

The Guest Column

Irwin Stelzer

Bill Clinton's lesson for Labour

The election of Ed Miliband to lead the Labour Party makes it certain that the Tories will win the next general election. So say some of the pundits I have learned to respect. "But," as you British folks like to say before disagreeing with some speaker, "with respect..." And, since an American who comments on British politics must be extra careful, and extra humble, I really do mean "with respect".

Naturally, if Ed Miliband is very stupid, or as arrogant as his elder brother, the pundits will be proved correct. But judging by his leadership campaign, he is neither. So the thought that he will spoil his chances of entering No 10 other than as a visitor by kowtowing to the unions is wishful thinking rather than solid analysis.

He certainly owes the unions, and will owe them still more when they provide about the only funding he will have immediately available. And he will repay his debts – but not to the point of surrendering an opportunity to lead his party back into government. The lust for power trumps any sense of obligation to return past favours.

The real question is whether his left-leaning politics will leave him with Labour's "core" vote and not much else. Will he be able to appeal to what his elder brother and Tony Blair like to call the "aspirational" class? But should he? This is not 1997. The aspirations of that class have become considerably more modest: not a bigger house, but just staying in work and avoiding repossession. Call it security. Ed Miliband has not killed New Labour; it died the natural death of the no longer relevant.

A spoonful of security

There is a lesson to be learned here from Bill Clinton, hardly a radical lefty. When he was president, Clinton saw that the middle classes were troubled by the pace of change – by globalisation that saw jobs disappearing to China, by technological developments that made existing skills no longer marketable and demanded new ones mature workers could not master.

The change, he knew, could not be stopped. The best he could do was develop policies that ameliorated its impact on hard-working, taxpaying voters. No good to talk of Joseph Schumpeter and Milton Friedman, the virtues of free trade and the inevitability and desirability of new technologies. It takes a spoonful of



Should Miliband appeal to the "aspirational" class?

security to make the medicine of progress go down – a caring, emollient Clinton rather than a cool, "transformational" Obama.

So Ed Miliband's "go-slow-on-deficit-reduction" position might just resonate, especially when backed by Ed Balls's argument that spending cuts now will heighten the chances of a double-dip recession and so increase insecurity. And it is by no means certain that this view won't win some support in the City.

Miliband wants to make the new 50 per cent tax rate on high earners permanent, in the interest of greater equality. The coalition is promising that the 50 per cent rate is temporary, and will be rolled back some day. If you believe that this government, faced with deficits for at least the length of this parliament and most likely beyond, and eager to offer some relief to middle-class voters at the next general election, will indeed roll it back, then let me tell you about the bridge in Brooklyn I'm selling – cheap.

Besides, it would be hard for Miliband to evince hostility to the City more scary than the troika of Nick Clegg, Vince Cable and Danny Alexander. While the Chancellor says Britain is open for business, St Vince warns that if you take George Osborne up on that, he will see that you are reviled as a spiv, have your bonuses confiscated and your "mansions" taxed. Alexander,

who the *Daily Telegraph* suggested claimed allowances for a second home and then avoided capital gains tax when he sold it by designating it as his principal residence, sees no difference between illegal tax evasion and legal tax avoidance. He has promised to make life difficult for anyone hiring an accountant to minimise the portion of his or her income that the government might legally demand. If Miliband has something worse in mind for the nation's wealth producers, we have yet to hear what it is.

Facing down the crazies

Finally, Miliband the Europhile has little to fear from the coalition when it comes to the question of Europe. It turns out that David Cameron's pledge not to cede any more sovereignty to Brussels means only that he will hold a referendum if the Lisbon Treaty comes up for renewal. Which everyone knows it won't.

Meanwhile, Osborne huffed and puffed but in the end agreed to an increase in the EU budget and accepted the establishment of four new Europe-wide financial regulators to oversee the work of Britain's own. This gave Poland, which accounts for 0.3 per cent of EU financial services, an equal voice with Britain, with 37 per cent. More worryingly for one of Britain's most important industries, it also gives forces in France hostile to Anglo-Saxon capitalism (moderates by the new standard set by Cable as he rediscovers his inner Marxist) a say in how the City operates.

None of this means that Miliband will have an easy road to No 10. Much will depend on his willingness to face down the trade union crazies, as well as his ability to grasp the difference between equality of opportunity and equality of outcome, and to arrive at a realistic estimate of the size of the welfare state that Britain can afford in an increasingly competitive world. Much will depend, too, on what he does about issues that matter to many people: immigration, crime and the maintenance of a credible military force. And then there is the question of how much more ground Cameron feels he has to cede to his increasingly vocal coalition partners, many of whom are more comfortable with Miliband than with the Cameroons. There is still all to play for. ●

Irwin Stelzer is a columnist for the *Sunday Times* and a director of the Hudson Institute