

Brown can't be bullied into a referendum

Johnny Cash was not the only one to "walk the line". Gordon Brown has to as well. Take the problem of when to call a general election. The Prime Minister has to walk the fine line between waiting until he has established himself and his policies as the best for Britain, and moving before the Tories have had a chance to recover from their current malaise or the economy to slow down. The latter is the larger problem. The former chancellor surely knows that tax receipts have been sustained largely by

payments from high-earners in the City. He knows, too, that it is those very people who are taking a hit from the turmoil in financial markets, and are expecting their incomes to drop this year by at least 25 per cent. Fewer pounds taxed at top rates, lower Treasury receipts, bigger deficits. That forces the Bank to raise interest rates. End of economic growth. Brown must find it tempting to want to beat the downturn.

He also has to walk the line when it comes to domestic policy. At times that leads to massive contradictions. Brown is proud of the fact that he will provide over the establishment of more city academies than did his predecessor. But in order to keep the Left from mutiny, his Children, Schools and Families Secretary, Ed Balls, takes away some of what the PM gives. The new academies will not have the flexibility of deviating

from the national curriculum in maths, English or science, which eliminates the possibility of innovative changes, or variations suitable to local circumstances. Another line walked: something for the reformers on one side of the education debate, something for those who want to maintain central control of the system.

Then there is health. Brown has always been torn between his belief that uninformed patients are no match for monopoly healthcare providers, and therefore need government to make decisions for them, and the understanding that patients are increasingly well equipped to make their own decisions. He also knows that he has to walk the line between devolving budgetary authority to local managers, and allowing them to spend their hospitals into bankruptcy. So he has ordered a 12-month review of healthcare policy, allowing him to postpone deciding whether to cross the line from continued reform into greater central control. Perhaps by the time he is forced to decide, the election will be a thing of the past.

Pension policy also requires the PM to walk a fine line. Of one thing he is certain: the "raid" on the pension funds was no such thing. Elimination of the tax advantages acquired by pension funds was an efficient correction of a distortion of incentives that encouraged companies to pay dividends rather than reinvest in their businesses.



Irwin Stelzer

But of another he is less sure: means testing. When he introduced means testing, Chancellor Brown wanted to get the maximum benefits to the needy at minimum cost. He recognised that such testing would probably create a disincentive to saving, since pensioners who had forgone pleasures in order to save for their retirement would lose a portion of that he was dealing mostly with elderly widows, with very little income that they might save. So the disincentive would not have much effect.

That was then. Now younger people who can make choices between saving and spending can see what is in store for them if they are prudent, and will opt instead for profligacy. Brown knows that, and has to balance his desire to make pensions as generous as

possible, without lavishing them on people of means. That line gets harder to walk as more voters become eligible for pensions.

Perhaps most important of all the lines the PM must walk is one that every politician dreads – satisfying a constituency that tends to want more and more money devoted to domestic problems, while at the same time meeting his obligations as keeper of national security. As Chancellor, Brown had no problem: domestic spending trumped defence spending to such an extent that Britain now devotes a smaller portion of its national income to the military than at any time since the 1930s. A stretched Army has too few soldiers to meet its international commitments, and too little equipment to protect those troops adequately. But Britain has a lavishly funded NHS, and support for millions who refuse to enter the labour market.

Prime ministers are not chancellors, however. Brown now has made it clear that he intends to honour British commitments in Iraq and Afghanistan. But even in this area, he has to walk a fine line between maintaining the special relationship with America, and bowing to his party's – and the nation's – desire to see the back of George W. Bush. So he has made it clear that the "commitments" are to "the people of Iraq and the UN", not America, with which he did, however, promise to "work closely". That promise appeals to

those who believe a continued close association between America and Britain is in both nations' interests. Sources close to the PM insist that he established a close working relationship with Bush when the two met at Camp David, and that reports that he distanced himself from the President are false. White House sources are less unambiguous on the point. Brown has long made clear his admiration for American entrepreneurship. Given the current unpopularity in Britain of the Bush Administration, he has tried to walk the line between co-ordinating Iraq policy with the Americans, while at the same time saying that the generals and Parliament alone will decide British policy there.

One issue on which Brown feels no need to walk a line is the EU treaty. He is convinced that the British opt-outs mean that no transfer of sovereignty is involved, and that therefore Labour's referendum pledge is inoperative. Labour MPs who think they can shake him had better have a re-think. Besides, the PM can put this issue to rest by stating in the new manifesto that he intends to have Parliament decide.

Even those voters who know he is wrong will make their decisions based on other issues. So the Prime Minister believes. And since he is a man who keeps his "eyes wide open all the time", he might well be right.