

## spotlight europe

# 2010/11 – December 2010

# For Whom the Bell Tolls: Britain's new coalition government

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In May 2010 the British Conservative Party returned to power. Propped up by the Liberal Democrats as junior coalition partner, the new government has since then embarked on a radical programme of budgetary cuts, ringing in an age of fiscal austerity. Who are today's Conservatives? What exactly are they doing? How stable is the coalition? And what does this mean for Britain's role in the European Union?

I

### Tory return

David Cameron's arrival at No 10 Downing Street eight months ago marked the end to both 13 years of centre-left rule and to the Conservative's stony road back to power. Known to political scientists as the most successful election-winning machine of the 20th century, the party was bulldozed by New Labour in 1997, and passed through various degrees of dysfunctionality for almost a decade. Its recovery began in 2005, when Cameron, a government advisor turned PR executive, assumed the leadership. Without ditching the party's traditional philosophical outlook, which emphasises strong individual rights, self-reliance, a small state and a sense of patriotism, he

successfully remarketed the image of an organisation regarded by many as 'nasty' – a byline that stems from its radical, Thatcherite past and traditional representation of privilege.

Invoking concepts such as 'compassionate conservatism', which squares old-school conservative values with modern concerns for social justice, Cameron quickly offered a diagnosis of the state of the nation that was as sharp as it was simple: Britain's society, he argued, was 'broken;' it was broken because the public's sense of responsibility had eroded. This erosion was in turn the consequence of a swollen, centralised state, which had assumed an exaggerated role. The suggested remedy was to slim down the state decisively, with the gap created by the removal of government interference filled through the

'big society' - a set of ideas revolving around civil society structures and social entrepreneurship. Its stated aim is 'to take power away from politicians and give it to people'.

## II

## Labour stops working

The global economic meltdown that began in 2008 provided a fortunate context for Cameron's team to deliver this message to an electorate that had become increasingly sceptical of New Labour. The crisis brutally exposed Britain's reliance on the financial sector, revealing the inevitable consequences of a nation running on cheap credit. Unlike, for instance, in Germany, where the population was slow to feel the effects of the economic downturn, the crisis quickly reached British households, largely due to flexible mortgage and high levels of home-ownership.

This new climate of uncertainty showed up sharply New Labour's failure to effectively combat inequality of income, which had in fact grown since it took office - a hard situation for a centre-left government to explain after three full terms in power. And despite record investment in public services, there remained a sense among the electorate that little had improved - both because effects are hard to measure and because money was pumped into the system without reforming its structures and ethos.

The central pillar of New Labour, the belief that free-markets and a thriving economic elite were compatible with high-quality public service, began to appear vulnerable. Gordon Brown, Blair's successor, proved ineffectual in halting the government's downward spiral, let alone in energizing the party. Instead, he remained dogged by his political biography, having climbed to power through his visceral and politically damaging battle with Blair when serving as his Chancellor. And despite his

intellectual gifts, he appeared surprisingly unable to offer new ideas for a much needed second act of centre-left government. In the end, it was Westminster's quirky first-past-the-post election system that put him and the party out of their misery: Despite a lack of genuine enthusiasm for the proposed Conservative policies among the electorate, it produced a politically improbable coalition of Conservatives and Liberal Democrats, with the latter led by Nick Clegg, a former EU Commission advisor with European family roots.

## III

## Setting the tracks

Since taking office, Cameron's team, with Clegg serving as Deputy Prime Minister, has lived up both to the promises it made and the fears it inspired. Britain is locked in the big macro-economic debate of the day; whether economic stimulation or budgetary cuts have the power to end recession and fend off a much-feared double-dip. The government remains staunchly in favour of the latter: The Comprehensive Spending Review of October 2010 set out the government's intention to cut departmental funding by more than 22% over the next parliament. The government has already closed 192 governmental agencies, merged 118 and reformed 171 more. Current projections by the Office of Budget Responsibility are that around 330,000 public sector jobs will eventually be lost. While these cuts are the most drastic in living memory, the electorate had been prepared for even stronger measures in the run-up to the announcement. It seems that Cameron has reigned in his more radically-inclined finance minister, George Osborne, for the moment, largely due to resistance from the Ministry of Defence.

Against this background of radical cuts, the government is implementing a front-loading of costs strategy by moving particularly boldly in education and health

- two areas in which public feeling runs high. It is likely that universities will be given more freedom to raise considerably the levels of tuition fees, perhaps even on the basis of a competitive market system. The proposals have triggered significant resistance within the student population, who feel betrayed in particular by the Liberal Democrats, who throughout the election campaign ruled out such measures. As for secondary education, the decision to expand the academy programme, whereby state schools are created or propped up with considerable funds from the private sector, underlines the Conservative pledge to roll back the state; similarly, the government is promoting so-called 'free schools', i.e. state-funded schools that are set up in response to specific demand from parent groups, businesses, charities or others.

Meanwhile, hard-hitting reforms are underway in Britain's other political minefield, the National Health Service (NHS). The current system, whereby the Department of Health determines the spending priorities of Primary Care Trusts, who in turn manage the surgeries of general practitioners (GPs), is being recreated, with GPs forming consortiums which then request treatment for their patients from hospitals. Put simply, GPs will find themselves in control of around £70bn NHS spending-money. Foundation hospitals will be able to leave the state sector and become private companies, while their performance details, such as mortality rates, will be widely published. The government argues that the new system, based on market dynamics rather than on government targets, will improve the performance of the health sector and offer patients more choice. These developments confirm a trend in the restructuring of public services kicked off

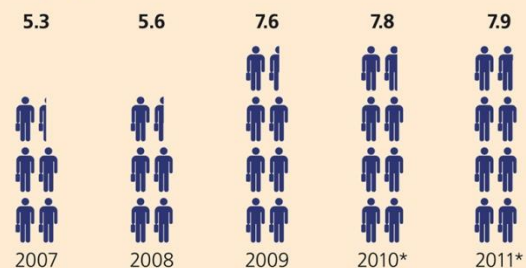
by New Labour under Blair, in which public bodies court private sector involvement. This offers a hint at what might be the enduring legacy of the former

**Britain in crisis:  
Economic and fiscal consolidation needed**

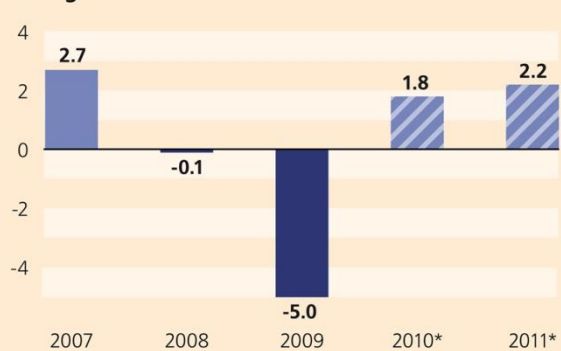
**General government gross debt & deficit in % of GDP**



**Unemployment rate in %**



**GDP growth rate in %**



Source: Eurostat \* forecast

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Prime Minister: Many senior Tory Ministers admit to admiration for Blair the man, rather than Labour the party. They see their work as liberating public services from the iron grip of the state; in effect, realising Blair's vision.

## IV

## Labour regroup

Led by newly elected Ed Miliband, a youth- and thoughtful former Energy Minister who surprisingly beat his high-profile brother David to the post, Labour has positioned itself against the draconian scope of the cuts. It has argued forcefully that the burden will be carried by the poorest third of British society, despite the Conservatives' statements to the contrary. The argument developing in Labour circles is that the Conservatives are using the economic crisis as a Trojan horse, in which old-school libertarian ideology is concealed. Miliband has announced a review of all policies and the party will now seek to develop concrete policy alternatives that go beyond knee-jerk opposition to a government viewed as an ideological enemy.

There is in Labour circles little sense of being struck dumb by a crushing defeat; rather, the most common explanations for losing the election are context (the economic crisis), single issues (notably the Iraq war) and personality (Gordon Brown). In consequence, the tone of current debates is one encouraging a forward gaze rather than backward glances; and the current task is that of achieving a smooth generational shift of its personnel rather than a fundamental change of its politics.

## V

## The coalition

An issue that will prove critical to future British politics is whether the Tories' junior partner will succeed in selling coalition politics to voters who are not used to seeing government formation dictated by electoral arithmetics. The Liberal Democrats will seek to carve out a long-term role by representing coalition rule as a less adversarial form of government, producing carefully-crafted legislation based on compromise, and

delivering sustainable politics. They must also find ways to underplay the downsides of coalition government; the danger of secret backroom wrangling, the severing of direct links to constituencies, and vulnerability to long-term tactical stalling.

To achieve this, the Lib Dems will need to define and market a more coherent political identity, having found it difficult in the past to come up with alternative policies that could withstand the scrutiny of prospective implementation. Perhaps most importantly, in terms of its electability, the party will need to solve the strategic problem of being a left-of-centre party with no meaningful connection to Britain's working classes. On the upside, its unique position as 'not one of the main parties' has made it attractive to some creative and individually-minded politicians, increasingly unwilling to accept the constraints of Britain's tribal two-party system. If successful, acerbic assessments of the Lib Dem's political flexibility ('If God had been a Lib Dem, He would have offered us the Ten Suggestions') will become a thing of the past, and coalition politics (perhaps with a second, centre-right party) one of the future.

## VI

## Britain in Europe

The Conservative party has voted for the most Eurosceptic candidate in every internal leadership election for more than a decade; as a result, the prospect of a Conservative meeting with the European Union (EU) was met with trepidation. For The Economist newspaper it was like 'watching a car-crash in slow motion'. Carrying every strand of Euroscepticism in their bones (historical Atlanticism caused by different experiences of World War II; constitutional opposition based on competing conceptions of sovereignty; differing ideas of political subsidiarity; budgetary worries about being a net contributor), Cameron and his

predecessors had spent two decades booing EU integration from the stalls. The party now finds itself face-to-face with the realities of EU integration, in regards both to its effects on the UK and Europe's role in the world.


Six months in, the cars have managed to avoid a head-on collision. 'Cameron has far too much on his plate to think about picking a fight with Europe,' explains John Wyles of the Brussels-based European Policy Centre. 'Providing there is nothing major in the policy pipeline here [in Brussels], he is certainly not going to be looking for a fight'.

Since the election, the lack of controversial proposals at the EU has meant that the relationship between the coalition government and the EU has been amicable and this trend looks set to continue: On the thorny issue of the EU budget, the Prime Minister may have dismissed the European Parliament's proposal of a 6% rise as 'outrageous,' and called for the budget to be 'frozen or cut'. However, he has since then moderated his stance, agreeing to a potential 2.91% rise for 2011. Recent soundings to cut contributions to 0.85% of GNI for the period 2014-20 (down from the current 1.1%) appear to have been rejected by other EU states.

The Tories have dropped a pledge to negotiate opt-outs from EU social policies and indicated a moderate stance to Germany's proposal of treaty-based rules to punish countries breaking the fiscal agreements of the eurozone. Analysts, like those of the London Economist Intelligence Unit, point

to the influence of the pro-European Liberal Democrats to allay fears of ideologically motivated obstruction on the part of the Tories; scholars, like Vernon Bogdanor of Oxford University, have pointed out that British governments of all colours have a historical record of


## What the press says: Britain's new government and Europe

The Daily Telegraph - 27 October 2010 

"The most instinctively Eurosceptic Prime Minister for 20 years faces a tricky set of challenges. Since the row over Labour's broken promise to hold a referendum on the Lisbon Treaty, Europe has been relatively dormant as a domestic political issue. The Prime Minister is about to find out that the volcano is rumbling back into life."

The Observer - 5 December 2010 

"Pro-European Liberal Democrats and anti-European Tories cancel each other out, leaving a void where there should be a policy. But even in opposition, David Cameron showed no interest in European affairs. He was inclined to see the EU as an issue best avoided. That is becoming an unsustainable position. At the moment, we are heading for the sidelines."

The Economist - 11 November 2010 

"Partly because he is in coalition with Liberal Democrats, but also because he is a pragmatic chap, David Cameron is playing a different game: looking for ways to give EU allies what they want while seeking support for his red lines, such as EU budget reform. If that leaves Britain on one edge of a multi-speed Europe, so be it."

The Guardian - 7 December 2010 

"Britain is part of Europe, whether we like it or not. So it serves no one's interest to pretend Britain can be indifferent. The collapse of the euro would carry technical, economic and political costs for Europe, from which Britain would not be exempt. That is why the coalition should have a dog in the fight to defend the eurozone and an effective EU."

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adapting pragmatically to the demands of EU decision-making.

One question is when and how the squabbling will start at home. Expressing a widely-felt sentiment, Lord Tebbit, a

former Tory Chairman, recently described the junior coalition partner as ...'Europhile to the point of fanaticism', with a leader who would always 'favour the EU rather than this country'. A proposed 'sovereignty bill' favoured by the Conservatives, in which the sovereignty of UK law over EU law is formally reaffirmed, could bring slumbering tensions to the fore: Since such a bill would in no way alter the existing legal order - the principle of parliamentary sovereignty is well established in UK Common Law - its motivation is entirely political. The Lib Dems, however, may agree to the bill in return for concessions on future budget cuts, thereby reassuring Lib Dem voters who feel betrayed by their party's apparent failure to stay the Tory axe.

## VII

### Europe in the world

As for the EU's external relations, Brussels is intent on carving a political role in international relations commensurate with its economic clout. And with external policies the result of prior internal agreement, it feels that it is delivering a more progressive foreign policy than its contemporary partners. This approach to the world is virtually unknown to British Tories, whose instincts on foreign policy hark back to the age-old British strategy of encouraging a balance of power on the continent whilst shirking permanent commitments or alliances. The exception to this policy of 'splendid isolation', of course, is the UK's post-war relationship with the US. The Tory contribution to foreign policy debate in the 2010 election campaign showed little evidence of a change of heart. Since taking office, the National Security Strategy of October 2010 reaffirms the classic Conservative approach of 'defending British interests' in co-operation with the US. Britain's declining influence is not mentioned in an extensive analysis of strategic context, and the EU crops up as an occasional afterthought.

That said, the recently announced Anglo-French defence co-operation suggests that unlike his hard-nosed Defence Minister, Cameron is wary of the UK-US relationship after Iraq, and that the Conservatives have a renewed interest in strengthening the EU's Common Security and Defence Policy (CSDP) without necessarily regarding it as a NATO-add on. French President Sarkozy's recent decision to re-integrate France - regarded in the UK as the only serious military partner in Europe - into NATO's military command structure has contributed to staving off fears in London that France is seeking to build a European alternative to NATO. Explained by some as a pragmatic cost-saving measure, rather than a change in strategy ('sex buddies rather than marriage', in the words of a French analyst), a more optimistic assessment would be that the move could enable a renewed Anglo-French focus on developing a more effective EU crisis management system.

## VIII

### Tory-topia?

The EU's recent institutional setbacks and ongoing struggle to create an attractive 'brand identity' may provide the British government with an opportunity to exert influence. Currently in the doldrums, the EU resembles less and less the centralised, politically-inspired, sovereign-grabbing entity that serves as a straw man to justify Tory rejection of European integration. Recently the EU has appeared more like a looser, slimmed-down coalition of states focused on economic integration, embracing competition and working efficiently abroad. Not exactly a land of hopes and dreams for British Tories but not starkly opposed, either. A recent survey by London think tank Chatham House showed that the British public increasingly favour the EU over the US as a 'partner', indicating a shift in public opinion which could align the views of the public with those of the traditionally Europhile foreign policy elite - a

development that will not escape the new government in the long-term.

## IX

### Outlook

The coalition stands a good chance of surviving a maximum parliamentary term of five years, not least because current policies are sufficiently unpopular to prevent either partner from risking an early election. Cameron thus has until May 2015 to show that budgetary cuts enabled a swift recovery, and that the social costs were worth incurring. The Conservative's embrace of social justice is a clear move towards occupying the centre ground of British politics, in much the same way that New Labour turned away from the brink of left-wing radicalism by embracing free markets and big business in the mid-1990s. Yet the void left by decentralisation will need to be filled adequately – not an easy task in a country in which, compared to many other European states, regional political structures are weak and economic inequality is high.

The concept of the 'big society' will need to evolve from its current, somewhat amorphous state into a set of identifiable and enactable measures that gain traction with the general public. Given Cameron's

rhetorical skills and telegenic personality, the Conservatives otherwise risk suffering the same fate as New Labour, which gradually began to rely more on the communicative intelligence of its leader and less on the intellectual substance of its ideas. The resulting bubble quickly burst when Blair's calamity in Iraq revealed a chink in his armour.

As for Europe, Cameron is unlikely to risk open conflict and a deterioration in relations with key partners; Britain's weight in the EU will depend largely on him managing competing interests within the coalition. In the meantime, Labour strategists will feel that the harsh economic outlook should boost the chances of a swift return to government; moreover, with the centre-left Lib Dems locked into a right-wing coalition, Labour's chances of winning over progressively minded swing-voters are strong. At the same time, the coalition's plans on electoral reform, whereby the current 'winner takes it all' system is replaced with one that produces a more representative distribution of parliamentary seats, is viewed with suspicion in Labour circles. As it stands, the party will seek to define itself as a clear and viable ideological alternative to the government, exploiting cracks running through the coalition as and when they appear.

#### For Further Reading:

[Poverty and Inequality in UK: 2010, Institute for Fiscal Studies, Commentary C116, London, May 2010](#)

The Verdict. Did Labour Change Britain? Polly Toynbee and David Walker. Granta Books, 2010

Nudge - Improving Decisions About Health, Wealth, and Happiness. Richard H. Thaler, Cass R. Sunstein, Yale University Press, New Haven & London, 2008

Footfalls echoing in the memory. Britain and Europe: The historical perspective. Vernon Bogdanor, International Affairs, 81, 4 (2005)

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