

University of Warwick institutional repository: <http://go.warwick.ac.uk/wrap>

This paper is made available online in accordance with publisher policies. Please scroll down to view the document itself. Please refer to the repository record for this item and our policy information available from the repository home page for further information.

To see the final version of this paper please visit the publisher's website. Access to the published version may require a subscription.

Author(s): Jonathan S. Davies

Article Title: The Social Exclusion Debate: Strategies, Controversies and Dilemmas

Year of publication: 2011

Link to published article:

<http://dx.doi.org/10.1080/01442870500041561>

Publisher statement: The definitive version is available at wileyonlinelibrary.com This is an electronic version of an article published in Davies, J. S. (2011). The Social Exclusion Debate: Strategies, Controversies and Dilemmas. *Policy Studies*, Vol. 26(1). *Policy Studies* is available online at:

http://www.tandfonline.com/loi/cpos20?open=26#vol_26

The Social Exclusion Debate: Strategies, Controversies and Dilemmas

**Policy Studies
January 2005**

*Dr Jonathan S Davies
Principal Research Fellow
Local Government Centre
Warwick Business School
University of Warwick
CV4 7AL
Tel: 44 2476 522091
Email: jonathan.davies@wbs.ac.uk*

Abstract

This paper explores the UK government's approach to combating social exclusion since 1997. It considers the philosophy and political economy underpinning New Labour policy, and explains the economic and social policy prescriptions that follow from these principles. The government's social exclusion agenda has provoked a wide range of controversies and debates in the academic and political communities. In addition to putting a perspective on the government's political economy of social exclusion, the purpose of this paper is to explore key debates. The story of New Labour's political economy of social exclusion therefore pauses at key junctures to discuss eight controversies and dilemmas representing a range of critical responses to third way thinking about social inclusion. It is concluded that New Labour's approach to social exclusion is contractarian, offering conditional access to the mainstream to outsiders. The individual pledges to take responsibility across the full spectrum of social life, from enhancing her employability to maintaining a healthy life style. The state is re-shaped to bear part of the risk that such responsible individuals face, but in ways that minimise dependency and the social wage.

Introduction

There are a myriad debates about the concepts of social exclusion/inclusion. They range from philosophical questions about whether social exclusion is an appropriate concept for policy makers and scholars to policy questions about what kind of interventions might bring about social inclusion and whether social exclusion is reducing or increasing, which itself depends on the definition employed (see Levitas, 1998; Askonas, 2000; Hills *et al*, 2002).

This paper unpacks these debates as they pertain to the philosophy and practice of New Labour. First, it looks at how the idea of 'social exclusion' emerged in Europe and the UK. It then considers New Labour's political economy of social exclusion. This discussion examines the free market premise of Labour policy and its goals for 'inclusion' – creating equality of opportunity and active citizenship. The analysis is supported with several empirical examples which illustrate how the government's approach is implemented at the local scale.

The analysis of New Labour's approach to social exclusion pauses to discuss **eight** controversies and dilemmas which flow from the argument. Is the term 'social exclusion' useful? Who is excluded? Does exclusion matter? Are individualism and communitarianism compatible in the New Labour schema? Is human capital really instrumental to inclusion? Can public services be marketised without making inequality worse? Can one-nation consensual politics really be institutionalised in urban governance? And can the government overcome economic instability and ameliorate income

inequalities? The conclusion is that while the government has a sophisticated approach to social inclusion, it remains unproven and is unsurprisingly vulnerable to powerful normative and empirical disputation.

The origins of the 'Social Exclusion' Discourse

The term *social exclusion* seems to have been coined by Renee Lenoir, French Secretary of State for Social Welfare during the 1970s (Lenoir, 1974; Pierce, 1999). Lenoir found that one French person in ten was an *exclu*, or an 'outcast'. This group of people ranged from the physically and mentally disabled to 'socially maladjusted' people whose conditions produced mental illness, suicide, drug/alcohol abuse and 'anti-social behaviour' (Pierce, 1999: 1). The novel characteristic of *les exclus* was not that they were poor (although most were), but that they were disconnected from mainstream society in ways that went beyond poverty – for example non-participation in politics, poor health and geographical isolation. Lenoir attributed social exclusion to the dislocating effects of the rapid post-war transition from agrarian to urban society in France. These events led to poverty, he argued, but also to social polarisation to an extent which challenged the ideals of the French Republican project – *Liberte, Egalite, Fraternite*. Lenoir's solution resonated with the traditional social democratic remedies of the time, but with a twist. He argued for increased public investment and redistribution, but also for empowerment through civil and democratic renewal, measures to re-engage *les exclus* with the mainstream. Seen this way social exclusion in France had powerful structural drivers but could be remedied with a suitable policy response.

'Social exclusion' became part of the British policy lexicon in the summer of 1997, when Peter Mandelson announced the government's intention to set up a Social Exclusion Unit (Levitas, 1999). The government's narrative on the causes of social exclusion blamed three principal factors: the dislocation caused by industrial retrenchment in the 1980s, necessary as that may have been in a globalising economy; the catastrophic indifference of the Thatcher and Major governments to the social effects of retrenchment; and the consequent failure of the welfare system to address properly the social and economic ills of those displaced by the decimation of the coal, steel, fishing and motor industries (Giddens, 1998).

For Mandelson, to be socially excluded is to be part of an underclass, lacking the means to participate in economic, social, cultural and political life. New Labour's *exclus* constitute a substantial minority of the UK population – for Blair the '3 million people living in the worst 1300 housing estates experiencing rising poverty, unemployment, educational failure and crime' (cited in Levitas, 1999). The significance of this depiction for Labour politics was that it heralded a departure from the traditional concern with income redistribution and a move toward concern with a broader spectrum of social problems.

The Social Exclusion Unit (SEU) was set up in December 1997. Its remit is primarily to coordinate policy interventions across government departments, between statutory and other agencies and to produce 'joined-up' solutions to

complex problems. The Government defines social exclusion thus (ODPM, 2004: 3):

Social exclusion is about more than income poverty. It is a shorthand term for what can happen when people or areas face a combination of linked problems such as unemployment, discrimination, poor skills, low incomes, poor housing, high crime, bad health and family breakdown. These problems are linked and mutually reinforcing so that they can create a vicious cycle in people's lives.

Here, we hit immediately upon three substantial controversies in the literature about social exclusion: Is it a useful concept? Who is excluded? And does exclusion matter? I explore each controversy in turn.

Controversy 1: Is Social Exclusion a useful Concept?

'Social exclusion', as Mandelson indicated, is closely related to underclass theories through the idea that a group of people has become marooned from mainstream society. There are many underclass theories, but it has been argued that New Labour's approach resonates to some extent with the moral underclass discourse (MUD) (Levitas, 1998) associated with the work of Charles Murray (Murray, 1990). MUD is akin to the Victorian notion of the 'residuum' – a pauper class characterised by moral degeneracy, sloth and general turpitude. In this version of underclass theory, the excluded have only themselves to blame.

Arguably, to reject underclass theory altogether is to reject the very idea of 'social exclusion'. In Marxist theories, for example, capitalism is inherently dysfunctional for the inclusive society in three ways: it is intrinsically unstable - prone to booms and slumps; it is intrinsically antagonistic, the competitive dynamic producing a struggle over ownership and control of the means of production, distribution and exchange; and it is intrinsically inegalitarian, the competitive struggle producing big winners and big losers. Byrne (1999) argues, therefore, that far from being an underclass the 'excluded' are a reserve army of Labour, continually moving in and out of employment at the bottom end of the labour market, mobilised or de-mobilised depending on fluctuations in the economy. In this perspective, 'exclusion' from the mainstream is rarely permanent and long term unemployment varies from generation to generation, sometimes shrinking to nothing. But it has no sustainable remedy within a mode of production that can only reproduce it.

There are supporting data to this point of view. According to the Office for National Statistics, 323,000 people were 'long term' unemployed in the UK in spring 2003 (*ie* for more than 12 months) (Begum, 2004). Moreover, long term unemployment has fallen sharply since 1993 at a faster rate than both short term (<6 months) and medium term (<6, >12 months) unemployment. Short term unemployment has risen steeply as a proportion of the unemployed population (ONS, April 2004). Overall unemployment has fallen consistently over the past decade and is presently at a 30 year low - a little more or a little less than one million depending on measurement.

Again, this data calls into question the image of an underclass marooned from society. Of course, falling unemployment is not a bad thing and the government demands a lot of credit for it. The Marxist argument is that it has little to do with government policy and much to do with the routine fluctuations of capitalism. The question, then, is whether it is meaningful to describe a presently small and constantly fluctuating number of people as a *class* of any kind, let alone an underclass. Isn't it better, says Byrne to see people who move up and down the lowest rungs of society from generation to generation as part of the regular working class?

Clearly, this perspective has profound policy implications. Instead of focusing on an underclass marooned from the mainstream, it demands either a comprehensive transformation from capitalism to socialism (not a matter for policy makers as such), or a radical and unconditional redistribution of resources to those who suffer the inevitable consequences of life under capitalism – the goal of left wing social democrats like Tony Benn.

This debate about whether the term provides a valid organising framework for public policy has a more concrete manifestation. In identifying a long list of social problems associated with exclusion, it is argued that the government makes no attempt to talk about the relationship between them. Critics have accused New Labour of using this listing approach to evade the centrality of income poverty to other problems like health, crime and educational attainment – whereas the left would look for relationships and explanations

(Fairclough, 2000: 28). The relationship between income and educational attainment illustrates. According to a Treasury report, if one father's earnings are double another, his son's math test score is an average 5 percentile points higher and his reading score 2.7 percentile points higher. For a daughter, the gain is 5% for both reading and math (cited in Callinicos, 2001: 51). The question, then, is if we agree that policy should focus on multiple forms of deprivation, how we decide which factors affect which other factors and which are the most importance? At issue is whether the official definition of social exclusion evades relationships and causes to disguise New Labour's rejection of traditional socialist egalitarian concerns.

Controversy 2: Who is socially excluded? Who is to blame?

Levitas (1998) identifies three primary social exclusion discourses. The redistributionist perspective associated with left wing social democracy is known as RED. In this view, social exclusion is caused by the workings of capitalist economies and therefore *les exclus* cannot be held to blame for their predicament. They are *expelled* rather than *excluded*. The moral underclass discourse (MUD) has been discussed above. The social integration discourse (SID) concerns itself with reengaging the excluded with the mainstream, primarily through market opportunities. While structural forces such as economic globalisation (and past governments) may have caused exclusion, it is possible to redeem the excluded, given a judicious policy mix and individual enlightenment about personal responsibility. Levitas sees Labour having migrated from RED to a combination of SID and MUD – the third way doctrine of responsibilities as the condition of rights (Giddens, 1998; 2001). The

correct policy response to exclusion (if the term is held to be useful) therefore depends on whether it is caused by social breakdown, the moral turpitude of the excluded themselves, or the predictable workings of a market-based class society (Byrne, 1999).

Another difficult issue is how wide, in policy terms, to cast the net in defining exclusion, however it is caused. As noted above, Blair applied the label to 3 million people. Others however, characterise the fundamental socioeconomic cleavages in society differently. Writing about Thatcherism, Jessop *et al* (1988) argued that Tory electoral success under Thatcher depended on a 'two nations' political project, a divisive strategy designed to reward the 'productive' while marginalizing 'parasitic' members of society – creating a north/south geopolitical divide. Cut another way, however, we have a 'two thirds-one third' society in which two thirds enjoy prosperity and security while the remaining third suffer economic deprivation, insecurity and anxiety. Another cut is a 'one quarter - three quarters' society, where the majority suffer from some form of economic insecurity or anxiety and the future remains to some degree uncertain. For example, the *Breadline Britain* survey carried out by London Weekend Television in 1990 found that 21 million adults felt they lacked at least one of the necessities which make life worth living - hobbies, a holiday, the occasional celebration - on account of the expense (cited in Cox, 1995).

Macdonald and Marsh (2001: 387) therefore argue that 'unemployment, job insecurity and poor work have become common *working-class* experiences,

rather than the preserve of an underclass positioned beneath them'. In other words, the socioeconomic problems identified in the term 'social exclusion' are, in fact, mainstream and not confined to a minority, however narrowly or widely it is drawn. The target group for policies to address social exclusion therefore depends on the cut – which socioeconomic cleavages are considered important and what is held to have caused them.

Controversy 3 – Is Social Exclusion Necessarily Bad?

Thirdly, it must be asked whether 'social exclusion' is necessarily a problem. For philosophers of the libertarian right, such as Hayek (1944), market outcomes are inviolable and represent a proxy for social justice – equalities of opportunity and outcome are of no concern. In this view, social exclusion need not trouble government, whose duty is to maintain the minimal state to enforce a level playing field in market competition.

A second view, from the radical left, is that we should break the link between the right to an income and the obligation to earn or use it in ways consistent with the economic and cultural hegemony of capitalism (Bowring, 2000: 307). Bowring argues that Levitas (1998) and like-minded redistributionist scholars implicitly equate exclusion with normative deviation and inclusion with conformity to social convention. He argues that the RED brigade must be prepared to break with and risk the disapproval of the guardians of social normality and assert the existence of new needs, which cannot be satisfied by capitalism (2000: 309). Bowring goes on to argue that assuming people are ashamed of poverty is a 'scandalous attribution to make' – noting that many

statistically poor people are reluctant to describe themselves as such (see also Richardson and Le Grand, 2002). The normative tendency to define deprivation in terms of exclusion, he continues, precludes the possibility of meeting needs in unconventional ways and reformulating 'need' itself in ways that loosen the grip of social expectation (2000: 315). Bowring concludes that the 'assertion of the autonomous subject "is always the antithesis of socialization, of adaptation to a role or status". "it is the gesture of refusal, of *resistance*, that creates the subject ... It is the more restricted ability to stand aside from our own social role, our non-belonging and our need to protest that allows each of us to live as a subject"' (Touraine, cited in Bowring, 2000: 317).

Bowring's strategy for political resistance to capital, its norms and values and to the way it stigmatises and 'shames' those who deviate from them is not directed at policy makers. However, it offers an implicit challenge to policy makers to engage with target groups to find out what *they* mean by social inclusion and exclusion (see Richardson and Le Grand, 2002) and it begs the question of whether the government should label people without their consent. I now turn to the political thinking which underpins the government's characterisation of socio-economic injustice and its proposed remedies.

New Labour, Political Economy and Social Inclusion

New Labour's political economy is the subject of great controversy, not easily separable from the debate about social exclusion. The debate is, essentially, about whether it is still a party of the left (see Giddens, 1998; Hay, 1999; Fairclough, 2000; Callinicos, 2001). This paper does not address that

question directly, but highlights issues pertinent to it through the discussion of social exclusion.

It is arguable that whatever position one holds on the present government's leftist credentials, it demonstrates considerable coherence in its basic economic principles (Coates and Hay, 2001: 469). Whatever else the government seeks to do in the realm of progressive politics, it must be done in the context of a free market economy. According to Blair, 'the best way to promote efficiency in production is through competition, liberalization and open markets – not through monopoly, state subsidy or preferential procurement' (cited in Coates and Hay, 2001: 454).

For Hay (1999), Fairclough (2000), Callinicos (2001) and others, in taking this position the Government has cast capitalist globalisation as a non-negotiable constraint on any progressive agenda. Hay argues that it has restricted the 'possible, the feasible and the desirable to that imaginable within the ascendant neo-liberal world view' (1999: 11). Or, as Alan Milburn put it, capturing the zeitgeist of New Labour politics: '[t]he old Soviet empire has fallen. Capitalism has triumphed' (10.11.03). From the collapse of the Soviet bloc it is inferred that class politics are obsolete. As Giddens puts it 'as a system of economic management, socialism is no more' (1998: 3).

The global capitalist renaissance triggered by the fall of the Soviet Bloc (Marquand, 2004) has meant two things for New Labour. First, any progressive or re-distributive strategy depends on the tax-take generated in a

dynamic, competitive, free market economy. Second, success in this endeavour requires national unity. Running through the government's political strategy is a 'one nation' political vision. Says Blair:

The creation of an economy where we are inventing and producing goods and services of quality needs the engagement of the whole country. It must be a matter of national purpose and national pride ... One-nation politics is not some expression of sentiment, or even of justifiable concern for the less well off. It is an active politics – the bringing of the country together, a sharing of the possibility of power, wealth and opportunity (cited in Fairclough, 2000: 87).

Furthermore, argues Blair, 'competing on quality can't be done by Government alone. The whole nation must put its shoulder to the wheel' (cited in Fairclough, 2000: 28). He even asserts that 'New Labour is the political arm of none other than the British people as a whole. Our values are the same' (cited in Fairclough, 2000: 47). For Blair, then, the dynamic free-market economy must be embedded in a strong nation where conflict, though far from trivial, is over-determined by a common value base. In this vein, Patricia Hewitt sees the task of 21st century social democracy being to 'reconcile apparently irreconcilable interests' (2003: 335) while, for John Prescott 'economic prosperity and social justice are two sides of the same coin' (30.9.2004). Fairclough describes this approach as New Labour's 'rhetoric of reconciliation' (2000: viii). Davies (forthcoming, 2006) concludes that while the government is evidently not afraid of confrontation, be it political

or military, consensus is its preferred discursive and political style – at least on the domestic front. The government’s philosophies of community and active citizenship are crucial mechanisms for animating this one-nation, consensual political vision.

Social Inclusion as Active Citizenship

In a pamphlet written shortly after he became Prime Minister, Blair wrote 'we all depend on collective goods for our independence; and all our lives are enriched - or impoverished - by the communities to which we belong'. He continued: 'A key challenge of progressive politics is to use the state as an enabling force, protecting effective communities and voluntary organisations and encouraging their growth to tackle new needs, in partnership as appropriate' (Blair, 1998: 4). Perhaps the most familiar slogan in the New Labour repertoire derives from Etzioni's assertion that rights entail responsibilities (1993: 144ff). Against the politics of unconditional entitlement, this approach burdens the individual with primary responsibility for her own fate (1993: 145).

On its own, of course, proclaiming that responsibility is the condition for rights is trivial for 'rights are grounds of duties in others' (Raz, cited in Callinicos, 2001: 60). Community enters the equation as a collective form of self-help. For New Labour, a culture change within the citizenry is necessary to valorise its one nation project and inculcate communitarian values (Landrum 2002: 222). The following statement appears on the Home Office Active Communities website **ref:**

The Government's vision for active communities is of strong, active and empowered communities - increasingly capable of doing things for themselves, defining the problems they face and then tackling them together. It is a vision in which everyone - no matter their age, race or social background - has a sense of belonging and a stake in society.

Labour Party Chairman Ian McCartney describes active citizenship, thus understood, as the condition of civil and political rights and social and economic advancement (McCartney, 2003: 324). For David Blunkett (9.3.04), active citizenship links to the exercise of social responsibility by individual and community. He too sees it as the very condition of political freedom (Blunkett, September 2003: 1-3).

The New Labour project is charged with replacing lost traditions with forms of solidarity compatible with the dynamic capacities of the global free market economy. The Government's aim is to build 'strong, empowered and active communities in which people increasingly do things for themselves and the state acts to facilitate, support and enable citizens to lead self-determined, fulfilled lives for the common good' (Home Office, 2003: 6). In this interpretation, community is a support network to help individuals cope with social and economic change and reduce fear of it. For Blunkett, 'only by engaging and developing citizens ... will there be hope of achieving ambitions for a robust, knowledge-driven economy, for vibrant, self-sustaining communities and for a universal culture of lifelong learning' (Home Office,

December 2003: 11). Active citizenship is therefore a renewal mechanism; a conduit to economic competitiveness, national prosperity and social inclusion in a global arena where free markets are inviolable and we must all, particularly those of us reliant on the state, bear an increasing share of the risk they entail.

What, then, is the glue to community in New Labour politics? Arguably, it is a conception of solidarity as an ethical obligation. The individual is responsible for her own security, but in a risk-intensive society she is also responsible for others in her family, street, estate or neighbourhood in the event that they fall on hard times. This notion of solidarity relies not on socialist notions of class having objective material and political interests defined by its relation to capital, but on a doctrine of obligation to others, founded in the one nation vision outlined above and in the realm of ethics. One practical method by which this ethic is encouraged is through the government's support for 'communities of faith'. Faith is, of course, its own reward but for Blair, it has instrumental value. Speaking at the Christian Socialist Movement annual conference in 2001, he commented:

Equal worth, responsibility, community - these values are fundamental to my political creed. They play a large part in faiths represented here today. You seek to realise them not just in the practice of your faith, but in your community and voluntary activity, extending far beyond the confines of your regular congregations.

Tony Blair has associated himself and sometimes been associated with the tradition of British Idealism, a brand of religious philosophy drawing on Hegelian metaphysics founded by T H Green (Carter, 2003). Matt Carter (an Idealist scholar, now General Secretary of the UK Labour Party) argues that Idealism presents a way through competing doctrines of individual versus society. It sees the self-realisation of individuals and the development of a moral personality as central to the 'good society'. Individuals should be able to appropriate property, because this is best way for both individuals and society to flourish (2003: 35). But this right to acquire wealth does not mean that a person can do as she likes with it (2003: 27). In the idealist tradition, we only realise our capacity for personality in society and, through social membership, recognise the reciprocal nature of rights and duties. In response to those who argue that there is an inherent tension between individualism and communitarianism, Idealism asserts an epistemological unity of individual and common good (2003: 23). Any tension, in this view, is creative and not destructive.

The point here is not to argue that the New Labour project is built on religious philosophy. The government is cosmopolitan in its religious beliefs, or lack of them. However, it is possible to derive from this tradition one solution to the contradictions between individual and community, competitiveness and cohesion *within* the context of a capitalist economy – goods the left have traditionally viewed as irreconcilable. In New Labour's interpretation of the relationship between individual and society, it is then possible to identify a three-sided contract. The citizen must be prepared to do two things; take the

risks necessary to make the market economy flourish, thereby securing her personal security, and engage in civil action through community networks to support those who suffer misfortune in doing so. The State is pledged to deliver 'equality of opportunity', discussed further below. The fourth controversy, however, pertains to credibility of this formulation of the unity of individual and community in New Labour politics.

Controversy 4: Individualism versus Communitarianism?

One of the criticisms of the government's approach to social inclusion is that it imposes certain norms of conduct on segments of society. This points to a fundamental tension characterised famously in contemporary political philosophy as the debate between liberals (John Rawls) and communitarians (Alisdair MacIntyre). Arguably, the regeneration of communities is made more difficult by the general movement toward free market individualism which New Labour sees as inevitable and endorses. Ideologically, free market individualism is atomistic and prioritises individual choice, of which communitarians are suspicious. New Labour's enthusiasm for the deregulation of labour markets, the need not to be seen as anti-competition, anti-business, or anti-markets sit awkwardly with its simultaneous appeal to an enhanced, inclusive moral fabric within the community (Callinicos, 2001).

How far, then, does New Labour's appeal to the unity of individual and community heralded by Idealist thought trump these tensions? One difficulty lies in the difference between Idealist conceptions of the relationship between individual and community and those of New Labour. Blair has, on occasion,

claimed to have been influenced by the Idealist philosopher, John Macmurray. Sarah Hale, however, finds that Blair's philosophy is frequently in 'stark opposition' to Macmurray's (2002: 192). There are 'gaping chasms', she argues on just about every issue that Macmurray held forth (2002: 193). Hale demonstrates how, contra Blair, Etzioni and Giddens, Macmurray's communitarianism condemns instrumentalism. At the heart of his idea of the personal life is a relationship

which has no purpose beyond itself; in which we associate because it is natural to human beings to share their experience, to understand one another, to find joy and satisfaction in living together (Macmurray cited in Hale, 2002: 193-4).

Macmurray went on to condemn instrumentalism outright. 'The first thing we have to stop is the false idea that it is a good thing to serve society and its institutions. It isn't. *It is an evil thing*' (Macmurray, cited in Hale, 2002: 197 - *emphasis added by Hale*). This view is not, as it may appear, anti-community, but rejects a politics of obligation. 'Responsibility' is a precondition of freedom that people will grasp enthusiastically in their own time, given the opportunity. It cannot be imposed (2002: 195). This conception of community, says Hale, is the diametric opposite of New Labour's – it is about freedom to associate, not personal responsibility.

As discussed above, capitalism was sometimes seen by Idealists as the best of all possible economic systems (Carter, 2003: 48-9). However, in this

vision, the individual capitalist would see business as a form of national service, providing goods to benefit the community. In doing so, she would pay the greatest regard to the welfare of the worker and wealth would be distributed so as to serve the common good. Carter points out that Green was critical of selfish egoism and 'animal appetite' (2003: 47).

So, when Blair says in a BBC interview with Jeremy Paxman that 'it's not a burning ambition for me to make sure that David Beckham earns less money', that would surely be an affront to Green's view of the common good, as these millions are (in Idealist terms) procured in shallow culture and disbursed in preening decadence.

Giddens does acknowledge a problem of voluntary exclusion at the top of society, a 'revolt of the elites' who live in 'ghettos of the privileged' (2001: 53) and withdraw from public education and health (1998: 103). He accuses the wealthy of abrogating their social and economic responsibilities, arguing that they, as well as the poor, must exercise responsibility (2001: 105). A 'social contract of mutual obligation ... must stretch from bottom to top' and 'avoiding taxes, or pulling out all the stops to pay as little tax as possible, are ... evasions of civic duty' (2001: 119).

This approach is interesting from the standpoint of Idealism, for it demands the enforcement of civic obligations among all in society – against the voluntarist principles in Idealist philosophy. But Giddens then makes clear in his policy recommendations that, apart from tax evasion, buy in is to be

voluntary, enticed with quality public services. It is exactly this approach to social inclusion that drives New Labour attitude to the rich – the contract of *mutual obligation* that Giddens talks about is missing. Arguably, it is deeply problematic from the standpoint of justice. The strategy appears to violate procedural justice as it imposes milder forms of obligation on the rich than on the poor.

Instead of an epistemological unity of individual and community toward a common good, it seems that the government is attempting an unstable mix of permissive individualism and voluntary commitment to community at one end of the social spectrum with moral authoritarianism and obligation to community at the other. As such it may be more a recipe for social conflict than social cohesion. This analysis suggests that it has yet to yet to find a sustainable one-nation politics, a *common* good or *common* principle of justice that can sustain community and solidarity in the conditions premised by the global free market economy. I now turn to examine the obligations the State takes on to furnish equal opportunity structures in which the active, inclusive society can thrive.

Social Inclusion as Equality of Opportunity

Giddens argues of 'old' Labour that the pursuit of social justice was often conflated, wrongly, with 'equality of outcome' thereby ignoring the value of personal effort and responsibility (2001: 6). Instead, he argues, the 'Third Way'

seeks to foster a diversified society based upon egalitarian principles. Social diversity is not compatible with a strongly defined egalitarianism of outcome. Third way politics looks instead to maximize equality of opportunity (2001: 53).

Hence, while equality of opportunity is important, income inequality is tolerated, if not encouraged. In developing a focus on equality of opportunity, Giddens invokes Sen (1999) to argue that endowments in the broad capability set are better than simple measures of income inequality. For Sen, capability enhancement is about ensuring that people are endowed with a wide range of capacities to enable them to live lives that *they* have reason to value. These capacities depend on access to goods including health, education, income, security and political participation. In Giddens' (2001: 130) understanding of Sen, disadvantage is defined as capability failure: not only the loss of material resources, but also the loss of freedom to achieve (2001: 87/88). Like Sen, Giddens says that redistribution must not disappear from the agenda, but the emphasis must shift toward equality of opportunity. How is this goal to be realised? The following paragraphs outline four elements in the government's strategy for equality of opportunity: human capital, public service reform, democratic renewal and economic management.

Building Human Capital

In Giddens' view the post-war welfare state generated a culture of dependency. *Pace* Etzioni, this problem is interpreted as an imbalance between the goods of right and responsibility, risk and security. Now that

capitalism has achieved global hegemony, he reasons, society must embrace and nurture the entrepreneurial spirit. Giddens argues that the traditional welfare state was motivated to protect and care, but that it did not accord enough space for individual responsibility, an element without which entrepreneurialism cannot thrive (1998: 112-3). State hand-outs have led, he argues, to problems of 'dependency, moral hazard, bureaucracy, interest-group formation and fraud' (2001: 33) – the MUD mentality. The role of government, then, is to encourage personal responsibility. It must invest in human capital to re-invigorate Britain's traditional work-shop mentality (1998: 99). To this end, welfare must be made functional to responsible risk taking. Welfare benefits, particularly for younger people, are now conditional upon the person undertaking an active search for work and, if inadequately skilled, she must undertake education and training to become 'employable' – the SID strategy. It is argued that developing human capital improves access to work, vital for economic inclusion. Harriet Harman observes:

Work is central to the Government's attack on social exclusion. Work is the only route to sustained financial independence. But it is also much more. Work is not just about earning a living. It is a way of life (cited in Fairclough, 2000: 57).

The role of the state is to guarantee opportunities in the Labour market through prudent economic management and to ensure that appropriate education and training is available. New Labour's flagship regeneration

programme, New Deal for Communities (NDC) is one means by which this policy is carried out in the locality.

NDC was established in 39 neighbourhoods during 1999 and 2000, each getting some £50 million over a 10-year period. NDC neighbourhoods fall within the worst 10% in the Index of Local Deprivation (DETR, 1998), compiled around the Government's main indicators of social exclusion: jobs, crime, health, education and housing. The goal of NDC is to raise indices in these areas to local citywide averages and to the level of national 'floor targets' set by government – for example 'by 2004 to reduce school truancies by 10% compared to 2002, and sustain the new lower level, and improve overall attendance levels thereafter' (www.neighbourhood.gov.uk). The goals of the programme are to create social inclusion in the following ways: building human and social capital, re-developing the local physical and economic infrastructure, improving the delivery of public services and mobilising local residents in the governance of their neighbourhoods. It is therefore a test of New Labour's approach to community regeneration and social inclusion at the neighbourhood scale.

In deprived neighbourhoods, educational attainment at GCSE level often falls well below regional and national averages. Children in these areas can live in homes where educational aspiration is not (cannot be?) encouraged; they see no fruitful purpose to education and do not expect to live lives that they have reason to value. Their life chances are curtailed at an early age. A typical education or human capital project within an NDC area then seeks to raise

self-esteem and aspiration, especially among young children whose experiences have been found to determine success in later life. Local business leaders are asked to advise schools about their labour needs and parents encouraged to support their children in learning. Employability projects address the needs of adults with poor literacy and numeracy, improve employability skills and build relevant vocational skills to help people onto the first rung of employment (Hanson, 2003).

A number of NDC areas have set up 'job brokerage' projects as part of the programme's 'worklessness' (unemployment) theme. Job brokerage works on the principle that an intermediary service can make the labour market work better by bringing employers and employees together. It aims to overcome 'barriers' to work by providing a link to the labour market through information about available jobs through intermediaries who work on behalf of clients and employers. The mediator helps each person improve her ability to carry out her job and sustain employment by identifying suitable opportunities for re-training (Walton *et al*, 2003). However, the government's human capital strategy faces a number of philosophical and empirical challenges.

Controversy 5: Human Capital – Inclusionary or Exclusionary?

It is far from self-evident that a human capital strategy is instrumental for social inclusion. One question is whether more educated people engender more good jobs, as against the zero sum game of re-distributing work to high-skill areas. Mason's study of skill utilisation in UK graduate employment (2002) suggests that graduate substitution for non-graduate employees in the

service sector has led to a one-off up-skilling of jobs in some departments, such as marketing. Nonetheless, 34% of graduates were over-qualified for their jobs in 2001 (2002: 452). Says Mason, over-educated graduates now represent a substantially larger proportion of the workforce than before the transition in the 1980s and 1990s to mass higher-education. This situation is leading to polarized career prospects across the graduate labour market. Changing this pattern depends on government and employers gearing themselves toward 'skill-intensive high value-added production or service strategies' (Mason, 2002: 454/5). This political economy of skill is, suggest Lloyd and Payne (2002), improbable. For Coates and Hay (2001: 466), the UK economy is locked into economic trajectory that consolidates a low-wage niche for UK manufacturing in an increasingly competitive global economy. And, as Davies puts it, 'an educated reserve army of labor is likely to have little stake in the political and economic system' (2004b: 29).

A second objection to human capital strategies, at least as practiced by New Labour, is that they reduce human beings to commodities. This pertains to the question of whether education should be geared solely to labour market needs, or whether it is a good in its own right. Beck argues that New Labour reforms take the former path, representing an 'insidious process of take-over, in which *any* significantly independent set of educational values may be increasingly at risk' (Beck, 1999: 224). In this view, education is not a means to self-realization; the human being is instead an instrument of economic competitiveness – the polar opposite view to Macmurray and the British Idealists.

Modernising Public Services

The second dimension in the government's policy repertoire is equality of access to public services, particularly those it deems crucial to social inclusion – such as education and health care. The 'modernisation' agenda seeks to achieve two things for social inclusion: raising the standard of public services to encourage 'opt-in' by those wealthy enough to pay for private provision; and eliminating 'post-code lotteries' where public services are of uneven quality and/or availability - typically in deprived areas (Giddens, 2001: 120).

This strategy involves a range of interventions. One approach is selective investment in deprived neighbourhoods through programmes like NDC - relatively generous public investment in a small number of communities, seen to have been abandoned by previous Conservative governments.

A second approach is the idea of 'joined up' government. Historically, UK government has been characterised by 'departmentalism' – the tendency of government departments to work at cross-purposes or to duplicate effort (Parkinson and Wilks, 1986). Despite the best efforts of successive governments to create inter-departmental synergies and economies of scale 'departmentalism' has persisted. At the citywide scale, Local Strategic Partnerships have been established to institutionalise a collaborative dynamic, not only between public service providers, but also between public, private, community and voluntary sectors.

The objective of LSPs is to bring local 'stakeholders' together to hammer out a 'community strategy', which typically sets the strategic goals for an area over 5-10 years, listing key priorities and identifying those responsible for action (Johnson and Osborne, 2003). This approach is partly to do with unifying diverse actors under a common strategy aligned with the Government's 'one nation' project. But perhaps the most important purpose of the LSP is to achieve public accountability through 'mainstreaming'. If the community strategy is indeed representative of the common priorities of the local polity, then it is incumbent on agency partners to deliver certain parts of it. For example, in an ideal-typical LSP, an agency, such as the local Primary Care Trust (Health Authority), uses the community strategy to inform resource planning, aligning its activities, where they differ, with the goals of the partnership. It clarifies areas of responsibility to avoid duplication and looks to contribute to other dimensions of the strategy where possible (for example providing employment opportunities to local people) thereby maximising joined-up working and resource synergy. It is a conduit for the diffusion of 'good practice' and community representatives challenge service providers when falling short of their obligations under the community strategy – for example if refuse services are poor in a particular area, or where innovations in service delivery in one area can be rolled out in others. The LSP is therefore a crucial instrument in the modernisation, synchronisation and re-organisation of public services at the local scale and by extension for social inclusion. It seeks to eliminate nugatory effort between public agencies bringing efficiency gains and to create an environment in which public service providers are accountable to the community voice.

NDC serves a similar purpose. The fact that this programme has been made available in 39 neighbourhoods only (out of 8414 wards in England) indicates that the priority for addressing neighbourhood deprivation is not large scale resource injections into deprived areas, but rather the dissemination of good practice in the 'mainstream'. NDC is an experiment, searching for innovation in regeneration and community governance for wider implementation. LSPs are an important mechanism for the diffusion of good ideas.

A third approach is the introduction of 'choice' into the public domain – the belief that public services will improve if, for example, patients are able to choose where to have treatment and hospitals have to compete for business in a system where funds follow the patient. The Foundation Trust scheme is an extension of this idea, where 'high-performing' hospitals are freed from certain government controls and run by a public interest company on which sit members of the public and relevant stakeholders. While only a small number of residents may be on the Board, the wider public are invited to become members of the Trust and participate in Board elections. Having the freedom to borrow capital and compete for users, foundation hospitals are structured to innovate in order to compete for business – a solution inspired by capitalist markets (DoH, 2003). If choice leads to improved services stimulated through competition, then it is instrumental to social inclusion. This element of the strategy for public sector reform has been subject to particularly trenchant criticism.

Controversy 6: Marketisation in the Public Sector – Fuelling Inequality?

There has been a political backlash against the idea that creating forms of competition within the public sector will improve efficiency. Rather, it is argued, it will lead to 'two-tier' services and greater inequality. First, it is argued, freed to some extent from state control (if not from government targets), foundation hospitals will be able to break national bargaining arrangements and negotiate or impose pay scales and conditions of service, leading to inequalities and distortions in the allocation of trained staff and the provision of quality healthcare services. Second, it is argued that some hospitals could lose up to 30 percent of their revenues. Competition will mean a good service for some in the more privileged areas and healthcare deserts in others as hospitals are reduced to providing a very limited and shabby service. It is feared that a two tier service is the necessary outcome of competition for custom (Prentis, 2003).

Foundation hospitals are relatively new, but the case of education provides a long-standing example of the way marketisation can fuel inequality in the public sector. In a study of the new management and governance of education, Ranson *et al* (1999) show how it can reinforce privileged interests against those of the public. They argue that if a selective school were to agree with the local community that it should recruit more ethnic minority students, it would be difficult to carry out this decision, given the ability of (racist, white middle-class?) parents to move their children to other schools. Thus, market 'choice' can have the effect of undermining confidence in

community agreements because it renders them unsustainable. It gives 'exit' options to some individuals, but undermines the wider community network.

The market as a result places collective welfare beyond the reach of public deliberation, choice and action: in other words, democracy' (Ranson *et al*, 1999: 105).

Unsurprisingly, find Ranson *et al*, it is poorer families which lose out to the privileged families who exercise this 'exit' option. They argue (1999: 106) that the market in education

entrenches the powerful beyond control. The doctrine of marketisation colludes in promoting the agency and choice of the public while actually extinguishing it.

Marketisation can therefore undermine confidence in local agreements and networks, re-enforcing social hierarchies and social exclusion. This outcome is defensible on grounds of freedom of choice, but not social justice.

Labour's use of markets in public service delivery is premised on a 'what works' view of the world – it does not matter to the public who delivers services provided they work properly. Yet, if critics are right, the problem with marketisation as a means to improve public services is not one of taste. It is about the constitutive inability of market to guarantee public services on an equitable basis (see also controversies 1 and 8). Policy makers, particularly

those to the left of the government, are then faced with the problem of developing public choice and accountability (where they are feasible and desirable) without recourse to market mechanisms.

Democratic Renewal

The idea of community holding agencies to account in institutions like LSPs points to a third dimension in the government's approach to social exclusion – public participation and democratic renewal. The strategy for 'active citizenship' discussed above explains the rationale for democratic renewal – but what of the policy interventions designed to achieve it? The Government's view is that re-invigorated local governance is vital, if it is to deliver its pledges on the ground, where it matters (Chandler, 2000: 4).

The government's strategy for democratic renewal focuses on remedying exclusion through the recognition of diversity and difference, engaging tenants, residents, the community sector and the voluntary sector in new democratic structures. It also seeks to engage black and ethnic minority groups, who are more likely not to vote and are under-represented in the political class (Perrons and Skyer, 2003). The Government has introduced a range of methods to extend democracy and give the citizen, in all her diversity, a greater say. Methods include: electoral reform (postal voting and other ways of making voting easier), surveys, polls, websites, citizen panels, co-opting to scrutiny panels, question/answer sessions, consultation documents, public meetings, citizen juries, focus groups, visioning exercises, service user forums, issue forums, shared interest forums,

area/neighbourhood forums and user management of services (Chandler, 2000: 10). In addition, local government has been required to strengthen political leadership, visibility in the community and accountability – for example through the appointment of leader-cabinet models, or elected Mayors.

Local governance through partnerships is also instrumental to democratic renewal. Whereas in the Major years, emphasis fell on building collaboration between local authority, business and later other statutory actors (Davies, 2002), under New Labour they have been much more inclusive of voluntary and community interests. The engagement of resident communities within partnerships is at the same time seen as constitutive of their political freedom, instrumental to social inclusion and instrumental to efficiency in service delivery, as statutory partners can respond better to local needs and demands (Goss, 2001). Partnership serves the government's communitarian endeavour in that it aims to promote a consensual and participative ethos capable of binding diverse stakeholders together. It provides an institutional architecture in which 'community' can be forged within the parameters of a free market political economy.

Again, NDC is a good example at the urban scale. One of the conditions for NDC funding was that each local programme should be delivered through a multi-agency partnership, in which local residents were to play a leading role (DETR, 1999). A typical partnership has an elected Board, on which local residents frequently form a majority, and a variety of other structures,

including sub-boards with delegated powers, neighbourhood community forums and theme-based working groups (around issues such as crime, jobs, health, housing and education) in which community activists, programme managers and agency professionals develop projects to be funded by NDC in accordance with the strategic direction set by the Board. This sophisticated institutional architecture is designed to ensure both that local communities have a say about programme expenditure and that there is some accountability to government for executive decisions made by the Board and the professional staff managing the programme. However, the idea of partnership as an inclusive, consensual form of governance is proving difficult to deliver.

Controversy 7: Local Governance in Partnerships – Consensus or Conflict?

New Labour's political style is, as Fairclough argues, consensual and the institutional framework for partnership is designed *as if* sustainable, inclusive consensus can be reached. But, what if partnerships do not work and conflict trumps consensus? Recent literature on urban regeneration and partnerships highlights the fact that establishing consensual institutions can be problematic. For example, Painter and Clarence (2001: 1222-3) detect a competitive dynamic within partnerships, while Pierre and Stoker note that it is not certain whether actors can, or wish to 'behave in tune with a governance 'mission statement' and governing style' (2002: 43). They suggest that UK governing institutions are in a state of flux, with several outcomes possible (2002: 44). Lowndes and Wilson (2003: 275) argue that the values informing the institutional redesign of local government have become less clear and

more contested. One reason for this might be that the list of priorities habitually adopted in community strategies sometimes come into conflict with one another. For example, does the goal of economic growth necessarily complement that of a healthy environment? Another reason may be that partnerships have come to be more a control strategy than a means for articulating the community voice.

Several empirical studies of NDC find conflict between stakeholders about the local political agenda, as well as tensions between local partnerships and higher tiers of government (*ie* both horizontal and vertical tensions) (Dargan, 2002; Perrons and Skyer, 2003). Arguably, citizenship promoted through these institutions is conditional on broad acceptance, conscious or otherwise, of the rules (formal and informal) deriving from New Labour's political economy. The governance structures of NDC have become very complex, attempting to balance accountability to government for programme delivery with local democracy and community ownership. They are designed to respond to rigorous programme audit by regional government offices and, on occasion, directly by Ministers working to a value for money and accountability to government principle. These rules and structures respond to professional and political perceptions of good regeneration practice and, it may be argued, are inherently exclusionary of residents, whatever remedial measures may be taken in the form of 'training' to compensate such disadvantage.

NDCs are also expected to work in partnership with other agencies and regeneration programmes in the wider geographical area to maximise leverage and ensure that examples of good practice are 'mainstreamed' by the statutory agencies. Consequently, NDCs represent not only a capital injection but also a way of driving the modernisation of public services. This goal itself generates constraints on community control, at least where aspirations are not in perfect harmony with those of government. Since the programme is not intended to be divorced from the wider governance of the city and the agencies and initiatives working within it, it means that while local innovation is encouraged, it has to be complement the government's urban policy paradigm –market led regeneration and human capital development. For example, in one case known to the author, residents who attempted to bring forward a project falling outside this paradigm - building and subsidising a sports centre - were rebuffed on value for money and economic sustainability grounds.

Constraints of this sort have had negative consequences for local consensus. Perrons and Skyer find relations in Shoreditch NDC characterised by resentment. They argue that centrally imposed performance management requirements, including pressure to spend and deliver, render 'the task of adequately representing the community difficult – "virtually impossible"' (2003: 278). But this situation has not been passively accepted by residents. It has created 'enormous anger and resentment' (2003: 279).

Although conflict in NDCs is by no means universal and where it does occur, it is relatively low key at worst manifesting in bitter arguments, it has in some cases undermined the ability of partnerships to function and there is evidence that central government has rolled back its commitment to community leadership in NDC as a consequence (Davies, forthcoming 2005).

Conflict, even micro-conflict over trivial matters may seriously undermine inclusive, consensual networks (Davies, forthcoming 2006). Kjaer (2004: 199), for example points out that the democratic state was designed to contain conflict, whereas partnership networks were not. In the ideal-typical partnership or network model, there is no clear means of mediation or arbitration between competing priorities and no central decision making authority. Where networks lack reciprocity and trust, there is no internal mechanism to hold them together. Relatively minor conflicts may then destabilize them. The temptation as with NDC is for government to intervene to maintain acceptable levels of programme delivery, thereby undermining its own strategy for local democratic inclusion (Davies, forthcoming 2006). The challenge for policy makers and scholars who support the idea of inclusive partnership working is to design institutions that can deal with the reality of conflict without suppressing debate, falling apart or becoming grid-locked (Clohesy, 2002).

Economic Management and Income Redistribution

The final tool in the government repertoire for promoting social inclusion is its economic strategy for alleviating poverty. Whether the Government has

effected a redistribution of wealth is both complex and controversial (see controversy 3). However, the Chancellor of the Exchequer, Gordon Brown, is widely credited with achieving a degree of 'redistribution by stealth' through fiscal measures to enhance the income position of the poorest. Brown, famously following 'post neo-classical endogenous growth theory', believes that social inclusion is itself instrumental to economic growth. Therefore, measures to raise the skill levels of the population can raise productivity and GDP. However, the main premise of this theory is that the economic cycle, the pendulum swing in capitalist economies between boom and slump, can be stabilised by adjusting supply within the economy, improving productivity and efficiency and re-deploying resources to increasingly valuable purposes (eg within the knowledge economy) thereby creating endogenous impetus in the economy (Dolowitz, 2004). Arguably, it is on the success of this strategy that the whole social inclusion strategy depends. For without sustainable economic growth from which all can derive opportunity, the idea of a consensual polity united by one-nation politics and common priorities loses a central support mechanism. Thus far, it may be argued, Brown's strategy has succeeded in a favourable economic environment in that Britain has avoided a severe recession of the kind witnessed in the 1980s and early 1990s.

With respect to economic inclusion, Brown has introduced a range of tax and benefit changes designed to boost low-income households. They include the Working Families Tax Credit (WFTC) for low-income families in work, and various increases to means-tested benefits for pensioners and families with children. Such tax changes have been largely progressive, leading to a 12%

gain for the poorest decile by 2001 with progressively smaller gains throughout the remaining deciles (Clark *et al*, 2001). Predictably, however, there is wide disagreement about the Chancellor's successes, particularly his ability to maintain economic stability or reduce inequalities through his subtle redistribution strategy.

Controversy 8: Same Old Malaise: Low Productivity and High Inequality

As we have seen, the whole government strategy depends to a large extent on whether Labour has succeeded in taming the economic cycle, or whether as Callinicos argues in the third way, this idea is a conceit. Callinicos accuses Brown of failing to acknowledge the constitutive instability of capitalist economies. Thus, he claims, Brown has exceeded the ambitions of all previous chancellors and '[h]istory is likely to have some surprises for him up its sleeve' (2001: 55).

Whether or not Callinicos is right about this, there are signs that low productivity, part of the traditional British economic malaise, remains intractable. Last year the *Independent* newspaper published figures that showed no relative improvement in UK investment and productivity despite two decades of liberalization and de-regulation. The Working in Britain Survey (Work Foundation, 2003) showed that employees in competitor nations are some 30% more productive than the UK worker. What alternative policies might address this gap?

Hay (1999) argues for reform of the financial architecture of the British economy to provide ready investment capital to industry. He argues for regional investment banks and mechanisms to encourage long term decisions by big investors like pension funds. He anticipates a partnership between government and industrial capital to overcome what he sees as dominance and short-termism in the financial sector. Coates (2001), however, dismisses this strategy for 'progressive competitiveness' as impractical. He argues that industrial capital tends to want the same deregulating policies as finance. It is not only capital that moves around the globe, he points out, industry does too. So, for Coates, the idea that business can be recruited to a progressive strategy for long term investment in the British economy flies in the face of the evidence. Whether financial, or industrial, capital is always looking for the quick buck and European countries using this model have not proved invulnerable to the pressures for retrenchment faced in the UK during the 1980s.

But what impact has Brown's tax and benefit reform strategy had on inequality? According to the Institute for Fiscal Studies (Goodman and Oldfield, 2004: vii) the Gini coefficient measuring income inequality has fallen slightly from its peak in 2000-2001, but not by significant amounts. The Gini coefficient rose dramatically in the 1980s under Thatcher and fell under Major, whereas it has risen again under Blair (Shephard, 2003: 4). For the IFS, income inequality in 2002/03 was 'significantly higher' than in 1996/97 (Goodman and Oldfield, 2004: 37). It remains higher than at any point in the 1980s (2004: 10), and at its highest since the 1950s (2004: 19-20).

In terms of real income growth, the IFS finds that gains are relatively evenly distributed under New Labour between 1997 and 2002, with the bottom 40% gaining slightly more than the top 20%. Interestingly, however, while the poorest 20% gained much less than the other four quintiles under Margaret Thatcher, under the Major government, the gains for the poorest 20% were proportionally greater than under Blair – although the actual percentage income gain in each quintile was lower because of lower economic growth (Shephard, 2003: 2-3).

However, detailed percentile figures for average annual income gain between 1996/7-2002/3 show that from the 1st to the 15th percentiles, annual income growth was markedly slower than for the rest of the population. In fact, for individuals below the 15th percentile point, income growth is progressively lower the poorer the individual and for the 1st percentile point, growth is negative at -1.5%. Growth for the 99th percentile is 1% higher than for all other percentiles (Brewer *et al*, 2004: 18).

Comparatively, between 1996 and 2001 Britain moved from 6th to 4th most unequal in the European Union, passing Ireland and Italy. By 2001, Britain was less unequal than only Spain, Greece and Portugal in the EU (Brewer *et al*, 2004: 16). However, it improved its position from most unequal to fourth most unequal in child poverty, where the IFS finds that it is on course to meet the government's target of reducing relative child poverty by 25% by 2004-5 (2004: 62).

Overall, the IFS finds that since the mid-1990s, Britain has experienced a combination of slightly rising income inequality and falling relative poverty, caused by two trends. Falling relative poverty is explained by the fact that over the majority of the distribution (*ie* the 2nd to 9th deciles), income growth has been slightly stronger amongst poorer individuals than those located further up the income scale. Rising income inequality is explained by the fact that in the richest and poorest decile groups the pattern is reversed – the richest 10% have gained more than the poorest 10%, which presents as rising inequality on the Gini coefficient. Perhaps the most interesting IFS finding is that New Labour's tax and benefit policy has 'kept the lid on what would otherwise have been a much bigger growth in inequality' on account of underlying trends in the economy (Brewer *et al*, 2004: 62).

As discussed above, income inequality does not appear to matter very much to New Labour and Brown may be satisfied by maintaining it at current levels and reducing poverty for children – although these goals may prove difficult to achieve and maintain if the IFS is right about underlying trends. Of greater concern for Gordon Brown may be the seemingly intractable productivity problem and its centrality for competitiveness. The question is what further measures might enhance productivity, without exacerbating inequalities?

Conclusion

To summarise, New Labour has an ambitious and sophisticated strategy for social justice/inclusion. This is embedded in a liberal political economy, the

perceived pre-condition for national prosperity in the era of capitalist globalisation, and overlaid by an ethical communitarianism characterised by a politics of obligation - present in its conception of citizenship.

What does this vision of social inclusion add up to? Gray (2000) finds that it has little or nothing to do with traditional left wing concerns with 'equality'. He defines 'social inclusion' as 'common membership', the idea that 'no one is denied access to activities and practices that are central in the life of society. An inclusionary society is a cohesive society' (2000: 23). Thus, encouraging middle class opt-in to public services may be desirable in creating social cohesion, but policy measures to promote it, such as selective schools, are anti-egalitarian and violate social democratic beliefs about justice (Gray, 2000: 29). This idea of 'common membership' may better describe New Labour's approach than 'equality of opportunity', given the goods at stake.

However, club membership is not free. It is governed by rules underpinned by a comprehensive vision of the political good: personal entrepreneurialism and ethical communitarianism. Following these principles, 'social inclusion' is primarily not about greater redistribution, but measures that allow, and indeed force, Thatcher's lost generation to participate in the social 'mainstream' and in community life. This approach is a contract, in which the individual pledges to take responsibility across the full spectrum of social life – from maintaining employability to maintaining a healthy life style. The state is then re-shaped to bear part of the risk that such responsible individuals face, but in ways that minimise dependency and the social wage.

Unsurprisingly, this world view and its representation in public policy, has been subject to trenchant criticism from a wide range of perspectives, both left and right. Does it make sense to talk about remedies for social exclusion, when it is constantly re-produced in market competition (Byrne, 1999)? If social exclusion is a valid idea, why label one person/group and not another (Cox, 1995)? Is social exclusion necessarily a bad thing? Should we be concerned with social justice at all? Is it possible to square individual with community, particularly when the demands on individual and community made by the government seem incompatible? At the policy level, it is questionable whether human capital development is working. It is also debatable whether Brown's careful economic management is delivering sustainable economic growth, or whether his mildly re-distributive measures are doing more than plug the dam of rising inequality. Indeed, could it be otherwise in a capitalist economy and does it matter if not? Is 'choice' in public services merely reproducing inequality in new arenas? And, are local partnership approaches like LSPs and NDC building in problems at the outset by assuming that consensus can be reached among diverse groups with diverse life experiences? If not top-down state intervention, then what mechanisms can mediate intractable conflicts, be they major or minor, and on whose terms? It is with these continuing questions that a third-term Labour government led by Blair or Brown will have to grapple.

References

Askonas P and Stewart A (eds) 2000, *Social Inclusion: Possibilities and Tensions*. New York: St Martin's Press

Barnes M, Newman J, Knops A and Sullivan H, 2003, Constituting 'the public' in public participation. *Public Administration*. 81(2), 379-399

Beck J, 1999, Makeover or takeover? The strange death of educational autonomy in neo-liberal England. *British Journal of Sociology of Education*, 20(2), 223-238.

Begum, 2004, *Labour Market Trends, April 2004*. Office for National Statistics.

Bevir M and O'Brien D, 2001, New Labour and the Public Sector in Britain. *Public Administration Review* 61(5), 535-547

Blair, Tony, 1998, *The Third Way: New Politics for the New Century*, London: The Fabian Society.

Blunkett D, September 2003, *Towards a Civil Society*. Institute for Public Policy Research.

Blunkett D, 9.3.04, *Lecture to the Ash Institute for Democratic Governance and Innovation*.

Bowring F, 2000, Social exclusion: limits of the debate. *Critical Social Policy* 20(3) 307-330

Brewer M, Goodman A, Myck M, Shaw J and Shephard A, 2004, *Poverty and Inequality in Britain: 2004*. Institute for Fiscal Studies.

Byrne D, 1999, *Social Exclusion*. Open University Press.

Callinicos A T, 2001, *Against the Third Way*. Cambridge, Polity.

Carter M, 2003, *T H Green and the Development of Ethical Socialism*. Imprint Academic.

Chandler D, 2000, Active citizens and the therapeutic state: the role of democratic participation in local government reform. *Policy and Politics* 29(1), 3-14

Clark T, Myck M and Smith Z, 2001, *Fiscal reform affecting households, 1997-2001*. The Institute for Fiscal Studies.

Clohesy A M, 2002, 'New Labour Ideology: Assessing the Post-Marxist Critique' in *Journal of Political Ideologies* 7(1), 39-56

Coates D, 2001, 'Capitalist Models and Social Democracy: the Case of New Labour' in *British Journal of Politics and International Relations* 3(3) 284-307

Coates D and Hay C, 2001, The internal and external face of New Labour's political economy. *Government and Opposition*, 36(4), 447-471

Cox J, 1995, Wealth, poverty and class in Britain. *International Socialism*. 69, 49-68

Dargan L, 2002, *A new approach to regeneration? Reflections on the new deal for communities in Newcastle*. Centre for Urban and Regional Development Studies, University of Newcastle. Discussion Paper 02/1.

Davies J S, 2002, Local Regeneration Partnerships under New Labour: A Case of Creeping Centralisation. Glendenning C, Powell M and Rummery K (eds) *Partnerships, New Labour and The Governance of Welfare* (Policy Press) 167-182

Davies J S, 2004a, Conjuncture or Disjuncture? An Institutional Analysis of Local Regeneration Partnerships in the UK. *International Journal of Urban and Regional Research* 28(3). 570-585

Davies J S, 2004b, Can't Foxes be Hedgehogs too? Reply to Clarence N Stone. *Journal of Urban Affairs* 26(1) 27-33

Davies J S, forthcoming 2005, *New Deal for Communities: a challenge to New Labour's hegemonic project?* Paper presented at the 34th Annual Meeting of the Urban Affairs Association, Washington DC, April 2004.

Davies J S, forthcoming 2006, *Bringing Conflict Back In. (Local) Governance and the Dialectics of Hierarchy, Market and Network*. Public Administration Committee, 8th September 2004, Northumbria University.

DETR, 1998, *Index of Local Deprivation*. Department for the Environment, Transport and the Regions.

DETR, 1999, *New Deal for Communities: Phase 1 proposals guidance for applicants*. Department for the Environment, Transport and the Regions.

DoH, 2003, *A short guide to NHS Foundation Trusts*. Department of Health.

Dolowitz D, 2004, Prosperity and fairness? Can New Labour bring fairness to the 21st century by following the dictates of endogenous growth? *British Journal of Politics and International Relations*. 6(2) 213-230

Etzioni, A, 1993, *The Spirit of Community: Rights, Responsibilities and the Communitarian Agenda*, New York: Crown Publishers.

Fairclough N, 2000, *New labour, new language?* London, Routledge.

- Giddens A, 1998, *The Third Way*. Cambridge, Polity.
- Giddens A, 2001, *The Third Way and its Critics*. Cambridge, Polity.
- Goodman A and Oldfield Z, 2004, *Permanent Differences? Income and Expenditure Inequality in the 1990s and 2000s*. Institute for Fiscal Studies.
- Goss S, 2001, *Making Local Governance Work* (Palgrave)
- Gray, 2000, Inclusion: a radical critique. In Askonas P and Stewart A (eds), *Social Inclusion: Possibilities and Tensions*. New York: St Martin's Press
- Hale S, 2002, Professor Macmurray and Mr Blair: The Strange Case of the Communitarian Guru that Never Was. *Political Quarterly*. 73(2) 191-197
- Hanson H, 2003, *National Evaluation of New Deal for Communities: Skills for Employability – Early Findings, Research Report 6*. Sheffield Hallam University.
- Hay C, 1999, *The Political Economy of New Labour*. Manchester, Manchester University Press.
- Hayek F, 1944, *The Road to Serfdom*. Chicago, University of Chicago Press.
- Hewitt P, 2003, A social democratic future. In Browne M and diamond P (eds), *Rethinking social democracy*. London, Policy Network. 335-345
- Hills J, Le Grand J and Piachaud D, 2002, *Understanding Social exclusion*. Oxford, Oxford University Press.
- Home Office, 2003, *Building Civil Renewal: Government Proposals for Community Capacity Building and Proposals for change*. London, Home Office.
- Home Office, December 2003, *Active citizens, strong communities – progressing civil renewal*.
- Jessop B, Bonnett K, Bromley S and Ling T, 1988, *Thatcherism: a tale of two nations*. Cambridge, Polity Press.
- Johnson, C and S. P. Osborne. (2003) Local strategic partnerships, neighbourhood renewal, and the limits to co-governance. *Public Money and Management* 23(3), 147-154.
- Kjaer A M, 2004, *Governance*. Cambridge, Polity Press.
- Landrum D, 2002, Citizenship, education and the political discourse of New Labour. *Contemporary Politics* 8(3), 219-232

Lawless P, 2004, Locating and Explaining area-based urban initiatives: new Deal for Communities in England. *Environment and Planning C: Policy and Politics*. 22(3) 383-399

Lenoir, R, 1974, *Les Exclus*. Paris, Seuil.

Levitas R, 1998, *The inclusive society? Social Exclusion and New Labour*. Basingstoke, Macmillan.

Levitas R, 1999, *New Labour and Social Exclusion*. Paper to the Political Studies Association of the United Kingdom, Nottingham University.

Lloyd C and Payne J, 2002, On the political economy of skills: assessing the possibilities for a viable high skills project in the UK. *New Political Economy*, 7(3), 367-395.

Lowndes V and Wilson D, 2003, 'Balancing Revisability and Robustness? A New Institutionalist Perspective on Local Government Modernisation' in *Public Administration* 81(2) 275-298

MacDonald R and Marsh J, 2001, Disconnected youth? *Journal of Youth Studies* 4(4) 373-391

Mason G, 2002, High skills utilisation under mass higher education: Graduate employment in service industries in Britain. *Journal of Education and Work*, 15(4) 427-456

McCartney I, 2003, Creating a new citizenship ethos. In Browne M and diamond P (eds), *Rethinking social democracy*. London, Policy Network. 317-324

Milburn A, 10.11.03, *Inequality, mobility, opportunity – the politics of aspiration*. Deborah Leon Lecture, Northumbria University, Newcastle upon Tyne.

Murray C, 1990, *The emerging British Underclass*. Institute of Economic Affairs.

ODPM, 2004, *Breaking the Cycle: Taking stock of progress and priorities for the future*. Report of the social Exclusion Unit. Office of the Deputy Prime Minister.

Parkinson M and Wilks S, 1986, 'The Politics of Inner-City Partnerships' in Goldsmith M (ed), *New Research in Central-Local Relations* (Gower) 290-307

Painter C and Clarence E, 2001, 'UK Local Action Zones and Changing Urban Governance' in *Urban Studies* 38(8), 1215-1232

Perrons, D and Skyers S, 2003, Empowerment through participation? Conceptual explorations and a case study. *International Journal of Urban and Regional Research* 27(2), 265-285

Pierce R, 1999, *Social exclusion: a literature review*. University of York.

Pierre, J and G, Stoker. (2002) Toward multi-level governance. In P, Dunleavy. A, Gamble. R, Heffernan. I, Holliday and G, Peele. (eds,). *Developments in British politics* 6. Basingstoke, Palgrave.

Prentis, D, 2003, Rocking the foundations. *Health Matters* 52 8-9.

Prescott J, 30.9.2004, *Let's get to it*. Speech to the Labour Party Conference, Brighton, 30.9.2004.

Phillips A, 2004, Defending Equality of Outcome. *Journal of Political Philosophy* 12(1) 1-19

Ranson, S. *et al*, 1999, The New Management and Governance of Education. In G. Stoker (ed), *The New Management of British Local Governance*. Basingstoke: Macmillan. 97-111

Richardson L and Le Grand J, 2002, Outsider and Insider Expertise: the response of residents of deprived neighbourhoods to an academic definition of social exclusion. *Social Policy & Administration* 36(5) 496-515.

Sen A, 1999, *Development as Freedom*. Oxford, Oxford University Press.

Shephard A, 2003, *Inequality under the Labour Government*. Institute for Fiscal Studies, Briefing Note 33.

Walton F, Sanderson I, Botterill K and Halliday S, 2003. *New Deal for Communities National Evaluation: Job Brokerage: Early Findings, Research Report 2*. Sheffield Hallam University.

Work Foundation, 2003, *Working Capital, intangible assets and the productivity gap*. London, Policy Studies Institute/London School of Economics/Work Foundation.