

## Too bad for Balls that he has baggage

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**Damned for his loyalty to Gordon Brown and a thuggish tendency, the shadow schools secretary is the best economist of the Labour candidates. And that matters in the current climate.**



Lest it seem odd for an American conservative to comment on the battle for the leadership of the Labour Party, let me point out that it is not uncommon for British observers to enrich US politics with their opinions of what is going on in my country. You care about American politics, and we heartily reciprocate. That's why both our countries have been enhanced by the intellectual interchange in our think tanks, and by visiting professorships, and appearances before each other's legislative committees.

Enough by way of apology. My British friends tell me that the well-financed David Miliband is in the lead. I wonder why. His record in government would be called a spectacular failure if there had been anything spectacular about it. It is not only the enduring image of him waving a banana. Or his unwillingness to challenge Gordon Brown for the leadership when he was convinced that there would be all to play

for in the general election if only the prime minister could be replaced by a true heir to Blair. Better to let the party go down to defeat than put his own future and reputation on the line. Not exactly a portrait of courage.

It is D Miliband's trip to India that must be remembered when people come to decide whether to entrust him with the Labour leadership - and, some day perhaps, also with that of the country. At the Taj Hotel in Mumbai, in January 2009, Miliband the elder declared that there was no such thing "as the war on terror", a comment welcomed by Lashkar-e-Toiba, the group linked with the murderous attack on that hotel. The then foreign secretary proceeded to wade into the dispute over Kashmir, to the consternation of his hosts, and to address Pranab Mukherjee, the 73-year-old foreign minister, by his first name after the Indian statesman had addressed his visitor as "Your Excellency".

### **Markets trump ministers**

Which brings us to the younger of the two fraternal rivals. Ed Miliband is more his father's son than his elder brother; and, although neither as Marxist nor as distinguished a thinker as his father, is certainly the cleverer, more substantive and less platitude-tossing brother. And a far more interesting dinner companion. He is charged with being a leftist and hankering for the good old days of Tony Benn, which he denies. My guess is that he is left of his brother (assuming that his brother's vacuous remarks can be identified on a political spectrum), but that the practical application of those views - his sympathy for trade union dinosaurs excepted - would not be all that different from what is in store for Britain whichever candidate emerges as leader on 25 September.

E Miliband favours a top income-tax rate of 50 per cent; so do George Osborne and David Cameron. He favours devolving power to local authorities; not all that different from the decentralisers in the coalition government. He worries about his party's eroding of civil rights; so do all the candidates in his party, or so they say - and so do the Lib Dems and the Tories.

He does have more confidence in his ability to mend rather than end the state - he borrows that formulation from that famous socialist, Bill Clinton - and would probably draw the line between public and private sectors far to the left of where a more conservative observer would.

Or at least try to. Remember: markets trump ministers these days, and any prime minister will have to worry about the bond vigilantes and the rating agencies as he contemplates major spending initiatives; not to mention the geographic mobility of high-income and corporate actors when he considers tax policy. So it is arguable that the party might be better off with the more cerebral of the Milibands.

Which leaves Ed Balls as the only other candidate with a prayer in this contest. It is too bad for the party, and perhaps for Britain, that his Brownite baggage, and reputation for political thuggery, are damaging his chances. There is no doubt that the key issues in the next few years will revolve around efforts to tame the deficit without triggering another recession or worse. True, Balls allowed himself to suspend his Harvard learning and grasp of economics, and join his mentor's attack on "Tory cuts", while expanding the definition of "investment" to include any and all spending. An admirable but foolish display of loyalty to his political patron.

### **Grasp of hard facts**

That was then, and this is now. Balls is probably the only contestant for the leadership capable of giving the Cameron-Osborne-Clegg team pain at the despatch box. He is also the only one with whom I have ever spoken who has a solid grasp of economics and of how to analyse competing solutions to the nation's fiscal problems.

Remember, Brown and Balls got it right when the financial crisis hit; this puts Balls in the best position of all the candidates to point out that the Tories got it wrong. And it is economics that government will be all about for the foreseeable future, for the solution to the deficit problem will determine the scope of the welfare state.

That is not to say that Balls is certain to become the progenitor of sensible economic policy alternatives to those of the coalition. Far from it. His performance as secretary of state for children and whatever else exposed his belief that central government knows better than parents and teachers how to educate children; and, given the chance, he would certainly shape health-care policy to reflect his belief that Whitehall knows better than a patient when his hip hurts so much that an operation is needed.

That's how the contest looks to this economist, who himself is groping for answers to the relation of government to the private sector in the

new, post-financial-crisis world in which we find ourselves - if, indeed, "post" is the proper descriptive.

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