10 per cent of income earners had witnessed the 'real spending power' of their average income fall by 5.8 per cent when compared to its 1984 level. The spending power of 'middle New Zealand' (the fifth decile of income earners) had also dropped, in their case by 7.2 per cent. In stark contrast, the real spending power of the top decile, the highest income earners, had increased by some 32 per cent. In short, 15 years of neoliberal policy (1984-1999) had created a society defined by inequality. It was within this reality that the 1999 election campaign was situated.

Although the previous years of policy restructuring had certainly created a significant constituency of disaffected voters that could be expected to be inclined toward the policies of the Labour Party, the 1980s and 1990s had also witnessed the somewhat paradoxical increase in individualism and conservatism amongst voters. That is, as described by the likes of Stuart Hall (recall from Chapter One), the theoretical basis

3 Boston and Dalziel (1992) provide a comprehensive overview of the policies initiated during National’s first year in office. For further analysis of National’s (1990-1999) tenure, and how National continued the neoliberal agenda begun by the fourth Labour Government, see Kelsey (1995) and Boston et al (Eds.) (1999) - particularly the chapters by Boston and StJohn (1999), Higgins (1999), Murphy (1999), and Walsh and Brosnan (1999); see also Easton (1997), Rudd and Roper (1997), Jesson (1999) and Roper (2005). For invaluable documentary analysis of the changes to New Zealand’s political economy since 1984, see Barry (1996, 2002). For a concise account of the changes to macroeconomic policy implemented in New Zealand since 1984, see Dalziel and Lattimore (2001, 2004). For an account that concentrates on the political-electoral context, see Aimer and Miller (2002).

of policies that exhorted self-sufficiency and individual responsibility had become “hegemonic” and had been accepted as “common sense”. In contrast, the policies of the “traditional” left had been discredited and marginalised by this new “orthodoxy”, and by changed social structures and employment patterns. Therefore, promoting the third way, rather than social democratic policy, would be more likely to be conducive to electoral success.

During its nine years in opposition, the New Zealand Labour Party had undergone a process of redefinition not too dissimilar to that of the British Labour Party as described in Chapter One. It had sought to distance itself from the vastly discredited and politically untenable policies associated with its (now distant) past. Consequently, when Helen Clark assumed the party’s leadership following the 1993 election loss, ‘in the vital area of economic policy the differences between the two [main] parties were more imagined than real’ (Miller, 2001: 231-2). Labour, while disagreeing with and contesting much of National’s further deregulation and fiscal restrictions, had conceded the interventionist left to the Alliance and had situated itself in a more centrist position.

Following its third successive defeat at the polls in 1996, the urgency with which Labour sought to affirm its “redefinition” (or “rebranding”) as a party attractive to more affluent sections of the population escalated. Much of the drive for this came from Clark herself. As Miller (2001: 238) has discerned, Clark was aware that Labour’s future lay in:

... persuading an increasingly individualistic, economically conservative, and predominantly middle-class electorate that Labour, more than National, is a stable party with a moderate political agenda of: economic prosperity; fair tax rates; sound health, education and superannuation policies; and a safe and harmonious community.

However, other than attempting to differentiate itself from National on various issues, Labour was without a set of guiding ideas; without a paradigm from which to draw policy. Jane Kelsey has claimed that, while in opposition, ‘the Labour Party was palpably afraid to debate what it now stood for, let alone to develop a philosophically driven policy programme’ (2002: 60). While Labour could define what it stood against, namely National and neoliberalism, it appeared unable (or unwilling) to delineate what it stood for. It is, then, not surprising that Labour began to adopt the

5 However, unlike New Zealand Labour, the British Labour Party did not have to consider how it could reconnect with the voters and party members it had alienated through the strident adoption and implementation of a neoliberal policy agenda (1984-1990) that was antithetical to its social democratic foundations. Also, see Rudd (2005).
rubric of the third way as the 1999 election approached, particularly given the popularity of Tony Blair in Britain. Labour made it clear that it wanted to define itself against the “extremes” of the previous two decades: ‘The excesses of hands on government failed New Zealand, but so have the excesses of hands off. That’s why we seek a new way; a third way’ (Clark, 8 May 1999; emphasis added). Clark was adamant that, like Blair’s in Britain, her party was one which had shed itself of the policies (though not the values) of the old left while simultaneously remaining diametrically opposed to neoliberalism.

Consistent with a third way strategy to demonstrate a continuation of social democratic ideals, Labour’s 1999 election campaign material combined a pledge to achieve a reduction in inequality with the prioritisation of market-led economic growth to create jobs (NZLP, 1999a: 1). Labour’s perceived traditional strengths of health, education and welfare, were also reaffirmed, though were augmented to appeal to more conservative voters. For example, Clark declared that ‘We’re going to put the heart back into the health system. We are going to put people before profit and cut waiting times for surgery’, but also promised to give particular attention to rural healthcare services and ‘cut back the health bureaucracy’ (NZLP, 1999a: 7-8). In the key area of welfare policy, Clark’s core promise was obviously punctuated by the rhetoric of the third way:

Labour wants New Zealanders to achieve their potential. Our policies will ensure real opportunities for all. Instead of a welfare state designed for old risks, old industries, and old family structures, we need a system which can help people negotiate unpredictable change. While it is the responsibility of the state to ensure that people have the tools for economic and social participation, it is the responsibility of people, families and communities to make use of those tools to improve their lives. (Clark in NZLP, 1999a: 11; emphasis added)

Labour’s extensive (537 page) policy manifesto also exhibited the clear permeation of “third way thinking”: ‘it is important that the benefits system be adapted to help people capable of work move from unemployment to employment’ (1999b: 456). Consistent with the third way of Giddens, Labour was advocating a shift from the passive distribution of benefits to a positive welfare approach.

Importantly, Labour’s pre-election positioning also signalled its alignment with the prevailing economic orthodoxy: a ‘strong’ fiscal position and continued price stability, which correlated to budget surpluses and the continued operational independence of the Reserve Bank to maintain low inflation (see NZLP, 1999a: 1-6). Consistent with Labour’s key themes in all areas, it was also clear that the party would work with business (though not for business) to progress toward integrated social and economic
objectives that were attractive to a wide collective of voters: economic growth that benefited those who were frustrated and disadvantaged under National; which, in reality, was a very large bloc of voters.

While it is conceivable that Labour might have been able to come to power in 1999 on the back of widespread voter disillusionment and discontent after nine years of divisive policy that never delivered what it promised, the party was definitely assisted by the adoption of an agenda that was difficult to disagree with. Labour denounced the policies of the incumbent government, yet was not offering a return to its interventionist roots. It appeared to be offering the best of both: the prosperity promised by a dynamic market economy and a simultaneous commitment to health, education and a better standard of living for all. The state would intervene, but not interfere: an attentive partner to the needs of business, local government and communities. There was something for everyone. Labour, in sum, was offering a platform that could be situated at the centre of the political field of the third way (and probably even a little to the left of the political centre.) But, once in government, it would be the extent of change in the areas of social policy (in its broadest sense) and industrial relations, the degree of reorientation in the parameters of economic policy, and (perhaps most indicatively) the elements of government policy that would not change that would determine the substantive distance which Labour would put between itself and the policies of the 1990s.

**Labour in Government: Implementing the third way**

Whether Labour's centrist positioning within the field of the third way or the widespread dissatisfaction with the incumbent government primarily explains the 1999 election result—a majority of votes for a centre-left coalition government—could be argued either way, and both undoubtedly played some part in the result. In either case, the following analysis documents how, in language and through policy, the first term of the fifth Labour Government can be situated within the political field of the third way.

This discussion of the Government's first term combines analysis of government policy, key policy initiatives and Ministerial speeches to demonstrate the permeation of "third way thinking" within policy formulation. Whereas other analyses of the fifth

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6 Speculating the result of an election where Labour proposed "old left" policy would achieve little; but to expect that Labour would have secured the same result is simply naïve.
Labour Government (Kelsey, 2002; Roper, 2005) begin with the assumption that the policies of the fifth Labour Government epitomise the third way, this chapter validates that assumption. Labour can be labelled a “third way government” not just because the Prime Minister and other Ministers have proclaimed that mantle, but because the Government has systematically instigated a policy approach predicated on third way theory. However, although the Government can be identified as a “third way government”, a crucial point of this chapter (and of this thesis) is that the policies implemented between 1999 and 2002 cannot be located within the space of paradigmatic overlap shared by the political fields of social democracy and the third way.

**Early Indications**

Only four days before Christmas in 1999, Helen Clark’s first Speech from the Throne was delivered as parliament convened for the first time since the November 27 election. The oration announced that Clark and the Alliance had agreed upon the formal objective of ‘implement[ing] a policy platform which reduces inequality, is environmentally sustainable, and improves the social and economic wellbeing of all New Zealanders’ (Clark, 21 December 1999; emphasis added). Although this, and other aspects of the speech, afforded the Government the impression of a distinctive left-of-centre agenda, no indication was given that it was the Government’s intention to realise this goal through greater redistribution of income. Rather, the enunciation of government policy propounded that ‘social advancement for New Zealand cannot proceed satisfactorily without improvement in the country’s overall economic and social performance’. The underlying belief expressed was that reducing inequality was subordinate to (and contingent upon) generating economic growth. The inverse – that reducing inequality might encourage growth – was not countenanced. Thus Clark assigned the Government a proactive role in facilitating a shift away from the economy’s vulnerable dependence on primary sector commodity exports, reducing national debt, increasing research and development expenditure, and focusing on human capital development. Clark was clear that ‘simply relying on market forces will not deliver these changes’; however, the Government was, by itself, similarly unable to realise

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7 The Speech from the Throne is the Prime Minister’s enunciation of the Government’s objectives and intended policy for that Parliamentary term, although it is delivered to Parliament by the Governor General on behalf of the Prime Minister.
such objectives (Clark, 21 December 1999). Government assistance, not market competition or state protection, was the dominant theme.

Key policies foreshadowed by the Speech from the Throne indicated the Government would move quickly to distinguish itself from its National predecessor, and deliver on its key election pledges. Although each of the policies and reconfigurations proposed did represent a step back from the neoliberalism of the 1990s, even cumulatively, they did not amount to more than a moderate reconfiguration of government policy. The Government’s intended reconfiguration of employment law, for example, would be amenable to ‘the demands of a rapidly changing economy’ (Clark, 21 December 1999), which implied that it would be flexible enough for business to maintain a structural advantage over labour in employment and remuneration negotiations. Overall, more explanation was given to how the Government’s economic goals would be achieved, despite the importance that the speech had appeared to ascribe to ‘reducing inequality’. Thus, like Giddens and Blair, Clark was advocating “new means to achieve old ends” and claiming that social justice and economic dynamism could be complementary objectives, although (like Giddens and Blair) exactly how the new means (such as greater expenditure on research and development) would achieve old ends (reduced inequality) was much less clear.

The business and financial community was unconvinced of the Government’s ability to generate economic growth. For many in the corporate sector, the election of a Labour government and, in particular, the presence of the Alliance at the Cabinet table, was decisively anti-business (Aimer, 2004: 5). As Kelsey (2002: 74-9) and Roper (2005: 113-5; 223-4) have both recorded, business opposition to Labour’s policies manifested itself in the form of a ‘crisis in business confidence’ that was relayed to the public through the largely sympathetic and uncritical media. Despite clear indications of economic growth and improving employment statistics, support for Labour suddenly collapsed in mid-2000 (Aimer, 2004: 4). It was further evidence of the pervasiveness of the “what’s

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8 For example, Industry New Zealand would be established and resourced to provide assistance to industries, particularly those seeking to export, as well as providing advice on economic development to the Government.


10 For a persuasive indictment of the coverage of the new Labour-led government by New Zealand’s major newspapers, see Bale (2005).
good for business is good for New Zealand” argument that was a legacy of the 1990s, except it was now “what’s bad for business is bad for New Zealand”. As Clark observed:

Despite the fundamentally positive outlook, we are told that business opinion is gloomy about the future. We are told that business doesn’t like certain government policies. We are told that the effect of those policies will be to drive down business confidence to the extent that the gloom will become a self-fulfilling prophecy and drive down economic growth. (Clark, 16 June 2000a)

In response to the pessimism of business, which focussed on the proposed Employment Relations Bill, Clark and her senior Ministers undertook what has been referred to as a ‘smoked salmon offensive’ (Kelsey, 2002: 78). Desperate to placate the concerns of business, Clark propounded that the ‘fundamentals’ of government policy had not changed. In each of three speeches (Clark, 16 June 2000a; 10 August 2000; 24 October 2000), the Prime Minister stressed the ‘moderate’ nature of her government and the extent to which it was committed to ‘positive relationships’ with business.\(^\text{11}\) Clark emphasised that: neither the Reserve Bank Act nor the Fiscal Responsibility Act had changed; the Government was ‘running a tight fiscal policy’ with forecasts of ‘good surpluses’; promoting ‘open world trade’ was a core commitment of the Government; and that government spending was ‘actually decreasing as a proportion of GDP’. What was different about her government, and thus beneficial for business, was the recognition ‘that these fundamentals on their own are not enough. If they were, the economy would be in better shape after 15 years of commitment to them than it is today’ (Clark, 24 October 2000).

While the opposition of business to government policy centred on the key issue of ‘whose interests would take precedence in economic policy’ (Kelsey, 2002: 75), the (reactionary) attention given to business leaders in mid-2000 conveyed ‘that they and the Government spoke with one voice on such key objectives as economic growth, a strong export sector, and free trade’ (Aimer, 2004: 5). As Kelsey (2002: 51) assessed, this was ‘hardly an orthodox centre-left response to the legacy of Rogernomics’. For Clark,

\(^{11}\)The 24 October 2000 speech was delivered to an invitation-only forum for ‘business leaders’, although it should be noted that the “implacably hostile” New Zealand Business Roundtable was not invited – see Roper (2005: 113-5; 223-4).
however, this made hers ‘a classic third way government’ (Clark, 16 June 2000a).

Indeed, this episode of the Government’s attempts to keep business “on-side” resulted in
confirmation of its increasingly apparent centrist positioning within the field of the
third way: the Government communicated that reducing inequality was not a “higher
goal” than achieving economic growth.

The Labour-Alliance Coalition’s first Budget, delivered by Minister of Finance
Michael Cullen in mid-June 2000, would have also done much to allay the fears of the
corporate sector. While the Budget included many references to the ‘progressive’ nature
of the Government’s agenda, it was defined by Cullen’s resolute commitment to fiscal
austerity:

We have promised that we will be a fiscally conservative Government and we will
hold to that promise. The $5.9 billion spending cap we have imposed on ourselves
remains in place, even though it will demand great discipline over the next two
budgets. (Cullen, 2000: 2, emphasis added)

The Government’s self-imposed spending restrictions signalled that it did not subscribe
to economic management practice that held a major role for the state to stimulate
economic growth through measures that increased consumption. Expanding the
economy’s productive capacity, not increasing aggregate consumption through income
redistribution or expansive public works schemes, and developing an innovative
economy would be the basis of ‘rebuilding a fair and sustainable social and economic
order’ (Cullen, 2000: 1). Thus there was no suggestion of restoring the spending power of
benefit recipients to the equivalent of their pre-1991 levels. Rather, the Government
would pursue its equity objectives through facilitating the expansion of the private
sector, especially in the application of new technology. To that end, the bulk of the
“new” expenditure announced in Budget 2000 was directed toward funding increases for
industry assistance, research and development initiatives (in the public and private
sectors), and education initiatives (particularly vocational training).

Budget 2000 affirmed Labour’s approach of prioritising the conditions held to be
conducive to production-led economic growth. This would, in turn, create increased
economic opportunities, which would be Labour’s vehicle for its social policy goals:
‘every individual should have the opportunity to participate in the labour market – this
is an important part of building an inclusive society’ (Cullen, 2000: 6, emphasis added).
Moreover, Cullen proclaimed that ‘[t]he extension of economic opportunity [through
employment] is not only the basis of economic prosperity, but also of social justice’ (2002:
9, emphasis added). Cullen even declared that ‘[w]here there are rights there are also
responsibilities' (2000: 9, emphasis added). And, in his conclusion, Cullen proclaimed that Budget 2000 was 'about enabling people to participate in a vibrant social democracy' (2000: 13, emphasis added). Therefore, at that stage, Cullen's first Budget speech was possibly the clearest exposition of the Government's adoption of the third way without actually identifying itself as such.12

Further evidence of the Government's positioning within the field of the third way continued to accumulate in the latter months of 2000. In September, the Government's Employment Strategy was released (Maharey, 2000).13 The Employment Strategy made the Government's commitment to employment as the key to social policy unequivocal. In order to realise an 'inclusive and innovative economy' that operated 'for the benefit of all', the objectives of the Strategy were to 'reduce the persistence of disadvantage within the labour market' and 'ensure that all labour market participants have the opportunity to achieve their full potential' (Maharey, 2000: 7). Despite the Strategy's promises of 'opportunity creation', 'capacity building' and better 'matching' of people with the jobs available (and the skills demanded), the document was another exposition of the Government's belief that incremental adjustments to the prevailing economic orthodoxy were sufficient to deliver substantial economic growth, but with more equitable outcomes. Moreover, the aspiration for inclusion appeared vastly intimidating when the document also disclosed that approximately one million of the 2.87 million-strong 'working age population' was 'not in the labour force' (Maharey, 2000: 20). Hence, if inclusion was defined only by labour market participation, almost one third of the working-age population would be potentially defined as "excluded".

Another aspect of the Government's commendable though vastly insufficient commitment to mitigating poverty was that, as of December 2000, tenants of state houses would pay no more than 25 percent of their income in rent. This was typical of the Government's first-year policies: it was commendable in that action was taken to mitigate poverty, though it was vastly insufficient in that it fell short of alleviating the hardship experienced by all those who were experiencing poverty because it did not apply to those in private rental accommodation. Nonetheless, and probably as a result of its prioritisation of growth over equality, the Government ended its first year in office with support for the Labour Party and confidence in the economy restored to levels comparable to those of January 2000 (see Aimer, 2004: 4-6). More than that, the

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12 See also Clark (16 June 2000b).
Government's prioritisation of growth over equality exhibited its centrist positioning within the field of the third way; over the course of the following 12 months, this positioning became even more apparent as the Government reconfigured social policy under the rubric of social development.

**Adopting the third way's conception of equality**

In mid-2001, Helen Clark gave substantial content to the Government's approach to inequality and consequently evidenced that its conception of inequality was identical to that prescribed by the third way. The Prime Minister explained that she did 'not consider uniformity of income to be the goal', as it was 'neither realistic, nor ... desirable' (Clark, 3 April 2001). The Prime Minister argued that, 'the aim should be to enable all to live at a level which enables each to participate in [the] society around them.' While there was a clear rationale for redistribution 'in the broader public interest, and to top up the life chances of those who would otherwise fall to an unacceptably low standard of living', the objective 'of that redistribution should not be to sustain people at a bleak level of subsistence which leaves them without any hope'. 'The concept of participation', Clark advised, 'brings us closer to how I think the concept of equality can be more usefully defined' (3 April, emphasis added).

A challenge that Clark perceived for Labour in the 'post-neoliberal era' was to 'extend and promote the rights of all groups in society' and to 'reclaim that old egalitarian streak' established by the first Labour Government in the 1930s. Helen Clark's egalitarianism, centered 'on the notion[s] of equality of citizenship and equality of opportunity' (3 April 2001; emphasis added). The role of education was given particular ascendancy in Clark's approach to achieving greater equity: 'empowerment through education is critical for less advantaged communities' (3 April 2001). Furthermore, the 'digital divide' between advantaged and disadvantaged groups threatened to restrict the opportunities available to low income groups and further exacerbate societal divisions; as Clark had earlier opined: 'The new poor are those who lack access to

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14 Clark often sought to establish comparisons between her own and the first Labour Government (see, for example: Clark, 7 August 2001; 18 May 2002). In the latter speech, Clark claimed the similarity between the two was because both governments had sought to social democratic values after coming to power in the aftermath of protracted economic recessions. Clark can easily be accused of exaggerating, first, the similarities between her Government's policies and those of the first Labour Government (whose 1938 Social Security Act can only be described as the sort of "radical restructuring" that Clark fervently avoided). Second, Clark was clearly also stretching the extent of similarity between the economic situation of the late 1990s and that of the early 1930s.
knowledge and the new technologies' (18 November 2000). Furthermore, 'We live in an age where information is power. Without education, the ability to access and comprehend information and to participate in society is limited and job prospects are poor' (3 April 2001). Finally, Clark also stressed that:

... alongside the rights of citizenship go the responsibilities of citizenship. We each have a responsibility to contribute to the maintenance of the society; to its institutions, infrastructure and well being; and we have the responsibility of sustaining ourselves to the extent that that is possible before accepting the security offered by the state. (Clark, 3 April 2001, emphasis added)

The Prime Minister was, of course, not the only member of the Executive promoting the Government's obviously third way approach to social policy. The Minister responsible for social policy, Steve Maharey, can easily be regarded as Labour's third way "guru". In numerous speeches throughout 2000 and 2001, Maharey's fondness for the third way was highly evident. Analysis of Maharey's speeches reveals that he was often paraphrasing Anthony Giddens' cogitations; for example, early in the Government's tenure, Maharey declared that:

The conditions of that gave rise to the post-war welfare state no longer exist and we, therefore, need to change our thinking. ... Instead of a welfare safety net focused on relieving problems, we need a welfare state that prevents problems. (20 March 2000)

Later in 2000, he expressed his belief that '[i]t is the job of the Government to provide security for those who need it and opportunity for those who can take it' (12 September 2000). Maharey also increasingly framed his approach through the use of terminology such as 'positive welfare', 'social investment' (15 September 2000) and 'social exclusion' (25 October 2000). In an oration that outlined his vision of a 'renewed welfare state', the Minister declared that his thesis was 'that the increasing pace of economic, technological and social change is making the welfare state more rather than less important' (11 December 2000). These speeches – delivered around the time the Government's Employment Strategy was released - unequivocally situated employment as the key to the modern welfare state and argued that the role of the state was to 'focus on enabling and developing the skills and capabilities of individuals to meet the challenges of the global economy' (11 December 2000).

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15 Although Clark did not explain how this meant that the 'new poor' were really any different to the "old poor"; that is, the "old poor" were surely more likely to be unable to access new technologies.

16 Kelsey (2002: 61) records how quotes printed in newspapers in 1998 and 1999 evidenced Maharey's alignment with the third way. Also, see Maharey (3 June 2003) for his own account of how he came to identify with the third way; the speech carried the title 'The Third Way and how I got on to it'.

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In March 2001, Maharey rhetorically asked an audience, ‘Does the third way constitute a vision for New Zealand?’ Unsurprisingly, he followed that with ‘Yes it does’ (Maharey, 26 March 2001). He was, however, ‘reluctant to use the term “third way”, because it was ‘imported’ and therefore ‘somewhat imprecise’ as it did not entail ‘a prescription that can simply be taken off the shelf’ and applied (or administered) to the New Zealand context. Moreover, adopting the third way ‘brand’ could become a source of political instability which compromised the intended outcomes of government policy. As a result, the Minister stated: ‘In preference to the term “third way” I will use the expression, “the new social democracy”’ (perhaps hoping that none of his listeners were aware of a book entitled The Third Way: The Renewal of Social Democracy). After declaring that ‘We cannot afford to be seen as a government without a project, or as defining ourselves as what we are not’, Maharey proceeded to describe his vision of a “new” social democracy (26 March 2001).

The foundation of Maharey’s new social democracy was to be the generation of ‘sustainable non-inflationary economic growth’ that fostered social inclusion. In turn, the basis for this would be provided by fiscal discipline, stability in monetary policy and an overall ‘strategic plan’ that would guide state interventions to maximise investments in research and development, knowledge and skills, and ‘industries where New Zealand has a demonstrable comparative advantage’ (Maharey, 26 March 2001). However, the Minister was also quick to point out that ‘the new social democracy does not require the parties of the left to repudiate the past in the name of the siren attractions of the politics of the electoral centre.’ That is, in advocating such policy, the Government was not abandoning its traditional heritage and values, nor was it assimilating the economic doctrines of the right; it was charting a new path forward that was of a distinctively leftward orientation.

In reality, Maharey’s ‘new social democracy’ was not what he proclaimed it to be. Although the approach to inequality that had been articulated by Helen Clark in 2001 and by Steve Maharey in 2000 and 2001 did not amount to the abandonment of greater equality as a policy aspiration, and was certainly not the assimilation of neoliberalism’s moral critique of the welfare state, it was, nevertheless, a diluted commitment to the goal of greater equality. Furthermore, the notion of equality of opportunity that the Government evidently subscribed to was one that implicitly justified the continued existence of inequality: the growth of social inequality in the
1980s and 1990s decisively inhibited many individuals' "potential" (mostly through the educational under-achievement of the poor), thus to commit to merely seeing that 'individuals reach their potential' was to admit that the state was ambivalent in its commitment to reducing inequality. Because the restructuring of the previous two decades, the debt faced by the Government, and the demands of globalisation to prioritise investment in "knowledge" and infrastructure (and the apparent necessity to keep business "on-side") had all compelled the Government to direct resources to certain areas, the fifth Labour Government appeared content to ensure existing inequality was maintained, rather than reduced. As such, the Government could, in mid-2001, be situated at a centrist position within the field of the third way. Clark and Maharey's discussions of social policy were, however, only a prelude to the reconfiguration of the Government's social policy apparatus; the fifth Labour Government would be able to move further left within the field of the third way if this reconfiguration amounted to an actual "redistribution of possibilities".

The Ministry of Social Development

The momentum behind the Government's adoption of "positive welfare" was not entirely attributable to a few of the Prime Minister's and Steve Maharey's speeches. The Ministry of Social Policy's 1999 post-election briefing paper had advised the new government that:

... the most important issue facing the Government is the continuing exclusion of segments of society from full social and economic participation. Without attention, this could lead to the long-term disengagement of part of our society and threaten social cohesion. It is also a source of fiscal vulnerability and could jeopardize economic growth. (MSP, 1999: 26; emphasis added)

Thereafter, the Ministry was vigorously working toward establishing a "new" approach to social welfare. A fundamental precept of this new approach was apparent in the 1999 Briefing: 'Encouraging participation in work' (1999: 43-57) was to become the nucleus of social policy and, as such, the means by which to achieve an inclusive society. Similarly, Treasury's 1999 post-election briefing paper (Treasury, 1999) also included sections on 'increasing skills and participation' and 'social cohesion and inclusion', and was clearly influenced 'by the work of intellectual advocates of the third way' (Roper, 2005: 170).

The alignment of the Government (and of the advice given to it by its key advisory bodies) with the third way was effectively completed when the Government released Pathways to Opportunity (MSP, 2001a), its public statement of Government policy for the
reconfiguration of social welfare. *Pathways* began with an introduction from Clark and Maharey which asserted that:

Rather than trapping people on a benefit of forcing them into unproductive work for the dole, this Government intends to build the skills and talents of all New Zealanders; to provide them with a pathway to opportunity so they can find meaningful work for real wages. (2001a: 1)

To do so, '[a]s well as providing security, the $5.4bn we spend each year on benefits must become an investment in people's potential' (2001a: 1, emphasis added). Clark and Maharey stressed that the reality of technological, economic and social change demanded more skilled workers; in this environment, welfare had to 'provide a springboard' for its recipients 'to move to new opportunities' (2001a: 1). As the subtitle of *Pathways*, 'From social welfare to social development', clearly indicated, the Government had explicitly adopted a positive welfare approach. The document stated that the 'traditional welfare' approach was 'outdated, complex and ineffective in helping people achieve independence'. Many people who had received a benefit continued to years later, while others had repeatedly returned to a benefit after only short periods of employment, despite improved economic conditions and labour shortages in some industries (2001a: 3). In response to such actualities:

*A new social development approach* will assist people to gain the skills that lead to a sustainable job, provide effective support to keep them in work, and make sure that taking a job always leaves them and their families better off. (2001a: 4, emphasis added)

However, this assistance would not be unconditional; the state would assist those who accepted the rules of the new 'opportunities', but those who did not comply would face punitive sanctions for not meeting their 'mutual responsibilities' to the state (2001a: 16-17). "*Pathways* was, then, another clear example of the Government's adoption of "third way thinking"."  

The Ministry of Social Development (MSD) was officially established on 1 October 2001, with the amalgamation of the Ministry of Social Policy and Work and Income New Zealand (WINZ), thus making it the Government's largest Ministry (though not

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17 For example, *Pathways* stated that: 'The Government accepts its responsibility to help those having difficulty finding paid work. In return, people will be required to take up the opportunities offered to them' (2001: 16). As anecdotal evidence, I have had the compulsory attendance of WINZ seminars for job seekers described as "insulting" by friends.

18 A more detailed description of the thinking behind the Government's adoption of a positive welfare or social development orientation was released simultaneously to the *Pathways* document. A product of the Strategic Social Policy Group in the Ministry of Social Policy, 'The Social Development Approach' (MSP, 2001b) outlined the key aspects of an integrated framework for social policy and articulated the core features of an over-arching strategy to combat social exclusion. See Shaw and Eichbaum (2005) for an account of the policy process that led to MSD's establishment.
necessarily the most influential). There was a symbolic significance to this as MSP and WINZ had been created (and kept separate) by the National Government in the late 1990s in order to adhere to its market-based model of public sector management. By combining the two entities, the Labour-led government signalled a veiled repudiation of the theorised efficiency gains generated by separating the purchasing of services from the provision of those services, and by distancing the development of policy from the implementation of policy. MSD was to provide comprehensive social policy advice to the Government, and be responsible for the delivery of a vast array of social services (including income support, pensions, student loans and allowances and services to support youth development and people with disabilities). In short, MSD was to be the entity through which the Government would implement positive welfare.

Beyond advice and policy delivery, a central remit of the large new Ministry was to monitor (and report on) its progress toward achieving improvements in ‘inclusion’ and ‘wellbeing’. This reflected a directive for the public sector to focus more on the outcomes of policy and not just inputs and outputs. Subsequently, in each year since 2001, MSD has published The Social Report. Whereas economic indicators, such as per capita incomes, had dominated popular and Government discourse in the past, the Social Report would map New Zealand’s (and hence the Government’s) progress (or lack thereof) across ten domains: health, knowledge and skills, paid work, economic standard of living, civil and political rights, cultural identity, leisure and recreation, physical environment, safety and social connectedness (MSD, 2005).

The annual exercise of “social reporting”, which Minister Maharey had championed (see Maharey, 21 January 2001), gave the Government a further dimension of distinction between itself and previous governments: the Government was able to claim a greater concern for the social effects of policy. Also, rather than only publicising “good news”, each Social Report would highlight potential shortcomings in government policy and identify areas in need of attention (although the media appears to have given little attention to the reports when they have been released). Overall, the commitment

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20 A search of the New Zealand Herald, Dominion Post, The Press, Otago Daily Times and Sunday Star-Times through the print media database Factiva for the specific term “social report” returned only 26 articles for the period 1 June 2001 to 1 January 2006. Some of these articles are only vaguely related to the Social Report itself. For example, one New Zealand Herald (13 August 2005) reporter attempted to read a copy of the 2005 Social Report whilst being driven in a racing car prior to the 2005 election in the wake of Helen Clark’s claim that she had been too busy.
given to developing and monitoring broad social indicators certainly enhanced the credibility of the Government's claims to have a greater social conscience than its National predecessor and reinforced its adherence to a social development approach that consolidated, rather than shifted, the Government's location within the field of the third way.

In order to assert that the Government's establishment of MSD entailed the "redistribution of possibilities", and thus a further leftward shift, it would be MSD's approach to improving the opportunities available to the most disadvantaged members of society that would be crucial. The initial analyses of Rudd (2003) and Cheyne et al (2004) both contend that although social development has distinguished the fifth Labour Government from its National predecessor, distinct continuities also remain. In particular, MSD (through WINZ) largely appears to continue to demand that individuals have a responsibility to accept the employment opportunities that are presented to them. Government policy is thus less defined by the redistribution of possibilities than by the compelling of individuals to accept the possibilities that already exist. Moreover, the Government's primary concern that those who "could work" be encouraged to do so undermines the prospect of social mobility for many of the unskilled, due to the limited "possibilities" that are invariably available to them. More importantly, the Government's attention to the populist cause of "getting people off benefits" has arguably diminished the attention given to the adequacy of the income received by those who remained on benefits, the adequacy of the incomes for those who enter employment, and the significance of the costs associated with "up-skilling" (such as a student loan, or the foregoing of income earned in a low-skill job). At this stage, employment appeared to be an end in itself, rather than the means to achieving greater social equality.

Therefore, as Cheyne et al (2004: 231) contend, the policies initiated by the inception of MSD were "fundamentally pragmatic" and included a "new emphasis on responsibilities" (emphasis added). In addition, Cheyne et al (2004: 240-1) were adamant that the predominant concern with getting individuals into employment was an inadequate strategy for the elimination of poverty, particularly given the increased prevalence of low-paid, part-time, temporary employment. Overall, although the creation of MSD did represent the start of a new era in government social policy, the initial indications reading to notice the speed at which her motorcade had traveled from South Canterbury to Christchurch. A New Zealand Herald editorial (25 July 2005) declared the Report to be 'a waste of money'.
were that it did not amount to a "new" approach. With Government policy already having been brought to a centrist position within the field of the third way, the creation of MSD did not induce a further leftward shift. The potential for such a shift was, however, present. MSD, through the Social Report and other extensive research, had quickly built up a major repository of knowledge concerning the contemporary nature and causes of poverty in New Zealand. To accuse MSD of inaction prior to the Government’s second term is, then, probably premature. An overall assessment of whether MSD oversaw the redistribution of possibilities is therefore reserved until the second term, giving the Government the opportunity to act decisively on the third way-style evidence base of “what works” knowledge that it had amassed. (This assessment is made in the following chapter with respect to the Government’s Working for Families package announced in Budget 2004). Nevertheless, with respect to the first term, MSD’s initial existence did not, of itself, correspond to a further leftward shift of the Government’s position within the field of the third way.

The clear prioritisation of economic growth during the Government’s first term was consistently promoted as enabling the Government to achieve greater social equity. A predominant theme of the Government’s Budgets and policy documents, and of Ministers’ speeches, was that expansion of the economy’s ‘productive capacity’ would create more opportunities for labour market participation, and thus greater social equity. The Government’s “vision” for expanding the economy was, then, also an important part of whether the Government was creating opportunities for those most in need of new opportunities. That vision was the Growth and Innovation Framework. As the following section reveals, it would be an important determinant in why the Government’s first term was a pragmatic shift toward the political centre, rather than a decisive shift through the centre toward the field of social democracy.

**The Growth and Innovation Framework**

Despite being in a strong position upon entering 2002, the Labour-Alliance Coalition Government could also be accused of being predominantly reactive: basing policy only on what it perceived to be the mistakes of the 1990s, and introducing amendments (or

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21 See, for example, Ball and Wilson (2002), Krishnan et al (2002), Perry (2002) and Waldegrave (2002). These articles are found in the Social Policy Journal of New Zealand, which is published by the Ministry of Social Development, and these particular articles are authored by employees of MSD. Although the journal carries the disclaimer that ‘The views expressed by the contributors are not necessarily those of the Ministry of Social Development’, the authors invariably utilise research conducted by themselves and others within the Ministry.
announcing reviews) only when public opinion was perceived to have “shifted”. 2000 had been dominated by delivering Labour’s (modest) election commitments, and alleviating fears that Government policy was an obstacle to be overcome by business. 2001 had been dominated by the Government’s restructuring of social policy. In 2002, an election year, a platform that demonstrated that a Labour-led government would benefit the entire population was imperative.

Released in February 2002, the Growth and Innovation Framework (Office of the Prime Minister, 2002) was the culmination of the emphasis that the Government had increasingly given to technology since 1999. Helen Clark had signalled the importance the Government would ascribe to technology in the 1999 Speech from the Throne (Clark, 21 December 1999). Also, as has been identified above, Clark had declared that it was access to technology that determined who were now ‘the new poor’ (18 November 2000). The Government had established a Science and Innovation Advisory Council in 2000, and in August 2001 had played a driving role in the ‘Catching the Knowledge Wave’ Conference, at which Clark commented that ‘the aim is to rebrand New Zealand as a land of innovation’ (Clark, 1 August 2001b). The Growth and Innovation Framework, entitled Growing an Innovative New Zealand, was released on the same day that Clark delivered her 2002 Statement to Parliament (the speech in which the Government’s agenda for that year was outlined). This speech (12 February 2002), and the GIF document itself, clearly communicated the ambitions the Government held for its “new” approach to economic development:

We have placed growth and innovation at the top of our agenda so that New Zealand can generate the wealth required not only to increase living standards for all, but also to fund world class health and education services for all New Zealanders. (Clark, 12 February 2002, emphasis added).

Specifically, the Government touted Growing an Innovative New Zealand as the means through which the economy would be returned to the top half of the OECD in terms of comparative living standards (Clark, 12 February 2002; Office of the Prime Minister,

22 Indeed, the Labour-led governments’ apparent penchant for announcing “reviews” of government policy could very well provide the subject for an interesting piece of research: since 1999, numerous “reviews” of policy have been announced, though the outcomes of these reviews, and the extent of policy recalibration that each review produced is possibly less well-known. Kelsey (2002: 71-3) noted the lack of change which resulted from reviews of taxation and monetary policy, and reviews of the electricity and telecommunications industries, that were conducted during 2000 and 2001. Since those reviews, many others have been established and undertaken. Research into this area might reveal a possible paradox: a “reactionary” government which announces reviews of policy whenever public opinion is perceived to have changed, but which then implements no significant changes.

23 See also Clark (1 August 2001a and 3 August 2001).
Besides 'strengthening the foundations' of a 'stable macroeconomic framework', 'an open and competitive microeconomy' and a 'healthy, well-educated population', the GIF would focus Government activity on four key areas (Clark, 12 February 2002; Office of the Prime Minister, 2002). First, it would enhance the 'existing innovation framework' by creating an environment propitious to (and rewarding of) public and private sector research and development. Second, the GIF would develop, attract and retain 'people with exceptional skills and talents'. Thus education, particularly tertiary, would continue to be re-oriented toward generating a workforce with the requisite skills for a 'knowledge economy', particularly in areas predicted to be drivers of growth. Attracting skilled immigrants (and luring expatriates home) was also to be a key component of enhancing the skills available in the workforce. Third, the framework would increase New Zealand's 'global connectedness', particularly through attracting foreign investment and the aggressive promotion of New Zealand's exports. Fourth, under the GIF, the Government would concentrate available resources on the biotechnology, information and communication technology, and 'creative' industry sectors.

Although the Prime Minister was adamant that the GIF would 'generate the wealth required ... to increase living standards for all' (Clark, 12 February 2002; emphasis added), some analysts have been much more pessimistic about the likely consequences of the framework. For example, Hayes (2004; forthcoming) has argued that the primary beneficiaries of any innovation which results from the GIF will most likely be employers rather than employees. Hayes contends that without greater protection of individuals' 'intellectual capital', the dividends created by workers' innovative ideas are likely to accrue disproportionately to company executives. Workers may benefit through some sort of "performance bonus" or incremental wage increase, but profitable innovation seems likely to hold clear potential to exacerbate inequality between employers and employees.24 While this does not disprove Clark's claim that the GIF would 'increase living standards for all', the spectre of greater inequality has implications for the Government's aspirations of 'a vibrant social democracy'.

24 Furthermore, the prospect of an innovative idea leading to the replacement of labour with automated technology is certainly not inconceivable.
Despite the extent to which the Government promoted itself as charting a new and refreshing approach to economic policy, the *Growth and Innovation Framework* was far more pragmatic than it was original. As with other Government policy, the actual degree of change (when compared to its predecessor) was exaggerated: the GIF entailed only minimal changes to the overarching macroeconomic policy framework, the parameters of which were the Reserve Bank Act (1989) and the Fiscal Responsibility Act (1994). As the GIF document itself clearly explained, rather than being new, much of the Framework was about ‘Strengthening the Foundations’ (Office of the Prime Minister, 2002: 27-31). The second major component of the Framework, ‘Building Effective Innovation’, may have indicated a greater role for the State, primarily through increasing funding for research and development, but this was more to address the inadequate investment in such areas if left “to the market”, rather than the instigation of a genuinely new approach. As such, *Growing an Innovative New Zealand* can be regarded as another element of the fifth Labour Government that illustrates its adherence to a centrist conception of the third way: it declared itself to be new when it was more accurately described as a reconfiguration. Nevertheless, *Growing an Innovative New Zealand* enabled the Government to present the promise of greater prosperity to voters. Moreover, the GIF further eroded the ability of the Opposition to make the economy a pivotal issue in the 2002 General Election. The Government’s policies since 1999 had, therefore, situated it in an enviable position in an election year, as shown in the following section.

**The First Term in Perspective: Taking policy to the centre**

The preceding discussion of the Fifth Labour Government’s first term has established that the Labour-Alliance coalition exhibited the characteristics of the third way, which validates other commentators’ assumptions that the Labour-led Government can be labelled as a “third way government”. However, as Chapter Three explained, the third way does not correspond to a narrow theoretical construct. Rather, the third way refers to a field of political discourse; a field that has extremities which overlap with the fields of both social democracy on the left, and neoliberalism on the right. The third way is, therefore, a field of discourse which includes the political centre. Where, then, can the first term of the fifth Labour Government be located within this field?

Upon coming to power, the Labour-led government inherited policies that can be firmly located within the field of neoliberalism. The cumulative effect of the Government’s
policies between 1999 and 2002 was a definite leftward shift from where it began; a leftward shift into the political field of the third way. However, this leftward shift was insufficient to identify the Government with a position that situated it within the space of paradigmatic overlap shared by the third way and social democracy. Therefore, what the Government had achieved between 1999 and 2002 was to bring Government policy toward the political centre. Whereas the Labour Party had situated its own policy at a centrist position within the field of the third way prior to the 1999 election, by the time of the 2002 election the Labour-led Government had situated government policy at a centrist position within the field of the third way. Thus the core contention of this chapter is that although the Government introduced many "positive" changes (such as the removal of market-referenced rents for state houses, and a more proactive role for the state in economic development), the changes were pragmatic, categorically third way initiatives that did not amount to a dramatic redirection of Government policy. The first term of the fifth Labour Government was a convergence of government policy upon the political centre.

Moreover, it can also be argued that a dramatic shift was never Labour's intention, nor would it have been expedient. If the Government had implemented more of the Alliance's policies (such as employer-funded paid parental leave), or had been less reactive to the "sky is falling" predictions of the business community in 2000, then it is conceivable that opposition to the Government such as that which emerged in mid-2000 would have continued throughout the first term and weakened Labour's public image in early 2002 (particularly given the questionable objectivity of the mainstream media).

Therefore, although it is accurate to conclude that the fifth Labour Government introduced policy in its first term that could be described as a cumulative shift toward social democracy, it is inaccurate to conclude that the Government had implemented policy that could be regarded as creating 'a vibrant social democracy' (Cullen, 2000: 13). Instead, the most accurate deduction of the Government's first term policies is that the Coalition instituted a pragmatic approach to government precisely in order to situate government policy at what Labour perceived to be a centrist position that would benefit it at the 2002 election. Exploring whether the policies of its second term shifted the fifth Labour Government closer to the field of social democracy is the objective of Chapter Five.
Chapter Five

Labour's Second Term: Moving Slightly Further Left

When the fifth Labour Government launched *Growing an Innovative New Zealand* in early 2002 it appeared inviolable that Labour would achieve a decisive victory in the general election scheduled for later that year; there even appeared to be the possibility of realising the unlikely zenith of MMP politics—a parliamentary majority for a single party.¹ On June 12, it was announced that an election date had been set for July 27, at least four months before required.² Helen Clark foresaw the prospect of a Labour majority, but, 'in seeking a mandate to govern alone, Labour had inadvertently turned the 2002 election into a referendum on coalition government' (Miller and Karp, 2004: 134). That is, was the public willing to grant Labour the 'unbridled power' that came with a single-party parliamentary majority?³ Such power would be reminiscent of that wielded with such unpopular results by the fourth Labour and National governments (and by Muldoon, for those who could remember). Was it preferable, then, that Labour remained in a coalition to negate any abuse of power? However, with the likely demise of the Alliance, the hostility of the Greens, and the likely unattractiveness of a coalition with New Zealand First (see Aimer, 2004: 8-13), who would that coalition partner be? And what would be the possible implications of a different coalition partner for the Government's positioning within the field of the third way?

The policies presented by Labour during the 2002 campaign reinforced the hierarchy of priorities established by its first term in government (see NZLP, 2002a; 2002b; 2002c). As such, Labour was (again) advocating a distinctively third way approach, though (again) far short of the project as envisaged by Anthony Giddens. For example, in its

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¹ It is important to note that Jim Anderton was implicitly included in the prospect of Labour achieving a "single party majority", despite not being a Labour candidate. The acquiescence of Anderton toward Labour policy while leader of the Alliance, and the unlikelihood of him bringing more than one other MP into a coalition, indicated that a Labour Government that included Anderton would not be substantively different from a Labour Government that *did not* include him: he was essentially expected to be a *de facto* member of the next Labour-led Government.

² There was no constitutional imperative for an early election, or for the Governor-General to accede to Clark's request, as the passage of the Budget had demonstrated; the Alliance had fractured and the Greens were causing friction, but the Government retained the confidence of the house (see Aimer, 2004: 14).

³ The characterization of a majority government wielding "unbridled power" comes from Palmer (1987).
Key Policies

2002 brochure, Labour pledged to ‘promote sustainable and balanced economic development to create full employment, higher real incomes, and a more equal distribution of income’ (2002a: 2, emphasis added); but, while detail on how to precipitate economic growth was provided (through ‘strengthening the fundamentals’ of ‘a stable macroeconomic framework and an open and competitive microeconomy’), Labour’s definition of ‘full employment’ and a disclosure of exactly how economic growth would realise ‘a more equal distribution of income’ were conspicuously absent. Simply put, Labour was certainly not advocating an agenda that was near the leftward limits of the third way, but nor was its programme more conservative than that of the first term. Labour thus remained firmly located in the “centre” of the political field of the third way.

The second incarnation

The 2002 election campaign was notable for many respects. Most importantly, it, like its 1999 predecessor, demonstrated that campaigns matter. While some of its outcomes were to be expected (a Labour success; a National defeat; the decimation of the Alliance), other aspects were quite unexpected (the extent of National’s defeat; a decline in support for Labour during the campaign; and the meteoric rise of Peter Dunne) (Vowles, et al, 2004: vii). When the votes were counted on July 27, Labour had slightly augmented its dominant position in parliament, but the pre-ordained Labour-Anderton coalition fell seven seats short of a formal parliamentary majority. The Greens, who had effectively ruled themselves out of becoming part of a coalition, increased their presence by two MPs to nine. United Future went from a solitary Peter Dunne to a pivotal eight members. National’s result was its worst ever: collapsing from 39 MPs to 27, due largely to the apparent absence of an effective campaign to convince those who voted for a National candidate to also cast their party vote in the same direction (see Aimer and Vowles, 2004). Therefore, although a coalition of Labour and Anderton was a given, how Clark would secure the confidence of the House was less immediately clear. However, on August 8, agreements were concluded with both Anderton and Dunne to consolidate the Government as a minority coalition that had the votes of United Future on issues of confidence and supply.

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5 Aimer and Vowles (2004: 25) assert that, based on their representative research, ‘... little more than half of those who voted for a National candidate also gave their party vote to National’.
One possible interpretation of the outcome of the 2002 election was that the new coalition government could be expected to be less inclined toward the left than its Labour-Alliance predecessor had been. The new government was less dependent on further-left influences than it had been in the first term, irrespective of the actual impact those influences had had on government policy. Furthermore, not only is it accurate to suggest that Anderton had levitated toward Labour policy, but any Alliance-type urges for redistribution that he may have retained were mitigated by the fact that his bargaining power was now markedly reduced (in the first term the Alliance had 10 MPs to picket Labour's 49 with; now Anderton had only himself and one other MP in relation to Labour's 52). Moreover, when in its first term Labour had come under pressure to augment policy in a leftward direction, the opposite was now potentially true with United Future.

Therefore, a core consideration of this analysis of the fifth Labour Government’s second term is to assess whether the Government remained in a centrist position within the field of the third way, or whether United Future’s influence induced a shift to the Right. Given the composition of the new Government, a further shift to the left, and thus closer to the field of social democracy, appeared unlikely. Yet, what this Chapter shows is that, in its second term, the fifth Labour Government did initiate policy that correlated to a further leftward shift within the field of the third way. However, due to the Government’s continued ambivalence toward the income received by the lowest income earners, that shift was only incremental. Thus the fifth Labour Government remained unable to be situated within the space of paradigmatic overlap shared by the third way and social democracy.

More of the same?

Helen Clark’s second Speech from the Throne was, unsurprisingly, very similar to her first: the new govt had an ‘ambitious’ agenda but not one that entailed ‘any radical change’ (Clark, 27 August 2002). Indeed, many of Clark’s phrases were more than a little reminiscent of the equivalent 1999 oration (and other first-term speeches). The Prime Minister unambiguously declared that the new Labour-Progressive Coalition’s ‘most important task’ was ‘building the conditions for increasing New Zealand’s long term sustainable rate of economic growth’. Clark also announced that the Coalition’s objective included ‘reducing inequality and improving the social and economic wellbeing of New Zealanders and their families’ (Clark, 27 August 2002, emphasis added). Thus, the Prime Minister’s speech communicated that the policies of the Government’s second
term would be a continuation of those instigated in the first term: a continuation of ‘conservative and predictable fiscal management’ and ‘sensible monetary policy’; continued implementation of the GIF; a continued commitment to removing the ‘barriers’ to economic and social participation; continued Government efforts ‘to attract more productive foreign direct investment’; and continued emphasis on creating ‘real opportunities for all, [and] a richer, inclusive more diverse and more dynamic nation ... [that will] enable future governments to provide better social services’ (Clark, 27 August 2002, emphasis added). Such an agenda would potentially secure Labour’s mortgage on the centre-ground.

Helen Clark’s second Speech from the Throne also, therefore, indicated the Government’s continued location at the centre of the field of the third way. However, the term “third way” did not appear in the speech’s text, or in the Prime Minister’s following address to Parliament (Clark, 28 August 2002), which further proclaimed the Government’s inclusion-oriented aspirations. In this second speech (28 August 2002), Clark did identify that her Government had set out to be ‘progressive’, indicating Labour’s continued attraction to the work of Anthony Giddens (given that Giddens had himself begun emphasising ‘the new progressivism’ and de-emphasising the third way).6 Little more than a week later, Helen Clark did refer to her Government as advocating ‘a third way approach to the economy’, though she did so in the context of explaining the circumstances in which Labour came to power in 1999 (6 September 2002). Furthermore, of approximately 200 second-term speeches delivered by Helen Clark (that are available on the Government’s website), it was the first and last instance of the Prime Minister explicitly aligning the Government with the third way after the 2002 election.7

Despite the demise of the term “third way” in the Government’s public discourse, an argument can be constructed that leaves the Government’s continued centrist positioning within the field of the third way wholly incontrovertible. Beginning with Clark’s 2003 Statement to Parliament (11 February 2003), the language employed and the policy initiatives introduced by the Government throughout 2003 and 2004 demonstrate

6 See Giddens (2002).
7 These speeches were accessed using the “Advanced Search” function on the Government website (http://www.beehive.govt.nz/Search/AdvancedSearch.aspx). Each of Helen Clark’s speeches for 2002 (post-election), 2003, 2004, and 2005 (pre-election) were “cut and pasted” to a MS Word document. The resulting (lengthy) document was then searched for the term “third way” using the program’s “find” function. Thus it was found that the only speech in which Clark mentioned the third way during the Government’s second term was that of 6 September 2002.
that the fifth Labour Government can indeed remain categorised as a "third way
government", and therefore remain situated within the political field of the third
way. In turn, the Government's policies can be interpreted as maintaining Labour's
proximity to the political centre, despite the implementation of a programme of income
redistribution.

The Prime Minister's 2003 Statement to Parliament was dominated by how the
Government intended to further implement and move toward the goals of Growing an
Innovative New Zealand, with increasing workforce productivity and skill acquisition as
core concerns (Clark, 11 February 2003). Furthermore, the oration reiterated the
Government's commitment to 'strong fiscal policy', despite the 'very positive effect' the
economic performance of the preceding years had had on the Government's fiscal
position, implying that significant social policy expenditure increases were unlikely
that year. While Clark did state that there would be 'planning and action' in the
development of infrastructure 'which can meet the needs of both industry and society',
8 it appeared that 2003 would witness few initiatives to specifically target inequality.

However, Clark did clearly signal that Budget 2004 would include 'major changes' that
would 'improve support for low income families and provide further assistance to
families to move into employment and build a better future for themselves and their
children' (Clark, 11 February 2003, emphasis added). It is these two aspects of the
second term, fiscal frugality despite a perception of the Government being 'awash with
cash' (Dominion Post, 19 December 2003) and the initiatives heralded in Budget 2004,
that constitute key elements of the Government's continued alignment with the third
way during its second term.

Upon coming to power at the end of 1999, Labour had inherited a less-than-enviable
fiscal position. While the Fiscal Responsibility Act (1994) had committed government
to attaining fiscal surpluses, and dictated the procedures by which the Government's
accounts would be recorded, the surplus in 1999 was less than two percent of GDP, and
the level of debt for which the Crown was responsible was some 25 percent of GDP
(Dalziel and Lattimore, 2004: 70-3). The Government's "prudent" fiscal policy could
therefore be regarded as somewhat necessary, particularly if the cost of servicing debt
is considered unproductive. Strong economic growth after 1999, which exceeded the
average rate of growth for OECD countries, combined with the Government's fiscal

8 Key infrastructure concerns included transport systems, energy supply, quality and allocation of
fresh water, and access to high-speed internet (Clark, 11 February 2003). See also DPMC (2003)
Sustainable Development for New Zealand: Programme of Action.
austerity (and the positive effect of, for example, spending less on unemployment benefits), contributed to a much stronger fiscal position as Michael Cullen prepared to deliver his first Budget of the second term in May 2003. By that time, the Government's operating surplus had increased to just over three percent of GDP and net debt was down to about fourteen percent of GDP (Cullen, 2003: 2). Any possible significance attached to the latter figure, however, largely escaped the public. It was not that the surplus had grown as a percentage of GDP that caught the attention of the media and the public either. Rather, it was the significance of the surplus when expressed in dollars that captured widespread attention: how could the Government claim to be doing all that it could to reach its goals when it had a Budget Surplus that had climbed from $763 million in 1999 to an expected figure of $4.04 billion in 2003 (Cullen, 2003: 2)?

It is, of course, completely inaccurate to infer here that the Government had not been spending more. Indeed, the Government could identify significant expenditure increases in the crucial areas of health and education, as well as highlight its measures to guarantee superannuation payments for future retirees, various large purchases for the defence forces and the $885 million purchase of a majority stake in Air New Zealand in 2001. However, the Government could not shake the impression that it had cash to spare, or that cash was coming in much faster than the Government could spend it (or even accurately predict); it seemed irrelevant how much Dr. Cullen professed that the Budget surplus did not correspond to expendable cash.10

The Government indicated in Budget 2003 that, so long as 'events unfold over the next year as forecast ... [there would be] room for some targeted and significant moves in Budget 2004 and beyond' (Cullen, 2003: 1).11 Furthermore, it was clearly signalled that those who would be 'targeted' from the following year were to be 'low to middle income families', beneficiaries who sought employment and small-to-medium-sized businesses. Arbitrary income tax cuts were effectively ruled out as being 'unsustainable' (Cullen, 2003: 3-6). In the meantime, the public would have to be content with Budget 2003's 'targeted initiatives aimed at smarter growth' through the funding of further GIF-

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9 Passed on 10 October 2001, the New Zealand Superannuation Act established what has become known as the "Cullen Fund", which aims to enable future governments to provide universal retirement income in an era when such a commitment would otherwise be a massive burden for future taxpayers; by 2023 the fund is projected to have assets worth at least $100 billion (see Dalziel and Lattimore, 2004: 82). In each Budget since its establishment, the government has made substantial contributions to the fund; each contribution has, however, exacerbated that the government is "awash with cash".

10 See, for example, 'Here's where all the money goes', Dominion Post, 20 December 2003.

11 Also indicated in Clark (11 February 2003).
related activities and increased funding for education and health provision (though in the latter case, Cullen sent a less-than-subtle message to District Health Boards that this did not 'represent the Government's opening offer on funding' and that 'wage and salary increases must be met within ... current forecast increases') (Cullen, 2003: 7-11).

Michael Cullen's 2003 Budget, his fourth as Minister of Finance, communicated that the Government had been fiscally conservative in its first term not in order to accumulate a surplus which would allow it to, in a second term, elevate its commitment to reducing social inequality. Rather, it had been fiscally conservative precisely because of its hierarchy of goals. In a second term, the Government would not sacrifice or jeopardise a decline in the rate of economic growth if that were the expected consequence of reducing inequality. Nor would the Government, however, use a surplus to reduce the progressivism of the tax system, if the expected consequence of that were to increase inequality. This stance, of toleration for current levels of inequality, evidenced the Government's continued alignment with a centrist third way policy agenda.

Following Budget 2003 the Government concentrated on themes that were both familiar and indicative of the Government's continued subscription to the third way. Helen Clark stressed to different groups, such as the Takapuna Rotary Club (8 October 2003), the extent to which the Government was committed to working 'in partnership' with community-based organisations. This had followed the establishment of the Office for the Community and Voluntary Sector (within MSD) and creation of a Ministerial portfolio for the community and voluntary sector. These initiatives were to address the 'barriers' to volunteer work and to promote the social benefits of greater involvement in volunteer work (Clark, 8 October 2003). The commitment of the Government to engage in 'dialogue' with its 'social partners' was further emphasised by Clark in a keynote address to traditional Labour allies, the Council of Trade Unions (Clark, 23 October 2003). Although the unions and the Government would 'not always agree on every detail of every policy' (thus inferring that the interests of unionised labour would be discounted), the Prime Minister asserted that their relationship demonstrated a good example of 'an inclusive approach to economic and social development' (Clark, 23 October 2003; emphasis added).

Significant policy reconfigurations in other domains had also been initiated in the period between the 2002 election and the end of 2003. Health and education are often intrinsically linked to conceptions of social policy and the "welfare state". They are also immensely complex policy areas; the present discussion simply could not provide
sufficient depth to identify or analyse the fifth Labour Government's changes in these domains. However, analysis by other authors concerning both areas has also indicated that, like the adoption of a 'social development approach', new systems in health and education did not necessarily represent a fundamentally new approach. With respect to school-level education, Codd (2005) concludes that education system remains primarily concerned with a consumerist model that focuses on measurable outcomes rather than actual changes in educational attainment. Opie (2004) posits essentially the same argument with respect to tertiary education. Concerning health policy, Barnett and Barnett (2005) argue that, despite a different administrative structure and the 're-assertion of the state' through various 'health strategies', the changes have been 'a more pragmatic "pick and mix" approach' rather than being anything substantively new. Therefore, the Government's health and education policies appear to accord with (and reinforce) the Government's centrist location within the field of the third way.

The Minister of Social Development and Employment, Steve Maharey, also continued to endorse the third way during 2003, first explicitly, then implicitly (to match his colleagues). Most notably, in a mid-2003 speech he detailed his own progression from academic sociologist to third way proponent (3 June 2003). Although Maharey did note that the third way had now 'fallen on hard times', he was adamant that 'the ideas behind the third way label are ... still valid and relevant to New Zealand.' After attempting to dispel the 'misconception' that the third way was 'just a clever mixture of ideas from across the political spectrum', Maharey aligned key Government initiatives such as the GIF with the third way. Most significantly, Maharey contended that the Government's approach to the 'challenge of inequality', embodied in Pathways to Opportunity, represented a 'new social democracy' that demonstrated the acceptance of the 'knowledge based future at the heart of third way thinking'. This 'new social democracy' was based on 'achieving social justice', but required 'the extension of economic opportunity as much as the redistribution of wealth' (Maharey, 3 June 2003; emphasis added). This speech clearly nailed Maharey’s colours to the wall: it was unambiguous that he considered himself a part of a third way Government. Yet, curiously, of the 123 speeches delivered by Maharey during the Government's second term (that are available on the Government website), this (3 June 2003) was the only speech in which he explicitly aligned himself and the Government (in which he was the fourth-ranked

12 See also Strathdee (2003).
13 See also Abbott (2006), Curzon-Hobson (2004), and Roberts (2005).
14 See also Gauld (2003).
Minister) with the third way. However, while the third way branding may have been removed from subsequent speeches, characteristically third way rhetoric continued to punctuate Maharey's addresses.

The fifth Labour Government’s positioning at a centrist location within the field of the third way was reinforced in early August 2003 when Maharey announced the ‘Jobs Jolt’ initiative. ‘Jobs Jolt’ was proclaimed as ‘a $104.5 million package to tackle skill shortages and get more New Zealanders into work’, in response to the fact that despite low unemployment, ‘there were still a significant number of working-age people receiving benefits’. Indeed, although the Government’s measure of unemployment had shown significant decline since 1999, numbers receiving other benefits (such as the Sickness or Invalids Benefits) had increased, prompting frequent accusations from the Opposition that the Government was merely shifting people from one benefit to another to give the impression that unemployment was decreasing. In addition to the significant increases in the number of sickness and invalids beneficiaries, participation rates in tertiary education also increased considerably between 1999 and 2004.  

These speeches were accessed using the “Advanced Search” function on the Government website (http://www.beehive.govt.nz/Search/AdvancedSearch.aspx). Each of Steve Maharey’s speeches for 2002 (post-election), 2003, 2004, and 2005 (pre-election) were “cut and pasted” to a MS Word document. The resulting (lengthy) document was then searched for the term “third way” using the program’s “find” function. Thus it was found that the only speech in which Maharey mentioned the third way during the Government’s second term was that of 3 June 2003.


Lunt (2006 :81) notes that ‘The proportion of the working aged population receiving IB has increased steadily between 1994 and 2004, and numbers on SB rose sharply in the early 1990s and have continued to increase between 2000 and 2005. Figures for SB and IB, to the year ending June 2005, stood at 73,186 people aged 18-64 in receipt of IB (an increase over the year of 3%), and 45,176 people (aged 18-64) in receipt of SB (up 3% over the year).’ 'SB’ denotes the Sickness Benefit, and ‘IB’ denotes the Invalid’s Benefit. See also ‘Cash bait to get beneficiaries into work’, New Zealand Herald, 23 February 2005, and ‘Dole falls but sick claims up’, Dominion Post, 7 July 2006.

See, for example, ‘Job doubts as beneficiaries rise’, Dominion Post, 9 November 2004; this article stated that: ‘The number of sickness and invalid beneficiaries has increased by a third since September 2000, bringing fresh claims that the Government is massaging unemployment figures.’ See also, ‘Job figures ‘fiddled’ by benefit shuffle’, The Press, 11 March 2005, which stated that ‘Latest figures … show 16,000 of the more than 45,000 people on a sickness benefit in December last year [2004] were collecting the unemployment benefit before their sickness benefit.’

The Social Report 2005 would later show that whereas 8 percent of the population aged 15 and over were enrolled in a public tertiary institution in 1999, this had increased to almost 10 percent by July 2004, and a further 2 percent were enrolled at a private tertiary institution. Furthermore, increased participation in ‘sub-degree tertiary education courses’ accounted for much of this increase (see MSD, 2005: 44-5). Indeed, opposition parties frequently sought to highlight the dubious quality of many ‘sub-degree’ courses, furthering increasing the possibility that some former unemployment benefit recipients had been “shifted” from unemployment to “further
Therefore, if it is possible to suggest that some of the "decrease" in unemployment was attributable to increased numbers of non-unemployed beneficiaries, it is also possible to suggest that some the "decrease" was attributable to increased participation in tertiary education (and, irrespective of the outcomes this might lead to, it enabled the Government to proclaim significantly reduced unemployment despite the current income of many former unemployment benefit recipients being potentially lower whilst undertaking tertiary studies).

Crucially, the central focus of the 'Jobs Jolt' initiative was on reasserting individuals' responsibilities to seek labour market participation and accept the employment opportunities presented to them, or face sanctions that would limit or reduce benefit eligibility. Groups specifically targeted included the long-term unemployed, mature and youth unemployed, and people with disabilities or long-term sicknesses. Although promises were made to ensure beneficiaries were 'given more active assistance' to find suitable work, it was clear that the focus would be on ensuring that 'beneficiaries capable of work are active in their search for employment' through emphasising their responsibilities to the state.20

Therefore, although the 'Jobs Jolt' initiative was presented in language that described it as an investment in enabling individuals' labour market participation and access to increased opportunities, the initiative can also be interpreted as an exercise in demanding labour market participation and further absolving the state of responsibility for the unfortunate situation in which many individuals and families found themselves to be in (and further stigmatised those who were genuinely unable to work). Thus 'Jobs Jolt' can also be regarded as ambivalent to inequality; by making labour market participation the only path out of poverty, the Government consigned many beneficiaries (and their families) to the continued experience of poverty. As such, 'Jobs Jolt' did not induce a further leftward shift for the Government within the field of the third way. It could even be argued that 'Jobs Jolt' was a misleading title, as it appeared to imply the sudden creation of jobs when the "jolt" was actually delivered to beneficiaries rather than to the labour market.

education”. See, for example: 'National slams 'pet pedicure' uni course', New Zealand Herald, 16 March 2005; 'National targets Govt over trade training', New Zealand Herald, 28 February 2005; and 'English seeks to end 'singalong'', New Zealand Herald, 23 August 2004.

Because it was clear that Budget 2004 would announce major expenditure directed toward helping ‘low and modest income families’ (see Clark, 8 November 2003 and 10 February 2004), Budget 2004 would provide the basis from which to assess the sincerity of the Government to the unambiguous objective laid down by the Prime Minister in both her 1999 and 2002 Speeches from the Throne: the reduction of inequality. The extent to which Budget 2004 addressed the poverty experienced by the lowest income earners would determine whether the Labour-led Government, already located within the political field of the third way, could become located within the space of paradigmatic overlap shared by both the third way and social democracy.

As the following section reveals, although the Government did introduce a programme that involved income redistribution toward lower income families, the programme was not primarily concerned with substantially improving the immediate position of families receiving the lowest incomes. Instead, the fifth Labour Government chose to implement a programme that provided, as its foremost objective, the means to secure an historic third term in government by unashamedly targeting middle-income earning families. Hence Budget 2004 would not mark the progression of the fifth Labour Government into the realm of social democracy. It would, however, leave the Government centrally located within the field of the third way and, therefore, well-situated to contest the 2005 General Election.

**Working for Families or working for re-election?**

Although the Government could, in early 2004, unleash a formidable battery of statistics that it could claim to be attributable to its policies, the 2003 Social Report showed that, between 1998 and 2001, the proportion of families with dependent children living on less than 60 percent of the ‘1998 median equivalent net-of-housing-cost’ household income had increased (MSD, 2003: 66-7). That is, despite all the economic and social indicators the Government could point to as evidence of its “success”, more families with children were living below an internationally-recognised

21 In 1999, Helen Clark declared her new Government would ‘implement a policy platform which reduces inequality’ (Clark, 21 December 1999). In 2002, Helen Clark declared her re-elected Government would commit itself to ‘reducing inequality and improving the social and economic wellbeing of New Zealanders’ (Clark, 27 August 2002).

measure of relative poverty than had been before Labour became the Government. Although later data would show that by 2004 this had been reduced to below its 1998 level, it remained well above its comparable 1988 level (MSD, 2005: 64-5). The same data, however, also showed that income inequality in New Zealand had increased (albeit only slightly) between 2001 and 2004 (MSD, 2005: 62-3). Thus, although fewer families with dependent children were experiencing relative poverty in 2004 than in 2001, the rich (being the top twenty percent of income earners) had actually become relatively richer, meaning that New Zealand’s internationally unenviable degree of inequality had increased further.23 If Budget 2004 were to transform the Government’s aspirations for a “social democratic” identity into reality, significant redistribution of income toward the lowest income families was essential.

Helen Clark had announced in her 2004 Statement to Parliament that the Government would implement policy ‘to promote and support more [economic] growth, but ... ensure that the majority, and not just the privileged few, benefit from it’ (Clark, 10 February 2004). By implication, a minority would not benefit (and given that economic growth primarily benefits business owners and company executives, it seemed unlikely they would be in this minority). Clark also stated that the next Budget would ensure ‘that families with dependent children are always better off when in work than on benefits’ (10 February 2004). Again by implication, parents who were without work would be those who would not benefit. Even though the country’s unemployment rate had decreased considerably since 1999, such inferences suggested that so long as some level of unemployment persisted,24 a proportion of the population would be consigned to experiencing poverty. Targeting those in work would also allow for only limited scope for the improvement of the incomes of the lowest income earners (who were most likely to be without or unable to work), which could then have possible poverty and income inequality implications – especially given the potential for large income increases amongst the highest income earners as the economy grew (and as living costs increased).25 Additionally, if a package of redistribution was to significantly increase

23 In 2000, the Organisation for Economic Co-operation and Development (OECD) determined New Zealand’s degree of income inequality to be 18th out of 25 ranked developed countries, some 12.6 percent higher than the OECD median, and higher than Canada, Australia and the UK (see MSD, 2005:63).

24 Which is likely, not least because Treasury (see continues to speak of a Non-Accelerating Inflation Rate of Unemployment (NAIRU) - a rate of unemployment that is held to be consistent with maintaining a low rate of inflation; see Szeto and Guy (2004). That is, rather than aiming to eliminate unemployment, the Government seeks to maintain it at level that is “sustainable”.

25 Higher-income earners in skilled professions are typically in a stronger position to demand pay increases that exceed increases in the cost of living.
the average incomes of the bottom twenty percent of income earners, the possibility that there had been negligible change in the incomes of the bottom five percent could go unnoticed.

Almost two weeks before Budget day, Dr Cullen stressed to a manufacturers' association that the Government's 'prudent and conservative management' now enabled 'some significant, although still cautious, moves towards increasing future spending in areas which impact broadly upon the living standards of many New Zealand families' (Cullen, 13 May 2004). However, Cullen's main message to this business group, which he obviously intended to be communicated (and believed) throughout the country, was that 'there is no pot of gold' (and that the portrayals of him as 'Scrooge McDuck atop a mountain of cash' were 'getting stale'). The Government's capital spending programme (including infrastructural developments) and money committed to investments (particularly the superannuation fund), were counted as assets, which meant that 'to suggest that the government is awash with cash is in fact a gross misrepresentation of the situation'. Nevertheless, there was sufficient capacity with which to institute 'the largest single set of changes to the benefit system and assistance to families since the benefit cuts of 1991' (Cullen, 13 May 2004).

That package would, first, 'make work pay' by providing additional support for working parents, thereby increasing incentives for parents to re-enter and/or remain in employment. (Interesting, and importantly, Cullen suggested that a residual effect of providing additional support to working parents might be to 'take some of the pressure off wages'. This implied that business was not expected to deliver significant wage increases). Second, the package would ensure 'income adequacy for low to middle income families with dependent children'. And third, the package would mitigate any difficulties in parents' transition into the workforce, so that the potential costs of entering the workforce (such as childcare and transport) would not make the transition

26 Indeed, in response various Unions' calls for a five percent pay rise in 2005, the Labour-led Government 'suggested that [workers'] wages claims should be tempered because many workers are in line for extra Government help [as a result of the initiatives announced in Budget 2004]' ('PM cool on 5pc push by unions', The Dominion Post, 1 March 2005). Thus the Government effectively undermined attempts to obtain wage increases for many low-income workers. Moreover, since 1999, wage increases in many sectors have not "kept pace" with the rate of inflation, meaning that many workers have seen only a negligible increase in their real wages (see "Where is the pay rise?", The Dominion Post, 20 January 2005; Tim Watkin, 'Good times for all?' The Listener, 22 January 2005; Rod Oram, 'Unions' pay demands are valid', Sunday Star-Times, 13 February 2005, '5pc or else – Unions', The Dominion Post, 28 February 2005.) Also, see 'Face-to-face with the low wage economy', Sunday Star-Times, 5 March 2006; and 'Cullen warns of low pay rises', The Dominion Post, 15 June 2006.
from welfare to work unrewarding (Cullen, 13 May 2004, emphasis added). However, Cullen also stressed that the ‘other major area for new spending is in assistance to business’. Not only might there be less wage pressure, Government investment in industries, particularly those with an export orientation, would continue to grow (Cullen, 13 May 2004).

Dr Cullen’s fifth Budget, delivered on 27 May 2004, provided the numbers with which to determine the actual effect of the Government’s targeted additional financial assistance. His speech (Cullen, 2004) began by congratulating the Government (and himself) on what had been achieved since 1999: steady economic growth and considerable public investment to provide infrastructure and promote a higher standard of living within the context of conservative fiscal policy. Second, the Finance Minister restated his argument that there was, despite popular opinion, ‘very little room... for any further substantial fiscal loosening’, particularly since the growing assets of the New Zealand Superannuation Fund contributed to the impression of a large surplus (Cullen, 2004: 1-4). Third, Dr Cullen sought to mitigate the likely indignation of business groups: $500 million of new expenditure would be invested over four years to further the Government’s role in supporting economic development (2004: 5-6). Fourth, expenditure increases in health, housing and education expenditure were explained (2004: 7-9). Fifth, Cullen argued against lowering New Zealand’s headline corporate tax rate, suggesting that any reduction would result in lower Government spending ‘in those areas crucial to business success’ (2004: 11). Finally, Dr Cullen detailed the Budget’s pinnacle, which would be known as Working for Families.

The Working for Families (Wff) initiative would, Cullen claimed, realise the Government’s ‘commitment to ensuring that economic growth is pursued for its capacity to provide greater security and opportunity for all’ (2004: 12, emphasis added). That is, it would deliver the ‘social dividend’ of economic growth that Helen Clark had often coveted (see, for example, Clark, 11 February 2003, and Clark, 10 February 2004). After 1 April 2007, working families with annual incomes between $25,000 and $45,000 could expect to ‘benefit on average by around $100 a week’, meaning that by 2008 there would be a ‘30 percent reduction in child poverty’ (Cullen, 2004). The mechanisms through which the ‘very substantial increases in the incomes of ordinary New Zealanders’ would be delivered can be summarised as involving: increases in Family Support rates and changes to the abatement rates of Family Support payments when further income is earned; the introduction of a new ‘In-Work’ payment and removal of the Child Tax Credit; increased provision of (and entitlement to) Childcare Assistance; changes in the
eligibility to and abatement of the Accommodation Supplement; and provisions to increase Family Support and Childcare Assistance in line with inflation. These changes had been designed so that, according to the Dr Cullen and other Ministers (see Maharey 27 May 2004), no-one would be worse off as a result of the Government's initiative.

Following the announcement of the WJE package, Steve Maharey (27 May, 28 May, 2 June 2004) professed that WJE put into action the Government's commitment to ensuring 'that all families have sufficient income to ensure an adequate standard of living' (Maharey, 27 May 2004, emphasis added). Furthermore, although all low and middle income families were claimed to benefit, those earning net incomes between $25,000 and $45,000 a year would receive the 'biggest gains'. Maharey also declared that the Government had 'launched the biggest offensive on child poverty New Zealand has seen for decades' (28 May 2004). Maharey's enthusiasm for WJE also indicated the consistency with which the package paralleled the third way: most indicatively, Maharey declared WJE to be 'part of an overhaul of a social assistance system that was developed over 65 years ago. [...] Today, to have real opportunities to participate in the modern economy, New Zealanders need more than a safety net alone' (Maharey, 28 May 2004). Maharey also proclaimed Budget 2004 to be 'an opportunity budget' that 'dramatically shifts the focus of our assistance from passive entitlement to active support' (28 May 2004; emphasis added). Therefore, WJE's explicit and overwhelming promotion of labour market participation reinforced the Government's ambivalence toward inequality: it strengthened the Government's implicit contention that labour market participation was the only path out of poverty and did not acknowledge that the socioeconomic situation in which an individual may reside was possibly partially due to past actions of the state, for which the state may now have a responsibility to alleviate (which required more than an exhortation to "find the jobs that are out there"). More cynically, the Government appeared to regard inequality as a fitting consequence for not participating in the labour market (whatever the reasons for that non-participation may be).

Perhaps most indicative of WJE's third way pedigree was the extent to which it was designed to be acceptable to middle- (and upper-middle) income earners.27 WJE was less

27 The term "middle income earner" is a contentious one, particularly if it is taken to refer to a degree of affluence. In the context in which it is employed here, a "middle income" is intended to refer to an income that is close to the median annual income. The 2005 Social Report records $15.34 per hour as being the median hourly earning (MSD, 2005: 52); if extrapolated out, this
an exercise in the alleviation of poverty and inequality than it was a concerted (and necessary) measure to maintain the allegiance of middle-class voters. It was necessary in that Labour had to be constantly conscious of their policies' potential effects on a volatile and conservative electorate. In addition, the phased-in nature of WfF reinforced the fact that it was an electoral strategy: the increase in new expenditure in 2005/06 would be some $400 million more than the initial increase in 2004/05 (and the 2004/05 increase would also include some $50 million in “implementation costs” that would not be received by working families). The change between 2005/06 and 2006/07 would be much less ($250 million) and the increase in 2006/07 would be by slightly less again ($230 million). Hence the largest spending increase would occur in 2005, an election year; and at the next (2008) election, the Government would be able to say that in the previous year (2007) working families were receiving in excess of $1.1 billion dollars more than in 2004. This proved that the Government remained defined by the third way: the benefits of WfF were directed toward voters on both sides of the median income earner (and although this is not to infer a direct connection between income level and voting intention, it does suggest that Labour sought to ensure that the party would be more likely to retain the allegiance of voters on either side of the median income earner rather than only of voters who earned less than the median income). Moreover, delivering substantial benefits to those above the median income level was potentially essential for the government's longevity, as such voters were quite likely to be attracted to a National Party policy of lower personal income tax rates (although this is not to assume that personal gains are the predominant determinant of voters' intentions). In addition, the Government had also absolved itself of responsibility for those who were “left behind” as it could claim to have provided ample incentives and opportunity for self-advancement and social mobility, thus showing conservatively-inclined voters it was not “soft” on welfare.

The foremost critic of WfF, other than those who believed the Government should have provided “relief” through reducing income tax rates, was the Child Poverty Action Group (CPAG). Their analysis of WfF (St John and Craig, 2004) argued that although WfF was a ‘very significant redistribution of money in favour of low income working families with children’, it did little for the poorest families (and children). Despite the figures promoted by the Government, some of the poorest families stood to ‘receive would give an annual income of approximately $32,000 (assuming a 40-hour per week workload). In October 2005, Statistics New Zealand recorded the “Average weekly income from wages and salaries for those in paid employment” as being $592; this would extrapolate out to an annual income of less than $31,000 (see ‘Wage and salary income’ section of Statistics New Zealand, 2005). To regard either of these measures as an indicator of “affluence” is surely misleading.
income increases of less than $10 per child per week’ (St John and Craig, 2004: 6). CPAG believed this would leave some 175,000 children only marginally better off. The promise that no-one would be worse off under WfF was, for CPAG, unacceptable when some of those who would benefit the least were already in ‘dire poverty’ (2004: 5). Furthermore, the package would widen the gap between those with work and those without, further entrenching an ‘underclass’. Ultimately, the CPAG authors proclaimed that the prioritisation of work as a means to address child poverty was an insufficient strategy to eliminate child poverty. While the measures would alleviate the poverty experienced by many children in many working families, WfF would simultaneously perpetuate poverty amongst the lowest echelons because the package discriminated ‘against many of the poorest children simply on the basis of their parents’ income source’ (St John and Craig, 2004:6-7).

WfF, therefore, would deliver its benevolence primarily to those parents already in work. And, from 1 April 2005, only months before a scheduled general election, thousands of working parents would discover they were entitled to more money each week. Moreover, they would discover that, if Labour were to remain as the Government after the 2005 election, they would be entitled to even more. Thus the Government’s claim that it was ‘making work pay’ was surely credible: WfF created a strong incentive for parents to seek or remain in employment. More importantly, however, was that WfF created a strong(er) incentive for parents to vote for the re-election of a Labour Government. WfF offered low-income parents a dividend should they vote for Labour in 2005. In addition, because the Government had designed WfF so that 61 percent of all families were expected to be eligible for assistance in 2007/08 (Maharey, 28 May 2004), it was clearly a strategy with which Labour sought to retain its centrist electoral position. Because WfF was less concerned with families earning less than $25,000 a year than it was with families receiving $35,000, it could be suggested that the Government had targeted sufficient (though not necessarily symmetrical) proportions of the voting population on either side of the median income earner so as to maintain the confidence of voters on either side of the median income earner. 28

Despite this virulent criticism, WfF was, and is, certainly the most significant programme of income redistribution instituted in New Zealand in recent history. Many

28 As stated earlier: this does not to assume that a direct connection exists between income level and voting intention; rather, the inference is that Labour sought to ensure that the party would be more likely to retain the allegiance of a larger number of voters who were on either side of the median income earner than it would have done by concentrating only on voters who earned less than the median income.
thousands of low income families (as well as families who were supposedly “middle
class”) who struggled under the burden of mortgage repayments (if they are not
renting) and increasing living costs will certainly be better able to provide more
resources and educative experiences for their children. *WfF* certainly also put further
distance between the fifth Labour Government and its neoliberal predecessors. What it
was not, and is not, however, is a programme of income redistribution that shifts the
fifth Labour Government into the field of social democracy. Instead, *WfF* should be
regarded as a strategy which sought to retain the allegiance of more voters than would
have been an initiative that concentrated predominantly on voters whose incomes were
below the median level, particularly in an era of heightened electoral volatility (see
Aimer and Vowles, 2004: 21-3). The ‘social democratic’ identity to which Labour
aspires (see, for example, Clark, 8 June 2004), continued to evade the Government’s
grasp because a programme of redistribution that leaves those (children) most in need
of assistance only ‘no worse off’ fails to demonstrate the commitment to reducing
inequality that a genuinely social democratic programme would advocate and pursue.
Moreover, although *WfF* will most likely achieve its goal of reducing child poverty by
30 percent, that 30 percent will, inevitably, be the 30 percent that were already closest
to not experiencing poverty. (There may be some exceptions, but, as with most
exceptions, it will be precisely because they are exceptional that they are
distinguished). At the other end, the 30 (or ten, five or one) percent of children
experiencing the most acute effects of poverty will most likely remain in the bottom 30
(or ten, five or one) percent, and be in a situation that is only ‘no worse off’.

In December 2004 the Government released ‘Opportunity for All New Zealanders’
(Office for the Minister of Social Development and Employment (OMSDE), 2004), a

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29 In early May 2004 – before Budget 2004 – the *Sunday Star-Times* ran a series of articles that
concentrated on the “plight” of New Zealand’s supposedly “middle-income” families, particularly
those raising children. Prompted by letter by a mother-of-four who was “struggling to make ends
meet” despite an annual household income of $55,000, the articles highlighted the position of
“working families” after four years of Labour-led government. See ‘Death of the single-income
family’, *Sunday Star-Times*, 2 May 2004; ‘The rise and fall of the power of one’, *Sunday Star-
Times*, 2 May 2004; ‘These kids are our future’, *Sunday Star-Times*, 2 May 2004; ‘Tight and
mean and nasty’ regime’, *Sunday Star-Times*, 9 May 2004; and ‘We will survive ... but only

30 To reiterate a qualification stated earlier, this argument is not meant to infer that a direct
correlation exists between income level and voting intention (such that the median income
corresponds to the median voter); rather, the argument is that *WfF* appears more likely to have
been less popular (and less attractive to marginal voters) if it had delivered significant benefits to
the lowest income earners, only small benefits to voters near the median income level, and
negligible benefits to voters above the median income level.

31 It should probably also be noted that Tony Blair’s government released a document called
document that was proclaimed to be the ‘social counterpart’ to the GIF (Clark, 25 November 2004; Maharey, 28 November 2004; OMSDE, 2004). Clark declared it to be ‘our framework for social investment ... [which] shows how we will respond to the findings of the Social Report’ (25 November 2004). However, despite the Government initially promoting it as the social equivalent to the GIF, it was released on 16 December with very little effort to promote it as an important statement of government policy, and went entirely unnoticed by the media (when a news article was eventually published near the end of January, a New Zealand Herald reporter stated that ‘not one newstory [had] ran in the media’ about it, and that even in mid-January 2005, ‘various academics and interest groups ... had not heard of it’). Perhaps most significant was that despite being touted as a ‘counterpart’ to the GIF before its release in mid-December, Opportunity for All did not get even a passing mention in Helen Clark’s 2005 Statement to Parliament less than two months later, while the Government’s commitment to the GIF was strongly communicated (Clark, 1 February 2005).

A CPAG news release (that evidently went unnoticed by the media) described Opportunity for All as ‘a catalogue of classical third way social policy’ which continued the Government’s ‘short-sighted “work cures all” approach’. CPAG was correct in its assessment of the document being a piece of ‘classical’ third way rhetoric, although it should be added that it was a piece of classical centrist third way rhetoric. That is, although Opportunity for All acknowledged the continued prevalence of poverty, it was characterised more as ‘persistent disadvantage in the labour market’ (OMSDE, 2004: 6); ‘eliminating unjustified inequalities’ was dependent on ‘extend[ing] economic opportunity to all’ (2004: 3). Thus the Government’s commitment was not to the immediate reduction of inequality and poverty, but to increasing labour market participation. Furthermore, Opportunity for All was also a clear restatement of the Government’s expectations concerning individual responsibility; specifically, it stated that:

Individuals carry much of the responsibility for their own wellbeing. Whether we fulfil our potential, prosper and participate in our communities and wider society

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32 ‘Glossy take on social spending’, New Zealand Herald, 25 January 2005. Once familiarised with the document, those (non-politicians) spoken to by the Herald all seemed to agree that “What we don’t need is more Government reports” (David Robinson, Victoria University) and that “They [Government] are identifying the problems really well, but they are specifically avoiding putting steps in place to solve them” (John Minto, Quality Public Education Coalition). Social Welfare spokespeople for both the Green and National parties appeared to agree that it was “just another form of spin” (Sue Bradford, Green Party) that was “A lot of words that say very little” (Katherine Rich, National Party).

depends largely on personal choices, including the beliefs, attitudes, and values we express through our behaviour. (OMSDE, 2004: 14; emphasis added)

Consequently, individuals’ experiences of poverty were due ‘largely’ to their own choices and inability to participate in the labour market, and participation in the labour market would continue to be the only path out of poverty. Therefore, rather than the education system having failed individuals, those individuals had failed to achieve in the education system. As such, and following on from Wff’s palpable reluctance to immediately reduce inequality, Opportunity for All meant that the Government still had not realised its aspiration to be situated within the political field of social democracy. However, as the following section contends, the broad distribution of benefits that defined Wff and the overall centrist positioning of social policy would prove invaluable in 2005, for the political climate in that election year was far different to what Labour had encountered prior to the 1999 and 2002 elections.

The return of the right, tax cuts and that surplus

Ever since placating the contagious pessimism of much of the business sector in mid-2000, the Labour-led Government had enjoyed relatively consistent levels of public support.34 More importantly, Labour had enjoyed the absence of a popular Opposition, as shown so decisively in the routing of National at the 2002 election. However, only weeks into 2004, Labour was confronted with the greatest challenge of its governing tenure to date: a rejuvenated Opposition with a level of public support that appeared to rival, or even surpass, support for the Government.35 Well before the 2005 election, Labour’s ability to retain office was anything but assured. Moreover, the reactionary manner in which Labour responded to National’s resurgence provided further evidence that the Government was completely unwilling to implement a conception of the third way that held a commitment to reducing inequality that would shift it closer to the field of social democracy.

34 TVNZ contracts Colmar Brunton to conduct its opinion polls; the Colmar Brunton poll results show that between the 2002 election and December 2003, Labour was consistently above 45% support (and often above 50%), and National was consistently below 30% support (see http://www.colmarbrunton.co.nz/default.asp?articleID=474&Topic_ID=85&domain= [Accessed 22 June 2006]).

Within months of being elected Leader of the Opposition, Don Brash found himself at the helm of a National Party that suddenly found itself challenging Labour in public opinion polls by March 2004. The National Party’s renaissance was triggered when Dr Brash delivered his now (in)famous “Orewa Speech”, in which he attacked the Government for extending “special treatment” to Māori on the basis of their being Māori. In contrast, National offered a policy of ‘one law for all’, where the benevolence of the state would be distributed on the basis of ‘need, not race’. The Government was, Brash proclaimed, dividing rather than uniting New Zealand. Although the race issue was the catalyst for National’s renaissance, it was the Party’s critique of the Working for Families package that ensured it would continue to challenge Labour.

National derided WfF as a ‘squandered opportunity’, arguing the Budget surplus that the Government had appropriated from ‘hard-working taxpayers’ should have instead been used to lessen the ‘burden’ imposed on businesses and taxpayers by the Government’s archaic taxation regime. Dr Brash maintained that reducing both personal and corporate rates of taxation would guarantee the quickest path for New Zealand back to the upper tier of the OECD. Labour’s progressive tax system was alleged to penalise ‘hard work’, and the WfF project was alleged to (further) entrench a ‘culture of welfare dependency’ by undermining self-sufficiency amongst low-income earners. The overarching message that National disseminated was that a Labour Government believed itself to be a better judge of how to spend taxpayers’ money than was the taxpayer. This was a powerful inference, and when linked to the size of the surplus, it only became more persuasive. Public debate on tax subsequently became less about the affordability of tax cuts than it was about their desirability.

Although Labour vociferously insisted that Dr Brash and National embodied the “failed policies of the 1990s”, the inability of Cullen’s 2005 Budget to neutralise the

36 For further discussion of Brash and National’s resurrection see Miller (2005: 166-8) and Roper (2005: 226). Also, see “Hurricane Brash”, a documentary by Tom Scott and John Keir which recorded Brash’s first 100 days as Leader of the National Party and was screened on Tone on 12 April 2004.

37 See, for example, Dr Brash’s (27 May 2004) Post-Budget Speech (Available at: http://www.national.org.nz/Article.aspx?articleId=2119), in which he declared that the Labour-led government had “squandered New Zealand’s greatest ever opportunity to invest in policies which would restore this country to the levels of prosperity enjoyed by Australians; ... [and] after five years of over-taxing hard-working New Zealanders, it has embarked on a programme of cynically-timed election year giveaways to many of those same New Zealanders, funded by their own taxes.”

38 See, for example, Clark, 1 February 2005; or Clark, 25 July 2005.
taxation debate ensured that the topic would be the key point of contention leading up to the 2005 election. Indeed, Cullen's Budget 2005 pledge to index the income thresholds at which higher tax rates apply to inflation, though not until 2008, exacerbated Labour's vulnerability on taxation (especially given prior suggestions that Budget 2005 would include a 'deep dark secret', which created speculation that the Government may have accepted the viability of actual tax cuts). Furthermore, the widespread ridicule directed at Budget 2005 indicated that the Government had, ultimately, lost its battle to persuade the public that a $5 billion surplus might not actually mean $5 billion was sitting in a vault gathering dust, but was instead already committed to future projects (or was anticipated income). This defeat was effectively admitted when, one month prior to the 2005 election, Labour had already committed itself to almost $1 billion in new expenditure, including $440 million to extend WfF to all families with dependent children with an annual income of less than $70,000 (and some households earning in excess of $100,000 would even be eligible). That is, rather than redistributing income to the families most in need (which could reduce social inequality), the Government sought to placate "middle New Zealand" by offering even more working families "tax relief". Thus Labour indicated that it had recognised that it could lose the forthcoming election, and needed to offer more personal gain to voters who stood to benefit from National's promises of tax cuts. Therefore, in the interests of political longevity, Labour delivered clear evidence of its ambivalence toward inequality, and hence its centrist positioning within the field of the third way.

The Second Term in Perspective: Still the third way

This thesis has defined the third way as a field of political discourse that, at its extremities, overlaps with the fields of social democracy and neoliberalism, which implies a plurality of third ways. Chapter Four concluded that the fifth Labour Government was, in its first term, comfortably located within the field of the third way, and although it had implemented some significant changes in policy, much of the difference between its programme and that of a neoliberal agenda was exaggerated. Once the Growth and Innovation Framework had been initiated, the Government was evidently distanced from the rightward parameter of the third way, though its ambivalent commitment to inequality meant its location was closer to the centre of the

39 See, for example, 'Cullen's deep, dark anticlimax', New Zealand Herald, 20 May 2005; 'PM blames papers for tax hype', New Zealand Herald, 24 May 2005; 'Deep dark secret of getting Cullen's gloat', Dominion Post, 1 June 2005; or 'Mike the mouth is the man Helen can't sack', New Zealand Herald, 12 June 2005.
third way than it was to the space of paradigmatic overlap that the field of the third way shares with social democracy. Essentially the same conclusion can be reached with respect to the fifth Labour Government's second term, except that the Government, due to the WfF package, can be regarded as having shifted slightly closer to, but still fell short of, the field of social democracy.

The Government's almost duplicitous commitment to reducing inequality and its actual progress toward reducing inequality (and the likely outcomes of both the GIF and WfF initiatives in terms of their probable benefit to the most impoverished households) prevent the fifth Labour Governments from being located outside the domain of the third way, but, more importantly, precludes the Government from being situated inside the space of paradigmatic overlap shared by the third way and social democracy. Helen Clark's 1999 Speech from the Throne stated that it was her objective to lead a government that would 'implement a policy platform which reduces inequality' (Clark, 21 December 1999); yet none of the three Budgets of the first term delivered the means with which to achieve this. Moreover, the flagship policy of the Government's first term (which remained its economic centrepiece in its second term), the Growth and Innovation Framework, has been assessed likely to increase inequality (Hayes, 2004).

In her 2002 Speech from the Throne, Clark again emphasised that a key objective for the Government was 'reducing inequality and improving the social and economic wellbeing of New Zealanders' (Clark, 27 August 2002). However, like the GIF, the Government's much vaunted WfF package does little to close the income gap between the families with the lowest incomes and those earning even a median income, which undoubtedly calls into question the Government's actual commitment to reducing inequality and deprivation. This demonstrably ambivalent dedication to reducing inequality inherently precludes the fifth Labour Government's claim to a social democratic identity (see Clark, 24 November 2004). Nevertheless, the Government has clearly communicated a concern for the effects of inequality, has initiated policy that will increase the incomes of many low income families, has instigated numerous other policy reconfigurations that benefit low income families, has resisted pressure from influential quarters for tax cuts and other measure that would overwhelmingly

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40 In the same speech (Clark, 24 November 2004), the Prime Minister also asserted: 'We acknowledged the problems [created during the 1980s and 1990s]; we didn't run away from them; we did not pretend they were not there. We began to move New Zealand away from where neoliberalism had taken it. That meant developing a new direction for the nation and a new role for government in the 21st century, and reclaiming New Zealand's old egalitarian streak for the new millennium.'
benefit the upper echelons of society, and has invested substantially in social services and infrastructure.

Ultimately, and without doubt, the fifth Labour Government has put considerable distance between itself and the neoliberal right, despite the continuing presence of what critics refer to as the ‘lynch-pins’ of the neoliberal policy regime, such as the State Owned Enterprises Act 1986, Reserve Bank Act 1989 and Fiscal Responsibility Act 1994 (Roper, 2005: 234). Yet it is also true that it is economic, rather than social, goals that have defined the Government’s hierarchy of priorities. Therefore, as will be developed further in the final chapter, while Labour (and its critics on the right – inside Parliament and out) exaggerates the extent to which the Government is defined by the left, its critics on the left exaggerate the extent to which the Government is defined by the right. And therein lies a crucial realisation: the fifth Labour Government is neither unequivocally of the left nor unequivocally of the right. Thus the Government is not synonymous with either social democracy or neoliberalism (and much less is “beyond” or is a “renewed” form of either). The politics of the fifth Labour Government was, as the 2005 election approached, unequivocally a politics of the third way.
Conclusion

Reinventing the Left?

Following the 2005 General Election, which delivered the third incarnation of the fifth Labour Government, an editorial in New Zealand's largest daily newspaper declared that the new Government 'looks far more centrist than left'. That claim, while certainly not wrong in the immediate post-election context was, nevertheless, misleading; it would have been far more accurate to declare that the fifth Labour Governments have always been "more centrist than left". Moreover, although the Labour-led Governments have, since 1999, brought government policy to a position that is demonstrably "to the left" of where government policy was situated in 1999, it does not necessarily follow that the first two manifestations of the fifth Labour Government were "of the left". Similarly, because the third way can be described as being "to the left" of neoliberalism, it does not automatically follow that the third way is "unequivocally of the left".

Before exploring the implications of the conclusion that neither the third way nor the fifth Labour Governments are "unequivocally of the left", key steps on the path to that conclusion should be revisited, if only to consolidate some core arguments. The Introduction to this thesis explained that the defining characteristic of "the left" and of social democracy was an unequivocal commitment to the pursuit of a more egalitarian society. In addition, social democracy was conceptualised as a *political field*, to imply that there are a plurality of interpretations of social democracy (although each is genuinely committed to achieving greater social equality, and the stronger that commitment is, the further to the left that interpretation can be situated). With the

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1 Editorial, ‘Govt more centrist than left’, *New Zealand Herald*, 18 October 2005. The Herald made this claim because the election results (see below) 'forced her [Helen Clark] to abandon the Greens for more centrist partners in NZ First and United Future' and had, consequently, 'avoided the excesses of environmentalism, social engineering and political correctness that a coalition [with the Greens] ... would have presaged'. Hence the Government was "more centrist than left" because its stability was dependent on support from the "centrist" parties of New Zealand First and United Future; if a Labour-Greens coalition had eventuated, the Herald may have, on this logic, declared that the Government was "more left than centre". To the Herald's credit, however, the last sentence of the editorial was the particularly accurate insight that 'she [Clark] can ignore her left and bear to the centre, the course that has taken her this far'. The election results left Labour with 50 seats in parliament; National with 48; NZ First 7; Greens 6; Māori Party 4; United Future 3; ACT 2; and Jim Anderton 1 (see: [http://www.electionresults.govt.nz](http://www.electionresults.govt.nz)).
left/right dichotomy defined as revolving around the concept of equality, a crucial aspect of the Introduction was the definition of the political centre as an area that is ambivalent toward equality. Thus the third way and the fifth Labour Governments could be described as being outside the field of social democracy if they advocated and/or implemented an approach that was ambivalent toward existing levels of inequality.

Chapters One, Two and Three explained that, like social democracy, the third way is best conceptualised as a political field, as there are multiple possible conceptions of the third way: some of which are associated with a genuine commitment to greater equality, some ambivalent toward existing inequality, and some that advocate policies that would increase social inequality. Therefore, unlike the political field of social democracy, the political field of the third way is not “unequivocally of the left”. The political field of the third way does, however, share a space of paradigmatic overlap with the field of social democracy, and it is within this space that Anthony Giddens’ conception of the third way can be situated. Giddens advocated both a commitment to achieving greater equality and policies which would increase the capacity of the state to reduce inequality; although there is considerable doubt as to whether the policies advocated by Giddens would deploy that increased capacity to actually reduce inequality. Thus Giddens’ third way was not as far to the left as he claimed it to be; it was the dilution of social democracy rather than its “renewal”.

Chapters Four and Five sought to situate the policy approaches of the first two incarnations of the fifth Labour Government within the political field of the third way. Chapter Four determined that the policies of the first term (1999-2002) shifted government policy from a pre-1999 position within the field of neoliberalism to a location within the field of the third way, but which was in close proximity of the political centre and certainly not within close proximity of the space of paradigmatic overlap shared by the field of third way and the field of social democracy. Hence the policies of the first term amounted to a convergence upon the political centre. Chapter Five explained that the policies of the second term (2002-2005) amounted to a further leftward shift within the field of the third way, and, despite instigating a programme of income redistribution, the fifth Labour Government remained positioned outside the

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2 Also, see footnote 5 (below).
field of social democracy due to an inadequate commitment to reducing existing social inequality.

As stated in the opening paragraphs of this thesis, an underlying theme throughout the preceding chapters has been a to promote an understanding of “the left” as equating to a normative commitment to reducing existing levels of social inequality. An area of research which is perhaps under-explored is the investigation of what individuals perceive the axioms of left and right to mean, as opposed to research that asks individuals to nominate the extent to which they identify themselves as being aligned to (or inclined to vote for) “the left” or “the right”. Every bit as interesting as discovering what people consider to be the aspirations of the left and the right would be what they consider the aspirations of the “side” they were inclined toward, and the aspirations of the “side” to which they were opposed. Such research could reveal that the distinction suggested by Bobbio (1996) and employed in this thesis is confirmed by empirical evidence, or it might reveal a wide variety of perceptions about the normative content of left and right. A conceivable scenario is that an individual might consider even a minor commitment to the reduction of inequality to be characteristic of a “radical left”; another possibility might be a belief that a preference for the status quo equates with being in the “centre”, even if the status quo had produced greater equality. Indeed, it is for an understanding of “the centre” that such research could be highly beneficial, and could possibly lead to a typology of the centre that does not fit with the concept of the political centre.

This thesis has proposed that the political centre corresponds to a space between left and right that is ambivalent toward existing inequality; the advocacy of policies that neither increase nor decrease social inequality can be described as being situated at or

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3 For example, in their study of the 2002 election, Vowles et al (2004) asked survey participants: “In politics, people sometimes talk about the ‘left’ and the ‘right’. If you can, where would you place yourself on a scale from 0 to 10, where 0 means the most left and 10 means the most right?” (Vowles et al, 2004: 218). The following question asked respondents to place the National, Labour, New Zealand First, Alliance, ACT, Green, Progressive Coalition, and United Future parties on the same scale. Although such questions provide important data, and further questions provided the means to identify the policy preferences of respondents (e.g. whether someone who considers themselves to be inclined toward “the left” agreed that “We should tax rich people more and redistribute income and wealth to ordinary people” (2004: 221)), there remains a degree of ambiguity about popular conceptions of left and right; that is, whether left and right are perceived only on the basis of policies (such as “higher taxes” or “lower taxes”) or whether people’s perceptions are based on beliefs about the normative goals of left and right (such as “equality” or “autonomy”). In short, I believe there is a need to explore how voters identify why the left might be associated with “higher taxes” and the right with “lower taxes”.

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near the political centre. Deterministic theories of elections and electoral behaviour, following the influence of Downs (1957), maintain that parties must converge upon the "centre-ground" in order to attain the allegiance of the "median voter" (see Grofman, 2004). However, is it possible that the position of the median voter does not always coincide with the political centre? If the assumption of a normal distribution of voters' preferences is retained, but it is suggested that those preferences are normally distributed about a point that is not fixed, then it is possible to suggest that a second centre, the electoral centre, exists. That is, voters' preferences may, at different times, be distributed about positions on the left-right continuum that are not the political centre (see also Hindmoor, 2004, 2005). Therefore, at one point in time the median voter might correlate to a position that prioritises the achievement of greater equality, while at another time the median voter might correlate to a position that justifies increases in inequality. Even if the electoral centre were only slightly to the left of the political centre, the major party of the left would have a relative advantage over the major party of the right, and vice versa. Subsequently, a possible avenue for further research would be to investigate the attitudes of a significant sample of voters toward equality and to test for relationships between conceptions of left and right, attitudes toward equality, policy preferences and voting intentions.

Although the preceding digressions highlight possible future research trajectories, the contents of this thesis lead directly to some much more immediate implications. In particular, the paramount contention of this thesis is that the third way and the fifth Labour Governments required a more palpable commitment to reducing social inequality in order to be regarded as that which they claimed to be (or were presented as being). Anthony Giddens' conception of the third way required the presence of a stronger commitment to equality in order to legitimate his claims that the third way was "unequivocally of the left" and, therefore, was the "renewal of social democracy". There remains significant doubt as to whether Giddens' combination of left and right could produce greater social equality, thus his conception of the third way is the dilution rather than renewal of social democracy. Similarly, the fifth Labour Governments required a stronger commitment to equality in order to legitimate its

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4 Although it must be added that even if the median voter's preferences could be identified, it does not follow that a party could adapt its policies and attain the allegiance of a plurality of voters: voters' preferences are only one factor in an increasingly complex (and exogenously determined) decision-making process, in which image has a crucial influence. That is, voters' preferences do not necessarily equate to their voting intentions. Moreover, constant policy changes are likely to lead to a loss of credibility, itself a crucial determinant in voting decisions.
claims of creating a “vibrant social democracy” (see Cullen, 2000: 13; or Clark, 24 November 2004) which had “reclaimed that old egalitarian streak” of Labour’s heritage (see Clark, 3 April 2001). Furthermore, Labour’s claims to being “a classic third way government” (see Clark, 16 June 2000a) were belied by an ambivalent commitment to equality, which diluted and misrepresented the extent to which Giddens’ formulation of the third way did advocate policies that would enhance the capacity of the state reduce inequality. Moreover, the fifth Labour Governments required a stronger commitment to equality in order to be regarded as having fulfilled the unambiguous objective of “reducing inequality” that Prime Minister Helen Clark pledged to achieve in both the 1999 and 2002 Speech from the Throne. The reduction of social inequality is a commitment on which the Government has not delivered.

To pre-empt a potential criticism of this thesis, a subsidiary implication of the preceding chapters is that social democracy may have been defined in such a way that it is now unobtainable. That is, by defining (and defending) social democracy exclusively on the basis of a genuine commitment to greater social equality, this thesis may have inadvertently signalled “The End of Social Democracy”. A reply to such a critique would concentrate on four crucial points. First, just as some interpretations of the third way argue that it ‘describes the present in epochal terms’ (Rose, 1999: 490) and ‘envisages the present state of sociological affairs as a permanent one’ (Leggett, 2004a:18), a declaration that social democracy is now obsolete, or that the pursuit of a more egalitarian society is a redundant goal for “the left”, and that the third way should, therefore, be accepted as the “reinvention of the left” ignores the possibility that the current “state of affairs” may not be permanent. The effects of global warming,

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5 This does not contradict the above statement about the doubt surrounding whether Giddens’ third way could reduce inequality. Giddens’ advocacy of wealth and inheritance taxes, and the greater regulation of corporate behaviour, increased the capacity of the state to reduce inequality. The doubt surrounding the ability of Giddens’ third way to achieve greater equality concerns the absence of mechanisms in Giddens’ third way to ensure that the incomes of those “at the bottom” increased at a faster rate than the incomes of those “at the top”, especially given Giddens’ warnings of the “moral hazard” associated with “generous” social welfare payments to the unemployed. This doubt is further intensified by Giddens’ unwillingness to consider that unemployment and poverty was an inevitable, structurally-determined certainty in contemporary capitalism. Therefore, by not advocating and/or implementing the taxation and corporate behaviour regulation policies suggested by Giddens, the fifth Labour Government, in claiming to be ‘a classic third way government’, diluted and misrepresented the extent to which the third way could enhance the capacity of the state to reduce inequality.

6 In 1999, Helen Clark declared that the Labour-Alliance Coalition would “implement a policy platform which reduces inequality” (Clark, 21 December 1999). In 2002, Helen Clark declared that the Labour-Progressive Coalition would commit itself to “reducing inequality and improving the social and economic wellbeing of New Zealanders” (Clark, 27 August 2002).
the exhaustion of non-renewable energy resources, the advent of a major armed conflict, a
global recession, or some other disaster (either natural or "manufactured") could
precipitate profound sociological changes and a fundamental reorientation of
individuals' political preferences and of global policy priorities. On a less dramatic
scale, a particularly charismatic politician may emerge in New Zealand who is able to
persuade voters that a greater concern for reducing inequality will be beneficial (or is
able to divert voters' attention away from a focus on reducing inequality). In short, the
uncertain future may create (or deliver) circumstances in which greater social equality
is not only obtainable, but is the aspiration of a majority.

Second, even if a strong commitment to reducing inequality appeared to be unobtainable
as parties and governments converged on the ambivalent political centre, greater
equality can remain an aspiration, and it is important that it does so. As Tawney
asserted, it is not that an aspiration "should be completely obtained, but that it should
be sincerely sought". If proponents of "the left" communicated that greater equality
was not an aspiration, then even a commitment to the gradual reduction of inequality
could become identified with the "radical" or "extreme" left, which would increase the
ability of those on "the right" to marginalise the left, and possibly lead to the
tolleration of gradual increases in inequality becoming accepted as "normal" and the
policies that created the inequality being seen as "common sense". Moreover, this
reinforces the need to avoid the typology of social democracy as "whatever Labour
does"; to regard the fifth Labour Governments' ambivalence to inequality as a
contemporary form of social democracy would consign any future commitment to the
reduction of inequality to the ranks of the "extreme". For the same reason, to regard
Giddens' conception of third way as the "renewal of social democracy" would consign a
commitment to equality that exceeded Giddens' to the "loony left" ideals of "obsolete
socialism". In short, the ideal of greater equality is an aspiration which may now be
difficult to "completely obtain", but it can still be "sincerely sought".

Third, it is precisely because of this conundrum (the ability to "obtain" social
democracy) that social democracy and the third way should be conceptualised as
political fields that share a (small) space of paradigmatic overlap. As it was
explained in the Introduction, social democracy has always corresponded to a

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7 The capacity of politicians to persuade is an idea to which this Conclusion later returns.
commitment to achieving a more equal society; however, revisionism produced a plurality of interpretations that have been presented as definitive of social democracy. Each interpretation can be distinguished by the intensity of its commitment to egalitarianism. Thus social democracy was defined as a political field, in which all its points represented a commitment to achieving greater equality, and the stronger a subject's commitment is to equality, the "further left" that subject can be described as being. Furthermore, in the context of contemporary political competition, the "further left" that a subject's position is, the less likely are the chances of that subject obtaining a position of authority in which that commitment could be implemented. The third way can also be interpreted so that many different "ways" are revealed. However, unlike social democracy, the third way can be interpreted as involving ambivalence to inequality, or even indifference to inequality. Therefore, while Anthony Giddens' conception can be situated within the political field of social democracy, the majority of the conceptions that comprise the field of the third way are situated outside the field of social democracy. Moreover, while in the past a party that exhibited a strong rhetorical commitment to social democracy may have initiated policies that produced only a gradual decline in inequality, this thesis has shown that a party which exhibits a strong rhetorical commitment to the third way is likely to implement policies that are ambivalent or indifferent to inequality. In other words, a commitment to a diluted conception of social democracy (i.e. Giddens' third way) is likely to result in outcomes that are inconsistent with, and thus misrepresent, the field of social democracy.

Finally, each of the preceding three points is pervaded by a key contention of this thesis: that an electoral imperative inhibits, though does not necessarily prevent, the advocacy and implementation of a genuine commitment to achieving greater social equality. The electoral imperative, or "logic of parliamentarianism" (Przeworski, 1985), that confronted the fifth Labour Governments was alluded to in the conclusions to Chapters Four and Five, although it is an idea that is highly relevant to all aspects of this thesis. The idea is simple: a genuine and strong commitment to the reduction of inequality is likely to be electorally unpopular, particularly if it is associated with emotionally-charged expectations of "more taxes" or being "bad for business". The 2005 election provided clear evidence of this: had the Labour Party pledged to extend the Working for Families package downwards to increase the incomes of those "at the bottom",

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9 It is important to remember that this definition of social democracy means that some ideas, politicians, parties and governments that have been presented as an exposition of social democracy are not able to be located within the field of social democracy.
instead of extending the initiative upwards so that families with higher incomes would receive “tax relief”, it is naïve to expect that the election would have delivered the same result.\textsuperscript{10} Therefore, and to build on the conclusion of McKenzie (2002), the fact that the fifth Labour Governments cannot be situated within the field of social democracy is arguably as much (or more) a product of a volatile (and conservatively individualistic) electoral imperative as it is a product of political unwillingness.\textsuperscript{11} Moreover, the two are intrinsically linked: the advocacy of a commitment to reducing inequality that corresponds to a position within the field of social democracy is an electoral liability that Labour has been unwilling to implement precisely because doing so would be electorally unpopular. Consequently, critiques of the fifth Labour Government (and those that have Tony Blair’s Governments as their target) should acknowledge that the implementation of policies that would have situated the Government within the field of social democracy might have led to the election of a National-led Government in 2005 (and a Conservative Government in Britain). Similarly, Giddens’ articulation of a third way was predicated on the assumption that the renewal of social democracy was dependent upon being immediately attractive; thus rather than renewing social democracy’s commitment to equality, Giddens diluted that commitment in order for his conception of the third way to be popular. Yet, it should not be assumed that the electoral imperative – and the unwillingness of a plurality of voters to endorse a commitment to greater equality – will always inhibit the implementation of such a commitment, or that the electoral imperative is entirely beyond the influence of theorists and politicians.

Hindmoor (2004, 2005) has emphasised that politicians are able to persuade voters to revise their beliefs and preferences. Furthermore, Hindmoor insists that the reduction of Downs’ An Economic Theory of Democracy to the imperative that “parties must converge on the centre” is a misrepresentation of Downs’ thesis; a closer reading of Downs (1957) reveals the possibility that voters’ beliefs about how their vision of the

\textsuperscript{10} Similarly, had Labour come to power in 1999 solely on the back of voters’ discontent with the fourth National Government, and proceeded to implement an agenda more consistent with social democracy than the third way, a National resurgence (rather than capitulation) at the 2002 election is not inconceivable.

\textsuperscript{11} McKenzie wrote that ‘Labour may well have been left without a choice’ (2002: 177). Furthermore, while evidence suggests that ‘Labour’s unwillingness to be unpopular as a reason for the demise of social democracy, it is not just the parties but also the people … that lack the will. Indeed it is eminently plausible to argue that Labour lost the will precisely because the people lack it’ (2002: 178). Therefore, ‘until there is a popular will to sincerely seek it … Labour will not be prepared to pursue … social democratic policies at the inevitable cost of office. That is the “choice” they have made’ (2002: 179).
“good society” can be achieved, and thus their policy preferences, “are malleable and can be altered by persuasion”.12 Therefore, parties ‘can try to increase their vote either by changing their policies or by changing voter’ beliefs’ (Hindmoor, 2005: 408; emphasis added). That is, Hindmoor argues that politicians and parties are able to influence the location of the electoral centre: through persuasion, politicians and parties have the ‘opportunity to change the position of the median voter’ (2005: 409). The relevance of Hindmoor’s work to the third way and the fifth Labour Governments is that it can be argued that the advocates and practitioners of the third way have concentrated on diluting policies rather than attempting to change voters’ beliefs and preferences. Thus the field of the third way has been constructed around a sociological assumption that the present “order of things” is fixed, and has denied itself the possibility that voters might be persuaded to alter their preferences such that a commitment to reducing inequality is not perceived as “radical”. To support this contention, it can be suggested that although politicians’ powers of persuasion may not be as influential as they might like to think, the well-documented evidence of increasing numbers of “undecided”, “late-deciding”, and “volatile” voters indicates that the scope for persuasion is also increasing (see Aimer and Vowles, 2004). Moreover, such trends suggest that even incremental changes (or “swings”) in the preferences of marginal voters might be decisive in closely-contested elections. In short, while an electoral imperative implies that parties must seek to attain (and retain) the allegiance of the median voter, it does not necessarily follow that the imperative is inexorable.

Finally, to return to the core argument of this thesis, Chapters Four and Five demonstrated that the prediction of Norberto Bobbio (that was identified at the end of Chapter Three) has proven to be accurate. Bobbio (1996: 8-9) wrote that ‘because it attempts to bring together two opposing sets of ideas, which have always proven to be incompatible’, any attempt at a third way ‘is essentially a doctrine in search of a practical politics, and as soon as this is achieved, it reveals itself as centrist’. Therefore, while Giddens’ third way could be situated within the field of social democracy, the fundamental tension between its commitment to “economic dynamism” and its (albeit diluted) commitment to greater equality – that is, the tension at the heart of its attempt to reconcile the ideals of the left and right – produces a politics that, when implemented, ‘reveals itself as centrist’. New Zealand’s fifth Labour Governments have, through the attempted implementation of the third way, produced a politics

12 Downs (1957: 87); reproduced in Hindmoor (2005: 408).
which has revealed itself as centrist. Thus the doubt raised about the third way’s ability to achieve a more egalitarian society which was raised in Chapter Two and reinforced in Chapter Three, and the reality shown by Chapters Four and Five, leads to the conclusion that the political field of the third way is not a politics that is “unequivocally of the left” or “the renewal of social democracy”. Neither the third way nor the fifth Labour Governments have exhibited a commitment to achieving greater social equality that is sufficient to legitimate such claims. In the case of the fifth Labour Governments, this is especially true, particularly since the Helen Clark-led Governments implemented a diluted version of the third way. Moreover, despite two terms of Labour-led Government, evidence continues to mount which shows that, since 1999, the gap between rich and poor in New Zealand has continued to widen, and that more people are now unable “to live the life of a civilised being according to the standards prevailing in society”. To believe that these outcomes have been produced by a political field that is the “reinvention of the left” is to deny the reality of that field being a significant and undeniable dilution of the left.

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13 The quote, “to live the life of a civilised being according to the standards prevailing in society”, is from Marshall (1950) Citizenship and Social Class, reproduced in Shaw (2003: ?). The Ministry of Social Development’s Social Report 2006 recorded that “Between 2000 and 2004, there was an increase of 3 percentage points in the proportion of the population living in severe hardship” (MSD, 2006: 64-5; emphasis added). Although this was based on 2004 data, the fact remains that the government’s much-vaunted WFF package offers the least assistance to those most in need (see Susan St John, ‘Very poor just get poorer’, New Zealand Herald, 30 March 2006). Also, although the 2006 Social Report was unable to present any new data on income inequality (2006: 60-1), the media widely reported that income inequality had increased between 2001 and 2004; see ‘Rich Kiwis leaving poor behind’, The Press, 9 August 2006; and ‘Healthier, wealthier bust social gap grows’, New Zealand Herald, 9 August 2006. Also, see ‘Poor worse off – report’, The Press, 12 July 2006; ‘Report chronicles NZ’s rising tide of poverty’, New Zealand Herald, 12 July 2006; and ‘Wage squeeze – it’s toughest in the middle’, Sunday Star-Times, 5 March 2006. Finally, see St John (forthcoming).
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