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From Whitehall to the World: International Development and the Global Reconfiguration of New Labour's Political Economy

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**I confirm that this work is solely my own
and has not been submitted for a degree
at another university.**

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A PhD is, if nothing else, an intensely personal and individual piece of work. It should, to my mind at least, reflect the passions, the creativity and the intellect of the writer. However, these are not simply nurtured by the self but by the relationships, friendships and experiences encountered along the way. I have been incredibly blessed in each of these, and they have all contributed in a unique way to this thesis.

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David Webber
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Abstract

Since the creation of the Department for International Development (DFID) in 1997, much scholarly effort has been concentrated on describing New Labour's international development policy outputs. Within these accounts however, there has been little, if any, treatment of how its development policies actually came to be formed, or even more specifically, analysis of the linkages between this branch of foreign policy and New Labour's domestic political economy. My thesis seeks to fill this gap in the literature. My major contribution is to show that the character and orientation of a set of policies designed initially by New Labour officials for the domestic economy were subsequently 'recycled' and transmitted abroad into the field of international development. I test such a claim empirically through three case studies exploring in depth the core policy areas of debt relief, HIV and AIDS, and overseas aid, through which I am able to trace the way that ideas first developed at home were subsequently transposed into its international development policy. This provides the framework which allows me to examine how the Blair and Brown Governments managed the frequently conflicting expectations of the two sets of 'market' and 'social' constituencies in the construction of their international development policy. While 'social' constituencies were successful in influencing processes of policy change which iteratively moved policy closer to their expectations, on the whole its character still favoured the demands of the 'market' constituencies, as had been the case previously in its domestic political economy. Although New Labour's international development policies appeared to become more 'social' over time, this did not mean that they became dominated by 'social concerns'. My overall characterisation of New Labour's often complex phasing of its international development policy, then, is that it remained market-driven albeit not exclusively market-oriented.

Keywords: New Labour, International Development, Globalisation, Economic Policy, Business, Competitiveness, Welfare, Debt Relief, HIV and AIDS, Overseas Aid

List of Abbreviations

ABPI	Association of the British Pharmaceutical Industry
AIDS	Acquired Immune Deficiency Syndrome
AMC	Advance Market Commitment
ARVs	Antiretrovirals
BOAG	British Overseas Aid Group
BOND	British Overseas NGOs for Development
CBI	Confederation of British Industry
CDC	Commonwealth Development Corporation
CFGF	Concessional Finance and Global Partnerships
CSR	Comprehensive Spending Review
CTF	Child Trust Fund
DAC	Development Assistance Committee
DFID	Department for International Department
EEC	European Economic Community
EU	European Union
FCO	Foreign and Commonwealth Office (also referred to as the Foreign Office)
G7/G8	Group of 7/Group of 8 countries
GAVI	Global Alliance for Vaccines and Immunisation
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association

IFF	International Finance Facility
IFFIm	International Finance Facility for Immunisation
IFI	International Financial Institution
ILO	International Labour Organisation
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
LDCs	Less-Developed Countries
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MP	Member of Parliament
MPC	Monetary Policy Committee
NATO	North Atlantic Treaty Organisation
NEC	National Executive Committee
NEPAD	New Partnership for African Development
NGO	Non-Governmental Organisation
NHS	National Health Service
ODA	Overseas Development Assistance
ODM	Ministry for Overseas Development
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PBR	Pre-Budget Report
PRSP	Poverty Reduction Strategy Paper
PIU	Performance and Innovation Unit
PPP	Public-Private Partnership
PWC	Post-Washington Consensus
R&D	Research and Development
SAP	Structural Adjustment Programme
TB	Tuberculosis
UN	United Nations

VAT Value Added Tax

WTO World Trade Organisation

Introduction: New Labour and the Political Economy of International Development

I want to say a few words about two remarkable men.

Like a lot of great partners, they didn't always get along as the years passed. They didn't always agree. They drifted apart. They did incredible things on their own, as individuals. But they did their best work as a pair. I love them both: John Lennon and Paul McCartney.

I'm also fond of Tony Blair and Gordon Brown. They are kind of the John and Paul of the global development stage, in my opinion. But the point is, Lennon and McCartney changed my interior world – Blair and Brown can change the real world.

Bono, addressing the 2004 Labour Party Conference¹

Central to the tale of New Labour is the relationship between Tony Blair and Gordon Brown. Political commentators and academics alike have pored over the apparent tensions that existed between the two men, the division between Number 10 and Number 11, and the fulfilment or otherwise, of their respective legacies. As Bono suggests however, it was in the field of international development where the two men appeared to work closest together, and where, the singer argues, their best work was realised. Indeed, under the Blair and Brown governments, matters of global poverty were afforded a priority not seen under any previous British government and international development formed an integral part of New Labour's policy outputs. The contribution to the literature that this thesis makes is an assessment of New Labour's international development policies in respect of its political economy, and in particular, its claim "to apply the

¹ Bono (2004)

principles of economic reform and social justice to its work abroad”.² This thesis will evaluate the success of its commitment to eliminate global poverty by drawing out those themes that underpinned both its domestic and international political economy.

The Contribution of the Thesis

Given the priority it was afforded it is perhaps unsurprising then that a considerable amount of scholarly analysis has been given over to New Labour’s international development policies. However, within these accounts there has been little, if any, treatment of how these development policies actually came to be formed, or even more specifically, the linkages between this branch of foreign policy and New Labour’s domestic political economy. In filling this gap in the literature, this thesis identifies and assesses those policies that were designed initially by New Labour officials for domestic consumption, but which would be ‘recycled’ and transmitted abroad into the field of international development.

Fig. 1.1 *New Labour and International Development: a Research Agenda*

The thesis analyses three aspects of New Labour’s international development policies to make three distinct contributions to the literature:

- (1) The linkages between the model of political economy that New Labour officials created at home and the framework of international development policies it designed for the developing world
- (2) The different policy ‘constituencies’ and the way in which senior New Labour officials sought to manage the ‘expectations’ of these groups
- (3) The patterns of change that occurred in the direction and temporality of government policy as it unfolded over time

² *HM Treasury* (2000c: 115)

This core question is supported by two further areas of research. The first of these attempts to identify the ‘constituencies’ who through their respective ‘expectations’ of government policy sought to shape the orientation of New Labour’s policy process. My analysis in the case study chapters here will focus upon the way in which Whitehall officials managed these frequently-conflicting expectations, and the prioritisation that the government gave to ‘market’ constituencies over other, more ‘social’ constituencies in this process. The relationship between the government and these different constituencies would mediate this transmission of policy, and reveal the orientation and character of New Labour’s international development policies. The second supporting research question interrogates the temporality in the political economy of New Labour’s international development policies, and the patterns of change that occurred as these policies unfolded over time. In order to capture the essence of New Labour, it is necessary to view its policies as contingent, and its political economy, not as static but continually changing. Taken together, these three lines of enquiry demonstrate their interrelationship to one another by yielding an assessment of the changing character of New Labour’s political economy in the light of its commitment to matters of international development.

Situating the Thesis within the Existing Literature

The proliferation of academic literature assessing the policy and practice of the New Labour Government meant that it was somewhat inevitable that out of these more general debates an extensive body of scholarship would emerge assessing the activities and performance of the newly created Department for International Development (DFID).³ Indeed, this was hardly surprising since there were all manner of fascinating sub-

³ See for instance Hewitt and Killick (1998); Young (2000); Dixon and Williams (2001); Williams (2005); Manning (2007); Webster (2008); and Gallagher (2009).

plots at play. There was for instance, the appointment of Clare Short as Secretary of State, a popular yet somewhat surprising choice since she was by no means an ally of Blair.⁴ There was the publication of not one but two White Papers within New Labour's first term in office, each offering bold statements of intent as to the ambitions of the new department;⁵ and there was an intriguing relationship with its former parent department, the Foreign and Commonwealth Office, as well as both Number 10 and the Treasury. These different dynamics, combined with increased levels of public support for matters of international development gave scholars plenty to consider. Given that my own thesis seeks to add to our understanding of New Labour's international development policies, it is appropriate that I take as my point of departure this literature to give a sense of where my own contribution might be situated.

The existing literature surrounding New Labour's international development policies falls broadly into two camps. The first provides more or less a descriptive narrative or review of New Labour's policies in this area.⁶ This 'output'-orientated literature is useful in providing an overview of both New Labour's successes and shortcomings concerning international development, and in doing so is able to offer some explanation for the outcomes that emerged within this area of policy. The literature found in the second camp however moves beyond these narrative-based accounts to offer a far deeper level of analysis.⁷ The more critical accounts focus upon the 'inputs' of New Labour policy by interrogating the material and ideational factors that came to shape the formation and subsequent outcomes of government policy. Literature situated in this second camp arguably provides

⁴ Short (2005)

⁵ *DFID* (1997; 2000)

⁶ See for instance White (1998) and Webster (2008).

⁷ See for instance Abrahamsen and Williams (2001) and Cammack (2006).

a far more detailed explanation of New Labour's specific international development policies, and it is within this particular body of literature that this thesis should be read.

Of the early assessments made of DFID and New Labour's international development policies, some in this second camp including Paul Cammack, Coates and Hay, and Dixon and Williams all judged this new department to be merely the development arm of New Labour's 'neoliberal project'. These accounts sit clearly within the broader critical literature of the Blair government, which viewed the New Labour project as merely an extension of the free market, Thatcherite settlement. For Cammack, New Labour's international development policies "adopted precisely the [neoliberal] formulation set out by the World Bank...calling for the incorporation of the world's poor into production networks dominated by private enterprise and free flows of global capital".⁸ Coates and Hay have argued that New Labour's advocacy of reform within the International Monetary Fund (IMF) and World Trade Organization (WTO) was derived, not from any anti-poverty agenda, but rather its own general growth theory. Here New Labour's calls for international reform acted in tandem with the Party's internal exercise of 'cautionary discretion' in monetary and fiscal policy.⁹ Similar claims have been made by Dixon and Williams who identified New Labour's commitment towards debt relief as remaining firmly embedded with the neoliberal paradigm espoused by the World Bank and IMF.¹⁰ Although Dixon and Williams agreed that increasing debt relief was in and of itself a laudable ambition, as long as New Labour remained wedded to the understanding that it

⁸ Cammack (2001: 399–400). Cammack's analysis of New Labour's international development policies should be read alongside his later (2002) critique of the broader 'neoliberal revolution' that he argues has occurred within the World Bank and IMF. Cammack claims that the aim of these institutions has been to extend the scope of the global marketplace and the reach of unfettered capitalism.

⁹ Coates and Hay (2001: 456)

¹⁰ Dixon and Williams (2001)

could only be achieved through a neoliberal strategy of development, any genuine success would be limited.

Others such as Rita Abrahamsen and again Paul Williams, in a similarly critical vein, pointed to the contradictions that appeared to be inherent within New Labour's ambitions for international development.¹¹ In attempting to formulate 'a Third Way for the Third World', New Labour had, according to Abrahamsen and Williams, assumed that the pursuit of economic liberalism and social justice were two easily reconcilable goals. Indeed it was a central narrative of New Labour's 'Third Way' discourse at home that these two themes could and indeed should mutually reinforce each other. For Abrahamsen and Williams however, this understanding when applied to New Labour's efforts to combat global poverty, simply glossed over the potential contradictions and conflicts that actually existed between the two.

Other scholars, located in the first camp, have tended to be less critical, preferring to give New Labour's initial forays into international development the benefit of the doubt. Certainly the focus of this new ministry differed from previous incarnations that had been attempted by Labour governments in the past. This reflected in part New Labour's own period of modernisation post-1994, but also the changes that had occurred within the international community since Labour was last in office. Reviewing DFID's first White Paper, Peter Burnell was fulsome in his praise of the promises New Labour offered, identifying strong continuities from Labour's past work in this area and suggesting ways in which DFID could breathe new life into development debates both within the UK and

¹¹ Abrahamsen and Williams (2001)

abroad.¹² These sentiments were later echoed by Gardner and Lewis who noted the purposefulness of the new department and the lessons it offered to other development agencies.¹³

Other accounts shared certainly some of this optimism but acknowledged that questions still remained concerning the longer-term impact of New Labour's work in this area. For this reason, at this early stage of New Labour's time in office a number of scholars decided to adopt a 'wait-and-see' approach before reaching any definitive conclusions. While it was still a fledgling Whitehall institution, Ralph Young noted how DFID's autonomy and newly acquired independence from the Foreign Office had been used effectively to chart a distinctive course for Britain's aid agenda.¹⁴ Despite expressing concerns over the lack of policy instruments at Clare Short's disposal to meet New Labour's commitments in this area, Paul Mosely nevertheless also applauded DFID's honesty and pragmatism in confronting the central dilemma of 'making globalisation work for the poor'.¹⁵

Concerns however were raised over the specific implementation of DFID policies by Adrian Hewitt and Tony Killick,¹⁶ and Howard White.¹⁷ For Hewitt and Killick, although DFID's 1997 White Paper was certainly much broader and more sophisticated in its outlook than the 1975 White Paper, it nevertheless lacked the strategy and policy specifics of its predecessor. White agreed. Although DFID's White Paper was strong on broad ambitious statements of intent, White argued that it lacked the necessary detail as to how to deliver on these promises effectually. Although New Labour's commitments to refocus aid

¹² Burnell (1998)

¹³ Gardner and Lewis (2000)

¹⁴ Young (2000: 265)

¹⁵ Mosley (2001)

¹⁶ Hewitt and Killick (1998)

¹⁷ White (1998)

towards poverty reduction, replace one-sided conditionalities with ‘partnerships’, and increase policy coherence were all welcomed, all three authors pointed to a clear lacuna in DFID policy delivery. This, they each suggested would make it extremely difficult for New Labour to meet the challenges it set out in its White Paper.

In a relatively short space of time DFID quickly established itself as a key Whitehall department. It became an important focal point for the rising public interest in matters of global poverty, and went on to play a critical role in the ‘Blair-Brown’ nexus as both men sought to press the case both at home and abroad to confront the challenges faced by Africa and other developing areas. The triumvirate between DFID, Number 10 and the Treasury was at its strongest point in 2005 when the UK took up the presidency of the G8; the *Commission for Africa* published its findings; the UN World Summit in New York met to discuss progress on the Millennium Development Goals; and the Hong Kong Ministerial Conference took place as part of the ongoing WTO Doha Development Round. This coincided with an unprecedented push amongst NGOs to raise public awareness about international poverty through the *Make Poverty History* campaign. This campaign was made visible by white wristbands that were worn by members of the public, politicians and celebrities alike, the rally that took place in Edinburgh as political leaders of the G8 met at their summit in Gleneagles, and the global *Live8* concerts.¹⁸

This heightened interest in the issues of international development prompted further scholarship to emerge as a means of evaluating New Labour’s policy outputs, performance and achievements in this field. Again however, opinion over New Labour’s success was

¹⁸ *Commission for Africa* (2005); Lockwood (2005); Bond (2006); Ware (2006); Biccum (2007); Brainard and Chollet (2008); Harrison (2010); Van Heerde and Hudson (2010)

divided. On the positive side, Webster, Morrissey and Wood were among the authors who fully endorsed the approbation that New Labour received over its development record.¹⁹ In altogether critical terms however, Cammack and Williams again both noted the persistent tendency on the part of New Labour officials to embed their response to development issues within the neoliberal paradigm,²⁰ while Payne, Porteous and Taylor each contended that conflicts with other strategic objectives and a misreading of the issues faced by the developing world rendered New Labour's efforts as being rather more problematic than its acolytes would admit.²¹ Taken together, the tensions and problems identified by these authors raised more questions than solutions, which limited the success that New Labour might have otherwise had.

The conclusion of Blair's premiership in 2007 triggered a further reappraisal of New Labour's international development policies, and a number of scholars have contributed to broadly healthy assessments of New Labour's policy record in this area.²² For these authors, in spite of the tensions that may have existed in DFID's policies, the increases in aid, debt relief and largely successful efforts to combat HIV and AIDS within the developing world left Tony Blair with a broadly positive legacy in this particular aspect of foreign affairs. Despite his extensive contribution to New Labour's international development policies however, Gordon Brown's own achievements are likely to be overshadowed by his brief and largely unsuccessful premiership, a time which coincided with a period of deep recession for the British economy.

¹⁹ Wood (2004); Morrissey (2005); Webster (2008)

²⁰ Cammack (2006); Williams (2004, 2005a, 2005b); Curtis (2005)

²¹ Payne (2006); Porteous (2005); Taylor (2005)

²² Morrissey (2009); Brown, W. (2007); Manning (2007)

This raises a particularly pertinent point within the wider context of this thesis. As Chancellor, Gordon Brown was the chief architect of a model of political economy that New Labour sought to export to the developing world. However, as David Coates has remarked, the economic problems that afflicted Brown's tenure as Prime Minister and which arguably cost New Labour the 2010 General Election, were due to a domestic set of policies designed or agreed to by Gordon Brown himself while he was Chancellor.²³ If the core claim of the thesis is correct – that New Labour's domestic political economy was exported abroad to meet the concerns of the developing world – then the toxicity of this model would fatally undermine the government's commitment to the developing world, exposing already vulnerable countries to economic crisis and instability.

The Theoretical Underpinnings of the Thesis

Running throughout the thesis is the theme of temporality and contingency. This is important since much of the existing literature that surrounds New Labour attempts to impose a single essence upon its character, as if it was an unchanging phenomenon over time. Whether sympathetic or critical of New Labour, the majority of these accounts tend to offer a 'snapshot',²⁴ or what Colin Hay has termed a "synchronic" analysis of the empirical evidence at a given moment in time.²⁵ Unremarkably, there has been a great deal of conjecture as to what constitutes the most appropriate 'label' for New Labour. What these accounts do however assume is that a single designation is appropriate across all domains of policy and for the whole length of its government.²⁶ As I demonstrate here however, the historical and more recent trajectories of Labour Party policy, both at home

²³ Coates (2009: 423–424)

²⁴ Pierson (2000)

²⁵ Hay (2002: 144–145)

²⁶ See for instance Hay (1999a); Krieger (1999); Callinicos (2001); Heffernan (2001); Giddens (2002); Jessop (2007).

and abroad, have rendered it to be far too complex and far too contingent to read off a single, linear characterisation. To truly capture the complexity of New Labour's political economy, it is necessary to trace the processes of change, or as I show in altogether more specific terms in the case study chapters, the 'phases' that New Labour's policies underwent concerning its commitment to international development. Only by taking into account the processes of change that New Labour's political economy underwent, can the full extent of its complex character be understood. As Ben Clift and Jim Tomlinson have persuasively argued – ironically in a reply to Hay concerning the character of New Labour's 'putative neoliberalism' – it is simply not possible or even desirable to make bold claims about a singular, consistent political economic logic underpinning the making of New Labour's political economy.²⁷

In order to capture this temporality and the complexity, it is necessary to provide a *diachronic* analysis. Hay again, describes this approach as being “a form of analysis which does not prejudge the issue of change over time and for which, consequently, the pace and timing of political change are empirical issues”.²⁸ Such an approach borrows eclectically from scholars located across the spectrum of the social sciences, including historical institutionalists who emphasise the importance of 'process-tracing';²⁹ discursive institutionalists who analyse the ideas and discourses present in moments of policy change;³⁰ evolutionary economists and political scientists who reject the static approaches of their neoclassical counterparts;³¹ and some neo-Marxists for whom the changing strategic context that policymakers are faced with imposes pressures to pursue certain

²⁷ Clift and Tomlinson (2007b: 378)

²⁸ Hay (2002: 148)

²⁹ Krasner (1984); Thelen and Steinmo (1992); Hall (1993); Pierson (2000); Lustick (2011)

³⁰ Hay (2001); Blyth (2002); Campbell (2004); Schmidt (2008, 2010)

³¹ Lindblom (1959); Hodgson (1993); Stzompka (1994); John (1999); Kerr (2002); Cerny (2008)

strategies over others.³² Despite the apparent plurality of these approaches, each one shares in common a commitment to analyse the pace and timing of those processes – whether structural, historical, discursive or ideational – that trigger political and economic change. It is the emphasis that each of these perspectives places upon contingency that this thesis uses to interrogate both the processes of change in the political economy of New Labour, and the spatial transmission of policy from one realm to another.

Elements of each of these approaches appear – even if they are not explicitly referred to – throughout the thesis. In chapter 2 for instance, I demonstrate the extent to which the changing contours of the global economy acted as the strategic context upon which the New Labour project was positioned. Here, I borrow Bob Jessop’s concept of ‘strategic selectivity’ to demonstrate the way in which New Labour ministers chose and justified certain policy strategies over others by deploying a particular discourse of globalisation at specific moments in time. Jessop’s later work notes how discourses provide an interpretative framework to make sense of the structural changes in the global economy and the transformation of the national state, the crises that often accompany them and appropriate responses thereto.³³ As Peter Kerr has remarked, change here can be understood to be “an evolutionary process which is the product of constant ‘adaptation’ of strategies by agents to an evolving, strategically ‘selective’ context”.³⁴ This is evident in chapter 2 in particular where I demonstrate the extent to which New Labour’s response to the strategic context of globalisation mediated the way in which policy was implemented at home before being exported abroad. Treating globalisation as a *discourse* – in fact, multiple discourses – I demonstrate how, as this strategic context changed, so too did the

³² Jessop (1990, 2007, 2009); Hay (1999b: 170–171); Blaas and Becker (2007)

³³ Jessop (2007a: 133)

³⁴ Kerr (2002: 339, parentheses in original)

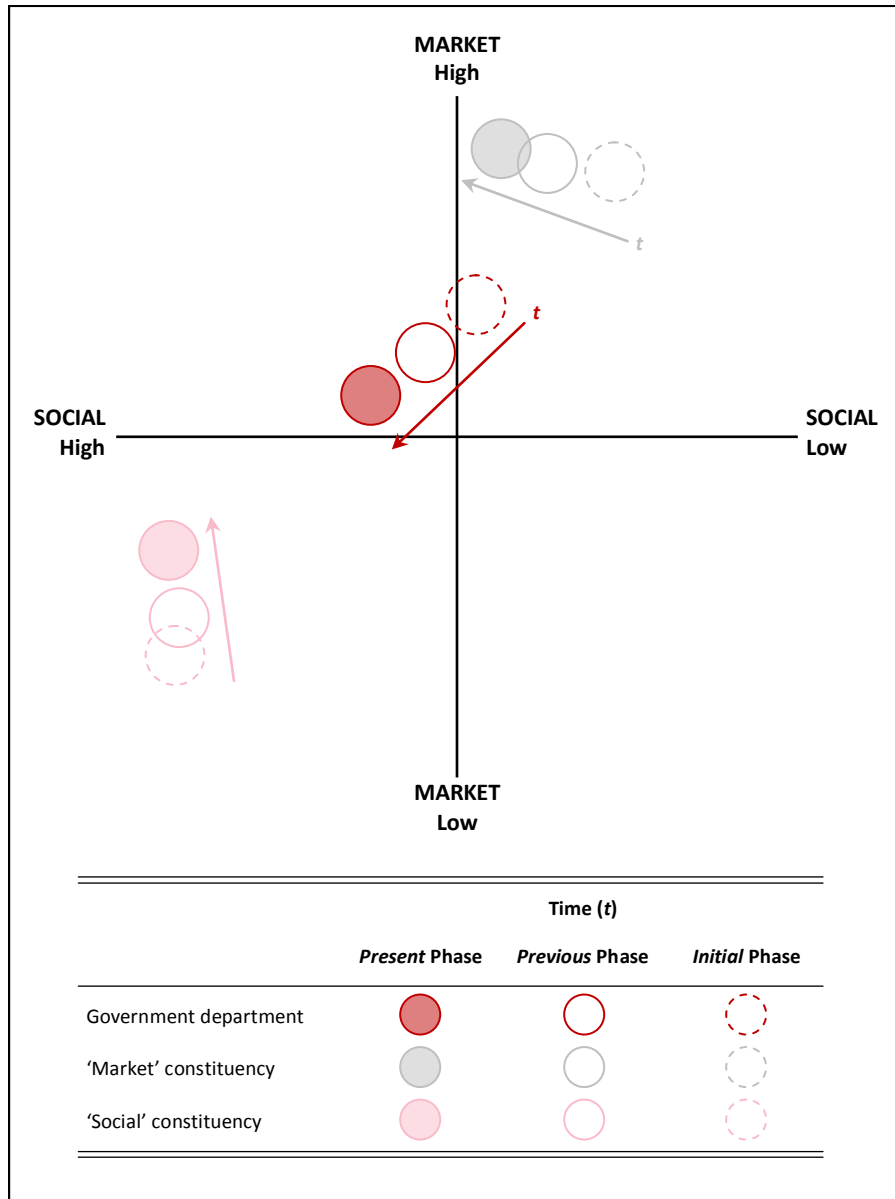
policy perceptions of New Labour officials, prompting them to recalculate and reformulate their strategies accordingly.

'Strategic selectivity' is a useful analytical device to frame the context in which political actors find themselves, and the effect that this has upon their conduct. However, if globalisation shaped the contours upon which New Labour's contemporary political economy was to be located, then its past commitment to social democracy and international development also provided the Blair government with a historical context within which to animate its ostensibly 'new' set of policies. It is against this particular backdrop that the remarks of Stephen Krasner concerning 'historical institutionalism' are particularly pertinent. For Krasner, "it is necessary to understand both how institutions reproduce themselves through time and what historical conditions gave rise to them in the first place".³⁵ As Paul Pierson has noted however, such analysis "requires genuinely historical research"; that is, "work that carefully investigates processes unfolding over time".³⁶ Reinforcing the point made by Hay earlier, Pierson adds that such explanations require a diachronic as well as synchronic analysis. With this in mind, chapter 3 therefore attempts to capture the evolution of Labour's international development strategy within the post-war period, by charting the processes of change and continuity that the Party's policies underwent both at home and abroad. It explores the drivers of these processes in comparative terms, assessing both what went before and what New Labour included in (and indeed, what it excluded from) its development policies.

³⁵ Krasner (1984: 225)

³⁶ Pierson (2000: 494)

Fig. 1.2 Conceptual Matrix of 'Market' and 'Social' Imperatives

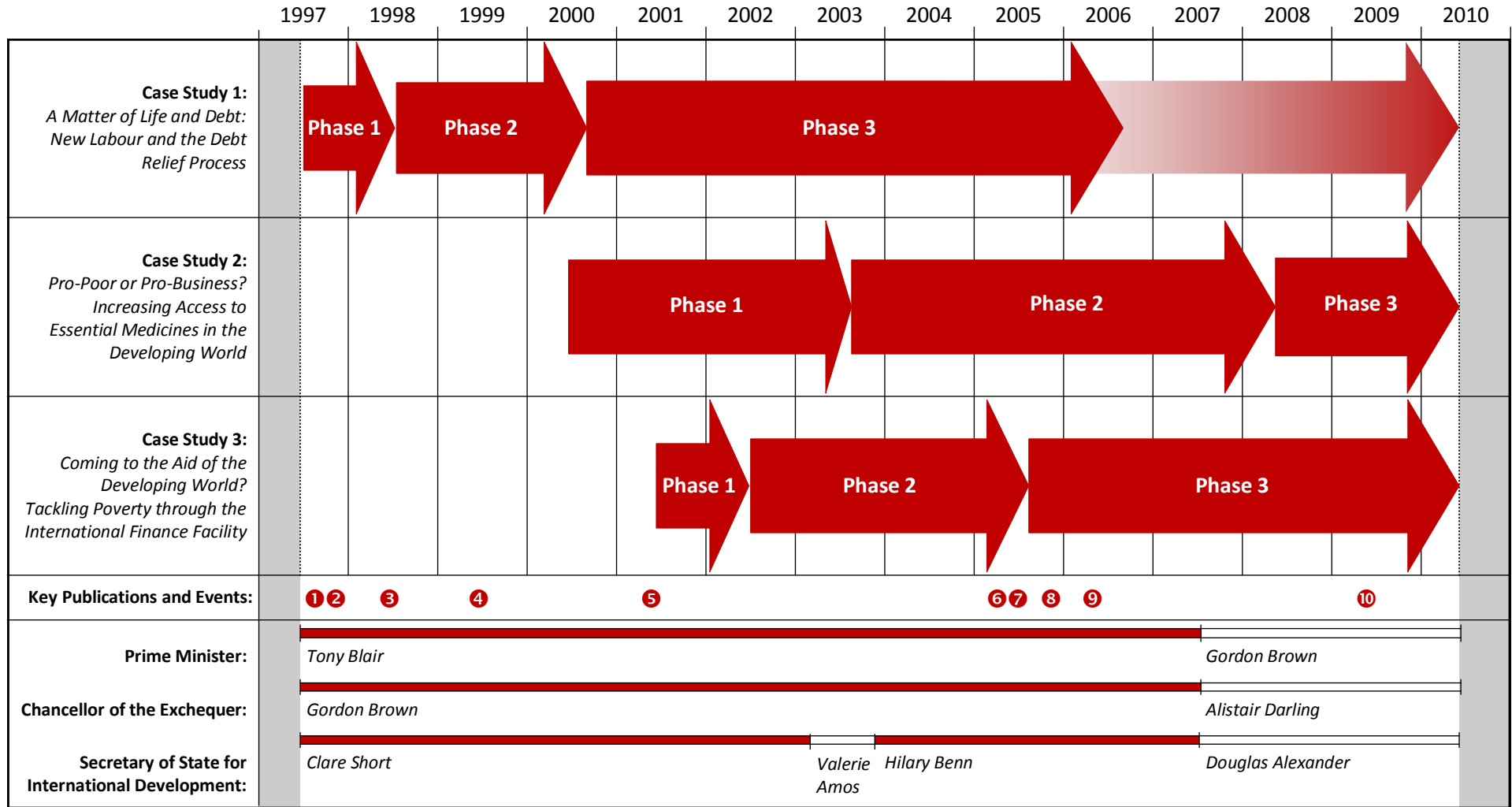


The Jessopian concept of 'strategic selectivity' returns again in chapter 4 when I assess the attempts made by New Labour officials to manage in a coherent and 'joined-up' way, the different expectations of the various constituencies that made up the policy process. Given the contested nature of this policy process, starkly demonstrated here in 'market' and 'social'-based terms, it was, I argue inevitable that government officials were forced

to privilege certain constituencies over others, and incorporate certain expectations into policy strategies at the expense of others. My diachronic analysis of the policy phases in each of the case study chapters (5–7) shows a close relationship between the government and ‘market’ constituencies and a gradual and inconsistent shift towards more social outcomes over time. To illustrate this, in each of the case study chapters that form the second part of the thesis, I offer a schematic representation (illustrated in **Fig. 1.2** on the previous page) of the different policy inflections that were present in each of three phases that each strategy underwent. An amalgamation of these three policies and the diachronic analysis thereof demonstrates the changing and contingent character of New Labour’s international development policies. It reveals much of the strategic decisions taken by government officials and the orientation of New Labour’s policies to provide a fuller picture of the character of its political economy.

The chronology and evolution of these specific development policies is mapped out in **Fig. 1.3**. This diagram is useful in that it illustrates where in relation to each other these policies were located, and the ‘point of transition’ at which there was a clear shift from one phase to another. The cause and effects of changes are explored in detail in the case study chapters, which will lead me to explore in the concluding chapter, the pattern of change *within* and *between* each of the three case studies, and the relationship of these individual policies to one another. Throughout the thesis however, the central concern remains the relationship between the domestic and the international policies. The diagram overleaf (**Fig. 1.3**) will be reworked later in chapter 8 (**Fig. 8.1**) to illustrate the core claim of policy transmission, the timing of this transmission, and the lag between when the domestic policy was introduced and its incorporation into New Labour’s international development policies.

Fig. 1.3 The Phases of New Labour's International Development Policies, 1997–2010



KEY TO PUBLICATIONS AND EVENTS

- | | | | |
|---|---|----|---|
| 1 | DFID White Paper 'A Challenge for the 21st Century' | 6 | <i>Commission for Africa</i> publishes its findings |
| 2 | 'Mauritius Mandate' debt relief initiative agreed by Commonwealth Finance Ministers | 7 | G8 summit in Gleneagles. <i>Make Poverty History</i> campaign, Edinburgh rally and <i>Live8</i> |
| 3 | G8 summit in Birmingham and Drop the Debt campaign | 8 | Hong Kong Trade Ministerial as part of the WTO Doha Development Round |
| 4 | Enhanced HIPC initiative agreed in Cologne | 9 | DFID White Paper 'Making Governance Work for the Poor' |
| 5 | DFID White Paper 'Making Globalisation Work for the Poor' | 10 | DFID White Paper 'Building a Common Future' |

The Structure of the Thesis

Having outlined the main claims of the thesis, the contribution it will make to the existing literature, and the theoretical approach that will be used to frame my analysis, I now turn to the way in which my thesis will unfold. Chapter 2 begins by exploring the multiple narratives of globalisation that were articulated by New Labour officials. I do this initially in a domestic context, by demonstrating three different ways in which globalisation was understood as a 'constraint' before exploring the way in which it was articulated as an opportunity within the realm of international development. Resolving the 'constraint-opportunity' paradox that appeared to be evident in New Labour's multiple discourses of globalisation, I proceed to demonstrate how this impacted upon those areas of policy that formed the basis of New Labour's domestic political economy. New Labour's redesign of Britain's macroeconomic architecture, its claim as the 'new party of business', and its welfare strategy would all feed into the development policies explored in the second half of the thesis, demonstrating a clear transmission of policy from one spatial scale of governance to another.

Chapter 3 places New Labour's commitment to international development in an altogether more historical context, highlighting the patterns of change and continuity between 'old' and New Labour. This provides a further layer of analysis to my work by situating New Labour's approach to international development in relation to that of its predecessors. One clear break between 'old' and New Labour was the centrality of the Treasury in the design and formation of the Blair government's international development policies. The steps that the erstwhile Chancellor of the Exchequer, Gordon Brown and his advisor, Ed Balls, took to make the Treasury the pilot agency of New Labour's political economy is the focus of the first part of chapter 4. Here I argue that although DFID was granted formal independence when New Labour came into power (thereby delivering upon a pledge that previous Labour leaders had made) it was the Treasury who was instrumental in setting domestic and foreign policy. Indeed, the influence of the Treasury was writ large over each of the policies explored in the case study chapters and this was crucial in the 'internationalisation' of New Labour's domestic political economy.

The second part of chapter 4 identifies the specific normative expectations that were held by constituencies concerning what precisely New Labour's policies within this field should look like. This enables me to examine in the case study chapters that follow the priority that the government afforded to each of these constituencies by identifying which of these expectations were actually met by New Labour. My intention here is to show how having derived its international development policies from its domestic political economy, New Labour strategically framed these policies to manage these expectations of its core policy constituencies. I argue that a judgement of New Labour's political economy can be

made from the degree of influence that the various constituencies were able to bring to bear upon the government's international development policies.

With this analytical framework in place, my attention in the second half of the thesis turns to the three core policies that the New Labour government pursued in order to meet its commitment to the elimination of poverty through international development. It is in each of these three empirical case studies that the central claims of the thesis rest. Laid out chronologically and following the same running order as the domestic policy themes that were explored in chapter 2, these case studies focus upon the commitment that was made by New Labour to relieve the debt burden of the world's poorest countries; to increase access to HIV medicines; and to frontload and increase the levels of finance required for development.

The first of these case studies in chapter 5 draws parallels between the economic architecture that was drawn up by Treasury officials at home and 'the new international economic architecture' that Gordon Brown was keen to pursue abroad. Both sets of frameworks were predicated upon the same ideas of macroeconomic stability, 'open rules for an open economy', and credibility through transparency and clear standards and codes. These principles were deemed to be essential for 'inclusion' – a key discourse of New Labour – in the global economy where 'opportunities' (another core New Labour theme) for wealth creation and increased prosperity lay. Eligibility for debt relief for the poorest countries under the Heavily Indebted Poor Countries (HIPC) initiative and latterly, the Multilateral Debt Relief Initiative (MDRI) would be conditional upon recipient countries meeting their obligations towards the 'good economic governance' supported

by the 'post-Washington Consensus' (PWC). Embedded firmly within this 'new economic architecture' by the international financial institutions (IFIs), these policy initiatives emphasised the new economic orthodoxy as a means of achieving the economic growth understood to be necessary for development.

This approach to policy however would bring officials, both in Whitehall and Washington into conflict with constituencies who viewed the issue of debt relief in 'moral' rather than simply 'economic' terms, and as an issue of social justice and economic redemption. Under a series of high profile anti-poverty campaigns, some Labour backbenchers joined with trade unions, church groups, and celebrities in urging the New Labour Government, other creditor countries and lenders to cancel developing world debt on more normative grounds of morality and social justice. This left New Labour in a further difficult position: whether to focus upon increasing the urgently needed funds for global development (as it would do through initiatives such as the International Financial Facility explored in chapter 7) and in doing so answer the calls of justice demanded by civil society, or impose, as the IFIs themselves had done in the past, a new form of 'conditionality' – a specific form of economic governance upon developing countries designed to equip these states to meet the challenges of globalisation and confer its opportunities.

The second case study, explored in chapter 6, addresses New Labour's commitment to increase the availability of antiretroviral drugs needed to combat HIV and AIDS in the developing world. The main theme of this chapter is the partnership that existed between the New Labour Government and the British pharmaceutical industry, explored in chapter 2 and located within the strategic context of an increasingly global and highly competitive

economy. Despite passing through a series of policy phases, this particular partnership was dominated by a series of demand and supply-side policies designed to accommodate the expectations of the pharmaceutical industry, with a number of market-based measures introduced to incentivise rather than regulate the industry into meeting its wider obligations towards HIV and AIDS.

Given the centrality of this relationship to New Labour's ambitions, both at home where ministers had talked at length about placing Britain, and its pharmaceutical industry at the heart of 'the knowledge economy', and in this particular area of development overseas, I assess in this particular chapter the space that was left for other 'non-market' constituencies within the policy process to voice their expectations of New Labour's commitments over HIV and AIDS. Although most government officials appeared to share these concerns, and recognised the critical shortfall in the amount of antiretrovirals that were available in the developing world, having inculcated the market logic of globalisation, New Labour ministers remained committed to creating an economic and regulatory framework conducive to retaining and attract further domestic investment. I suggest that this presented New Labour with a further dilemma: whether to prioritise the economic competitiveness of the UK-based pharmaceutical firms or press forward with its wider commitments concerning global public health.

The final case study picks up the theme of financing for development explored in the first case study. However, whereas chapter 5 focused upon the macroeconomic context, chapter 7 examines the linkages between New Labour's domestic welfare policies, or specifically the 'New Deal' that the Chancellor introduced at home, and the 'global New

Deal' that he sought to promote abroad. The centrepiece of this 'global New Deal' was the International Finance Facility (or latterly, the International Finance Facility for Immunisation), a means by which finance for development could be raised on international bond markets for investment now and repaid at a later date. There were clear linkages here with New Labour's approach to government spending at home, and in particular, the Treasury's 'golden rule' 'to borrow only to invest', and its enthusiasm to use private finance to fund public goods, as it had at home through Private Finance Initiatives and Public-Private Partnerships.

As well as these spending proposals, the format of the New Deal was internationalised as a means of encouraging greater inclusion in the global economy. Like the New Deal at home which sought to lift people out of unemployment and include them in the world of work, this 'Global New Deal' worked on the same principles of 'rights and responsibilities' as a means of including developing countries in the global economy so that they might confer its benefits. Like the discourse of globalisation that underpinned New Labour's approach to debt relief, the discourse here was one of *negotiable constraint through disciplined opportunity*. If 'properly managed' – i.e. if developing countries opened up their economies and pursued pro-trade policies – then globalisation would be more likely to work in their favour. The role of aid in this was similar to that of welfare; not an end in itself but a springboard for inclusion in the global economy; and for poor countries, development and growth. In this interim period however, like Britain's own welfare claimants who were compelled to undertake training and voluntary work under New Labour, recipients of this aid had to meet a set of globally-oriented set of obligations in order to become eligible for this finance. Having already explored the macroeconomic

implications of this in chapter 5, I argue here that casting aid as a form of global welfare, presented officials with a similar dilemma to the one it faced when attempting to negotiate the issue of debt relief. Ascribing aid with the same contractual obligations of 'rights and responsibilities' served only to impose a new form of 'conditionality' and restrict the already-limited economic autonomy of those countries in need of this finance.

In chapter 8, as a means of concluding the thesis, I return to the core theoretical and empirical claims made here in this opening chapter, and throughout the thesis. I summarise those policies that were transposed from New Labour's domestic political economy to meet its commitment to international development, the constituencies that it incorporated at each phase of policy, and the processes of change that these policies, and New Labour's political economy more generally, underwent whilst in office. It is at this stage of the thesis that I explore the significance of this policy transmission from the domestic to the international realm, and the tensions inherent in such a strategy. Despite a clear desire to address the issues of global poverty, and the acknowledgement of a moral imperative, the New Labour government attempted to meet this commitment through a model of political economy designed explicitly to work with and indeed enhance the structures of global capitalism. As a result, its development strategy not only assimilated 'market' constituencies in its policy process but, more often than not prioritised the expectations of these constituencies over the delivery of a more equitable set of outcomes. This would fail to address the structural causes of global poverty and limit the scope for any genuine success in this field.

Home from Home: the Internationalisation of New Labour's Domestic Political Economy

The purpose of this opening chapter is to assess those policy themes that New Labour officials designed and implemented initially for domestic consumption but which would go on to form the basis of its core international development policies relating to debt relief, HIV and AIDS, and overseas aid. Both the content and the trajectory of these particular policies are explored in chapters 5, 6 and 7 respectively. In this chapter however, the main focus is upon those domestic policies that were recycled by government ministers and officials to meet these global concerns, and incorporated into New Labour's flagship international development policies overseas.

Before assessing these specific policies however, I develop an important analytical point concerning the strategic context of New Labour's political economy. The dominant *leitmotif* of New Labour's political economy was globalisation, or more specifically Britain's place within the global economy. This subject alone has generated a tremendous volume of scholarly literature; here however my focus is upon the multiple ways in which 'globalisation' was invoked by New Labour officials as a means of discursively framing and justifying government policy decisions. In the opening part of this chapter, I explore the three different discourses that were deployed by ministers at home, casting globalisation in an unforgiving light. To different degrees, these discourses emphasised the 'constraint'

that globalisation was understood to place upon both policymakers and citizens alike. This theme of 'constraint' at home is striking since when it was exported abroad via New Labour's international development policies, globalisation was framed as an 'opportunity'; a means by which millions living in the developing world could be lifted out of poverty. As Wyn Grant has observed, the approach of the Blair government in dealing with globalisation was to view it as a challenge and as an opportunity.¹ Whilst providing considerable evidence in support of Grant's claim, I argue here that the logic of globalisation, whichever way it was understood by New Labour officials, had the effect of mediating the way in which policy was subsequently presented to various domestic and international constituencies.

Such an observation might appear to crucially undermine the core claim of this thesis: that New Labour took elements of its domestic political economy and policies designed for the British polity, and transposed these into its international development policies, for consumption abroad. I reject this however, arguing instead that even within these seemingly contradictory discourses of globalisation there is clear evidence of policy transmission. The domestic pronouncements of 'constraint' in the speeches of government ministers and the language of 'opportunity' that appeared in New Labour's international development policies represented *two sides of the same coin*. As I go onto show later in the chapter, the 'opportunities' that officials in Whitehall spoke of regarding matters relating to international development could only be achieved by managing

¹ Grant (2002: 49)

'properly' the 'constraints' upon policy that globalisation had putatively imposed upon government officials at home. My analysis of the effects that globalisation had upon the framing of policy reveals the different, and indeed often contradictory ways in which New Labour officials internalised and articulated the perceived challenges and opportunities of the global economy.

Structure of the Chapter

This chapter unfolds in four stages. I begin with a series of preliminary remarks in the opening part of this chapter to provide the strategic context upon which my assessment of New Labour's domestic political economy proceeds. My attention here turns to those domestic policies that were 'internationalised', that is, transmitted from one spatial scale of governance to another, in order to meet New Labour's commitments concerning global poverty. The division into three specific areas of New Labour's domestic policies in this chapter chime with the way in which the Blair and Brown governments conducted the three international development policies assessed in the second part of the thesis. The focus of the final part of this chapter therefore shifts to firstly, New Labour's management of the UK economy; secondly, its relationship with business; and thirdly, the welfare policies it introduced whilst in office. I argue, both here and in the empirical case study chapters that these three respective areas of domestic policy informed the way New Labour set about addressing the three issues of debt relief, HIV and AIDS, and overseas aid, all of which were central to its international development policies overseas.

New Labour and the Discourse of Globalisation

Globalisation was central to both the politics and economics of the New Labour project. Indeed, as Coates and Hay have remarked, the Labour Party, “to an unprecedented extent, emphasised the degree to which international (indeed, global) processes, pressures and tendencies [served] as external constraints circumscribing the parameters of political possibility”.² Under Tony Blair, and latterly Gordon Brown, New Labour’s political economy was particularly sensitive to and acutely aware of the pressures that globalisation was assumed to impose upon national governments. Of course, as Steven Fielding has rightly pointed out, it would be wrong to think of New Labour as being unique in imagining Britain’s place within the world economy. Due to the UK’s historic and ongoing dependence upon international trade, every government, irrespective of its stripe, has had its policies shaped by external forces.³ For Martin Smith however, Blair’s government was the first which operated in “a post-Cold War, post-Keynesian era where international borders and relations are more open than and complex than in any preceding period”.⁴ According to Noel Thompson, for the Labour Party, this phenomenon “posed major problems, not just for Keynesian social democracy but, more generally, for the national economic policy autonomy of medium-sized nations such as Britain”.⁵

It is from these assessments in particular that my analysis takes its point of departure. The central theme that runs through this thesis, and indeed, as I shall demonstrate, that was present throughout New Labour’s political economy, was the manner in which the ideas of globalisation held by New Labour officials served to configure the Party’s policies both

² Coates and Hay (2001: 448)

³ Fielding (2003: 150)

⁴ Smith (2007: 420)

⁵ Thompson (2006: 250)

in a domestic setting and within the policy arena of international development. To frame my analysis, I follow Philip Cerny, amongst others, who have noted that the most crucial feature of globalisation:

...is that it constitutes a discourse – and increasingly, a hegemonic discourse...[the spread of which] alters the *a priori* ideas and perceptions that people have of the empirical phenomena which they encounter; in so doing, it engenders strategies and tactics which in turn may restructure the game itself.⁶

Taking this a stage further, Hay notes the importance of differentiating between the discourse, rhetoric and reality of globalisation.⁷ Having internalised these perceived changes in the global economy, New Labour officials deployed a discourse of globalisation selectively and often inconsistently, according to the strategic terrain with which it was faced. Both at home and abroad, globalisation was presented as a challenge *and* as an opportunity. Globalisation was understood by officials to constrain and discipline the policy decisions open to the government. At the same time however, it also offered the prospect of increased prosperity and the realisation of “social justice on a global scale”.⁸

My principal concern then relates to the different discourses of globalisation that were evident in New Labour’s domestic and international political economy. Neither space nor scope allows me to either accept or dispute the material realities or otherwise of the various arguments put forward in the globalisation debate.⁹ There is already an abundance of literature using all manner of empirical data to trade claim and counter-claim, to prove the empirical veracity or otherwise of globalisation, and the reconfigured

⁶ Cerny (1997: 256)

⁷ Hay (2001b: 234)

⁸ Brown (2006a)

⁹ For a comprehensive overview of the globalisation debate see Held and McGrew (*eds.* 2003) and Bruff (2005).

roles of the state and the market in the global economy. Space does not permit me to revisit these debates here. My focus in this section is the manner in which globalisation acted as a strategic narrative comprising of several overlapping discourses that enabled Party officials to animate and position the New Labour project. In opening up this strategic narrative, I build upon the previous remarks made by Cerny and Hay to extend the claims made by Hay and Rosamond who argue, quite rightly, that globalisation has become “the lens through which policymakers’ view the context in which they find themselves”.¹⁰

To do this, I explore the multiple ways in which the discourse of globalisation was articulated by ministers. To underpin this claim even further, I utilise the work of John K. Galbraith, whose concept of ‘conventional wisdom’ is also helpful in unpacking New Labour’s assessment of its strategic environment. Globalisation, I argue, provided New Labour officials with what Galbraith termed their “understanding of contemporary economic and social life”.¹¹ Having internalised the ‘conventional wisdom’ of globalisation, that is, to borrow the definitive terms of Held *et al.*, the “widening, deepening and speeding up of interconnectedness in all aspects of contemporary social life”,¹² government officials strategically manipulated the phenomenon to frame and to justify policy decisions. It is evident, both in each of the three areas of domestic policymaking and the three international development policies explored later on in the thesis, that there was a great deal of contingency and strategic convenience in the way in which New Labour deployed the concept of globalisation both in the construction and justification of policy. This however would reveal a paradox in New Labour’s globalisation discourse at

¹⁰ Hay and Rosamond (2002: 148)

¹¹ Galbraith (1958/1999: 6)

¹² Held, McGrew, Goldblatt and Perraton (1999: 2)

home and its transmission abroad when it came to addressing matters relating to international development.

My argument here is two-fold. The first explores the invocation of globalisation by New Labour officials in a strictly domestic setting. Here I examine how globalisation came to frame the way in which New Labour viewed those parts of its political economy at home – its management of the UK economy, its relationship with business and its welfare policies – all of which were subsequently recycled for consumption overseas. The second part to my argument concerns New Labour’s discourse of globalisation within the sphere of international development, which I discuss in this chapter and demonstrate empirically within the case study chapters later in the thesis. When it came to addressing matters of international development, New Labour officials emphasised the opportunities of globalisation. Far from acting as a constraint upon policy, globalisation in this context served to act as the underlying, and altogether more positive, rationale for New Labour’s intervention within the developing world. Here globalisation could be ‘a force for good’; one that if managed correctly, was able to lift millions out of poverty.¹³ Therefore, instead of restricting the parameters of the politically possible, globalisation actually extended and necessitated New Labour’s remit into the developing world. When situated against New Labour’s discourse of globalisation *at home* however, this approach to and understanding of international development reveals a paradox in policy thinking, particularly in the light of the transmission from the domestic to the international scales of governance. Here there was a fundamental inconsistency between New Labour’s domestic discourse of globalisation which was articulated as a constraint upon political

¹³ DFID (2000: 15)

agency at home, and the discourse of globalisation that New Labour viewed as an opportunity within its international development policies abroad.

Globalisation and New Labour's Political Economy

The processes of globalisation formed the basis of what Stuart Hall and others defined as the 'new times' that necessitated the modernisation of the Labour Party, and subsequently the birth of the New Labour project.¹⁴ However, it is out of this analysis that a sharp divide in the New Labour literature has emerged. There are those on the one hand who have argued that the Party retained, albeit in a modified sense, its commitment to social democracy in the light of these global pressures, and those on the other, who claim that New Labour simply capitulated to the 'conventional wisdom' of neoliberalism and its underlying support for global capitalism.

Michael Kenny and Martin Smith are among those broadly sympathetic to the constraints that the Blair government faced in terms of the international economy and the transformations that the British state had undergone in the preceding twenty years. In the light of these 'new times', policy now had to be:

...conceived and applied in the context of the globalisation of financial markets, fundamental reconfigurations of international economic power and a transformed macroeconomic environment in which interest rates, inflation and public sector borrowing are far more difficult to manage.¹⁵

For Kenny and Smith, this meant that a line had to be drawn between the policies of previous Labour governments and those appropriate to today's conditions. Developing the

¹⁴ Drawing upon a Gramscian analysis of hegemony, Hall and Jacques (*eds.* 1989) attempted to account for the concomitant rise of the Right and decline of the Left in Britain, whilst mapping out the socioeconomic changes that had taken place.

¹⁵ Kenny and Smith (1997: 226)

work of Swank, Lindblom, Przeworski and Wallerstein, Mark Wickham-Jones has argued that the Labour Party acted in a manner consistent with the theory of the structural dependence of the state upon capital in the way in which it set about making economic policy.¹⁶ The Party's desire to retain investment, maintain economic prosperity and secure re-election meant prioritising the demands of global capital over some of its most cherished social democratic beliefs. Quite simply, as Driver and Martell suggest, the challenge of globalisation meant that the Left had to find new ways to deliver its traditional values.¹⁷

Responding to these assessments of New Labour's 'revised' social democracy however, Colin Hay has argued that "this is an exceedingly dangerous, however well-intentioned, move".¹⁸ According to Hay, the consequence of New Labour's strategy merely served "to restrict the limits of the possible, the feasible and the desirable to that imaginable within the ascendant neoliberal worldview".¹⁹ In his assessment of these 'new times', Alan Finlayson has gone further still. By treating globalisation as "an inevitable force" and allowing neoliberal theories of the market to "remain dominant", Finlayson argues that New Labour took "the easy way out, failing to live up to its historic opportunity, [and] serving only to adjust us to a post-Thatcherite settlement".²⁰ This point is reinforced by Bob Jessop, who has suggested that although New Labour "invoked 'the stakeholding society', 'the giving society', 'communitarianism', 'social citizenship', 'social capital', 'partnership', and, of course, 'the Third Way' to distinguish its approach from Thatcherite neoliberalism", these programmes in practice rarely threatened the neoliberal project.

¹⁶ Wickham-Jones (1995a). For an overview of the structural dependency literature see Swank (1992); Lindblom (1988); Przeworski and Wallerstein (1988).

¹⁷ Driver and Martell (2006: 49)

¹⁸ Hay (1999a: 11)

¹⁹ *Ibid.*

²⁰ Finlayson (2003: 118)

Instead, New Labour “embraced the City agenda and neoliberalism” to “become the natural governing party of international capital”.²¹ In these accounts, New Labour’s acceptance of globalisation and the exigencies of free-market capitalism meant abandoning its social democratic credentials in favour of the existing neoliberal hegemony.

This, of course, is but a flavour of the much broader debate concerning the frequently contested, quadrasonic relationship between New Labour, globalisation, social democracy, and neoliberalism.²² It is nevertheless useful in providing a backdrop to my own analysis of the way in which globalisation was viewed by Party officials. Using a wide array of policy statements and speeches, the purpose of this particular section is to assess the precise way in which globalisation configured New Labour’s political economy both at home and abroad. What is abundantly clear from these speeches is that in spite of the wider conjecture surrounding the precise nature of globalisation, New Labour ministers were themselves convinced that such transformations were not only taking place but were an intrinsic part of contemporary economic and social relations.

What is arguably more important however – certainly insofar as the central claim of this thesis is concerned – is that for government officials, globalisation was integral in drawing together and blurring the previously distinct boundaries that had demarcated domestic and foreign policymaking. As Baroness Amos, during her time as Secretary of State for International Development remarked:

²¹ Jessop (2007b: 287)

²² See for instance Giddens (1998); Hirst (1999); Wickham-Jones (2000); Coates (2001); Clift (2002); Jacobs, Lent and Watkins (2003); Held (2004).

Globalisation is reinforcing the need for an integrated approach to policymaking. Policies no longer fit into neat sectoral boxes and the distinction between domestic and international policy is increasingly blurred. Most domestic policies, such as taxation, have international implications and most international policies, such as trade, have domestic implications.²³

Similarly for the Foreign Secretary, Jack Straw, “domestic and international policy [was] becoming ever more intertwined as a result of globalisation, travel and technological advance”.²⁴ This understanding of globalisation underpinned the transmission of policy from the domestic to the international that I claim was evident in New Labour’s political economy. Therefore it is from these statements that my analysis unfolds. Since globalisation had rendered the lines between ‘the domestic’ and ‘the international’ indistinguishable, policies designed by government officials for consumption at home were tailored to meet the perceived realities and challenges of this new global economy abroad.

For Tony Blair, the new politics of ‘the Third Way’ sought to address the “radical” changes that were taking place in the new global economy.²⁵ As Blair took this message of ‘the Third Way’ across the world, it provided the Prime Minister with several opportunities to discuss these perceived realities with a number of different audiences. Blair’s underlying message was consistent throughout: the “globalisation of the world economy is a reality”.²⁶ He believed that “we are all internationalists now, whether we like it or not”,²⁷ because “we have one economy, all of which is affected profoundly by developments in

²³ Amos (2003b)

²⁴ Straw (2003)

²⁵ Blair (1998a: 8)

²⁶ Blair (1998c)

²⁷ Blair (1999)

both technology and global markets”.²⁸ For countries to be successful, the Prime Minister remarked, globalisation should be ‘accepted’,²⁹ for it is “transforming the world economy”.³⁰ For Blair, globalisation quite simply, was “a fact of life”.³¹

Gordon Brown too – both while he was Blair’s Chancellor and Prime Minister himself – spoke repeatedly of the challenges and opportunities presented by globalisation and the global economy. Like Blair, Brown argued that “globalisation has happened”, and the challenges that have arisen from it have done so “from our ever greater interdependence in an integrated global economy”,³² “with its ever more rapid waves of innovation and its fast-moving and often destabilising capital markets”.³³ At a social level, the Chancellor noted how “changes in the global economy [had created] a worldwide culture: global communications and travel, global brand names, global music, films, and entertainments and global media outlets”.³⁴ These changes meant that governments were “of course subject not just to national pressures, *but to global pressures too*”.³⁵ That governments felt compelled to yield to these global pressures is striking as it illustrates the extent to which New Labour felt constrained to treat globalisation as an inevitable outcome, or as Watson and Hay have remarked, to pursue a distinct ‘logic of no alternative’.³⁶

New Labour’s discourse of globalisation also featured heavily in the policy pronouncements of other senior cabinet officials. Given that the focus of the thesis is upon New Labour’s international development policies, it is appropriate that I begin with

²⁸ Blair (2001f)

²⁹ Blair (2003a)

³⁰ Blair (2004b)

³¹ Blair (2006a)

³² Brown (1998g)

³³ Brown (1998h)

³⁴ Brown (1999b)

³⁵ Brown (2000f)

³⁶ Watson and Hay (2003)

Clare Short, New Labour's first Secretary of State for International Development. For Short, the fixed realities of globalisation meant that "it is not a question of whether people are for or against it", globalisation was for "real", as "part of history, just as industrialisation was [and] as big a historical change as the industrial revolution".³⁷ Not only was globalisation an undisputed reality, it was, according to the late Robin Cook, as inevitable as sunrise. During his time as Foreign Secretary, Cook remarked, "it is a good thing that the sun rises every day, but I also know there is nothing I can do to stop it even if I wanted to".³⁸

During his first stint at the Treasury as its Chief Secretary, Alistair Darling offered a similarly fatalistic assessment of the strategic environment that faced New Labour and Britain. "We live in a global economy" Darling noted, and "we are moving towards a single global economy".³⁹ Indeed many New Labour figures shared this sense of inevitability towards globalisation. As the Labour peer, Lord McIntosh remarked, "I just take the view that it is a fact which we can do nothing about; we will not turn it back".⁴⁰ The Defence Secretary, Geoff Hoon agreed. He, like both Blair and Brown, viewed globalisation as "a fact of life".⁴¹ Echoing these remarks, the Leader of the House of Commons, Peter Hain argued that it was indeed "a fact of life" and that "we, in Britain, are part of a global economy".⁴² This 'fact' could not, according to the Home Secretary Charles Clarke, "be un-invented", it was simply "the realities with which we have to live".⁴³ As a result, globalisation was, in the terms of the Science and Innovation Minister, Malcolm Wicks,

³⁷ Short (1997b)

³⁸ Cook (2000) in Chadwick and Heffernan (eds. 2003: 259)

³⁹ Darling (1998a)

⁴⁰ McIntosh (2000)

⁴¹ Hoon (2001)

⁴² Hain (2003)

⁴³ Clarke (2005)

“here to stay”.⁴⁴ New Labour’s last International Development Secretary, Douglas Alexander noted that “in our age, shaped as it is by the twin forces of globalisation and interconnectedness, to talk of one world is no longer to utter an abstract thought but to describe a concrete reality”.⁴⁵

These statements are just a handful of the hundreds that were made throughout New Labour’s time in office to demonstrate the extent to which the ‘conventional wisdom’ of globalisation was appealed to by government ministers across Whitehall as a very fixed reality of the modern age. However, while these assessments are revealing both in this sense and in providing the rationale for the policy decisions that were subsequently reached, simply taken on their own, they give little indication either of how these discourses themselves were internalised by New Labour officials or how they went on to shape government policy. As Watson and Hay note, “that the Labour Party has chosen to deploy the rhetoric of globalisation is undeniable. It is crucial then that we establish on what terms it has done so”.⁴⁶ While Watson and Hay focus purely upon the domestic sphere, I take this analysis a stage further by exploring the terms upon which globalisation was deployed within the realm of international development. I argue here that the terms upon which it did so were inconsistent, resulting in a paradox in New Labour’s political economy. Despite the apparent fixity and inevitability of globalisation, government officials believed that they could, either through prudent policy management or strategic manipulation of the realities of globalisation, negotiate its otherwise inexorable pressures, both at home and abroad.

⁴⁴ Wicks (2007a)

⁴⁵ Alexander (2007a)

⁴⁶ Watson and Hay (2003: 295)

The pattern to New Labour's discourse of globalisation mirrors that one of what Bob Jessop has termed "strategic selectivity".⁴⁷ The various discourses of globalisation were used strategically by government officials to justify certain policy decisions within specific contexts, and to discipline expectations amongst the electorate and the wider polity concerning what was (or indeed, what was not) politically or economically feasible. As I demonstrate in the following section, the selectivity stemmed from globalisation as being understood by New Labour as both as a challenge *and* an opportunity. This Janus-faced view of globalisation was epitomised by the appeal made by the Chancellor of the Exchequer himself, Alistair Darling; the Minister for the Armed Forces, Bob Ainsworth; the Economic Secretary to the Treasury, Ed Balls and his predecessor, Ivan Lewis to "embrace" and "respond" to both "the challenges *and* opportunities presented by globalisation".⁴⁸

The Challenges and Opportunities of Globalisation

To illustrate how these various patterns of constraint were reflected in New Labour's discourse, I assess three ways in which globalisation was strategically used by officials at home. The first led government ministers to view globalisation as a fairly straightforward ***non-negotiable constraint***. This resulted in a discourse that accounted for a series of structural changes over which government ministers felt they had little or no control. The second allowed for *some* room for manoeuvre but in broad terms still imposed a framework of ***discretionary constraint*** upon policymakers. In this instance, it was felt amongst policy officials that any political latitude that may have existed needed to be

⁴⁷ Borrowing from Nicos Poulantzas' (1978) account of the state as a social relation, Jessop uses this concept throughout his work to describe the ways in which the state, over a given period of time, pursues its interests by deploying different strategies *relative to* the specific strategies pursued by other actors over that same period of time. The implications of this are explored in the second part of chapter 4 when I assess the different constituencies engaged in and their expectations of New Labour's policy process (Jessop, 1990: 9–10ff.).

⁴⁸ Darling (2008a); Ainsworth (2007); Balls (2006a); Lewis (2005b, emphasis added)

tempered in order to meet the challenges of the global economy. The third of these discourses presented globalisation as a ***negotiable constraint through disciplined opportunity***. Invoking the ‘threat’ of the first discourse by appealing to the challenges faced externally from elsewhere in the global economy, globalisation was viewed as an opportunity that may be negotiated but only if certain constraints were imposed upon the electorate. The clear difference between this particular discourse and the previous two is that the constraint inherent within first two discourses were largely self-imposed by policy officials. This third discourse however shifted the burden of constraint from the shoulders of the government and onto those of the individual citizen. I examine each of these domestic discourses in turn, before assessing the discourse of globalisation that appeared in the organisation of New Labour’s international development policies.

Discourse 1: Globalisation as a Non-Negotiable Constraint

This particular discourse is derived from arguably the dominant understanding of globalisation, certainly within the more mainstream literature. This ‘business school’ literature, labelled by Watson and Hay for its influence in expounding the conventional wisdom of globalisation amongst the business and media elites, was ‘the public face’ of globalisation in Britain during the mid to late 1990s.⁴⁹ According to these accounts, globalisation was characterised by ever increasing flows of capital, production and other resources across borders and continents, all mobilised by advances in technology and communication. However while globalisation was perceived to be comprised of a constellation of dynamics all mediating and interacting with one another, in terms of a political and economic discourse each of its processes were considered to be inexorable and non-negotiable. As New Labour itself made clear in its 2005 General Election

⁴⁹ Watson and Hay (2003: 292)

manifesto; “in a fast changing global economy, government cannot postpone or prevent change”.⁵⁰

New Labour officials were far from slow in detecting these trends, and indeed, as one of the chief architects of New Labour, Peter Mandelson remarked during his time as the Secretary of State for Trade and Industry “the growth of electronic mail and the internet, changing customer demands and greater liberalisation of markets are the key drivers of change worldwide”.⁵¹ For his Prime Minister Tony Blair, these changes meant that we now lived “in a completely new world”.⁵² The increased liberalisation of financial markets for instance made it possible for trillions of dollars to move across the foreign exchanges in a single day. However, the ‘completely new world’ that Blair envisaged was rapidly transferring power from the state to the market. In his now famous Doctrine of the International Community speech, Blair warned his audience in Chicago that “any government that thinks it can go it alone is wrong. If the markets don’t like your policies, they will punish you”.⁵³

This appeared to be a stark and straightforward discourse, something that the Prime Minister himself alluded to in a speech to British business leaders. “What is happening today is not complex but simple...there is huge restructuring, here and elsewhere in the industrialised world”.⁵⁴ This restructuring, Gordon Brown added, was taking place “across continents” and driving forward “mobility of capital and openness to competition”.⁵⁵ The key economic problem then that now confronted policymakers was not merely economic

⁵⁰ *Labour Party* (2005: 18, emphasis added)

⁵¹ Mandelson (1998b)

⁵² Blair (1999)

⁵³ *Ibid.*

⁵⁴ Blair (2001b)

⁵⁵ Brown (2003g)

downturn but these “very large and profound global structural changes”. The Chancellor argued that these structural changes were responsible for “shifting many industries and services to the industrialising world and challenging us in the industrialised world to respond and adjust more quickly and more flexibly”.⁵⁶

Understood in these terms, globalisation was an inevitable and non-negotiable part of the contemporary age. The pace at which globalisation was taking place was leading to “people [being] displaced, industries [being] made obsolete, communities re-shaped, even torn apart”.⁵⁷ As Blair went onto argue “the premium is on a country’s ability to adapt. Adapt quickly and you prosper. Fail to do so and you decline”.⁵⁸ The Chief Secretary to the Treasury, Des Browne borrowed directly from the conventional wisdom of globalisation to make a similar point to Blair. Drawing upon the analysis of the latest proponent of this conventional wisdom, Thomas Friedman,⁵⁹ Browne noted how the world is now ‘flatter’; how globalisation has made outsourcing, teleworking and other modern ways of working even more relevant. Browne, like Friedman and Blair, argued that “we must face up to this challenge or be left behind”.⁶⁰

Despite its apparent simplicity however, this specific discourse of globalisation still posed a number of dilemmas to policymakers, most notably the type of role governments now had in the midst of these inevitable global pressures. By assuming the near perfect mobility of capital and factors of production, government officials were left, by implication, to pursue a set of policies centred upon national competitiveness, cost

⁵⁶ Brown (2003j)

⁵⁷ Blair (2004a)

⁵⁸ *Ibid.*

⁵⁹ Friedman (2005)

⁶⁰ Browne (2005)

reductions, welfare retrenchment and greater labour market flexibility – in effect, policies that ceded power to the markets. However, this discourse had the effect of becoming a self-fulfilling prophecy.⁶¹ These were policies that recognised implicitly the shift in the balance of power from the state to the market yet merely reinforced this transfer of power by offering a set of policies that accommodated and conformed to the expectations of market actors.

The explanation offered by the Chancellor, Alistair Darling, concerning the Treasury's approach to corporation tax provides a useful illustration of this point:

A few years ago, one of our airlines used to say 'we never forget you have a choice'. Today, governments should remember that. Business does have a choice. Business is increasingly mobile. Tax rates have to be globally competitive. I am determined that British business will not be the fiscal fall guy. Business is the lynchpin of the British economy. Business creates jobs, wealth and generates growth. And government must ensure the right framework within which business can prosper. And tax is an essential part of that framework...We need to ensure that the tax system is competitive and predictable, as well as ensuring that the business environment is attractive to increasingly mobile businesses.⁶²

There is a clear and somewhat disarmingly simple logic in Darling's statement. In a global economy, businesses are footloose and can relocate with ease. In the light of this context, if the New Labour government wishes to retain the investment of these firms (thereby safeguarding jobs and prosperity) then it is necessary to make the British tax system globally competitive. The underlying message here is that while businesses have a choice, governments do not. Irrespective of whether Darling was correct in his assessment, his statement, rather strikingly, demonstrates how this particular discourse of globalisation

⁶¹ Rosamond and Hay (forthcoming, cited with kind permission from the authors)

⁶² Darling (2008b)

might result in two very real material outcomes. Firstly, the discourse embedded the Treasury's tax framework within the perceived demands made by market actors for a more competitive and less burdensome tax regime. By doing this however – and this is the second outcome – Darling himself actually imposed constraint upon the government's own corporate fiscal policy, thereby reinforcing the shift in power from the state to the market.

As I shall show in the next discourse, strikingly however, despite its clear concession to the market, this was not New Labour's only understanding of globalisation. It was however clearly convenient for government officials as they sought to describe the changes that they believed they were faced with in setting policy. In the midst of these profound structural changes in the wider global economy, ministers and other Party officials frequently treated globalisation a non-negotiable constraint upon policy. If this then was the material reality with which New Labour was faced, what role did it now envisage for itself in government? It is to the second discourse I now turn, and assess how an altogether more contingent view of globalisation enabled it to exercise more in the way of 'discretionary constraint' in the way policy was set within the domestic sphere.

Discourse 2: *Discretionary Constraint*

The second discourse of globalisation invoked by New Labour gave policymakers slightly more latitude in setting policy. Like the first discourse, it took as its point of departure the inexorability of globalisation. However, this second discourse was articulated by officials as possessing what Hay and Rosamond have termed, a "fragile and contingent quality".⁶³ If managed correctly through the prescription of the right policy-mix, New Labour could

⁶³ Hay and Rosamond (2002: 154)

ensure that globalisation was less a threat but more an opportunity that could stand to benefit the British economy. Here, the transforming context of the new global economy compelled policymakers to act with 'discretionary constraint'. Borrowed from the then Chief Economist and future Deputy Governor of the Bank of England, Mervyn King, this particular term appeared in the post-monetarist policy framework of the Treasury. It underpinned the 'key principles for policymaking in an open economy' advocated by its Chief Economic Advisor, Ed Balls, and supported the government's commitment to credibility during its first term in office.⁶⁴

For King, and latterly Balls, "credibility is the elusive elixir of modern macroeconomics".⁶⁵ According to Balls, "the rapid globalisation of the world economy [had] made achieving credibility *more* rather than less important, particularly for an incoming left-of-centre government which has been out of power for two decades".⁶⁶ The importance of credibility in this particular discourse of globalisation can be traced back to the remarks I made earlier concerning Galbraith's 'conventional wisdom'. Galbraith argued that "familiarity is such an important test of acceptability",⁶⁷ since "the hallmark of any conventional wisdom is acceptability".⁶⁸ For New Labour, policy was framed in a manner that the government's core economic constituencies, at home and abroad, would find both 'familiar' and 'acceptable'. As Paul Krugman has remarked, "one's agreement with that conventional wisdom becomes almost the litmus test of one's suitability to be taken seriously".⁶⁹ Within the context of New Labour's own political economy, this point is further underlined by Colin Hay who has noted that although credibility is an internal end,

⁶⁴ Balls (1998)

⁶⁵ King (1997)

⁶⁶ Balls (1998: 122, emphasis added)

⁶⁷ Galbraith (1958/1999: 7)

⁶⁸ *Ibid.*, p. 9

⁶⁹ Krugman (1995: 36)

it requires external, and indeed international, validation.⁷⁰ If for example, the policies that New Labour pursued were ‘familiar’ to – that is to say, if they internalised the same logic as – international markets concerning the increased mobility of global capital, then it would be far more likely that these policies would be accepted as being authoritative and credible by these constituencies.

Gordon Brown set out his understanding of contemporary state-market relations thus: “in theory...governments are free to run the economy as they see fit. They have, in theory, unfettered discretion”.⁷¹ Even in an era of globalisation, national governments could implement any type of policies that they wished. However, it was understood that such was the structural power of global capital, in reality, should a government exercise ‘unfettered discretion’, this would result in “market distrust” and the likelihood of rapid disinvestment, unemployment and a loss of confidence in the government itself. It was therefore vitally important for national governments to secure the trust of the markets, and to put in place policies that supported a long-term, predictable macroeconomic framework. Under the chancellorship of Gordon Brown, this was to be achieved by limiting the policy discretion of the New Labour government through a series of binding fiscal rules. For Brown, this would entail sending the UK down a “post-monetarist path to stability”, and putting into place “the discipline of a long-term institutional framework”,⁷² imperatives that I explore both later in this chapter and in chapter 4.

Despite the political constraints that it would invoke, this particular discourse of globalisation was necessary to secure the acceptability, and concomitantly, the credibility

⁷⁰ Hay (2001c: 270)

⁷¹ Brown (1999e)

⁷² *Ibid.*

of New Labour's policies. Whilst serving as Chief Secretary to the Treasury, Alistair Darling argued that, "economic policy must be open and transparent" since "openness builds confidence and credibility [which] is essential in today's global economy".⁷³ This commitment to openness would, Ed Balls claimed, be supported by four symbiotic principles: (1) stability through constrained discretion; (2) credibility through sound, long-term policies; (3) credibility through maximum transparency; and (4) credibility through pre-commitment.⁷⁴ These principles would underpin the credible rules by which New Labour's economic policy would be set. Treasury officials feared that in an era of increased globalisation, "governments which lack credibility – which are pursuing policies which are not seen to be sustainable – are punished not only more swiftly than in the past but more severely and at a greater cost to their future credibility".⁷⁵ New Labour therefore felt compelled to reassure markets that not only had it learnt the painful lessons of its own past, but that it would maintain a policy framework which would continue to accommodate the expectations of markets. New Labour's credibility therefore meant keeping the accepted, ostensibly neoliberal, 'conventional wisdom' of globalisation central to its model of political economy.

The Treasury's pursuit of credibility, particularly amongst market constituencies demonstrates the extent to which New Labour not only accepted the inexorability of globalisation, but also the extent to which it felt compelled to respond to it through a series of constrained policy decisions. This discourse of globalisation enabled New Labour to re-envisage globalisation not simply as a threat, but as a 'discretionary constraint' upon policy; essentially a self-imposed means of 'changing the rules' by which the game of

⁷³ Darling (1998a)

⁷⁴ Balls (1998: 117)

⁷⁵ Brown (1999e)

economic governance must now be played. However, only by playing by these new rules would Britain confer the opportunities presented by globalisation. It is to these and other opportunities that I now turn my attention.

Discourse 3: A Negotiable Constraint through Disciplined Opportunity

Given my analysis thus far, it may be tempting to view New Labour's invocation of globalisation as simply having, to a greater or lesser degree, a constraining effect upon policy formation and the activity of state actors. While there is little, if any, evidence of antipathy amongst New Labour officials towards globalisation; the discourses I have assessed so far present globalisation to be non-negotiable, and any room that government ministers may have had to manoeuvre to be severely constrained by these global pressures. As widespread and as pervasive as these two discourses were however, even they do not fully reflect New Labour's invocation of globalisation. A wider reading of policy pronouncements and speeches made by New Labour officials actually reveals globalisation to represent a series of opportunities for Britain.

This adds a further layer of complexity to New Labour's political economy. Amidst the constraints that globalisation was understood to now impose upon national governments, there is a great deal of evidence to suggest that New Labour officials were in fact hugely enthusiastic about the opportunities that these increased levels of global integration offered to the UK. Unsurprisingly perhaps, no more clearly was this evident than in New Labour's trade policy. Indeed, the Secretary of State for Trade and Industry, Stephen Byers viewed globalisation "as a bringer of opportunity, not of threat".⁷⁶ Another Trade Minister, Mike O'Brien would later argue that globalisation offered "great opportunities

⁷⁶ Byers (1999)

and benefits”.⁷⁷ As Chancellor, Alistair Darling believed that the possibilities that had arisen from “opening new markets, sharing new ideas [were] endless”.⁷⁸ For Darling, far from being the constraint he had argued previously, globalisation actually appeared to offer instead infinite possibilities. For these and other New Labour officials, it was vital that Britain seized these opportunities with both hands. In the light of this particular discourse, an important question immediately arises: what happened to the overarching narrative of constraint that was evident elsewhere? I argue that it was still present, but in a far more subtle way. It was deployed via a *third* discourse of globalisation; one which shifted the burden of constraint away from the state and onto the individual.

This discourse was particularly evident in New Labour’s welfare strategy, and specifically those concerning its education, skills, training and employment programmes. I shall elaborate upon the content and the significance of these policies in the context of New Labour’s broader political economy later in the chapter, but here I demonstrate the significance of globalisation upon the way in which the Blair and Brown governments operationalised their respective welfare strategies. It was in this policy domain in particular that the self-imposed constraint of globalisation was articulated through a discourse of ‘rights and responsibilities’. In practice, this meant that it was obligatory for recipients of welfare to increase their skills and training in order to improve their job prospects and employability in the labour market. Should claimants of welfare be unwilling to meet these responsibilities, they would be denied the ‘rights’ afforded to them under previous welfare regimes.

⁷⁷ O’Brien (2004)

⁷⁸ Darling (2008a)

New Labour maintained that for the opportunities of globalisation to be realised, the individual needed to take far greater responsibility for their physical and financial well-being, their employment prospects and role within society. The Chancellor, Gordon Brown was quite clear on this:

This old and misguided view of the state, irrelevant for a global economy, was accompanied by a failure to place sufficient emphasis on personal responsibility.⁷⁹

Situating New Labour's welfare strategy within this new strategic context of globalisation, Brown believed that for its benefits to be realised, they should be done so, "by asserting the responsibility of the individual".⁸⁰ This meant that although the Blair government remained committed to giving "people the chance to get off benefit and into work",⁸¹ a "new social contract" was necessary, one based upon "the citizen sharing responsibility with the state".⁸² After all, Blair argued, "the government can't do it for the people. We have to do it together".⁸³

The imperative of 'competitiveness' was also integral to both New Labour's welfare strategies and this particular discourse of globalisation. For Britain to remain competitive within the global economy, it was vitally important that labour markets became more flexible, that individuals acquired the right skills, and that public services reflected the demands of this global economy. In his role as the Minister of State for Employment and Welfare Reform, Stephen Timms remarked that "developing Britain's skills base [was] key

⁷⁹ Brown (2000e)

⁸⁰ *Ibid.*

⁸¹ Blair (2002)

⁸² Blair (2004b)

⁸³ *Ibid.*

for competing in the global economy”.⁸⁴ To this end, New Labour’s welfare strategy was primed to ‘make work pay’, and to equip individuals with the skills required to participate and to compete in an increasingly competitive, global labour market. Under New Labour, welfare was to act not as a ‘hammock’ but rather as a ‘springboard’ into this labour market and to this end, it was up to the individual to respond to the challenges and seize the opportunities of globalisation.

It is at this point that these three discourses merge. Heavily interlinked with one another, the first two discourses emphasised the inevitability of globalisation, and the need for the government – in the light of these inexorable pressures – to design and implement policies that accommodated the demands of global capitalism. In similar terms, the third discourse emphasises the constraint upon the individual to take responsibility for their integration into the global economy and confer the benefits presented by globalisation. Although the underlying message of constraint was the same, the nuance of each of these discourses reflected the complex character of New Labour’s political economy, and the contingent strategic selectivity with which these discourses were articulated.

Despite the handbrake of constraint that globalisation was understood to place upon government policy, not one official appeared to view globalisation as ‘a bad thing’. Of course, it may be argued that given the extent to which officials viewed globalisation to an irreversible and inevitable ‘fact of life’, any such antagonism would have been understood to be futile anyway. Perhaps the most striking aspect of New Labour’s understanding of globalisation however – even more so in the light of my previous observations – was the sense of *opportunity* that it offered *if the right policies were adopted*, even in spite of the

⁸⁴ Timms (2008)

constraints it was assumed to place upon government policy. Given the centrality of globalisation to New Labour's political economy, this created a clear paradox in the policy thinking of senior Party officials. Policies designed for domestic consumption and loaded with this discourse of constraint, were recycled for use overseas and framed using a discourse of opportunity. No more clearly did this paradox appear to be than in New Labour's international development policies, and it is to the relationship between New Labour's discourse of globalisation and these policies that I now turn my attention.

Globalisation and New Labour's International Development Policies

If globalisation proved to be constraint at home for New Labour, it appeared to provide both the Blair and Brown governments with significant latitude to intervene abroad, particularly within the field of international development. Whether addressing audiences across the globe or pursuing a series of distinct, if at times, controversial foreign policy missions, the opportunities that global politics now afforded were taken up with relish by both men. This was perhaps no more clearly demonstrated than in the realm of international development. As Bono alluded to in his address to the 2004 Labour Party Conference, here Blair and Brown worked more closely together than they did in any other aspect of New Labour's political economy to address the issues of poverty within the developing world. Rather tellingly perhaps, it was in this particular policy area that, as I noted in chapter 1, the New Labour government received the most approbation.

What was striking about New Labour's discourse of globalisation and its commitment to international development however, was the way in which globalisation appeared to be understood as being far less of a determinant and more of a *driver* of the government's

policies. This stood in stark contrast to its invocation at home, where to varying degrees, globalisation was appealed to as a constraint upon British policymakers and citizens alike. Within the realm of international development however, globalisation was identified as an opportunity; a means to generate the wealth needed to eliminate poverty within the developing world. These two different positions raise a paradox that runs right to the heart of this thesis: where do these two contrasting narratives of globalisation leave the policy transmission, or process of 'internationalisation' that both I and New Labour officials claimed was evident in New Labour's political economy?

A detached reading of this paradox would appear to reveal an almost fatal flaw in the core thesis of policy transmission. If the thesis *was* correct then one would surely expect New Labour to have claimed that the pressures brought about by globalisation would be just as great, if not greater within the realm of international development. Indeed, policymakers could quite plausibly have argued that the different structural factors understood to be at the root of global poverty were well beyond the control of British policymakers. Given the structural constraints inherent within the processes of international development, one would expect that any internationalisation of policy to be framed within the language of 'constraint' rather than that of opportunity, and the subsequent formation of international development policies to be severely limited. That they did not is surely striking, and warrants further investigation as to why this was, or certainly appeared to be the case.

It is to its great credit that New Labour chose not to shrink from the challenge of international development, or more specifically, of 'making globalisation work for the

poor', and orientated its model of political economy to meet these aims. However, it does raise three crucial questions, most notably concerning the transmission of these domestic policies overseas. Firstly, where did the discourse of constraint that was so evident in New Labour's policy discourse at home disappear to when these same policies from the same model of political economy were exported abroad? Secondly, why, given the 'inevitable' constraints that it placed upon government and individual autonomy, did New Labour officials view globalisation as an opportunity to eliminate world poverty? The third question asks whether, in the light of its international development policies, the New Labour government *over-emphasised* the constraints that its officials spoke about at home. It is the purpose of the thesis to answer these questions. I begin by exploring two areas. The first of these examines the discourse of globalisation that was present in New Labour's international development policies. Secondly, and perhaps more importantly, as within my analysis of the domestic context, I assess the *terms* upon which the appeal of opportunity that ministers made concerning globalisation as being able to fulfil New Labour's stated aim of eliminating world poverty.

The commitment of both the Blair and the Brown governments to eradicating global poverty was evident in the succession of White Papers published by DFID between 1997 and 2009. Up until 1997, only two White Papers – one in 1964 and another in 1975 – had been published, both by Labour governments. Under New Labour, *four* White Papers were published by DFID, each one committed to and set out under the banner of 'Eliminating World Poverty'. The first of these noted "the increasing globalisation of the world economy in terms of trade and finance" and the challenge of creating "a global society in which people everywhere are entitled to live in peace and security with their families and

neighbours, and enjoy in full their civil and political rights”.⁸⁵ This was certainly an ambitious aim, and one that Hewitt and Killick suggest, was heavy on rhetoric and light on substantive policy.⁸⁶ Nevertheless, this discourse appeared to reflect the increased latitude that New Labour officials felt they had within the international sphere. The only challenge to New Labour in this respect was not globalisation itself, but how to make the most of the opportunity that the “massive new wealth” that globalisation was creating so as to extend New Labour’s commitment to social justice abroad.⁸⁷

New Labour’s Secretary of State for International Development, Clare Short argued that “the challenge before our generation is to ensure that wealth is used to lift up that fifth of humanity by establishing basic, decent standards for all. The wealth gives us an opportunity”.⁸⁸ The fastest rates of poverty reduction were to be found in East Asia where for the past thirty years there had been rapid economic growth. According to Short, this growth had occurred because inward investment had been attracted from multinational capital, which had brought with it knowledge and technology. Therefore, for Short the answer lay in “[harnessing] those things: by attracting investment to create opportunities to export and trade that will grow economies rapidly”.⁸⁹

DFID’s first White Paper was supplemented three years later with the publication of its second, *Eliminating World Poverty: Making Globalisation Work for the Poor*. As well as reaffirming New Labour’s commitment to the elimination of poverty and the achievement

⁸⁵ DFID (1997: 9–10)

⁸⁶ Hewitt and Killick (1998)

⁸⁷ Short (1999c)

⁸⁸ *Ibid.*

⁸⁹ *Ibid.*

of the recently launched Millennium Development Goals, it laid out clearly New Labour's belief that:

Managed wisely, the new wealth created by globalisation creates the opportunity to lift millions of the world's poorest people out of their poverty. Managed badly and it could lead to their further marginalisation and impoverishment. Neither outcome is pre-determined; it depends on the policy choices adopted by governments, international institutions, the private sector and civil society.⁹⁰

Gordon Brown was clear that there would be no "retreat from globalisation".⁹¹ Crucially however, government policy would not, as it appeared to be at home, be pre-determined by globalisation. Globalisation could, and indeed should instead be *managed*. As Clare Short would later argue, the purpose of this second White Paper was to "set out an agenda for managing globalisation, increased trade, investment and the new technologies in a way that could ensure that the abundance of wealth currently being generated brings benefits to the one in five of humanity who live in extreme poverty".⁹² Rejecting the fatalism that was a feature of New Labour's globalisation discourse at home, Short added "the future is not pre-determined; it is a matter of will and choice".⁹³ Therefore although globalisation was viewed to be inevitable, its outcomes were not and New Labour's international development policy would be concerned principally with "managing globalisation to ensure that poor people are able to share in its benefits".⁹⁴ Clare Short argued that "properly managed, globalisation opens up possibilities we have never had before...creating conditions that make it possible for us to overcome deep-seated

⁹⁰ DFID (2000: 15)

⁹¹ Brown (2001h)

⁹² Short (2001a)

⁹³ *Ibid.*

⁹⁴ Short (2002c)

historical inequalities...in a way that can begin to heal the divisions inherited from colonialism and uneven development”.⁹⁵

This message of ‘managing’ globalisation was repeated across Whitehall and beyond. In the Treasury, Gordon Brown recognised that “globalisation can be for the people or against the people. Poorly managed, globalisation can create a vicious circle of poverty, widening inequality and increasing resentment. Managed wisely it can lift millions out of deprivation and become the high road to a more just and inclusive global economy”.⁹⁶ For the Chancellor, ‘proper management’ of globalisation required “greater global co-operation not less, and...stronger, not weaker, international institutions”.⁹⁷ This assessment squared with Brown’s proposals for a new global financial architecture that I explore in chapter 5; an international framework designed to deliver economic and social justice to those living in the developing world. Elsewhere, the Secretary of State for Trade and Industry, Patricia Hewitt stressed the importance of “maximising the benefits of globalisation to deliver greater opportunity and prosperity for all”.⁹⁸ Again, it was understood that globalisation offered opportunity rather than constraint; a point elaborated upon by Peter Hain, the Minister of State in the Foreign Office. He cited an address made to a Special Session of the United Nations by the Minister for Employment, Welfare to Work and Equal Opportunities, Tessa Jowell in which she had emphasised “the government’s determination to ensure that the wealth and opportunities created by globalisation are used to reduce global poverty”.⁹⁹

⁹⁵ *Ibid.*

⁹⁶ Brown (2001h)

⁹⁷ *Ibid.*

⁹⁸ Hewitt (1999)

⁹⁹ Hain (2000)

It is perhaps not surprising that having been instrumental in orientating the Labour Party towards the global economy, Tony Blair was similarly keen to extol the opportunities presented by globalisation. What is perhaps surprising however was the Prime Minister's view that the process of globalisation within the sphere of international development was – unlike at home – *not* inevitable. For Blair, the very *failure* of globalisation to reach much of the developing world had contributed to under-development and continued poverty. In a series of speeches in the Far East, Blair expressed the view that there were no “losers” or “victims of globalisation”, merely people who “are not participating in globalisation”.¹⁰⁰ The Prime Minister offered two reasons for this lack of participation. “Sometimes it is through their own choice. Sometimes, to our collective shame, it is through our own imposition”.¹⁰¹ Blair repeated this claim a few days later. “Those who are usually suggested to be losers in this are not actually the victims of globalisation. Their problem, on proper analysis, is that they are not participating in globalisation”.¹⁰²

These assessments are striking since they emphasise the clear understanding amongst officials of the need to manage globalisation in the correct or ‘proper’ way. Although the actual benefits of globalisation were assumed *a priori*, it was nevertheless crucial that policymakers adopted the ‘right’ policies since neither globalisation nor its benefits were in fact inevitable. Instead, both required carefully made decisions on the part of policymakers to ensure that the wealth and extension of social justice that globalisation promised were in fact realised. Blair's assessment in particular is interesting in this respect since it reinforces the self-fulfilment of the globalisation ‘prophecy’ that was present in New Labour's domestic discourses. For Hay and Watson, “it is the discursive construction

¹⁰⁰ Blair (2003a)

¹⁰¹ *Ibid.*

¹⁰² Blair (2003b)

of globalisation, rather than globalisation *per se* which is driving political change in Britain”.¹⁰³ As Dan Coffey and Carole Thornley have since noted, “it would be quite misleading to see the UK economy as a passive victim of a globalisation process, since globalisation...is not something that has simply happened to Britain”.¹⁰⁴ Globalisation itself is heavily contingent upon the policy decisions made by government officials. Despite the apparent inexorability of globalisation, Blair actually granted governments far more latitude to exercise considerable discretion in the way policy was to be set.

It is at this point that the lines of transmission between the domestic and the international begin to re-appear and become a lot clearer. For globalisation to lift people out of destitution and end the vicious circle of poverty, developing countries in the global South had to adopt *the right set of policies*. Despite the rhetoric of ‘choice’ articulated by New Labour ministers concerning matters of international development, this was tempered with the rhetoric of ‘constraint’ that appeared in New Labour’s discourse at home. For New Labour officials, whether at home or abroad, globalisation remained, for all intents and purposes, ‘a fact of life’. The opportunities it presented however could only be realised through the right mix of policies and increased participation and integration into the global economy. In an era of globalisation, New Labour understood the role of governments to be restricted to one of discretionary constraint; of orientating their national economies to meet the demands of the global economy. In resolving the paradox of ‘challenge’ and ‘opportunity’ that was evident in both the domestic and international dimensions of New Labour’s political economy, ‘opportunity’ and ‘constraint’ appeared as

¹⁰³ Hay and Watson (1999: 155)

¹⁰⁴ Coffey and Thornley (2009: 25)

two sides of the same coin. The ‘opportunity’ of globalisation could only be realised through the ‘constraint’ putatively imposed by globalisation upon policymakers.

This particular claim is reinforced by later remarks made by Blair concerning the way in which globalisation was understood by officials and subsequently incorporated into policy strategies. This statement is particularly pertinent in light of the language of ‘constraint’ that appeared throughout New Labour’s multiple discourses of globalisation:

Occasionally we debate globalisation as if it were something imposed by governments or business on unwilling people. Wrong. It is the individual decisions of millions of people that is creating and driving globalisation. Globalisation isn’t something done to us. It is something we are, consciously or unconsciously doing to and for ourselves.¹⁰⁵

Blair is both right *and* wrong, and what this statement does is reflect New Labour’s contradictory and therefore problematic view of globalisation. Globalisation is the direct result of political and social activity. It *is* therefore, ‘something we are and do’, and (if and) when millions of individuals do this on a global scale then this leads to something that might be termed ‘globalisation’. There might be nothing new in this sense, but technological advances have made us perhaps more aware of the ways in which these processes occur. What Blair does not acknowledge however – nor indeed did any of his cabinet colleagues – is the role that the various discourses of globalisation, articulated by his government ministers, played in shaping policy, and how these very statements acted both as an opportunity and constraint upon political activity. In this sense, Blair is wrong to argue that globalisation is not something that is imposed by governments on unwilling people.

¹⁰⁵ Blair (2005b)

The conventional wisdom of globalisation became a self-fulfilling prophecy for New Labour's policymakers. Policies designed for consumption both at home and abroad internalised globalisation's logic of opportunity-through-constraint. Since policies were framed by the perceived effects of globalisation, officials imposed globalisation upon their polities. Therefore while Blair is surely right to argue that "it is the individual decisions of millions of people that is creating and driving globalisation"; it is also the decisions of policymakers, pursuing a similar path, which perpetuate the effects – real or otherwise – of globalisation.

Creating a New Economic and Financial Architecture at Home: New Labour's Management of the UK Economy

Officials at the heart of the New Labour project understood the strategic context of globalisation to require a qualitatively new economic architecture. The British model of political economy, explored briefly here, and in greater depth in chapter 4, provided the blueprint of this new architecture. Designed by Gordon Brown and his chief Economic Advisor and closest political ally, Ed Balls, this architecture would guide New Labour's management of the UK economy, both at home (see chapter 4) and, as I argue in chapter 5, abroad as well.

This architecture would provide the Chancellor with, what David Coates has called the "frameworks from which a sustained assault on continuing economic underperformance and social inequality could and should be launched".¹⁰⁶ What I intend to make clear as the thesis unfolds, is that these were both domestic *and* international targets with clear a line of policy transmission between each. Before either could be 'attacked' however, it was

¹⁰⁶ Coates (2005: 58)

necessary to strengthen the respective institutional frameworks through a system of rules, codes and standards. These were necessary to make such institutions, both at a national and an international level, robust enough to withstand the uncertainty, and threat of instability that was understood to have increased within a putatively global economy.

‘Working with the Grain of Globalisation’ and Locking-in Macroeconomic Stability to Ensure Market Credibility

Stability was at the heart of the Treasury’s policies to equip Britain to meet the challenges of globalisation, and New Labour, even prior to entering office, had already identified stability as the route to growth in a global economy.¹⁰⁷ As Clift and Tomlinson have remarked, there was a perception amongst policymakers “of the inherent instability of a capitalist economy, and especially its inability unaided to deliver a full use of resources”.¹⁰⁸ This much was clear from New Labour’s understanding of globalisation as a ‘challenge’. For all the wealth the global economy promised, it was by no means guaranteed to deliver, while its interdependency meant that it was, by its very nature, inherently unstable. As Gordon Brown himself noted “however successful we aim to be at avoiding crises, we should recognise that shocks *will* occur”.¹⁰⁹

These were understood to be inexorable consequences of globalisation; consequences that national governments could only “work with” and seek to ameliorate.¹¹⁰ However, since it was neither possible nor desirable to retreat from these global processes, in order to mitigate the damage caused by this volatility, it became critically important to “create an economic framework that would bring stability to the British economy and...promote

¹⁰⁷ *Labour Party* (1997)

¹⁰⁸ Clift and Tomlinson (2007a: 50, 51)

¹⁰⁹ Brown (2001a: 42, emphasis added)

¹¹⁰ Blair (1998b)

investment, productivity and growth”.¹¹¹ Despite the challenges of globalisation, as the Chancellor explained, there was a clear political and economic pay-off for implementing such a framework:

Governments which...are judged by the markets to be pursuing, sound monetary and fiscal policies, can attract inflows of investment capital more quickly, in greater volume and at a lower cost than even ten years ago.¹¹²

However Britain – or any other country for that matter – would only attract this capital if the right economic architecture was in place. Clearly, “over the long-term, investors will choose to invest for the future in a stable environment rather than an unstable one”.¹¹³ For Ed Balls, this new framework would serve as the “essential prerequisite for stability, economic growth and prosperity in a globalised world”,¹¹⁴ and underpin the credibility that the Treasury sought in order to encourage the continued flow of international investment into Britain. Put simply, the prosperity of a nation would depend on its ability to work *with* the grain of globalisation, and for the government to put in place a credible policy framework as a means of capturing its wealth and minimising its instability.

Stability, for Treasury officials at least, would consist of low and stable inflation, and sound public finances. This “monetary and fiscal stability” Brown added, was “a necessary precondition for national economic success. In a global economy, funds will flow to those countries whose policies inspire confidence”.¹¹⁵ Conversely, if governments got their policies wrong, then “investors [would] punish mistakes more quickly and more severely

¹¹¹ Driver and Martell (2006: 69)

¹¹² Brown (2001a: 34)

¹¹³ Brown (1997c)

¹¹⁴ Balls (2003)

¹¹⁵ Brown (1998e)

than in the past”.¹¹⁶ These realities – perceived or otherwise – would be crucial in a global setting if it was understood that development and poverty reduction could only be achieved through increased investment and economic growth.

As Balls had previously argued however, stability was only a means to an end. The aim of the government’s macroeconomic strategy “was not simply to ensure low and stable inflation and sound public finances, but to deliver high levels of growth and employment by ensuring economic and employment opportunities for all”.¹¹⁷ Delivering these three objectives would depend upon three policy pillars, each one reinforcing the other. While the first of these pillars, long-term macroeconomic stability would be necessary for investment, the second – a strong economy – was also necessary to entrench this stability. However, the strength of this economy would only be sustained if it could generate both jobs and rising incomes.¹¹⁸ As the Chancellor made clear however, stability was to be the essential precondition upon which everything else would rest.¹¹⁹

This stability could only be achieved “through *constrained discretion*”.¹²⁰ Rejecting out of hand the fixed targets set by national governments, Balls called for instead a discretionary, counter-inflationary macroeconomic policy which would “respond flexibly to different economic shocks – constrained, of course, by the need to meet the low inflation objective or target over time”.¹²¹ This ‘constrained discretion’ was designed to appeal to market constituencies, as Colin Hay explains:

¹¹⁶ *Ibid.*

¹¹⁷ Balls (1997) in Balls and O’Donnell (*eds.* 2002: 28–29)

¹¹⁸ *Ibid.*, p. 29

¹¹⁹ Brown (1997a; 2001a: 31)

¹²⁰ Balls (1997) in Balls and O’Donnell (*eds.* 2002: 30, emphasis added)

¹²¹ *Ibid.*, pp. 32–33

Given a (belief in the) short-term-term trade-off between inflation on the one hand and unemployment and/or growth on the other, governments would seek to engineer a 'political business cycle', over-inflating the economy in the run-up to an election in order to reap the short-term electoral benefits of growth with little consideration to the longer-term consequences... In practice, governments could not be trusted to stick to any inflation target they had set for themselves. For it was it was rational for them to renege on any such bargain.¹²²

As Ed Balls would later freely admit, "an incoming government might declare that it wanted to achieve low inflation, but this government's incentive would always be to cheat and dash for growth, knowing that the resulting recession would only come along later".¹²³

New Labour was acutely aware of the mistrust that market investors had of governments. As Glyn and Wood note, economic mismanagement was widely blamed for Labour's loss of power in 1979; while thirteen years later, the Conservative government suffered an irretrievable collapse of support after sterling's ignominious exit from the European Exchange Rate Mechanism.¹²⁴ The 'private discretion' exercised by government ministers in these two instances had precipitated a loss in confidence amongst markets. With investors left in the dark as to the real intentions of governments, the credibility of national policymakers was fatally undermined.

In response to these market fears, 'credibility' would become the touchstone of this new architecture and, as Simon Lee has remarked, New Labour's 'constrained discretion' would be central maintaining this credibility amongst market constituencies:

By aligning policymakers' incentives with long-term objectives; [delivering] flexibility through the devolution of operational responsibility for decision-making to front-line agents; and

¹²² Hay (2001c: 274)

¹²³ Balls (1998: 120)

¹²⁴ Glyn and Wood (2001: 50–51)

transparency, through both the provision of clear, precise and publically-stated objectives, and the regular reporting of agents' performance to against their objectives.¹²⁵

These three principles, Balls argued, would make private discretion more difficult and more costly to pursue. Taking monetary policy out of the hands of self-interested politicians, this new approach to policymaking would have at its centre processes which were *long-term, open, transparent, and locked-in*. These processes would form the basis of New Labour's 'new architecture', a model of political economy that, as the following quote and chapters 4 and 5 show, was designed for consumption both at home and abroad.

These principles, which stress the importance of open macroeconomic policymaking, apply to any small or medium-sized open economy. Indeed, this is why the UK was at the forefront in proposing that the International Monetary Fund draw up codes of good practice on openness and transparency covering several aspects of economic and social policy.¹²⁶

Reiterating the purpose and the appeal of the political economy of this new architecture, the Chief Secretary to the Treasury, Alistair Darling noted that "stability will of course depend, to a large extent, on markets having confidence in the commitment of government to prudent and sound management of the economy".¹²⁷

If governments are judged to be pursuing sound long-term policies, then they will also be trusted to do what is essential – to respond flexibly to the unexpected economic events that inevitably arise in an increasingly integrated but more volatile global economy. Therefore, in the era of global capital markets, it is only within a credible framework that governments will command the trust they need to exercise the flexibility they require.¹²⁸

¹²⁵ Lee (2008: 22)

¹²⁶ Balls (1997) in Balls and O'Donnell (eds. 2002: 28). See also *IMF* (1997).

¹²⁷ Darling (1998a)

¹²⁸ Brown (2001a: 34)

For Balls, even in a world of rapidly mobile capital, governments could retain policy credibility and maintain constrained policy discretion if they dealt with problems swiftly and reflexively, and if they pursued, and were seen to be pursuing, monetary and fiscal policies that are sustainable over the long term.

As Balls went on to suggest however, while this is a step in the right direction, certainly in terms of providing predictability to market investors, governments suffered from a time-lag; a ‘time inconsistency’ whereby new administrations in particular are faced with the problem of ‘proving’ their competence and credibility. Clearly, within a post-monetarist framework, fixed policy rules were out of the question, so how might a new government – particularly one with a historical commitment to ‘tax and spend’ social democracy – prove that it had ‘changed its spots’ and that its qualitatively ‘new’ economic intentions are genuine? The solution put forward by Balls to solve this particular problem was “credibility through maximum transparency”.¹²⁹

According to Balls, market failure frequently occurred because investors lacked perfect information. If investors had complete information then they could make better decisions concerning the market. Again, as Darling would go on to add, it was therefore important that economic policy was “open and transparent” since “openness builds confidence and credibility”.¹³⁰ A number of measures were introduced by the Treasury as a means of making the decision-making processes of government more accountable. *The Code of Fiscal Stability*, the publication of minutes of meetings held by the Monetary Policy Committee together with the *Long-Term Public Finances Report*, were all noted by Alistair

¹²⁹ Balls (1997) in Balls and O’Donnell (*eds.* 2002: 38)

¹³⁰ Darling (1998a)

Darling during his time as Chancellor of the Exchequer as “examples of increased transparency” that served to support the pursuit of macroeconomic stability and the Treasury’s appeal for credibility amongst its core economic constituencies.¹³¹

However, while these were positive ways in which the problem of asymmetric information could be solved, they only went so far. For Balls, the answer was “to put in place institutional mechanisms which mean it is *clearly* the government’s intention to do the right thing – to make a strategic *pre-commitment*”.¹³² Locking-in the government’s economic strategy would make it virtually impossible to sacrifice the long-term plan in favour of short-term electoral convenience. This thinking underpinned the decision to grant operational independence to the Bank of England. This move, and its wider implications for New Labour’s political economy, is discussed in greater detail in chapter 4. In essence however, it charged the newly set-up Monetary Policy Committee with the independent responsibility of setting an interest rate baseline that it judged would enable the government’s inflation target to be met. It was a move that, according to Balls, would have “a decisive impact on both the international reputation of the government and on the wider credibility of Treasury”, and send the message to the markets that this was a government that “was not looking for short-termist quick fixes or to duck difficult decisions”.¹³³ In one swift move, there was an authenticity to the Treasury’s claim of credibility amongst its key economic constituencies.

¹³¹ Darling (2008a)

¹³² Balls (1997) in Balls and O’Donnell (*eds.* 2002: 41, emphasis added)

¹³³ Balls (2001)

This was an economic framework and a set of principles designed explicitly to “make Britain the best competitive environment for businesses in the world”.¹³⁴ Indeed, as the Gordon Brown had argued, one of the reasons why many of Britain’s rivals had enjoyed far higher levels of investment was because they had been able to deliver greater levels of economic stability.¹³⁵ This platform of stability would “make Britain better equipped to face the new challenges of globalisation, with more competition, more business creation, more investment and a more skilled workforce”.¹³⁶ According to Nicholas Macpherson, the Permanent Secretary to the Treasury, this new approach to policymaking would “underpin the UK’s increased stability compared to other decades and other large economies”; and enable it to “perform the role of ‘strategic friend’ to the UK economy”.¹³⁷

This role of ‘strategic friend’ would appear to reflect a rapprochement with the market which is echoed in the following section concerning New Labour’s relationship with business. This relationship, and indeed the role that this new framework would enable the government to perform with business, was deemed by officials from across Whitehall to be necessary in the light of globalisation. For Arestis and Sawyer however, this new economic architecture, and its orientation towards securing increased business investment, signalled that New Labour would be seeking to shift income from wages to profits.¹³⁸ This appeared to undermine any commitment to fairness. Clearly there are merits to – and indeed often a necessity for – inward investment. Nevertheless, as Arestis and Sawyer argue, one would expect a Labour government with any social democratic

¹³⁴ Brown (2000b)

¹³⁵ Brown (1997c)

¹³⁶ Brown (2002f)

¹³⁷ Macpherson (2005)

¹³⁸ Arestis and Sawyer (1998: 41)

claims, however modified or residual, to ensure that the gains of this investment accrue to the British people rather than the multinational enterprises.¹³⁹

This shift in emphasis reveals a distinct anomaly which has even wider implications when I explore later on in the chapter, New Labour's welfare strategy. For Arestis and Sawyer, "there is little reason to think that inward investment will create jobs in areas of high unemployment".¹⁴⁰ Targeting firms rather than people will do little to encourage local entrepreneurial activity, and paradoxically, is more likely to result in the *continuation* of a dependency culture that New Labour was keen to eradicate. Understood in an altogether more global context, the pursuit of a similar type of investment in order to achieve growth is unlikely to succeed in areas that already suffer from high levels of poverty and underdevelopment. Before exploring the further domestic and international implications of this framework however, my attention turns to those rules, standards and codes that were introduced as a means of reinforcing this credibility amongst market constituencies.

Playing by – and Sticking to – the Rules of the Game: The Importance of Standards and Codes in the Political Economy of HM Treasury

With this new architecture in place, New Labour's commitment to credibility through a series of institutional 'lock-ins' would be underpinned by a series of rules, standards and codes. This section explores specifically those rules that would appear in 'the new international economic architecture' discussed in chapter 5, and those strategies that were evident in Britain's overseas aid commitment under New Labour, explored in chapter 7. The pledges made by the Blair and Brown governments here to increase the

¹³⁹ *Ibid.*

¹⁴⁰ *Ibid.*

amount of overseas aid and roll out immunisation programmes across the developing world would be predicated upon the same ‘prudent’ rule of ‘borrowing only to invest’ that the Treasury promised to stick to at home. I conclude this section by drawing out a further theme of New Labour’s domestic political economy, Private Finance Initiatives (PFIs) and Public-Private Partnerships (PPPs). Linking in with the fiscal rules set out by the Treasury, these mechanisms were also evident in New Labour’s commitment to increase aid, and latterly vaccines in the developing world, through the International Finance Facility (IFF). As I discussed earlier, Treasury officials had already outlined their commitment to credibility and transparency in the context of monetary policy. However, these measures were “just as important when it came to setting fiscal policy”, and it was in this context that the government saw a role for the Code of Fiscal Stability”.¹⁴¹ The Code was designed to address past weaknesses in the fiscal policy framework by strengthening the openness, transparency and accountability of fiscal policy; features which of course mirrored the Treasury’s monetary policy framework.¹⁴² Returning to the underlying provision of stability, the Code reasserted the importance of stability for growth and employment to increase. The conduct of fiscal policy was of “critical importance” to economic stability.¹⁴³ Ed Balls, together with the Permanent Secretary to the Treasury, Gus O’Donnell, the Permanent Secretary for the Treasury, argued that the Code would provide “valuable discipline on fiscal policy”, and help “rebuild trust in economic policy more generally”.¹⁴⁴ This trust would be further enhanced with the alignment of the Treasury’s own Code (**Fig. 2.1**), with the IMF Code of Good Practices on Fiscal Transparency in **Fig. 2.2**.

¹⁴¹ Balls and O’Donnell (*eds.* 2002: 136)

¹⁴² *HM Treasury* (1998a: 3)

¹⁴³ *Ibid.*

¹⁴⁴ Balls and O’Donnell (*eds.* 2002: 137)

Fig. 2.1 *HM Treasury's Code for Fiscal Stability*

- (1) Conduct fiscal and debt management policy in accordance with a set of specific principles
- (2) State explicitly its fiscal policy objectives and operating rules, and justify any changes to them
- (3) Operate debt management policy to achieve a specific primary objective
- (4) Disclose, and quantify where possible, all decisions and circumstances which may have a material impact on the economic and fiscal outlook
- (5) Ensure that best-practice accounting methods are used to construct the public accounts
- (6) Publish a Pre-Budget Report to encourage debate on the proposals under consideration for the Budget
- (7) Publish a Financial Statement and Budget Report to discuss the key Budget decisions and the short-term economic and fiscal outlook
- (8) Publish an Economic and Fiscal Strategy Report outlining the government's long-term goals, strategy for the future, and how it is progressing in meeting its fiscal policy objectives
- (9) Publish a specific range of information from its economic and fiscal projections, including estimates of the cyclically-adjusted fiscal position
- (10) Invite the National Audit Office to audit changes in the key assumptions and conventions underpinning the fiscal projections
- (11) Produce a Debt Management Report outlining the government's debt management plans
- (12) Refer all reports issued under the Code to the House of Commons Treasury Select Committee
- (13) Ensure that the public have full access to the reports issued under the Code

Source: *HM Treasury*¹⁴⁵

¹⁴⁵ *HM Treasury* (1998: 3–4)

Fig. 2.2 *The IMF Code of Good Practices on Fiscal Transparency*

(1) Clarity of roles and responsibilities

- 1.1 The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed
- 1.2 There should be a clear and open, legal, regulatory, and administrative framework for fiscal management

(2) Open budget process

- 2.1 Budget preparation should follow an established timetable and be guided by well-defined macroeconomic and fiscal policy objectives
- 2.2 There should be clear procedures for budget execution, monitoring, and reporting

(3) Public availability of information

- 3.1 The public should be provided with comprehensive information on past, current, and projected fiscal activity and on major fiscal risks
- 3.2 Fiscal information should be presented in a way that facilitates policy analysis and promotes accountability
- 3.3 A commitment should be made to the timely publication of fiscal information

(4) Assurances of integrity

- 4.1 Fiscal data should meet accepted data quality standards
- 4.2 Fiscal activities should be subject to effective internal oversight and safeguards
- 4.3 Fiscal information should be externally scrutinised

Source: *IMF*¹⁴⁶

Although revised in 2007, the IMF's code retained the original four pillars of fiscal transparency that underpinned the 1998 code,¹⁴⁷ which Treasury officials sought to assimilate into its own Code for Fiscal Stability. Policy consistency with the international institution, whose very remit was to maintain global macroeconomic stability would seal New Labour's own credibility, and the integrity of its monetary and fiscal policies in the eyes of global market investors. It would ensure that actors were provided with the

¹⁴⁶ *IMF* (2007a)

¹⁴⁷ *IMF* (2007b)

information they required to make ‘correct’ investment decisions, thereby squaring its commitment to stability with the principles of ‘transparency’, ‘responsibility’, ‘fairness’ and ‘efficiency’ that informed the conduct of its fiscal management.¹⁴⁸

As Malcolm Sawyer notes, the Code for Fiscal Stability was operationalised through two rules governing public expenditure and borrowing.¹⁴⁹ Designed and implemented by the Treasury, these rules would “deliver sound public finances and in doing so, assist greatly in restoring the credibility of fiscal policy”.¹⁵⁰

- (1) *The golden rule*: Over the economic cycle, the government will borrow only to invest and not to fund current expenditure
- (2) *The sustainable investment rule*: Public debt as a proportion of national income will be held over the economic cycle at a stable and prudent level

New Labour’s monetary policy framework was therefore “reinforced by the Chancellor’s public announcement of an equally rigorous fiscal regime”.¹⁵¹ Broadbent and Laughlin argue however that neither of these rules restricted the capacity of the government to borrow to fund current investments.¹⁵² In keeping with the spirit of New Labour’s monetary policy framework, what really was at stake was the Treasury’s pursuit of credibility. These rules institutionalised and controlled government borrowing in a prudent (and therefore credible fashion), in an attempt to reassure markets that the government would not run up an unsustainable level of debt.

¹⁴⁸ *HM Treasury* (1998a: 4–5)

¹⁴⁹ Sawyer (2007: 888)

¹⁵⁰ Balls and O’Donnell (*eds.* 2002: 155)

¹⁵¹ Coates (2005: 62)

¹⁵² Broadbent and Laughlin (2005: 83)

Insofar as the 'golden rule' was concerned, Alan Budd notes how this was justified by the Treasury on two grounds. The first was that it distinguished between current and capital spending, which a failure to do in the past had resulted in the latter being sacrificed when attempts had been made to control public borrowing.¹⁵³ This had squeezed the public sector's net wealth in relation to the Gross Domestic Product (GDP). The second justification for the 'golden rule' was that it contributed to inter-generational equity. Current spending would be paid for by those who would benefit directly from it, while the cost of capital spending would be spread over the lifetime of the assets.¹⁵⁴ There was a clear political appeal to this strategy. It would enable New Labour to present itself as 'a government of modernisation', one that was generous in its level of public investment and committed to improving Britain's social infrastructure. However, with the initial cost borne by private contractors, it also enabled the New Labour government to disassociate itself from the profligacy of 'old' Labour with what appeared to be at least, a healthy balance sheet.

John Grieve Smith has labelled the second rule concerning the public debt to GDP ratio as being "quite inappropriate in varying and unpredictable circumstances".¹⁵⁵ This observation is striking in the light of the inherently unstable conditions that, as I remarked earlier in the chapter, New Labour officials were only too aware of. Citing the work of the economist, Christopher Dow who noted the lack of any correlation between the level of national debt and the economic performance of a country,¹⁵⁶ Grieve Smith has argued that New Labour made "a serious mistake" in applying rigid arithmetical rules to an area

¹⁵³ Budd (2010: 36)

¹⁵⁴ *Ibid.*

¹⁵⁵ Grieve Smith (2001: 14)

¹⁵⁶ Dow (1998)

of policy where greater flexibility is often required to mitigate against shocks and recessionary pressures that emerge from the global economy.¹⁵⁷ Of perhaps even greater significance in the light of the IFF model proposed by the Treasury to increase Britain's aid programme, is the way in which this rule has contributed to continuation of PFIs and PPPs as a means of funding the delivery of public services.

When the Major government launched the PFI in 1992 it was met with widespread condemnation by Labour officials. It was denounced as "privatisation by another name, the thin end of a commercial wedge that could only, over time, corrode the communal ethos of public service provision by commodifying the services provided".¹⁵⁸ No more clearly was this being seen than in the National Health Service (NHS), where the Labour Party warned of a "creeping privatisation" that was undermining the provision of public health in favour of private market interests.¹⁵⁹ The new PFI hospitals that were springing up were owned by private consortiums of building firms, facilities management companies and financiers, who would employ all the non-clinical staff, while the local NHS trust concerned would sign leases up to thirty years.¹⁶⁰ Since these PFI projects were, in effect, underwritten by the state, the actual risk to the private sector was minimal,¹⁶¹ prompting credit agencies to award these projects a 'triple-A' rating.

As Eric Shaw has remarked however, Labour's initial hostility was soon replaced with "the zeal of a convert",¹⁶² and in its 1997 General Election manifesto, the Party promised to

¹⁵⁷ Grieve Smith (2001: 15)

¹⁵⁸ Coates (2005: 122)

¹⁵⁹ *Labour Party* (1996: 279–280)

¹⁶⁰ Leys (2003: 200)

¹⁶¹ Needham (2007: 73). As Leys (2003:200) remarks however, this 'transfer of risk' to the private sector was frequently cited as the main justification for the higher initial outlay that PFIs incurred.

¹⁶² Shaw (2008: 82)

“overcome the problems that have plagued the PFI”.¹⁶³ True to its word, the Blair government rechristened the PFI, ‘PPP’, and between 1997 and 2004, New Labour signed off just over 600 such deals.¹⁶⁴ The government argued that these revised public-private arrangements would bring much needed investment, skills and expertise to public sector provision. Criticism of these PFIs/PPPs still remained however. Stephen Driver has noted how increased private sector involvement locked public agencies into procuring private sector supplies; distorted clinical priorities; and diverted resources from frontline services.¹⁶⁵ Sally Ruane has shown how the PFI procurement process created pressures on both private consortia and NHS trusts to depress the terms and conditions of experienced by support staff.¹⁶⁶ According to Colin Leys, there has also been a clear conflict in interest in the management of these consortia and their wider commercial instincts. Not only did many consortia seek a voice in major management issues, a large number too attempted to sell health insurance policies, long-term care, and other health services to the patients using their facilities.¹⁶⁷ Doubts were raised too as to the cost-efficiency of this type of finance. John Grieve Smith for instance, argues that a number of these PPPs have put public investment in a ‘double-jeopardy’, imposing higher costs upon these public projects with less efficient management structures.¹⁶⁸

These concerns however, appear to have been sacrificed at the altar of the Treasury’s fiscal rules. The money raised by PFIs in support of these PPPs allowed the two rules to square with one another. As well as keeping debt ‘at a stable and prudent level’, the PFIs and PPPs also allowed the Treasury’s ‘golden rule’ to be met by increasing public

¹⁶³ *Labour Party* (1997)

¹⁶⁴ Driver (2008: 58)

¹⁶⁵ *Ibid.*

¹⁶⁶ Ruane (2007: 75)

¹⁶⁷ Leys (2003: 200–201)

¹⁶⁸ Grieve Smith (2001: 42)

expenditure over the life of a project, whilst also leading to an underestimation of current public liabilities.¹⁶⁹ In effect, PFIs turn any item that would previously have been accounted for as capital expenditure by the government into current expenditure. The building of a new hospital for example, using ‘conventional’ government finance would have been accounted for as a capital cost incurred in the present, followed by interest payments on the borrowing. Under the terms of a PFI however, the hospital would be financed by the private sector, leased back to the government, and the leasing charges would appear as current expenditure. As a report by the Institute for Fiscal Studies (IFS) suggests, in the absence of the PFI, the public sector would have had to fund the building itself, leading to higher debt if this was financed through borrowing.¹⁷⁰ Concurring with the earlier remarks of Grieve Smith concerning the significance of PFI to the second of the Treasury’s fiscal rules in particular, the IFS goes on to note that “while the use of the PFI should make little difference to the ‘golden rule’, the reduction in public sector net debt does make the sustainable investment rule easier to meet”.¹⁷¹

In this sense, and to borrow New Labour’s oft-cited mantra, ‘what counts is what works’. In spite of the criticism that PFIs and PPPs received, they offered to New Labour officials a pragmatic means of delivering much-needed levels of investment into Britain’s social infrastructure, in a manner that appeared to be financially sound and did not over-burden the public purse. Supporting the Treasury’s fiscal rules, these borrowing initiatives linked directly into New Labour’s ‘new economic architecture’. As I demonstrate in chapters 5 and 7 respectively, distinct aspects of this new blueprint would form the basis of the government’s commitment to increase the amount of debt relief and aid to the

¹⁶⁹ Sawyer (2007: 889)

¹⁷⁰ Emmerson, Frayne and Love (2002: 6)

¹⁷¹ *Ibid.*

developing world. As this section has shown however, in domestic terms at least, this was a model of political economy based upon monetary and fiscal stability, designed explicitly to meet and accommodate the expectations of core market constituencies.

Mirroring the emphasis that institutions such as the IMF placed upon stability, openness, and transparency, New Labour's was a framework that sought to achieve and maintain credibility amongst global investors and institutions of international finance. I will return to a number of these themes in chapter 4 when I explore the institutionalisation of this new architecture, but it is in the two case study chapters mentioned above that I will assess the effects that the 'internationalisation' of this new architecture had upon New Labour's commitment to debt relief and overseas aid. Since this architecture was so clearly geared towards meeting the expectations of market constituencies at home, this would suggest that any direct transmission of policy abroad would similarly prioritise these economic actors over the most vulnerable men and women living in the world's poorest countries.

New Labour as 'the New Party of Business': Securing Knowledge and Competitiveness in a Global Economy

International development relies on commerce to create the wealth and the jobs that will end poverty. That's why business is good for development and development is good for business.¹⁷²

Both prior to and throughout its time in office, New Labour sought to position itself as 'the new party of business', principally at home, but also abroad where it afforded business a key role in the fight against global poverty. The purpose of this section is to explore not

¹⁷² DFID (2008a: 1)

simply New Labour's claim in this respect, but crucially the effects of such a claim upon the character of New Labour's political economy. For David Osler, if there was one theme that dominated Labour's politics then it was the Party's increasing accommodation of business and the private sector.¹⁷³ Representing something of a departure from Labour's previous ambivalence towards business,¹⁷⁴ New Labour's relationship with business would be far more clear-cut. It would not offer merely consultation, but extensive opportunities for direct input into the policy process, both at home and, as I shall demonstrate in chapter 6 of the thesis, abroad as well.

Although in the light of the evidence that follows, Osler is surely right in his assessment, he offers little in the way of an *explanation* as to why such a shift took place, or indeed the *effects* that such an accommodation to business constituencies had within the policy process. Situating my own analysis within the strategic context of globalisation that is the focus of this chapter, this section attempts to offer an explanation of New Labour's relationship with business and the effect that it had upon the government's domestic political economy. To frame these effects empirically, I explore New Labour's relationship with arguably the most powerful of these business constituencies, the pharmaceutical industry. Its centrality to the 'new' or 'knowledge economy' that the Blair government was keen to support, gave the industry considerable leverage in dictating New Labour policy. Perhaps no more clearly was this leverage evident than in the relationship that I explore in chapter 6 between the New Labour government and the pharmaceutical industry, and the

¹⁷³ Osler (2002: 45)

¹⁷⁴ For instance, James Cronin (2004:70) has made the point that although Harold Wilson's government was "convinced that British businessmen were mired in tradition and lacking in enterprise", their "improved behaviour" was essential for Britain's future economic success.

attempts of the former to increase the availability of the antiretroviral treatments needed to fight HIV and AIDS in the developing world.

The Importance of Business to the New Labour Project

The partnership we have tried to build with you over these past four years is one I am deeply committed to. It is a founding principle of New Labour and it will not change.

*Tony Blair addressing the Confederation of British Industry*¹⁷⁵

Throughout his time in office, the Prime Minister remained true to his word. As Eric Shaw has remarked, “the Blair government, from its inception, demonstrated...a willingness to be attentive and obliging towards business needs”.¹⁷⁶ Even after Blair had left Downing Street, and Gordon Brown had moved into Number 10, this pledge continued. Announcing the remit of the newly-formed Department for Business, Enterprise and Regulatory Reform in 2007,¹⁷⁷ its Secretary of State, John Hutton promised to give “a strong voice for business at the heart of government” that would help British businesses become “a powerful force for competitiveness and wealth creation in our country”.¹⁷⁸ Fêting business leaders as “the wealth creators...the entrepreneurs...the innovators...the people who make a difference”, Hutton applauded the activities that they carried out, which he argued “contributed to the success of Britain”.¹⁷⁹ For the Secretary of State, there was “nothing we can achieve as a nation without the dynamism and wealth that is created by business”.¹⁸⁰

¹⁷⁵ Blair (2001f)

¹⁷⁶ Shaw (2007: 192)

¹⁷⁷ The creation of BERR was a result of the changes by Gordon Brown made to the machinery of government when he became leader of the Labour Party and Prime Minister in June 2007. BERR replaced the old Department of Trade and Industry (DTI).

¹⁷⁸ Hutton (2007)

¹⁷⁹ *Ibid.*

¹⁸⁰ *Ibid.*

One theme that emerges throughout the thesis is that of both continuity and change between 'old' Labour *and* 'New'. No more clearly is this apparent than in the following chapter that explores the historical trajectory of Labour's international development policies. Of particular relevance here is the *transformation* of the Party, its gradual acceptance of the market and the eminence that Labour would give to it over the state. Falconer and McLaughlin describe this change thus, observing the respective stances that 'old' Labour and New Labour took towards the private sector:

A political party which once held firmly to the view that the state should play a leading role in the workings of a nation's economy now promotes the belief that very little can be achieved in government without the active support of business.¹⁸¹

Within an increasingly global context, there is an obvious reason for this. Gill and Law note the assumption that "governments have to be concerned with the cultivation of an appropriate 'business climate', or else investment might be postponed...An elected socialist party with a radical programme would therefore be constrained in its policy choices by the nature of its 'business climate', because it would need tax revenue and/or loans to finance its ambitious spending plans".¹⁸² The welfare of society was understood to depend upon a flourishing private sector, and as such there could or should be no antagonism between the private interests of business and the public good.¹⁸³ These statements capture not simply the key difference between New Labour and its predecessors, but crucially, the main reason *why* New Labour chose to position itself as a party that was, in the terms of Gamble and Kelly, so openly "pro-market and pro-

¹⁸¹ Falconer and McLaughlin (2000: 122)

¹⁸² Gill and Law (1989: 481)

¹⁸³ Shaw (2007: 192)

business”.¹⁸⁴ In this section, I explore firstly how such a shift took place before interrogating the reasons behind such a shift. My analysis both here and in chapter 6, will enable me to assess the effects of such a strategy.

New Labour’s relationship with business was symbiotic to the pursuit of ‘credibility’ that I have discussed previously and analyse in greater detail in chapter 4. Just as New Labour sought credibility with financial markets, so too was securing the support of business central to the Party’s strategy prior to government, and the ongoing delivery of its policy commitments once elected. According to Panitch and Leys, for New Labour officials:

The aim must be to win at least two successive elections, not just the next one, so that long-term policies, such as education and training policies, would have time to bear fruit. This meant that New Labour must win acceptance by ‘business’ as a suitable, and if possible a preferred, governing party, so that investment would be forthcoming to support the growth on which everything else depends.¹⁸⁵

As with the credibility of its wider macroeconomic reforms, New Labour officials appeared pessimistic as to the prospects of social democracy should any strategy be chosen that was not met with the support of business constituencies. In order to acquire and retain this support, New Labour believed that it must prove its economic credentials. In practice this meant demonstrating extreme caution and sensitivity to the demands of business, and indeed, as I noted earlier in the chapter, exercising discretionary constraint when formulating policy. Writing in the lead-up to New Labour’s General Election victory in 1997, Will Hutton noted that “the dominant discourse of political debate still prohibits the advocacy of public spending and higher taxes, however modest [whilst] the organisation

¹⁸⁴ Gamble and Kelly (2001: 172)

¹⁸⁵ Panitch and Leys (2001: 242)

of company law...is portrayed as 'corporatist'".¹⁸⁶ Despite an overwhelming rejection of the Conservative Party by the electorate, small 'c' conservative economic philosophy remained in the ascendancy. For Panitch and Leys, this was apparent in the very acute fear amongst officials of an adverse market reaction "to almost any measure that might be represented as limiting market freedoms".¹⁸⁷ As Colin Crouch has observed, "nothing that might displease the neoliberal business community, especially the financial community, could be risked".¹⁸⁸

Obviating this fear meant recalibrating Labour's political economy, and recasting the 'means' and 'ends' associated with the ideology of 'old' Labour. This, according to Blair was "renewed social democracy".¹⁸⁹ For Noel Thompson however, this meant that any "policies guided, and institutions informed, by the principles of equity, fraternity and justice" were "seen as threatening growth, efficiency, profitability and thence national economic performance".¹⁹⁰ In an era of increased globalisation, these 'old' values and ideals were simply unaffordable and unsustainable. They limited entrepreneurial freedom, jeopardised labour flexibility and created economic uncertainty. In their place, a new economic discourse emerged, one articulated in the language of individual choice and self-fulfilment; dynamism, entrepreneurialism and wealth creation; efficiency, competition, productivity, and profitability. Bound up within the context of the market economy, these would become signifiers of New Labour's political economy, designed to chime with the expectations of business constituencies.

¹⁸⁶ Hutton (1997: 105)

¹⁸⁷ Panitch and Leys (2001: 251)

¹⁸⁸ Crouch (1997: 358)

¹⁸⁹ Blair (1998e)

¹⁹⁰ Thompson (2006: 252)

The orientation towards meeting the market-based expectations of business did not appear however to preclude New Labour from pursuing this ‘renewed’ social democratic agenda of fairness, justice and opportunity. To this end, Will Leggett has noted Gordon Brown’s “sustained focus on how to reconcile economic efficiency and social justice”.¹⁹¹ Underpinned and strengthened by institutional reform of the Treasury, these themes were frequently invoked in the annual budgets and spending announcements made by Gordon Brown, during the ten years he spent as Chancellor of the Exchequer. Designed to square market efficiency with social justice, Brown spoke of “building”, “investing in” and “working for” a “stronger and *fairer* Britain”;¹⁹² of “building a Britain of economic strength and *social justice*”;¹⁹³ and delivering “*fairness*” and “*opportunity* for all”.¹⁹⁴

What unified these claims, according to Buckler and Dolowitz, was “the central idea of *justice as fairness*, a term that has quite systematically replaced *equality*, in New Labour’s rhetoric”.¹⁹⁵ Putting aside for one moment the apparent jettisoning of ‘equality’ from the New Labour lexicon (a move I shall discuss this in the following section), the unity of this approach is significant because it enabled the Treasury to claim in its economic policy pronouncements that “the least well-off benefit in the long term from social arrangements...in a manner consistent with market liberty”.¹⁹⁶ As Simon Glaze has noted, according to Brown, any “provision of ‘fairness’ [was] contingent upon such a commitment to ‘markets, competition and enterprise’”.¹⁹⁷ ‘Benevolent’ interventions prompted by the Chancellor’s moral sense, such as Child Trust Funds, *SureStart* and the

¹⁹¹ Leggett (2010: 54)

¹⁹² *HM Treasury* (2000a; 2001e; 2002a; 2002c)

¹⁹³ *HM Treasury* (2003a)

¹⁹⁴ *HM Treasury* (2004d; 2005a; 2005b; 2007a)

¹⁹⁵ Buckler and Dolowitz (2004: 24, emphasis in original)

¹⁹⁶ *Ibid.*

¹⁹⁷ Glaze (2008: 382)

New Deal initiatives were facilitated by New Labour's commitment to economic stability, low corporation tax and labour flexibility.¹⁹⁸ Put simply, greater economic efficiency through market liberalisation meant increased social justice. The concomitant 'socialisation' of New Labour's economic policy *and* the 'marketization' of New Labour's social policy would enable the government to deliver on its dual and ostensibly socially democratic objectives concerning growth *and* fairness.

This would appear to signal, at the very least, a reformulation of social democracy under conditions of increased globalisation. For Richard Heffernan however, quite how genuine New Labour's 'social democracy' was, remained a moot point:

Although concerned at the rhetorical level with the promotion of social justice (in common with all serious office-seeking parties in liberal democracies), 'New' Labour [was] principally concerned with strengthening the power of capital and allowing competition within the market to secure social reforms...Blair's designated image for his Labour Party [was] a party for and of business, one that is 'safe', 'prudent' and 'sensible'...a party of an ill-defined centre, no longer a party of the Left.¹⁹⁹

Evidence for Heffernan's claims emerges in a number of ways, and implicit in each was New Labour's overriding commitment to business. New Labour did not merely court or even engage with business, as one might expect any government to do, it was *wedded* to business. One needs only to glance through the pages of the bibliography of this thesis to see where, and to whom government officials delivered the majority of their speeches on a regular basis: the CBI, Mansion House, the Stock Exchanges in London and New York, business councils, chambers of commerce, economic forums and, and various other

¹⁹⁸ *Ibid.*, p. 383

¹⁹⁹ Heffernan (2001: 73, parentheses in original)

investment conferences. As Noel Thompson remarks “it was not surprising, therefore, that on coming to power, it was leading entrepreneurs and City figures who were appointed to guide many of New Labour’s policy reviews and policymaking committees”.²⁰⁰

This was a trend that continued during Brown’s premiership, as he sought to lead Britain’s recovery from economic recession through a ‘government of all the talents’.²⁰¹ Cabinet positions were filled by figures such as the former Director-General of the CBI, Digby Jones, and Paul Myners, who had made his name in the City as the Chief Executive of the pension fund manager, Gartmore. Jones was appointed the Minister of State for Trade and Investment, while Myners became Financial Secretary in the Treasury. Even international development did not escape such influence. Shriti Vadera, a former consultant at the investment bank UBS Warburg, was hand-picked by Brown to act as Parliamentary Under-Secretary of State at DFID. Tellingly, Vadera’s previous work had included advising governments of developing countries, arranging debt relief and restructuring, and playing a prominent role in the partial privatisation of South African telecommunication firm, Telekom. These appointments reflected a tacit understanding amongst senior New Labour officials that ‘business knows best’, and gave considerable weight to the observation that Charles Lindblom has made concerning the perceived ‘public value’ of businesspeople.²⁰²

Of perhaps even greater significance was the *content* of the speeches that New Labour officials made to these business audiences. Despite a continued avowal of fairness and justice in the government’s spending plans, these were themes that were downplayed in

²⁰⁰ Thompson (2006: 274)

²⁰¹ *Number 10* (2007)

²⁰² Lindblom (1977: 170–188)

speeches made to business audiences. Officials used these opportunities instead to talk about the modern role of government in relation to business; ‘the enabling state’, cutting ‘the red-tape’ and unleashing the creativity and entrepreneurialism of firms; and increasing the skills of workers that would enable firms to innovate and compete more effectively in the global economy. These speeches were clearly intended to reassure business that New Labour was speaking the same language, and that it had a unique position right at the decision-making heart of government. For Thompson, the crucial point here is that when one combines this rhetoric with the actual cuts that the Treasury made to the level of corporation tax; its efforts to maintain an economic environment attractive for inward investment; and the supply-side policies designed to increase labour flexibility, “there can be little doubt” as to “who New Labour saw as the primary beneficiaries of the improved economic performance [it] sought to deliver”.²⁰³

To use the observation made by Crouch, New Labour went “beyond the rapprochement and co-operation with business interests that is essential to all social democratic parties” to become “simply a business party”.²⁰⁴ This was of huge significance, particularly to critics of New Labour. As Michael Barratt Brown and Ken Coates have argued, “today’s transnational corporations suck profits out of employees stationed in every part of the world, and, if they are efficient in competition with their rivals, they will invest these profits in ways which will enrich them still further while diminishing or destroying the expectations of others”.²⁰⁵ Such a stark assessment reveals the critical flaw both in New Labour’s own boast as *the* ‘party of business’ and its claim that ‘business is good for development’. Undermining New Labour’s commitment to social democracy, it also calls

²⁰³ Thompson (2006: 274)

²⁰⁴ Crouch (1999: 80)

²⁰⁵ Barratt Brown and Coates (1996: 32)

into question the way in which the government might respond to matters of global poverty.

Maintaining Global Competitiveness through ‘the Knowledge Economy’

Knowledge is the only source of competitive advantage...brainpower is more important than brawn; intelligence more powerful than energy; creativity more critical than raw materials; efficiency has to be combined with innovation.²⁰⁶

Improving Britain’s economic performance in an era of globalisation would necessitate an altogether ‘new’ approach to Labour’s economic strategy. As Norman Fairclough has remarked, “making Britain more competitive”, through ostensibly ‘new’ means would become “the primary role” of the New Labour government.²⁰⁷ This meant that in keeping with his commitment to the free market, Blair rejected any notion of “picking winners” and favouring certain industries over others.²⁰⁸ Instead, New Labour’s mission became “to make Britain the best competitive environment for business in the world”.²⁰⁹ Competition was the driving force behind the Chancellor’s linked reforms to boost enterprise and innovation,²¹⁰ and would dovetail with New Labour’s commitment to secure ‘credibility’ in the eyes of financial investors both at home and abroad.²¹¹

In spite of this commitment to open competition however, the Blair government clearly did not want to be found guilty of backing ‘losers’. This led New Labour to become “rather dismissive of what it took to be the low-growth manufacturing sector, largely because it

²⁰⁶ Mandelson (1998a)

²⁰⁷ Fairclough (2000: 29)

²⁰⁸ Blair (1999)

²⁰⁹ Brown (2000b)

²¹⁰ Coates (2005: 70)

²¹¹ Hay (2004: 41). See also Hay (2001c).

now only accounted for a small proportion of the nation's output".²¹² British firms within this sector were simply unable to compete with the low-wage labour available elsewhere in the global economy. Here, as Fielding goes on to remark, "the global economy was deemed to have already spoken".²¹³ This said as much about Labour's attitude to its past as it did its present. Historically, Labour had been recognised as the 'party of industry', with its core constituencies located in Britain's industrial heartlands. However, its transition to a 'party of business' would see New Labour embrace this 'new economy' and "the competition state".²¹⁴ The attendant imperatives of 'competitiveness', 'efficiency' and 'innovation' invoked by New Labour officials, meant that very little was done to arrest the decline of firms in these 'old' industrial sectors.

Three forces are driving modern economies – finance, knowledge and social capital. It is no coincidence that all are intangible: they cannot be weighed or touched; they do not travel in railway wagons and cannot be stockpiled in ports. The critical factors of production of this new economy are not oil, raw materials, armies of cheap labour or physical plant and equipment. These traditional assets still matter, but they are a source of competitive advantage only when they are vehicles for ideas and intelligence which give them value.²¹⁵

In keeping with the claims of novelty applied to 'New' Labour, the Blair government set about placing Britain at the heart of the newly emerging 'knowledge economy'. As Alan Finlayson has noted, New Labour understood this new economy "in a distinctly Schumpeterian way", one that laid to waste Britain's manufacturing base and instead was "driven by creative, innovative and skilled individuals competing with each other for market advantage".²¹⁶ Alongside New Labour's blueprint of a new economic architecture,

²¹² Fielding (2003: 159)

²¹³ *Ibid.*, p. 160

²¹⁴ Cerny and Evans (2004)

²¹⁵ Leadbeater (2000)

²¹⁶ Finlayson (2010: 13)

it would be this 'human capital' that would enable Britain to compete with other countries for investment from global economic enterprises. Together, this 'credible' macroeconomic framework and these supply-side reforms would enable New Labour to meet its commitment to improve Britain's economic performance and adapt individuals to the exigencies of the global economy.

The New Labour Government and the UK Pharmaceutical Industry

If New Labour was to maintain both Britain's competitiveness in this changing global environment and its ability to attract foreign investment, then building partnerships with leading knowledge-based industries such as the pharmaceutical sector would be vital. For New Labour, globalisation and the 'knowledge economy' were inextricably linked. Succeeding Mandelson as Secretary of State for Trade and Industry, Stephen Byers continued the rhetoric of his predecessor. This 'knowledge economy' Byers argued, was "useful shorthand for the changes taking place in markets across the globe".²¹⁷ Echoing the remarks made by the Secretary of State for International Development, Clare Short concerning "the wealth being generated by globalisation",²¹⁸ Tony Blair argued that this "knowledge economy is our best route for success and prosperity".²¹⁹ To this end, "a successful pharmaceutical industry", the Prime Minister would later argue "is a prime example of what is needed in a successful knowledge economy".²²⁰ Globalisation and the need to maintain Britain's international competitiveness provided the economic rationale for New Labour's partnership with the pharmaceutical industry.

²¹⁷ Byers (2000)

²¹⁸ Short (1999c)

²¹⁹ Blair (2000)

²²⁰ Blair (2001c) in *PICTF* (2001: 1)

Following a meeting in November 1999 between the Prime Minister and the CEOs of AstraZeneca, Glaxo Wellcome and SmithKline Beecham, New Labour set about successfully meeting the expectations of the pharmaceutical industry at a domestic level.²²¹ Under New Labour, the pharmaceutical industry would become the jewel in the crown of the British economy. It was, according to Tony Blair, “truly global” since its firms had “more choice than ever before when deciding where to place new investment”.²²² This opportunity for firms however was a challenge for the government since this increased capital mobility could seriously undermine Britain’s position as a leading site for the pharmaceutical industry. In a global economy where “China’s wage costs are 5 per cent of [Britain]’s”, the government was concerned that the UK could no longer compete on labour costs.²²³ To overcome this problem, the Prime Minister argued that it was necessary for Britain instead to compete “on intelligence, on innovation, [and] on creativity”,²²⁴ attributes that of course were essential in the emerging ‘knowledge economy’.

For Britain to retain its competitive advantage, it was important for Blair’s government to ensure “that the UK retains the features that have made it an attractive location for investment” in the past.²²⁵ To achieve this, Blair argued that it would be necessary for there to be “effective partnership at the highest levels between government and industry”.²²⁶ Integral to this partnership would be the *Pharmaceutical Industry Competitiveness Taskforce*. Set up to provide a forum for dialogue between business and government officials, the PICTF was designed to maintain and facilitate the ongoing

²²¹ DH (n.d.)

²²² Blair (2001c) in *PICTF* (2001: 1)

²²³ Blair (2006b)

²²⁴ *Ibid.*

²²⁵ Blair (2001c) in *PICTF* (2001: 1)

²²⁶ *Ibid.*

competitiveness of the British pharmaceutical industry. New Labour's discourse of constraint was writ large over the PICTF report. New Labour officials and industry representatives observed that:

The conditions required for the industry to retain its competitive position are changing in the face of significant shifts in the global business environment. [The] rapid globalisation of markets, the ease of global communications and the existence of an increasingly international and mobile pool of scientific and commercial talent mean that firms can serve more markets from fewer locations, while at the same time they have greater choice than ever before about where to locate new investments.²²⁷

This argument was seized upon by pharmaceutical firms themselves. Giving evidence to the House of Commons Science and Technology Committee in 2004, the pharmaceutical firm, AstraZeneca reminded MPs that "as India and China develop their own pharmaceutical expertise, they will become very attractive locations for growth and investment compared with the UK and Europe".²²⁸ It therefore recommended "that the UK acts to develop close links in science with these countries in order to provide us with greater access to their growing science base".²²⁹ For AstraZeneca, it was in the UK's best interests to continue to embrace this logic of globalisation in order to secure future investment from the pharmaceutical industry.

The final report published by the Ministerial Industry Strategy Group (the new name for the PICTF) under a New Labour administration reflected the extent to which the economic expectations of firms were accommodated by the government. It noted the perception by business leaders, across all sectors internationally, of the decline in UK labour

²²⁷ *PICTF* (2001: 20)

²²⁸ *AstraZeneca PLC* (2004) in *House of Commons Science and Technology Committee* (2004: 258)

²²⁹ *Ibid.*

regulations.²³⁰ Although the US and Japan were perceived to have less obstructive market regulations than Britain, the UK continued to be seen as being more favourable to business than Germany, France and Italy.²³¹ The report also argued that “rates of taxation on company profits in different countries have a clear influence on international location decisions”.²³² From April 2008 (and throughout the rest of New Labour’s time in office) the basic rate of corporation tax stood at 28 per cent. Therefore only Switzerland, the Republic of Ireland and Singapore had lower corporate tax rates than the UK. Britain’s low tax regime and provision of tax credits provided “significant support for R&D in the UK. In April 2008, R&D tax credits were raised from 150 to 175 per cent for small to medium-sized enterprises, and from 125 to 150 per cent for large companies”.²³³ Despite a drop in “the UK’s share of global R&D expenditure...from 10 per cent in 2000 to 9 per cent in 2007”, Britain “continued to see greater pharmaceutical industry R&D expenditure than any other country outside the US and Japan”.²³⁴

In comparative terms, the UK remained “a favoured site for research activity” and the productivity of UK pharmaceutical research was considered to be “good”.²³⁵ Based on a measure of the number of ‘world-first’ patents filed per pound spent on R&D, the UK was third only to the US and Spain.²³⁶ Firms with their headquarters in the UK had “for several years [produced] around one-fifth of the world’s leading 75 global medicines, both in terms of number of medicines sold and global sales revenues from those medicines”.²³⁷ Similarly, UK-domiciled firms continued to have more new medicines launched in each of

²³⁰ *DH* (with the *Association of the British Pharmaceutical Industry* 2009: 5, 10)

²³¹ *Ibid.*

²³² *Ibid.*, pp. 5, 11

²³³ *Ibid.*, p. 5

²³⁴ *Ibid.*, pp. 6, 16

²³⁵ *Ibid.*, p. 7

²³⁶ *Ibid.*, pp. 7, 25

²³⁷ *Ibid.*, pp. 7, 26

the four major markets (the US, Germany, France and the UK) than any other country's companies apart from the US.²³⁸ The report concluded by noting that the UK continued "to hold a strong position relative to most comparator countries, other than the US".²³⁹ Given the size and the dominance of the US pharmaceutical firms this was hardly surprising, but New Labour officials in Britain would have been pleased to see the UK-based industry punch above its weight so effectively in international markets. Despite a difficult economic climate both at home and abroad, towards the end of its period in office, New Labour managed to build up an attractive framework of conditions for the industry to invest and sustain its profitability.

New Labour's credentials as a 'party' or indeed a 'government of business' were never in doubt. Its understanding of globalisation meant that New Labour frequently yielded to the expectations of businesses. Although there was an intuitive appeal to this – after all, without the support of business, it was understood that New Labour could not deliver on its 'social' commitments – the influence of business went right to the heart of government. Indeed, there were times when the lines of division between government and business became extremely blurred, and the language of New Labour sounded more market-orientated than social democratic. This had very real effects for policy, none more so than when it involved the pharmaceutical industry. Domestically, pharmaceutical firms were afforded a unique place in New Labour's policymaking process, with their economic expectations clearly accommodated in the government's strategy. Abroad however, New Labour was faced with a moral dilemma as to how to respond to a global health crisis which a lack of treatment provision by these pharmaceutical firms had only made worse.

²³⁸ *Ibid.*, pp. 7, 27

²³⁹ *Ibid.*, p. 7

Chapter 6 assesses New Labour's response to this as a self-styled 'government of business' and its attempts to manage the economic expectations of an industry to deliver a policy outcome that would benefit millions of the world's most vulnerable people.

A Springboard Not a Hammock: 'Rights and Responsibilities' in New Labour's Welfare Policy

The third and final strand of New Labour's domestic political economy that this chapter explores, concerns the employment and welfare strategies that the Blair and Brown governments implemented. The focus of this particular section is framed along the discourse of 'rights and responsibilities' that Party officials talked frequently about, both prior to and right the way throughout New Labour's time in office. This dualism would underpin not only the take-up of welfare, but crucially, the provision of supply-side policy initiatives designed to encourage inclusion and participation in the labour market, and to increase access to skills and training. New Labour ministers were determined to end the chronic welfare dependency that had built up, particularly in socially and economically deprived areas.

New Labour's welfare strategy was primed to 'make work pay', and to equip individuals with the skills required to participate and to compete in an increasingly competitive, global labour market. Under New Labour, welfare was to act not as a 'hammock' that it had become to this enclave of hardened, and now inter-generational benefit claimants, but rather as a 'springboard' into an increasingly global labour market. To this end, it was the responsibility of the individual to respond to the challenges and seize the opportunities of globalisation. For this goal of social and economic inclusion to be realised however, and for this cycle of welfare dependency to be broken, it would be necessary to

increase the opportunities available for individuals to participate in the labour market. The “social investment state” would replace the old ‘passive’ entitlement state with a more contractual approach.²⁴⁰ As I demonstrate in this section, senior New Labour officials would make it clear that getting individuals off welfare and (back) into the workplace – what Fairclough terms the “social integrationist discourse” – would require a disciplinary framework.²⁴¹ The contractual discourse of ‘rights and responsibilities’, and of ‘something for something’ invoked through the threat of benefit sanctions, and further economic exclusion, would provide just that.

The assessment I make here of New Labour’s domestic welfare strategy bears a striking resemblance to the government’s commitment to increase overseas development aid (ODA) through the IFF mechanism that I explore in chapter 7. Contextual differences aside, welfare and aid were treated almost synonymously by New Labour officials. Both were viewed as a *means* to an end, rather than an end in and of itself. Both identified ‘exclusion’ as being the fundamental problem, and the cause for welfare to be needed in the first place, and both, as a result, emphasised increased *opportunity* and *inclusion* as the means by which a specific individualised outcome – for instance, a greater sense of self-identity, financial independence and social mobility – might be realised. However, for as much as these discourses emphasised increased positive values of self-fulfilment, both were framed in terms of the notion of ‘something for something’, an arrangement that would discipline and modify the behaviour of the recipient. My third case study in chapter 7 draws out several of these parallels and assesses their implications for New Labour’s aid commitment abroad.

²⁴⁰ On the ‘social investment state’ see Giddens (1998: 117–118).

²⁴¹ Fairclough (2000: 57)

It is this discourse of ‘opportunity through increased inclusion’ with which I open up this particular section, and its centrality to the discourse of ‘rights and responsibilities’ that was rehearsed frequently by government ministers throughout New Labour’s time in office. No more clearly was this link spelled out than in Tony Blair first speech as Prime Minister to the Labour Party conference, when he stated quite categorically that “to all should be given opportunity, from all responsibility demanded”.²⁴² Communities, whether in Britain or abroad, could and should not to be based simply upon rights. Rather, they should be founded upon and emerge as a result of ‘opportunity plus responsibility’.²⁴³ For those on the Left in the Party however, this change in emphasis would come at a high price. Shifting the responsibility for welfare away from the state and onto the individual would replace the Party’s traditional commitment to equality, and reconfigure its conceptualisation of social justice. Under conditions of globalisation, the days of the state as a major provider of welfare were numbered. Welfare could no longer be delivered by the state through redistributive mechanisms but through the efforts of individuals. Under New Labour, the welfare state would have an altogether more ‘virtuous’ role; one of ‘enablement’, equipping subjects with the skills and the knowledge required to navigate the exigencies of the global economy.

Achieving Social and Economic Inclusion through Increased Opportunity: Reconfiguring Equality

Central to Labour’s long-established commitment to social justice was its aim to deliver full employment. Although this would continue to remain an aspiration of New Labour, it stopped short of pledging this commitment in the traditional sense.²⁴⁴ Instead, the

²⁴² Blair (1997c)

²⁴³ Levitas (2005: 123)

²⁴⁴ McKnight (2005: 23)

Chancellor, Gordon Brown promised “a new approach – Employment Opportunity for All – to face the challenges of today’s dynamic labour market” which would create “a modern definition of full employment for the 21st century”.²⁴⁵ This new approach, centred upon ‘opportunity’ and a restatement of ‘full employment’, would be crucial in terms of the delivery of New Labour’s welfare strategy. In keeping with the Treasury’s overriding commitment to stability explored earlier in the chapter, redefining ‘full employment’ would put clear water between New Labour and its ‘old’ Labour predecessors without appearing to lose any of its rhetorical appeal. As Raymond Plant has remarked, the ‘old’ Keynesian techniques used by previous Labour governments to promote full employment were criticised as being inflationary and harmful to the prospects of business investment and growth that the current New Labour government was keen to promote.²⁴⁶ In keeping with the Treasury’s pursuit of credibility, a redefinition of ‘full employment’ would serve to demonstrate the probity of New Labour’s economic and welfare strategies, and reassure market constituencies that a Labour government would neither buckle under the demands of the welfare state nor be blown off-course by inflationary pressures.

Linked in with this point, the emphasis upon ‘opportunity’ is also hugely significant because it served to reproduce the contours of *the* same strategic context of globalisation that policymakers now faced. As I remarked earlier in the chapter, for all the challenging constraints that globalisation was understood to place upon governments and electorates alike, the global economy, along with its attendant processes, was also viewed as presenting a significant opportunity for wealth creation and increased standards of living. It was for this very reason that governments should ‘not retreat from globalisation’, but

²⁴⁵ *HM Treasury* (1997)

²⁴⁶ Plant (2004: 25)

actually ‘work *with* the grain of globalisation’, not simply because such processes were deemed as being ‘inevitable’, but also because of the economic benefits that it offered. Of course, as I remarked earlier, globalisation offered just the *possibility* of such benefits. New Labour believed that opportunities would not guarantee outcomes – let alone an equality of outcome – and it was therefore understood that governments, operating under conditions of globalisation, should seek to manage (and maximise) the opportunities offered by the global economy, rather than to explicitly promise an outcome such as ‘full employment’; irrespective of any political or ideological appeal it might hold. As I noted earlier in the chapter, this was understood to be the case in terms of New Labour’s own assessment of globalisation and its place within international development. As both Tony Blair and Clare Short remarked, within this policy setting, the opportunities and benefits offered by globalisation were *not* inevitable. Individuals had to actively participate in the global economy in order to confer its benefits. Indeed, as Brown argued, if the benefits of globalisation were to be realised, they should be done “by asserting the responsibility of the individual”.²⁴⁷

As Ellison and Ellison remark, the notion of ‘opportunity’ was understood by New Labour as an important means of contributing to the social and political environment in which the individual is located.²⁴⁸ For Driver and Martell this led New Labour to focus more upon opportunities upon securing greater equal outcomes. Insofar as ‘opportunity’ was concerned, New Labour placed as much emphasis upon securing “greater chances for those excluded from basic, minimum opportunities as on equalising opportunities”.²⁴⁹ Here, the difference between ‘old’ Labour and New Labour was stark. For Norman

²⁴⁷ Brown (2000e)

²⁴⁸ Ellison and Ellison (2006)

²⁴⁹ Driver and Martell (2002: 77)

Fairclough, 'old' Labour's conception of equality was based on the assumption that "capitalist societies by their nature create inequalities and conflicting interests", which crucially, New Labour's goal of increased social inclusion failed to acknowledge.²⁵⁰ Rather than addressing the problem of inequality, Eunice Goes argues that "social exclusion was presented as a *replacement for* egalitarian concerns".²⁵¹ As Stephen Driver proceeds to note, "policies such as the New Deal, the National Childcare Strategy, 'individual learning accounts' and 'baby bonds'" were designed to promote social inclusion and "were about enhancing life chances, especially for the less well-off, to find work and to increase earning capacities".²⁵² Indeed, during his time as the Education and Employment Secretary, David Blunkett argued that these forms of asset-based welfare could act as a vehicle for Labour's longstanding commitment to social mobility by helping children and their families make the most of the education system.²⁵³ These, according to Driver, were strategies that would attempt to influence the market-determined allocation of resources, giving poorer individuals greater leverage to enhance their tradable skills.

For some scholars however, despite the change in rhetoric, these measures did reflect a continuing commitment to equality. Judi Atkins accepts that although New Labour did appear to "move away from the egalitarianism of traditional socialism with its emphasis on market outcomes"; any criticism of this shift overlooks "the fact that *social inclusion is about the promotion of equality of opportunity*, which is itself an egalitarian concern".²⁵⁴ Matt Beech goes further still. Citing an interview held with a Treasury official, Beech argues that the welfare policies introduced by the Treasury provide some evidence of a

²⁵⁰ Fairclough (2000: 65)

²⁵¹ Goes (2004: 116, emphasis added)

²⁵² Driver (2004: 32)

²⁵³ Blunkett (2000)

²⁵⁴ Atkins (2010: 47, emphasis added)

“Croslandite conception of greater equality of *outcome*” – albeit one that was applied “in a modern economic context”.²⁵⁵ Targeted tax credits, educational allowances and specific skills and training opportunities were measures designed not merely to make work pay, but to provide fairer outcomes and therefore a greater equality of outcome for low-income families.

In addition to the financial support they offered to help fund the cost of social mobility and greater levels of inclusion, asset-based forms of welfare, such as the Child Trust Fund (CTF),²⁵⁶ were introduced by the Treasury to “encourage saving” and “improving financial awareness”.²⁵⁷ Although officially launched in 2005, the idea had been circulating around the Treasury at the turn of the millennium.²⁵⁸ The CTF was presented to the electorate as a welfare strategy based upon financial empowerment and independence. One reason for such an idea, Rajiv Prabhakar suggests, was to induce a behavioural change in the financial mindset of individuals towards one that encourages economic and social development. If, Prabhakar argues, people were to have their way of thinking changed in this way then they are more likely to plan and invest in their future.²⁵⁹ However, the work of Michael Sherraden is instructive here, for he argues that such a behavioural change does not come about by providing people simply with a flow of income.²⁶⁰

²⁵⁵ Beech (2004: 91, emphasis added)

²⁵⁶ Under the Child Trust Fund scheme, vouchers were issued to parents of all children born after September 2002. Families earning less than £13,230 a year and eligible for the child tax credit would receive £500, while families with a larger income received £250. These vouchers could then be deposited in a special tax-free account, which parents could add a maximum of £1,200 a year. The government pledged to top-up these funds when the child reached the age of 7 and then 11. At the age of 18, the account would mature, and the child would be able to access this account, and use the cash in whatever way they chose.

²⁵⁷ Hodge (2005)

²⁵⁸ *HM Treasury* (2001d)

²⁵⁹ Prabhakar (2009: 52)

²⁶⁰ Sherraden (1992)

For Matthew Watson, these and other types of investment such as home ownership represented an attempt to turn people from passive recipients of welfare rights into active managers of assets.²⁶¹ Alan Finlayson argues that this transformation enabled asset-holders to become active, “self-capitalising subjects...able reflexively to integrate themselves into a modernised economy”.²⁶² This newly acquired financial independence would enable individuals and their families to take greater responsibility for their own financial affairs, rely far less upon the state and realise the opportunities that would foster greater inclusion in the new economy. What really lay at the heart of this strategy was the ‘something for something’ approach that, according to the Treasury “underpins the other elements”.²⁶³ “If you save” the Treasury promised, “the government will reward you for your efforts”.²⁶⁴ The opportunity that this form of “independence for the long-term and intergenerational mobility” provided would only be available through a contractual arrangement between state and citizen.²⁶⁵

Disciplining Opportunity: ‘Rights and Responsibilities’ in New Labour’s Welfare Conditionality

Beyond these monetary incentives, the Chancellor also took steps to enhance Britain’s skills base by introducing a series of supply-side reforms. Again, globalisation provided the strategic context for this. For Brown, “in order to compete more effectively, an open and far more rapidly changing global trading economy, flexibility [and] the ability to respond quickly...is a necessary precondition of success”.²⁶⁶ In order to make the most of the opportunities presented by globalisation, individuals needed to be flexible, and willing to

²⁶¹ Watson (2008a: 301)

²⁶² Finlayson (2008: 105)

²⁶³ *HM Treasury* (2001d: 2)

²⁶⁴ *Ibid.*

²⁶⁵ *Ibid.*, p. 12

²⁶⁶ Brown (2003j)

adapt. This in turn would secure skilled, well-paid employment. Early on in New Labour's time in office, the Chancellor argued that "the Britain that will succeed in the global economy will be the Britain that opens up the opportunity for employment and enterprise to all".²⁶⁷ Crucially, Brown would later add, within the context of the global economy, with "emerging market countries ready to attract low value added, low investment and low skilled work", Britain now had "to compete on ever higher levels of skill and technology rather than ever lower levels of poverty pay".²⁶⁸ To this end, the Chancellor promised to increase investment in further welfare reforms in order "to give people, whether they are in work or out of work, the opportunity to get the skills necessary for them to succeed and for us [in the UK] to succeed in the new global economy."²⁶⁹ The justification for these reforms was rooted in Brown's belief that "the way to respond to globalisation is to give people the skills and opportunities for the future".²⁷⁰ The state however, could only go so far. It would be up to the individual to take up these skills and make the most of the opportunities presented by globalisation. As Judi Atkins has remarked, what is striking about this approach was that:

New Labour's commitment to education was not based on ideas about its intrinsic value, or its potential to increase personal well-being. Rather, its purpose was to equip people to take advantage of the job opportunities they were offered, and thus to become active participants in the employment market.²⁷¹

Under Brown's premiership, his Secretary of State for Innovation, Universities and Skills, John Denham, proposed a raft of further changes to the benefits, skills and employment system to meet this very objective, again with the view of expanding Britain's skills base in

²⁶⁷ Brown (2000c)

²⁶⁸ Brown (2003g)

²⁶⁹ Brown (2003m)

²⁷⁰ Brown (2006)

²⁷¹ Atkins (2011: 85)

light of the challenges and opportunities presented by the global economy. Denham told the Commons that “in an increasingly globalised and competitive world, we must use to the full the skills, talents and aspirations of all our people”. For Denham, “the global changes threaten those who are least well equipped to respond. Those with low skills will find it harder to find work” and as a result, “they and their families struggle to share in the increasing prosperity of Britain”.²⁷² A succession of government ministers echoed these remarks. The Secretary of State for Work and Pensions, Peter Hain, spoke at length of the need to attach the provision of skills to welfare to enable individuals to participate in job markets, to become more flexible in their working practices, and to increase their skills.²⁷³ These skills, Hain argued, would help “unlock the talents and skills of our people to equip them to compete in the globalised world”.²⁷⁴ In his role as the Minister of State for Employment and Welfare Reform, Stephen Timms remarked that “developing Britain’s skills base [was] key for competing in the global economy”.²⁷⁵ There was a clear market logic to this discourse. If the UK as a nation was to retain or indeed increase its competitiveness within the global economy, and if individuals and their families were to confer the benefits of globalisation, then a broadened skills base would be integral to Britain and its citizens making the most of the opportunities presented by globalisation.

Whether conceived as the Giddensian ‘social investment state’ or simply ‘welfare-to-work’, New Labour’s approach to addressing welfare provision through the supply-side represented a clear departure from traditional social democratic thinking which, as Eric Shaw has remarked, had blamed structural factors and a lack of demand for labour.

²⁷² Denham (2007)

²⁷³ Hain (2007)

²⁷⁴ *Ibid.*

²⁷⁵ Timms (2008)

However, since the 'old' welfare system had taken insufficient account of supply-side factors, there was now a weak attachment to the labour market. This had been further undermined by a lack of incentives to acquire skills or appropriate qualifications or (for groups such as single mothers) a lack of adequate childcare provision.²⁷⁶ To overcome this problem, New Labour enacted a series of policies designed to increase the availability of educational and employment opportunities intended to promote human capital and enhance Britain's ability to compete in the global economy.²⁷⁷ For Paul Cammack, this was further evidence of Adam Smith's influence upon Gordon Brown.²⁷⁸ Like Smith, the Chancellor sought to identify the causes of the "improvement in the productive powers of labour" that lay behind the contrast that Smith had observed between "miserably poor" nations on the one hand and the "civilized and thriving" nations on the other.²⁷⁹ This same focus on the proportion of the population in employment and the productivity of their labour was, Cammack argues, central to the thinking of the Blair and Brown governments.

Central to New Labour's welfare-to-work programme was the New Deal. The Chancellor introduced a "bewildering number of 'New Deals'",²⁸⁰ including the 'Global New Deal' which I explore in chapter 7. The flagship New Deal programme was the New Deal for Young People (NDYP) which sought to "improve the long-term job prospects of young people through early intervention and the options of subsidised employment, environmental work, voluntary work or full-time education, but with no 'fifth-option' of non-participation".²⁸¹ Individuals who found themselves unemployed within 13 weeks of

²⁷⁶ Shaw (2008: 44)

²⁷⁷ Atkins (2011: 85)

²⁷⁸ For further accounts of Adam Smith's influence upon Gordon Brown see Brown (2003a); Lee (2006); Glaze (2008); Watson (2008b, 2009a).

²⁷⁹ Smith (1776/1999: 105) cited in Cammack (2010: 264)

²⁸⁰ Blundell, Reed, Van Reenan and Shepherd (2003: 18)

²⁸¹ Bochel and Defty (2007: 19)

leaving an option would go onto the 'follow-through' programme of job assistance, similar to the initial gateway period.²⁸² If an option was refused, the claimant was liable to incur a benefits sanction. Initially, these sanctions took the form of benefit withdrawals for two weeks, with further refusals resulting in repeated four-weekly withdrawals.²⁸³ New Labour did not shy away from meting out these sanctions, disciplining young people with children, carers, those with disabilities and pregnant mothers.²⁸⁴ The Chancellor would later boast of New Labour's record of "tightening up sanctions for the unemployed" and "compelling young people into training and work".²⁸⁵ This was arguably the clearest example of New Labour's belief that rights required responsibilities. If individuals had the right to expect that the government would provide them opportunities to train so as to become better able to find work, the unemployed had a responsibility to take advantage of such openings: a life on benefits was not an option.²⁸⁶ As Janet Newman has remarked, "the discourse of 'responsible citizenship' was embedded in the coercive elements of the New Deal and welfare to work programmes".²⁸⁷

The discourse of 'rights and responsibilities' that New Labour used to frame its welfare policies pre-dated its time in office, and remained fairly consistent throughout the time it subsequently spent in government.²⁸⁸ Whilst Leader of the Opposition, Tony Blair spoke of the need to "create a society based on a notion of mutual rights and responsibilities", supported by the principle of "something for something".²⁸⁹ For Blair, society must accept its duty "to give each person a stake in its future" while in return each person must

²⁸² Blundell, Reed, Van Reenan and Shepherd (2003: 19)

²⁸³ *Ibid.*, pp. 18–19

²⁸⁴ King and Wickham-Jones (1999: 273)

²⁸⁵ Brown (2003j)

²⁸⁶ Fielding (2003: 198–199)

²⁸⁷ Newman (2003: 151)

²⁸⁸ Dwyer (2008)

²⁸⁹ Blair (1996) in Blair (*ed.* 2004: 298, parentheses in original)

accept “a responsibility to respond, to work to improve themselves”.²⁹⁰ The premise of Blair’s ‘new social contract’ between the state and the individual was one of ‘something for something’. As David Blunkett, the Secretary of State for Education and Employment argued, “if you expect someone else to pay the bill for you, there is some obligation, moral, as well as political, to actually respond in kind”.²⁹¹ For the Work and Pensions Secretary, John Hutton, the demands of the welfare state had to be raised to make it fair not only to claimants but “fair to taxpayers” as well.²⁹²

Despite the punitive nature of New Labour’s welfare strategy, the government did retain a strong commitment to welfare provision and support for the most vulnerable in society. Indeed, despite an early cap placed upon spending across Whitehall, the Treasury announced a series of measures including £195 million to support disabled people, £190 million for lone parents, and the first ever national child care strategy within the first year of New Labour coming into office.²⁹³ This initial outlay in government spending was followed up with the introduction of a number of skills and training programmes such as the New Deal, the minimum wage and a series of tax credit schemes. These initiatives however were presented not as a set of automatic rights or entitlements but on the condition that the individual concerned took on increased responsibilities and met their duties as citizens, as parents and as employees. In return for the money that the Treasury was prepared to spend on increasing benefits for instance, the Economic Secretary Alistair Darling argued that it was “reasonable that people of working age – lone parents, the unemployed and people claiming incapacity benefits – should be required to attend an

²⁹⁰ *Ibid.*

²⁹¹ Blunkett (2000)

²⁹² Hutton (2006)

²⁹³ Darling (1998b)

interview to discuss their options for work”.²⁹⁴ In 2002 these measures were extended by the Chancellor through the introduction of the *StepUp* scheme, which obliged “the long-term unemployed to accept a guaranteed job which [offered], instead of the dole, secure waged employment”.²⁹⁵ This new programme, Brown announced, would be matched by “mandatory work preparation courses for the long-term unemployed”. Those who were recurrently in and out of work would now come within the same ‘rights and responsibilities’ of the New Deal. In return for new obligations, the government offered new opportunities to ensure that work paid significantly more than benefits.²⁹⁶

Within this context, claimants would be compelled into accepting responsibility for their own participation in the global economy. Denham announced that “when people sign on for benefits, they should sign up for skills”, promising to “make it easier for those on benefits to gain new skills” and provide both “the tailored support that people need in order to get into work” and the “new opportunities for people to train”. However, “with those rights come responsibilities” Denham warned, “responsibilities to upskill and to work”.²⁹⁷ For the Minister for Science and Innovation, Malcolm Wicks, the opportunities of globalisation would only come to “those willing to reach out to embrace them”.²⁹⁸ Brown believed that although “the prize for Britain is great”;²⁹⁹ there was still nevertheless “a duty on the inactive to take up those opportunities”.³⁰⁰ Again, placing this policy within the strategic context of globalisation, the Prime Minister differentiated between the ‘old’ economy, and the ‘new, global economy’. “In the old days” Brown

²⁹⁴ Darling (1998b)

²⁹⁵ Brown (2002b)

²⁹⁶ *Ibid.*

²⁹⁷ Denham (2007)

²⁹⁸ Wicks (2007b)

²⁹⁹ Brown (2008)

³⁰⁰ Brown (2007b)

argued, “the obligation was on the unemployed to find a job”. “In the new world” however, “the obligation on the unemployed should be not just to seek work but to train for work”.³⁰¹ With this discourse, Brown increased the pressure upon the individual to participate within the global economy and seize its opportunities. For Brown, in the light of this new global economy, opportunities, like rights, were no longer universal but dependent upon whether “we choose to seize them”, or whether we are willing to fulfil our responsibilities.³⁰² Crucially then, these responsibilities would square with New Labour’s commitment to inclusion through increased opportunity.

New Labour’s approach to welfare was far more ‘active’ than any of its predecessors, and demonstrated a clear commitment to address social exclusion through employment and increased social and economic opportunity. However, it also signalled what even one government insider called “the strongest ever attack on the workshy”.³⁰³ John Grieve Smith argues that this authoritarian attitude to welfare for the unemployed reflected the assumption amongst policymakers that unemployment was due to people simply being unwilling to take jobs that are available. Indeed, David Blunkett claimed that “jobs are there for the taking”.³⁰⁴ Grieve Smith disputed this, maintaining that “unemployment is primarily determined by the strength in demand for labour... People in areas of high unemployment are not more reluctant to work than people elsewhere: they are victims of job shortage”.³⁰⁵ This point was underlined to devastating effect in the aftermath of the financial crisis and subsequent recession experienced by the British economy. As Bryson and Fisher note, “after 2008 rising unemployment undermined any credibility that supply-

³⁰¹ *Ibid.*

³⁰² Brown (2008)

³⁰³ Lister (2000: 12)

³⁰⁴ Blunkett (2001) in *The Observer* (2001: 31)

³⁰⁵ Grieve Smith (2001: 55)

side arguments might have had".³⁰⁶ Furthermore, having ascribed the value of an individual on the basis of their inclusion in (or indeed, their exclusion from) the labour market, those who were now out of work were left without this legitimacy. It is this social and economic deficiency, rather than any improvement in that is arguably the lasting legacy of the New Deal.

For critics of the New Labour project, much can be read into the Chancellor's use of the supply-side as a welfare strategy to drive up skills and competitiveness. Mark Bevir argues that it represents a clear shift from Labour's traditional emphasis upon 'equality' to 'efficiency'. New Labour believed that "redistributive measures should occur only when they do not damage industrial competitiveness".³⁰⁷ Colin Hay agrees. Under New Labour, welfare expenditure was no longer justified principally in terms of its contribution to social justice but rather in terms of its contribution to *competitiveness*.³⁰⁸ This is a crucial point for it suggests that while New Labour did not jettison social justice from its political economy – both at home and abroad, it evidently remained committed to the spirit of this at least – it clearly believed that social justice *could only be achieved* within the context of an efficient and competitive market economy. There was a clearly punitive element to the Chancellor's supply-side strategy. As Hay goes on to argue, work needed to be 'made to pay' through reform, and indeed a tightening of benefit eligibility criteria, in order to incentivise labour-market participation.³⁰⁹

³⁰⁶ Bryson and Fisher (2011: 202)

³⁰⁷ Bevir (2000: 290)

³⁰⁸ Hay (2004: 47, emphasis added)

³⁰⁹ *Ibid.*

The reconfiguration of the welfare state under New Labour, like the other areas of policy explored in this chapter, emerged as a result of the challenges that globalisation was understood to impose upon national governments. This prompted a re-conceptualisation of Labour's traditional commitment to equality and social justice. A greater emphasis was placed upon social and economic 'inclusion' as opposed to 'equality', and increasing 'opportunity' was deemed to be far more effective in achieving this aim than redistributive means, such as 'tax and spend'. This approach however required far greater responsibility to be exercised on the part of the individual. This resonates with two themes already covered in this chapter. Firstly, New Labour's approach to welfare was clearly based upon the third discourse of globalisation discussed in the opening part of the chapter; a discourse that viewed globalisation as a constraint upon policy, but one that if appropriately managed, could present an opportunity, in this instance for greater economic and social integration. This however would entail a shift in responsibility away from the state and onto the individual. The second theme develops the discourse of 'global competitiveness' that was evident in the previous section. However, where this was talked about in terms of Britain's competitive advantage, it was inflected here for consumption at an individual level. To realise the government's commitment to global competitiveness, New Labour articulated a coercive discourse of 'no rights without responsibilities'. Participation in the job market would be mandatory. Those who can work should work, and those out of work should acquire skills and undertake training in order to equip themselves to meet the demands of the increasingly global labour market.

Chapter 7 explores the implications of such a strategy when exported abroad through New Labour's aid policies. Since globalisation was understood to present significant

opportunities for wealth creation, there would be a clear imperative for developing countries to participate fully within the global economy in order to confer its benefits. The case study examining the IFF analyses how New Labour, in its commitment to tackling poverty would address this issue of 'inclusion', what 'responsibilities' it would demand of aid recipients, and how these would be orientated. Just as this section has demonstrated how responsibilities at home were geared towards 'the logic of no alternative' imposed by the market, chapter 7 will assess whether a similar logic was pursued abroad.

Conclusions

This chapter opened with an assessment of globalisation as a *discourse* in the political economy of New Labour. This discourse had the effect of providing the strategic context upon which policy decisions were taken and strategies were formed. Its perception amongst officials of an inevitable process had real effects in that it directly shaped policy. The terms upon which this discourse shaped policy however were far from even. Globalisation was instead discursively constructed in three different ways at home, all framed to different degrees by the language of 'constraint'. Although pronouncements of globalisation made within the context of international development were made using the language of 'opportunity', this remained tempered by the language of 'constraint'. 'Constraint' and 'opportunity' were two sides of the same coin; 'opportunity' could only be realised through careful management of the 'constraint' that globalisation was assumed to impose upon national governments. In order to realise the opportunities of globalisation, New Labour officials internalised its constraints by pursuing a set of policies that accommodated the logic and assumed exigencies of the global economy.

This logic was evident in each of the subsequent three areas of New Labour's political economy that this chapter has explored. Placing considerable emphasis upon stability, openness and transparency, the macroeconomic architecture put in place by Treasury officials at home was designed to maintain credibility amongst investors and IFIs. As I will go on to demonstrate in chapter 5, the pillars of this framework would form the basis of the 'new global economic architecture' that Gordon Brown in particular was keen to promote abroad, and in doing so, underpin efforts towards increased levels of debt relief and more sustainable forms of financing for development.

The second area of New Labour's political economy that this chapter explored examined the Party's rebranding as the 'government of business'. Again derived from New Labour's understanding of globalisation, officials argued that if Britain was to compete successfully in the global economy, it needed a strong 'knowledge economy'. At the heart of this 'knowledge economy' was the pharmaceutical industry, and this gave these firms a unique place within government in terms of setting domestic policy. The nature and orientation of this relationship is assessed in chapter 6 as I explore New Labour's engagement with the industry over the issue of antiretroviral provision in the developing world.

The third and final area of New Labour's domestic political economy concerned its welfare policies. Under New Labour, Britain's welfare state, along with the Labour Party's own, traditional conceptions of social justice underwent a significant change, again largely as a result of the constraints that globalisation was understood to impose upon governments and electorates alike. These changes brought about a change in discourse and policy, with imperatives of 'opportunity' and 'inclusion' replacing Labourite values of 'redistribution'

and 'equality'. Recipients of welfare were expected to take far greater responsibility of their lives in order to increase their employability in an increasingly global market. As I show in chapter 7, where New Labour officials spoke of the opportunities of globalisation to developing countries, these new values of 'inclusion' and 'responsibility' would be transmitted abroad in Britain's aid programme.

This chapter has revealed those aspects of New Labour's domestic political economy that formed the basis of three of the government's major international development policies. By way of contextualising these policies, and indeed the transmission that occurred between the domestic and international spheres of policy, my attention now turns to Labour's historical engagement with these issues.

From ‘Old’ to New Labour: Historicising the Processes of Change and Continuity in Labour’s International Development Policies

The previous chapter addressed concerns relating to New Labour’s political economy, and started to explore those themes and ideas that were designed by Party officials for domestic consumption, but which would, over time, find their way into its international development programme. This chapter keeps such a claim firmly in mind, but takes as its specific point of departure the historical context of New Labour’s international development policies. Historically, the British Labour Party had retained a longstanding commitment to matters of overseas development, and previous Labour governments had placed considerable emphasis upon addressing global poverty. In many respects then, when it created a new Department for International Development (DFID), separate from the Foreign and Commonwealth Office (FCO), New Labour was merely taking up a precedent set by Labour leaders such as Harold Wilson and James Callaghan who had, in the past, institutionalised and then re-institutionalised the Ministry of Overseas Development (ODM).

Placing New Labour’s international development policies within this historical setting, I begin by comparing the approaches that ‘old’ and New Labour brought to bear in this area of policy. I use the term ‘old’ Labour to refer to the broad character of the Party up to its modernisation under Tony Blair, under whom the ‘New Labour’ project was completed in the mid-1990s. This transformation did not occur overnight, and as I note later in this

chapter, there was a significant change in Party thinking under Neil Kinnock's leadership, still under the auspices of 'old' Labour, that paved the way for what would become 'New Labour'. In this chapter, I argue that while there was a similar normative, moral commitment to address matters of global poverty running through its different policy narratives at different moments of time, there were distinct differences both in the specific issues faced by 'old' and New Labour officials, and the ways in which the two incarnations of the Party responded to the challenges of international development. Taking into account the wider geopolitical and economic context, I explore the temporality and transformation of these policies, alongside their significance in shaping the institutional and strategic context, explored in the following chapter, for New Labour in office.

Structure of the Chapter

I begin this chapter with a series of remarks concerning the internationalisation of the Labour Party, and the attempted extension of its socialist values abroad. These comments are particularly striking since they show that the transposition of themes and policies abroad that I claim was evident in New Labour's political economy is not in any way new. Having contextualised my analysis, I move to the substantive analysis of the chapter, and again, in keeping with the overall themes of the thesis, explore the evolution of Labour's international development policies over time. The remainder of the chapter is divided up into six sections, each one exploring the character of Labour's commitment to matters of global poverty in a specific period of the Party's post-war history.

I begin, appropriately with Harold Wilson and his self-declared 'War on Want'. His work in addressing global poverty would be pioneering for the Labour Party, and pave the way for his successors to grant matters of international development a prominent place within Labour Party politics. Defeat at the 1970 General Election put the narrative on hiatus, only for it to resume again with Labour's return to power and Wilson's second spell as Prime Minister in 1974. An explicitly 'poverty-focused' development strategy would follow together with a considerable political commitment. However, further defeat for Labour, now under the leadership of Jim Callaghan, at the 1979 General Election would usher in a new period in Labour's ongoing commitment to international development. A sharp swing to the Left under Michael Foot saw Labour adopt an altogether more socialist set of development policies. This entailed a clear rejection of market-led development and increased solidarity with Left-wing governments across the world. A heavy defeat at the 1983 General Election marked the start of a period of modernisation overseen by Neil Kinnock, and crucially Labour's gradual acceptance of the market. Interestingly though, this would not materialise in the Party's international development policies until New Labour would be elected. In the meantime, Labour remained deeply suspicious of the role of market actors in the development process. Amongst officials, it was felt that multinational firms hindered the development process, and Labour urged greater regulation and tighter controls over their operations in developing countries. Of course, as my analysis in the previous chapter made clear, such a view was quite the opposite of that held by New Labour.

The chapter reaches its conclusion by exploring the leadership of Blair's predecessor, the late John Smith. His Christian socialism, arguably most evident in matters concerning

global poverty, would evoke aspects from Labour's past but also point to the 'moral challenge' of development that New Labour itself would claim to face in office. Indeed, Smith's brief leadership can be seen to have acted as a bridge between 'old' and New Labour. As the chapter unfolds, I will be looking to identify those values that Labour incorporated in its international development policies with a view to comparing and contrasting these with the policies taken up by New Labour in government. My analysis throughout this chapter will provide a sense of the scale of continuity and change that existed between 'old' and New Labour, and allow me to make an assessment of the character of New Labour in relation to its predecessors.

The Internationalisation of the Labour Party

Little of the extensive literature concerning the history of the Labour Party is given over to debates concerning its internationalism, let alone its commitment to overseas development. In many respects, this is not surprising. When the Party first emerged as the Labour Representation Committee in February 1900, it was neither particularly concerned with foreign policy, or the wider world. Rather, it was, as John Callaghan notes, formed as a means of promoting independent working-class representation in Parliament.¹ Despite this ambivalence to international affairs however, the broader Labour movement actually did not want to ignore the wider world. As Andrew Thorpe has remarked, many rank-and-file members believed that:

Labour's values and ideals were not ones that stopped at the English Channel; they were, instead, ones that were, and indeed had to be transferable to the whole world. Politics were not about Britain alone, but the whole of humanity.²

¹ Callaghan (2007: 1)

² Thorpe (2008a: 2)

This claim was given greater credence by ever-changing international context that Britain faced throughout the twentieth century. This made Labour's initial policy of isolationism simply unsustainable, and in many respects forced the hand of the Party's leadership, causing it to review Labour's position with the rest of the world. Subsequently, the outlook of the Party's leadership gradually started to reflect the internationalism of its own members. In the post-war era, Labour was led by a succession of committed internationalists, each of whom took an active interest in the issues facing the developing world, and who, as a result, granted matters of global poverty a prominent position within their own foreign policies. Clearly, these particular issues were mediated to a certain degree by the external circumstances that Labour, and indeed, Britain as a country, found itself facing. However, in surveying the manner in which Labour Party policy unfolded over time, two rather striking features emerged.

The first of these features draws a clear distinction between the 'old' and 'New' variants of the Labour Party, or more specifically, the espousal of an explicitly 'socialist' set of international development policies by 'old' Labour, and the rejection of these by New Labour. Although constrained by domestic pressures, initially through balance of payments difficulties during the 1960s, and then economic crisis in the 1970s, matters of international development were to prove of considerable significance to 'old' Labour. This position was consolidated by the Party in its support for the struggles of socialist, democratic governments and working-class movements in developing countries during its last few years in office and the early part of the 1980s. However, as Labour embarked upon an internal programme of modernisation and renewal in the late 1980s and early

1990s, these 'old' socialist values became gradually less visible and replaced with an altogether more 'market'-oriented set of policies.

If this first feature is indicative of the broader split between 'old' and New Labour, then the second feature of these international development policies reflects a connection that links both New Labour and its predecessors. Under both 'old' and New Labour, policy officials sought to address matters of international development through a clear transmission, or 'internationalisation' of domestic values and ideas. Reasserting the core claim of the thesis, this continuity is striking since it reveals the basis upon which Labour formed its international development policies, the subsequent character of these policies, and the trajectory of the Party's broader political economy. Both these features however would suggest that there was both change *and* continuity in the making of Labour Party policy in the area of international development.

Historical accounts of Britain's aid policy traditionally take as their point of departure the Colonial Development and Welfare Act passed by Ramsay MacDonald's newly-elected Labour government in 1929. This Parliamentary Act formalised the provision of financial aid to projects in Britain's colonies and linked such finance to the promotion of commerce with or industry in the UK.³ However, far stronger parallels can be drawn between New Labour's contemporary international development policies and the efforts of a small band of post-war Labour politicians and socialists, who identified the issue of global poverty as one which they believed Britain needed to address as a matter of urgency. The commitment of the latter, including future Party Leader and Prime Minister, Harold Wilson, provide the starting point of a distinct lineage that can be traced from the post-

³ Tomlinson (2003: 416)

war British Labour movement right up to the arrival into office of New Labour in 1997 and the respective premierships of Tony Blair and Gordon Brown. Although the character and the content of these policies would change over time, this genealogy reveals a clear priority afforded to matters of international development. Although space does not permit an exhaustive account of all aspects of Labour's international development policies, this chapter does nevertheless assess those issues addressed in the later chapters of the thesis, and in particular the orientation, and the evolution of these policies over time. Analysis of the character, the temporality and the manner in which these policies unfolded allows a comparison to be drawn of New Labour's own specific commitments to matters relating to international development in the contemporary era.

Labour's 'British Socialism' and the 'War on Want'

Perhaps the most significant forebear to Labour's international development policies came not from the within the Party itself but from the wider socialist movement, and in particular the work of the social activist, Victor Gollancz. In a letter to the *Manchester Guardian* in February 1951, Gollancz stressed the need to take "action of some kind to meet the challenge presented to the world by millions of our fellow men and women living in destitution".⁴ At the same time, Gollancz established the Association of World Peace and asked Harold Wilson, who at that time was still a junior Labour MP, to act as the Chair of a committee set up to address this issue of world poverty. The findings of the committee would lead to the coining of the phrase 'War on Want', out of which the NGO of the same name would come into being, and the publication a year later, of the report, *War on Want: a Plan for World Development*. Wealthy countries in particular, the report

⁴ *Association for World Peace* (1952: 5)

argued, should not seek war with each other, but rather wage a new war on poverty and want in the developing world.

The rationale of this plan was “that we are rich and they are poor, and it is our duty to help them...the attack on world poverty requires the people in wealthier countries to understand their obligations to the world community and to be aware of the problems of less fortunate people”.⁵ Furthermore, this fight against world poverty was not to be thought of simply in terms of self-interest. Rather, as two other Labour MPs, Richard Acland and Leslie Hale, who in a pamphlet written to precede the *War on Want* report, argued that “the basic reason for attacking world poverty is that it is the right thing to do in the name of God and man”.⁶ This gave Labour’s own ‘war on want’ both a profoundly ecclesiastical *and* humanistic purpose. These two strands of thought, influenced by the traditions of Christian socialism and the humanism of Karl Marx, provided the Labour Party with a distinctly moral purpose to its commitment to end world poverty. No more clearly was this eclecticism demonstrated than in Harold Wilson’s claim that the “British socialism” espoused by his Party was rooted in “...that uniquely British institution; the voluntary association – the trade union, the friendly society, the co-operative society and, not least, the church and the chapel”.⁷ Wilson argued that this voluntary association, and its different blocs, would support Labour’s socialist creed.

This creed was defined by Wilson’s predecessor, Hugh Gaitskell who argued that the ideal of Labour’s social democracy was to be “the brotherhood of man” and its purpose “to

⁵ *Ibid.*, p. 9

⁶ Acland and Hale (1951: 6)

⁷ Wilson (1964: 1)

make this ideal a reality everywhere”.⁸ To achieve these aims, Gaitskell laid before the Party proposals to drop Clause IV from Labour’s constitution. As Arblaster notes however, it proved to be a step too far for Party members, and following much debate, Gaitskell’s proposals were abandoned.⁹ Almost as a compromise however, Labour’s continued commitment to Clause IV was supplemented by a set of twelve principles or statement of aims (**Fig. 3.1**, overleaf) that Gaitskell claimed (re)presented Labour’s British socialism in a clear and more “inspiring fashion”.¹⁰

Citing these principles in his own writings,¹¹ Harold Wilson sought to “widen the context” of this British socialism “to that of the development of the poor under-privileged areas” in the world.¹² Labour’s commitment to assist poorer nations, abolish world poverty and reject economic exploitation dovetailed with Wilson’s involvement in the *War on Want* campaign, and the Labour leader would prove to be instrumental in exporting this vision of British democratic socialism abroad. Indeed, the imprint of the *War on Want* report was clearly stamped across this particular part of Labour’s 1964 General Election manifesto. Declaring a “New War – On Want”, Wilson’s Labour Party promised the electorate that his government would address the “ever-present fear” that poverty was “for more than half the world’s population”.¹³

⁸ Gaitskell (1960) in *Labour Party* (1960: 41)

⁹ Arblaster (2004: 18)

¹⁰ Gaitskell (1960) in *Labour Party* (1960: 41)

¹¹ Wilson (1964: 7–9)

¹² *Ibid.*, p. 84

¹³ *Labour Party* (1964: 20)

Fig. 3.1 Refashioning Clause IV: Labour's British Socialism under Gaitskell and Wilson

The Labour Party:

1. Rejects "discrimination on grounds of race, colour and creed". Equality essential to the dignity to Man [*sic.*].
2. Supports the right of all nations to self-determination and "the right of all peoples to enjoy freedom, independence and self-government".
3. Seeks the building of a world order based upon peace, rather than the struggle for power, amongst nations.
4. Rejects "the economic exploitation of one country by another" and believes that richer nations have a duty "to assist poorer nations and to do all in their power to abolish poverty throughout the world".
5. "Stands for social justice", and a society in which "the claims of those living in hardship come first, and the wealth produced by all is fairly shared among all". "Differences in rewards depend not upon birth or inheritance but on the effort, skill and contribution made to the common good". Equal opportunities for all to live a full and varied life.
6. Regards the pursuit of material wealth as being "empty and barren" and "rejects the selfish, acquisitive doctrines of capitalism". Instead it seeks to create "a socialist community based upon fellowship, co-operation and service".
7. Aims to establish "a classless society", through the elimination of all "class barriers" and "false social values".
8. Believes it to be necessary for Britain's economy to be planned and "all concentrations of power subordinated" in order to ensure and maintain "full employment, rising production, stable prices and steadily advancing living standards".
9. Stands for "democracy in industry" and in particular the right of workers to engage in full consultation with management over decisions affecting conditions of work.
10. Is convinced that these social and economic objectives can only be achieved through "an expansion of common ownership substantial enough to give the community power over the commanding heights of the economy".
11. Stands for the "the happiness and freedom of the individual against the glorification of the state". Workers, consumers and all citizens to be protected against any exercise of arbitrary power carried out by the state, or any other public or private authorities.
12. Believes, as a democratic party, there to be "no true socialism without political freedom". Power only to be obtained and held through free democratic institutions.

Under Wilson's leadership, Labour would attempt to address the "gross inequalities of circumstances between the rich and poor nations" and frame its response to poverty in the "socialist axiom 'from each according to his ability, to each according to his need'".¹⁴ For Labour, Marx' imagined banner was "not for home consumption only" but should be transposed into the fight against poverty abroad.¹⁵ The emphasis that Labour placed upon the redistribution of wealth was not simply a domestic priority, but one that should be transmitted into the international arena. In achieving this aim, Labour committed Britain to:

(i) Discuss with other countries proposals for expanding the trade of developing nations. (ii) Increase the share of our national income devoted to essential aid programmes, not only by loans and grants but by mobilising unused industrial capacity to meet overseas needs. (iii) Revive the concept of a World Food Board for the disposal of agricultural surpluses.¹⁶

Upon entering into office, a new Ministry of Overseas Development (referred to hereafter as the ODM), also promised in the General Election manifesto, was duly created by Wilson's Labour government. Headed up by a senior Labour politician, Barbara Castle, this appeared initially at least to give the Labour's ODM real muscle within Whitehall and a renewed impetus to Britain's aid programme.¹⁷ Furthermore, the White Paper published by the ODM the following year appeared to offer a real statement of intent as to Labour's commitment to meet the needs and promote the development of poor countries.

Despite Labour's ambitions however, there were clear differences between the scope of the White Paper, and the altogether more radical set of proposals put forward by the *War*

¹⁴ Marx (1878/2009: 11) cited in *Labour Party* (1964: 20)

¹⁵ *Labour Party* (1964: 20)

¹⁶ *Ibid.*

¹⁷ Tomlinson (2003: 424)

on Want report and Labour's own election manifesto. These differences perhaps reflected the harsh realities of government that Labour now found itself facing; realities brought into sharp focus by the balance of payments difficulties experienced by Britain at the time. This particular constraint was duly noted in the White Paper. Held back by "the strength of our [Britain's] economy and of our balance of payments", the remit of the ODM was narrowed thereby restricting the purpose and the policy solutions that it was able to offer.¹⁸ Seers and Streeten have remarked how disappointing Labour's aid programme proved, even to policy officials working within the ODM, particularly given the promises the Party had made prior to the 1964 General Election concerning issues of overseas development.¹⁹

Perhaps the most significant absence from the White Paper was the 'inequality' that Labour had in its election manifesto given as the principle reason for development and this 'War on Want'. Now in office, the ODM argued that development meant not necessarily correcting this inequality, but rather "fulfilling aspirations towards steady and continued social and economic progress...the transformation of traditional societies into modern ones".²⁰ This claim owed more to the teleology of modernisation and Wilson's 1963 speech to the Labour Party conference than it did to the altogether more traditional socialist ideas concerning 'equality' and 'redistribution' that were expressed in Labour's General Election manifesto a year later. Wilson's own discourse of modernity called for an abandoning 'on both sides' of the "restrictive practices" and "outdated methods" that stood in the way of Britain embracing "the white heat of [a scientific] revolution".²¹

¹⁸ *Ministry of Overseas Development* (1965: 5)

¹⁹ Seers and Streeten (1975: 150)

²⁰ *Ministry of Overseas Development* (1965: 6)

²¹ Wilson (1963: 139–140)

Thematically, this discourse of modernisation was far more evident in the ODM's White Paper than it had been in Labour's election manifesto. The White Paper for instance contained no reference to the revival of the redistributive mechanism of the World Food Board promised in the manifesto. Furthermore, although the declining value of trade imports into less developed countries was identified as an area of concern by the ODM,²² the White Paper failed to offer neither any explanation for this trend nor any concrete proposals with which to address this clear inequality in the global trading system. Rather than addressing these structural problems in the world economy, the White Paper identified an altogether new set of issues, which the ODM argued, prevented poor countries from developing, and entering down the path of modernisation.

According to the White Paper, the developing world was experiencing an exodus of skilled human capital to the global North and severe population pressures,²³ declining financial flows *into* these developing countries (through falling bilateral aid) and increasing financial flows *out* of these countries (through increasing debt repayments).²⁴ Although these issues had multiple causes and effects, the ODM restricted its policy response to strengthening Britain's aid programme through a combination of 'technical assistance',²⁵ and increases in the provision of grants, interest-free and 'soft' loans to developing countries, predominately in the Commonwealth.²⁶ However, the precarious economic position that Britain itself faced through its own balance of payments difficulties placed considerable strain upon the already limited and weak set of policy instruments that the ODM had at its disposal. As the clamour for public spending cuts grew across Whitehall,

²² *Ministry of Overseas Development* (1965: 12–13)

²³ *Ibid.*, pp. 13–14

²⁴ *Ibid.*, pp. 17–23

²⁵ *Ibid.*, p. 33

²⁶ *Ibid.*, pp. 35–36

the proportion of GDP that Wilson’s government spent on overseas aid fell between 1964 and 1970.²⁷ Despite its ambitions to promote development and address the issues of global poverty, a rather toothless White Paper and an increasingly suppressed remit within Whitehall meant that by the time Labour left office in 1970, the ODM had become a department that was largely administrative in nature.

Fig. 3.2 *Labour’s ‘British Socialism’ and its Overseas Development Policies, c.1950–1974*

Themes	Policy Commitments	Outside Antecedents	Challenges
“War on Want” British form of socialism to be exported overseas Moral imperative to address the global inequality that exists Ecclesiastical concern for the poor Marxian concept of wealth redistribution	Cabinet post dedicated to matters of overseas development (ODM) Increase aid to end poverty The modernisation of LDCs	<i>War on Want</i> report Socialist movements and humanitarian activists, Association of World Peace	Difficulties with Britain’s balance of payments Spending cuts across Whitehall

As the table in **Fig. 3.2** demonstrates, despite a strong rhetorical commitment to an explicitly ‘socialist’ set of development policies both at home and abroad, the policy measures that were introduced lacked the radicalism that Wilson had promised. Rather than carrying the fight in the ‘War on Want’, the ODM was left on the back-foot, and concerned principally with the unenviable task of maintaining Britain’s aid programme in the face of increasingly difficult economic circumstances.

²⁷ Thorpe (2008b: 176) and Tomlinson (2003: 424)

Labour's Return to Power and its Renewed Commitment to Overseas Development

Having lost the 1970 General Election to Edward Heath's Conservative Party, Labour attempted to return to power four years later faced with an even more austere economic climate. Heath's government had failed to arrest the chronic stagflation that had gripped the British economy. As the electorate headed to the polls in February 1974 (and again the following October) industrial disputes, rising unemployment and spiralling inflation had placed domestic issues firmly at the forefront of voters' minds. Despite Britain's own experience during the 1970s of what Steven Fielding has described as a "decade of discontent",²⁸ Labour's commitment to international development was arguably as strong during this particular period than at any other time during its history.

Still under the leadership of Harold Wilson, Labour reaffirmed its dedication to addressing global poverty through a series of explicitly "socialist aims".²⁹ In its 1974 election manifesto, Labour promised "radical changes in aid, trade and development policies".³⁰ Now however, it also had an internationally-agreed benchmark against which to measure its efforts. In 1970, the rich member states of the United Nations agreed to work towards committing 0.7 percent of their gross national income (GNI) to overseas aid. Since Labour had previously called for a 1 percent target, it was perhaps of no surprise that in its manifesto, the Party promised "to implement the United Nations Development Target of 0.7 percent".³¹ Furthermore, as it had promised ten years earlier in its 1964 manifesto, Labour pledged Britain "to a policy of equality at home and abroad".³² This was significant

²⁸ Fielding (1997: 92ff.)

²⁹ *Labour Party* (1974: 14)

³⁰ *Ibid.*

³¹ *Ibid.*

³² *Ibid.*

since it demonstrated again that there was to be a clear transmission of Labour values from the national to the international level. This transmission was evident both publically in the Party's manifesto, and internally, in a discussion paper prepared for the National Conference of Labour Women. Labour's election manifesto spoke of the Party's joint "intention to...eliminate poverty wherever it exists in Britain, *and* [commitment] to a substantial increase in our contribution to fight poverty abroad".³³ The internal discussion paper concerned itself "not only with inequality in Britain" but "the elimination of world poverty" too. Any Labour government, the paper went on to argue "must act on inequality at home as well as promoting equality between nations in the rest of the world".³⁴

Under the respective premierships of Wilson and his successor, James Callaghan, the Labour government offered what it claimed to be a "changing emphasis in British aid policies".³⁵ Although the newly-resurrected ODM promised that "many of the traditional activities of our aid programme [would be left] largely unchanged",³⁶ the economic constraints faced by Labour during the latter half of the 1970s meant that aid had to be stretched further. Despite the sterling crisis of 1976 and subsequent IMF bailout, Labour appeared unwilling to compromise its commitment to international development. Instead, the ODM argued that Britain's increasingly scarce aid resources should be "poverty orientated", and used in ways which benefited "the poorest sections of the poorest countries".³⁷ This particular narrative would remain constant in Labour's policy pronouncements, appearing frequently as a statement of intent both, both in and out of

³³ *Ibid.*, p. 15, emphasis added

³⁴ *Labour Party* (1975: 3)

³⁵ *Ministry for Overseas Development* (1975)

³⁶ *Ibid.*, p. 2

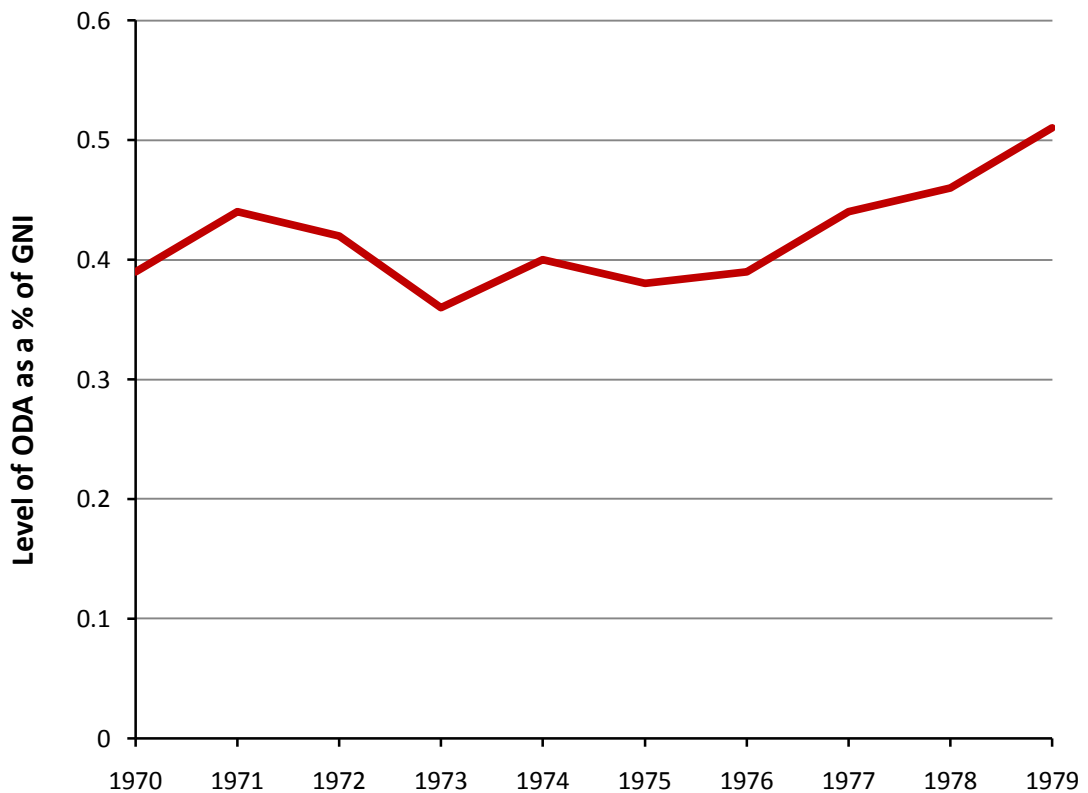
³⁷ *Ibid.*, pp. 2, 13–15

government, and under the guise of both 'old' and New Labour.³⁸ At this particular point in time, this commitment to 'the poorest people in the poorest countries' would focus specifically on areas such as rural development, education, housing and urban development, population, health, and trade. For government officials, the issue at stake was not "the overall *size* of the total aid programme" but "*how* we deploy the funds which are available".³⁹ The ODM clearly hoped that this shift in focus would square the financial constraints facing its own aid budget at home with Labour's stated aim to address global poverty abroad. It is possible too that in the light of the problems which the ODM ran into the last time Labour was in government, officials were now deliberately seeking to downplay expectations of Britain's aid programme. However, as **Fig. 3.3** shows, Labour's 1974 election victory marked the beginning of a series of significant increases in overseas aid, a trend that Wilson's successor, James Callaghan continued during his time as Prime Minister, right up until 1979 where it peaked at 0.51 percent/GDP.

³⁸ *cf. Labour Party* (1981a: 4, 1981b: 69, 1982: 253); *HM Treasury* (1998b)

³⁹ *Ministry for Overseas Development* (1975: 2, emphasis added)

Fig. 3.3 *Britain's Overseas Development Aid as a % of GNI, 1970–1979*



Source: *OECD and DFID*⁴⁰

The 1970s saw a marked shift in the issues confronting developing countries, and this was reflected in the content of Labour's 1975 White Paper. Indeed, it took as its point of departure, the impact of the first oil shock and worldwide food shortages upon the developing world. At the start of the decade, many of these economies had enjoyed an improvement in the terms of trade, rapid growth and an increase in their foreign exchange reserves. However, the rise in the prices of oil and food transformed world economic relationships. Combined with the fall in prices of the commodity exports of many developing countries and dramatic rises in the prices of the industrial products they

⁴⁰ *OECD* (2011); *DFID* (2010: 25)

imported, the increase in the prices of imported oil and food quickly eroded the favourable position they had previously enjoyed. The net effect was that virtually all developing countries who did not export oil now faced a severe deterioration in their terms of trade.⁴¹

The sharp increase in the price of oil in 1973 flooded the international credit market with cash from the oil-producing economies. Awash with this OPEC money, commercial lenders in Europe and the US were now able to provide loans to developing economies at very low (in some instances, negative) rates of interest.⁴² This in turn enabled many developing countries to embark upon a policy of what Jeffrey Frieden has termed “indebted industrialisation”.⁴³ These favourable lending conditions enabled states to borrow from the Eurodollar markets as a means of capitalising the continued industrialisation of their economies, and repaying these loans using the profits generated by these new industries. Therefore, in spite of rising oil prices, it was widely assumed that this type of borrowing could return the developing countries to the high levels of growth they had experienced prior to the 1973 oil crisis.

In the three year period between 1973 and 1976 however, the debts of non-oil exporting developing countries more than doubled from \$78.5 billion to \$180 billion, with around 60 percent of this capital borrowed from private banks through syndicated loans.⁴⁴ British government officials writing the ODM’s White Paper appeared to be unaware of the impact that this accumulated debt was having, and indeed would have upon the future

⁴¹ *Ministry for Overseas Development* (1975: 5)

⁴² Gill (2003: 165)

⁴³ Frieden (1981)

⁴⁴ *United Nations* (2005: 142)

development of these indebted countries, since they gave the matter little consideration. However, developing world debt would be an issue that Labour would have to face soon enough, not just later in Callaghan's administration but frequently over the course of the next 35 years as the issue came to be at the forefront of Labour's own international development policy agenda.

One area that was given careful consideration in the White Paper was Britain's relationship with other international organisations, particularly in the light of the new 'poverty orientation' of Labour's aid programme, and its principle of targeting aid towards the poorest people in the poorest countries. The ODM argued that it would support the World Bank's 'Third Window' lending facility "on condition that most of the resources will go to the poorest countries".⁴⁵ Similarly, the proposals for a Special Trust Fund under examination by the IMF would be supported, and contributed to by the Labour government "provided its lending is...concentrated on those countries with per capita incomes of less than \$200".⁴⁶ In their representations to the IMF/IBRD Joint Committee on the Transfer of Real Resources to Developing Countries, ODM officials hoped to persuade the Committee that "poverty and population" should be "the main basis for [the] distribution of scarce concessional money".⁴⁷ Labour's theme of 'poverty orientation' was therefore writ large all over the White Paper, and defined the expectations that the government had of these core constituencies in its development policies. Labour's support for these institutions, as well as the UN and the other specialised development agencies,⁴⁸

⁴⁵ *Ministry for Overseas Development* (1975: 35)

⁴⁶ *Ibid.*, p. 36

⁴⁷ *Ibid.*, pp. 36–37

⁴⁸ These specialised agencies included the UN Emergency Operation, the UNDP, UNICEF, the Food and Agricultural Organisation, World Food Council, UNESCO, the WHO and the ILO.

was conditional upon “the concentration of their programmes on the needs of the poorest countries and poorest people in those countries”.⁴⁹

This increased multilateralism was further reflected in a tract published for the Fabian Society by the then Foreign Secretary, James Callaghan in December 1975. Drawing his remarks from his speech to the Labour Party conference that previous autumn, Callaghan opened his pamphlet by stressing how problems at home should not detract from Britain embracing “the age of the multilateralist”.⁵⁰ Indeed, according to the Foreign Secretary, many of the problems that Britain itself faced at the present time could be traced to a series of “global problems”. These problems required “global solutions”, responses that were beyond the scope of individual nation-states.⁵¹ This new, altogether more cosmopolitan emphasis upon multilateralism was, in part at least, borne out of a response to the new kind of interdependency that now existed between states. In a clear antecedent to the discourse of ‘globalisation’ that, as I noted in the previous chapter, would be adopted by New Labour ministers twenty years later, Callaghan identified two types of interdependency. The first of these concerned “the intricate network of trading and monetary and miscellaneous links that joins the nations of the world”,⁵² while the second referred to “the way in which the issues of trade and economic relations are intertwined with those of defence and security and ideology and political relations”.⁵³ For Callaghan, the way in which conflict in the Middle East had caused queues at British petrol pumps in the early 1970s was symbolic of this new type of interdependency.

⁴⁹ *Ministry for Overseas Development* (1975: 54)

⁵⁰ Callaghan (1975: 1)

⁵¹ *Ibid.*

⁵² *Ibid.*, p. 3

⁵³ *Ibid.*, p. 3

The interdependency that Callaghan identified had two, broadly similar implications for governments. Again, pre-dating the claims made by New Labour officials that, in an era of globalisation, the lines between ‘the domestic’ and ‘the international’ had become increasingly blurred, Callaghan argued that foreign policy could no longer be treated as a separate branch of government. Rather, interdependency now required a foreign policy that was integral to “the government’s entire strategy; economic, cultural and social”.⁵⁴ There should therefore be a strong transmission of policy between the two spheres of government. Writing in the midst of difficult economic circumstances at home, Callaghan argued that “an active foreign policy should run parallel to domestic recovery, and can aid that recovery”.⁵⁵ Indeed, so intertwined were these two spheres, that according to Callaghan “a successful foreign policy can have favourable reactions on the domestic scene, while conversely a confident, progressive and well-run society at home will certainly increase our stature overseas”.⁵⁶ This new form of interdependency had changed the strategic context upon which foreign policy in all its forms – including international development – should be conducted. This in turn necessitated a new, altogether more multilateral approach to government.

Although the Christian socialism and Marxian humanism that was evident in earlier Labour policy pronouncements concerning global poverty did not feature as heavily in Callaghan’s cosmopolitanism, this did not prevent Labour’s international development policies from being directed by a ‘moral compass’ and framed in distinctly ‘socialist’ terms. As the Foreign Secretary argued:

⁵⁴ *Ibid.*, p. 2

⁵⁵ *Ibid.*, p. 1

⁵⁶ *Ibid.*, p. 16

The accident of birthplace should not determine standards of education or of housing or whether a family can even get enough food to eat...There is a moral imperative for democratic socialists to refuse to accept that the world can be tranquil if it is divided into islands of prosperity amid a sea of misery.⁵⁷

If Britain was to secure world peace, it was necessary for there to be equality amongst the peoples of the world. It therefore followed that Labour's development policies continued to be orientated towards meeting the needs of the poorest, and establishing a fairer, and more just world. One way in which Labour attempted to do this was by supporting those international institutions "dedicated to the promotion of human rights [and] the rule of law".⁵⁸ The rights of the human would underpin Labour's international development policies and commitment to socialism. As Labour's own National Executive Committee (NEC) made clear:

As socialists, our strongest motivating force must not be the commercial or political advantages which may or may not flow from a particular aid programme; our main motivation must be that our commitment to human rights on a world scale demands action from us.⁵⁹

Labour orientated its development policies – and in particular, its aid programme – to those political systems that were "based on multi-party political democracy" and which could "[guarantee] freedom of the press, the trade unions and basic political rights".⁶⁰ Reaffirming Labour's continued opposition to totalitarian regimes, Callaghan stated that "we condemn violence of any kind; we condemn terrorism [and we feel] it right to speak out when human rights and proper judicial processes were being ignored".⁶¹

⁵⁷ *Ibid.*, p. 7

⁵⁸ *Labour Party* (1974: 13)

⁵⁹ *Labour Party* (1969: 37)

⁶⁰ Callaghan (1975: 14)

⁶¹ *Ibid.*, p. 15

This statement would be influential, not simply in diplomatic circles, but in framing Labour's renewed aid commitment and its response to the debt crisis that was escalating in the developing world. Again there was a distinctly moral imperative at play. In its 1979 General Election manifesto, Labour committed to not only "continue to pursue our policy of aid to the poorest countries and the poorest people" and "implement the United Nations target of 0.7 percent of the gross national product for official aid", but now "take account of human rights considerations when giving aid".⁶² Furthermore:

In respect of those countries of Latin America with dictatorial regimes, particularly Chile and Argentina, the Labour government will demand that these regimes pay promptly their due debts. The restoration of human and trade union rights will be a prior condition for the rescheduling of future debt payments.⁶³

Although Labour singled out the Right-wing governments of Augusto Pinochet and Leopoldo Galtieri in Chile and Argentina respectively, similarly repressive regimes were in place right across Latin America.⁶⁴ Labour's pledge in response to these dictatorships was distinctly socialist in its character, and signalled the Party's solidarity with "the victims of repressive regimes" who, it promised in its General Election manifesto and subsequent policy documents would be supported through "the provision of refugee programmes".⁶⁵ As Labour sought to respond to the debt crisis as it unfolded during the 1980s, this solidarity would be a dominant theme in the Party's discourses.

⁶² *Labour Party* (1979)

⁶³ *Ibid.*

⁶⁴ The Right-wing regimes of Nicaraguan dictator, Somoza Debayle; El Salvadorian, Carlos Humberto Romero; Julio César Turbay of Colombia; Alfredo Stroessner of Paraguay; and that of Romeo Lucas García in Guatemala could be included here – all of whom were guilty of extensive human rights abuses and de-unionisation during the late 1970s and early 1980s.

⁶⁵ *Labour Party* (1979; 1981b: 53–55)

Labour's policy towards the debts of developing world countries was initiated in 1977; a year after James Callaghan replaced Harold Wilson as both Prime Minister and leader of the Labour Party. Callaghan's Labour government oversaw a policy of converting aid loans into grants to the poorest countries and the retrospective terms adjustment of all the aid debt owed to Britain by low-income countries. As a result, repayments on outstanding debts worth up to £60 million a year due from 17 of the world's poorest countries were cancelled by the Labour government.⁶⁶ This conversion policy would go on to benefit over 30 countries, providing debt relief in excess of US\$1 billion by the time Labour returned to office twenty years later.⁶⁷ Despite growing economic and industrial tensions at home, Labour remained resolute both in its support for those developing countries facing a spiralling debt burden, and in its commitment to make good on Britain's pledge to meet the 0.7 percent/GNI aid target. However, defeat at the 1979 General Election to Margaret Thatcher's Conservatives would prevent Labour from fulfilling either of these policy commitments. Furthermore, 1979 would also signal the start of what has since been referred to as the 'lost decade of development',⁶⁸ as a further oil shock placed the already heavily indebted economies of developing countries under further strain.

Rather than allowing the higher price of oil to move through the global economy through inflationary means as it had after the 1973 shock, the Chair of the US Federal Reserve, Paul Volcker responded to this second oil shock by raising interest rates.⁶⁹ This deflationary policy dampened down the rise in prices by making credit more expensive, leaving individuals, firms and countries with far less money to spend or invest. This

⁶⁶ *Labour Party* (1982: 253)

⁶⁷ *DFID* (1997: 71)

⁶⁸ Broad, Cavanagh and Bello (1990); Friscia and Kovacs (1994); Carrasco (1999); Easterly (2001); Kydland and Zarazaga (2002); Foster (2007)

⁶⁹ O'Brien and Williams (2004: 237–238)

'Volcker shock' triggered a period of recession in both US and European markets. It was, however, across the developing world, and in particular those countries who had taken out large loans during the low interest 'boom' years, that the most severe effects of this sharp hike in interest rates were felt. Faced with increasing interest repayment charges, many of these debtor countries were left on the brink of insolvency. The debt crisis that ensued spread across the developing world and many countries particularly in Latin America and sub-Saharan Africa followed Mexico in 1982 in declaring that they could no longer service the interest on their loans.

The debt crisis however would only exacerbate the human tragedy that was unfolding in the developing world, and underline the inequality that was evident between the wealthy industrialised economies in the global North and the poor Southern states. Between 1965 and 1980, the rich countries saw their GNP per capita rise by 2.3 percent, and over the next ten years this figure increase further still by 2.0 percent so that by the end of the decade, GNP per capita across the developed world stood at US\$10,760. The contrast with the world's poorest nations, however, could not be starker. Although sub-Saharan Africa had seen some growth of 1.6 percent since the mid-1960s, by the end of the 1980s these gains had disappeared as GNP per capita across the region shrank by 2.4 per cent in just seven years. By 1990, sub-Saharan Africa's GNP per capita was just US\$440. Ending the decade considerably poorer than they had started it, millions of Africans were left living on barely a dollar a day, while the poorest, in the least developed of these countries, were living on less than 60 cents a day.⁷⁰

⁷⁰ UNDP (1990: 171)

In addition to experiencing low, and in some instances, negative growth rates, many countries in the global South saw their terms of trade slip to well below the levels that they were experiencing in 1980. For countries such as Cameroon, Congo, the Dominican Republic, Ecuador, Egypt, Gabon, Malawi, Peru, Trinidad and Tobago, and Uganda, these diminished by up to a third, while others, including Bolivia, Nigeria and Venezuela, saw their terms of trade almost halve.⁷¹ Sluggish growth rates and hyperinflation were problems that affected large parts of South America throughout much of the 1980s. Bolivia for instance experienced a staggering 601.8 per cent annual rate of inflation, while Argentina and Brazil saw inflation increase at an annual rate of 298.7 and 166.3 per cent respectively during this same period. Other countries, both in Latin America and sub-Saharan Africa suffered from particularly high levels of inflation, including Uganda (95.2 per cent), Nicaragua (86.6), Zaire (53.5), Sierra Leone (50.0), and Ghana (48.3). Combined with their negative growth rates, each of these economies experienced chronic stagflation.⁷² If they did not directly cause the human crises such as famine, HIV and AIDS and conflict that emerged during this period, then these economic problems certainly exacerbated them, critically undermining the response to the lost decade of development.

⁷¹ *Ibid.*, p. 165

⁷² *Ibid.*, p. 171

Fig. 3.4 Social Democracy and International Development in the Midst of Global Economic Turmoil, 1974–79

Themes	Policy Commitments	Outside Antecedents	Challenges
Explicitly “socialist” and moral policy framework; themes of inequality, global justice, and human rights	ODM re-institutionalised New aid target of 0.7% GDP ‘Social’ development		1975 sterling crisis at home and subsequent IMF bailout Worsening economic conditions abroad
Development for the ‘poorest people in the poorest communities’	Debt-to-aid policies		Increasing indebtedness of LDCs Rising food prices
Aid and debt relief conditional upon these principles			
Increased multilateralism with international development agencies			
Interdependency			

As **Fig. 3.4** shows, despite the recession that Britain and indeed most of the world faced during this period, Labour’s development policies were framed by a commitment to address inequality and injustice through a broadly socialist development programme of development. The market-led approach to development was resisted in favour of a set of policies, such as aid and debt relief, that were targeted at the poorest. Although Labour was committed to working with the international development agencies, it sought reform of these institutions so that its commitment to the global poor was realised more effectively.

Political Isolation at Home, Increased Socialist Solidarity Abroad

Under the newly-elected Conservatives, the priority that Labour had previously afforded to international development changed almost overnight. As **Fig. 3.5** illustrates, Labour’s defeat to Margaret Thatcher’s Conservative Party at the 1979 General Election marked the

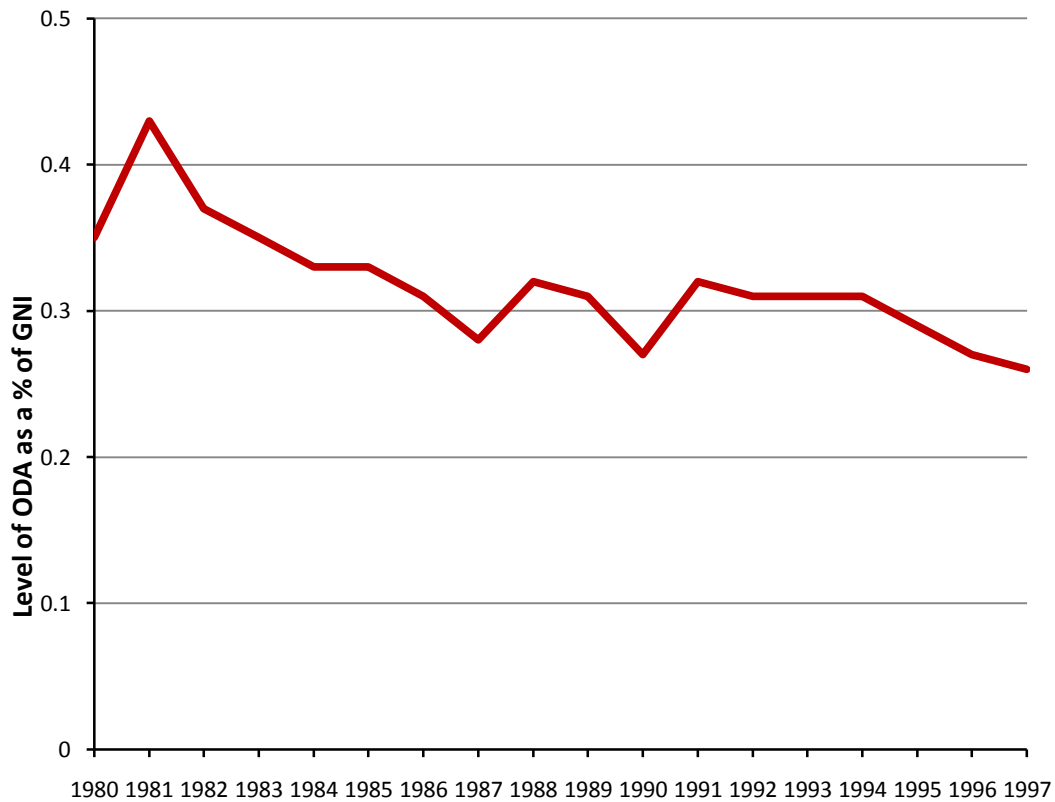
start of a period of decline for Britain's overseas development programme. The Conservatives made a series of dramatic cuts to Britain's aid budget and repealed Labour's 1977 International Finance, Trade and Aid Act, replacing it in 1980 with their own Overseas Development and Co-operation Act.⁷³ Thatcher herself considered aid as little more than a "handout",⁷⁴ a burden upon the Treasury that Britain could ill-afford, and as under Edward Heath's previous Conservative government, the decision was taken to relegate the ODM as a sub-division of the Foreign Office, with little or no political autonomy of its own. Over the next eighteen years, the political fortunes of the Labour Party mirrored that of Britain's aid programme. As Labour suffered successive General Election defeats at the hands of the Conservatives, Britain's commitment to matters of international development dropped considerably.⁷⁵

⁷³ *HM Government* (1980: 21)

⁷⁴ Thatcher (1981)

⁷⁵ For a commentary on Britain's aid programme under Thatcher's Conservative government see Bowles (1987).

Fig. 3.5 *Britain's Overseas Development Aid as a % of GNI, 1980–1997*



Source: *OECD* and *DFID*⁷⁶

Out of government, and now under the leadership of Michael Foot, Labour's own international development policies during this period were characterised by a continued emphasis on addressing global poverty, inequality and injustice, the reaffirming of its commitment to human rights, and solidarity with the struggles of social democratic parties in the developing world. For Labour the objective of a socialist foreign policy was:

To create the conditions necessary to free the world from poverty, inequality and war and to encourage the liberation of mankind from political and economic oppression. As the world becomes increasingly

⁷⁶ *OECD* (2011); *DFID* (2010: 25)

interdependent, the international dimension of Labour's policy becomes increasingly necessary to building a socialist Britain.⁷⁷

This statement reveals three central elements in Labour's thinking in relation to international development during this time. The first identifies those key issues which the wider Labour movement viewed as vital in addressing; poverty, inequality, and war. Secondly, this statement speaks of the importance of confronting not simply political oppression, but economic oppression too. Labour was highly critical of the 'free-market' monetarist policies proposed by the institutions such as the IMF and the world's bankers, which the Party argued, only exacerbated the problem.⁷⁸ The 'economic oppression' of these policies in developing countries could "inflict economic damage of such severity as to cause the destruction of democratic governments".⁷⁹ The third strand draws from Callaghan's earlier pronouncements concerning interdependency, and in particular, the linkages between Labour's domestic and international political economy. For socialism to work, both at home and abroad, there needed to be a clear transmission of policy. This meant developing Labour's internationalism, both in global forums such as the UN and the Commonwealth, as well as with other socialist movements and social democrats worldwide.⁸⁰

Following on from this claim, Labour's internationalism during this time, was inspired by an influential report, *North–South: a Programme for Survival*, written by the Independent Commission and chaired by the former West German Chancellor, Willy Brandt.⁸¹ Like

⁷⁷ *Labour Party* (1981b: 4)

⁷⁸ *Ibid.*

⁷⁹ *Ibid.*

⁸⁰ *Ibid.*

⁸¹ *Independent Commission* (1980). This report was cited frequently by Labour Party Discussion Groups concerning *Development Co-operation* (1981a:2–3), *Socialist Foreign Policy* (1981b:69) and the Party's own *1982 Programme* (1982:252). It would also remain an influence upon the solutions put forward in the Policy Review report, *For the Good of All* (*Labour Party*, 1987:5).

Victor Gollancz's earlier 'War on Want' campaign in the 1950s, the antecedents to Labour's international development policies at the start of the 1980s were drawn, not just from the within the Party itself, but from the work of 'outsider' activists. The findings of the *Independent Commission*, or Brandt Report as it came to be known, prompted Labour's NEC to establish the Development Co-operation Group as an internal Party forum in which the "complex and deep rooted" causes of poverty could be discussed and policy solutions reached.⁸² This group took as its point of departure the position taken by the Conservatives, who in their own response to the Brandt Report, had argued for "the merits of the present world economic system, with its reliance on open markets for trade and financial flows".⁸³ This market-led approach to development was subsequently heavily criticised by the Development Co-operation Group which argued that it would:

...effectively leave the global economy in the hands of the multinationals, the currency and the commodity speculators, and the international financial institutions such as the IMF.⁸⁴

In seeking to establish an altogether more socialist set of overseas development policies, the Group rejected out of hand the assertion made by the Conservative Development minister, Neil Marten that "stability is of prime importance".⁸⁵ Labour's response here to the minister's remarks are all the more striking in the light of claims that would be made by New Labour officials, particularly in the Treasury, concerning Britain's macroeconomic policy at home, and its response to the debt crisis abroad. As I shall show in the following chapter (4), New Labour ministers claimed that macroeconomic stability was in fact paramount, and set about constructing a model of political economy for consumption

⁸² *Labour Party* (1981a: 2)

⁸³ *FCO* (1980) cited in *Labour Party* (1981a: 3)

⁸⁴ *Labour Party* (1981a: 4)

⁸⁵ *World Development Movement* (1981: 31) cited in *Labour Party* (1981a: 5)

abroad as well as at home, founded upon this principle. Here however, Labour chose instead to confront the injustice and inequality that it understood to be at the heart of global poverty. Stability would be a tacit *outcome* of Labour's development policies, as opposed to an explicit *means* of development as advocated here by the Conservatives, and indeed, New Labour ministers later. To deal with global poverty, Labour here focused upon addressing 'inequality' and pursuing 'social justice', with the Development Co-operation Group stating quite categorically that:

The world is an unjust and an unequal place, and we are determined to radically alter the status quo. *Abroad as well as at home* we are a party committed to fundamental change.⁸⁶

Again the policy transmission between the domestic and the international was clear. At home, Labour's commitment to 'fundamental change' was expressed through attacks on those institutions – "the EEC...the House of Lords...the civil service...the City or the multinationals" – all of which had in the past acted as "roadblocks" and prevented Labour governments from implementing their social priorities.⁸⁷ Within the sphere of overseas development, Labour sought to pursue radical reform of the institutional ideas and practices that kept countries locked in an unequal and unjust global economic system. The Group called for systematic reform of the international institutions such the IMF and World Bank, whose policies had exacerbated the economic and social conditions faced by heavily indebted countries – particularly those with socialist governments – in the developing world.⁸⁸

⁸⁶ *Labour Party* (1981a: 5)

⁸⁷ *Labour Party* (1982: 12)

⁸⁸ *Labour Party* (1981a: 22–26, 31–32)

As well as addressing the economic and social effects of underdevelopment, Labour's strategy attempted to address the politics of development by rejecting the confrontational 'power politics' of the Cold War. Instead, the Party sought to build an altogether more neutral, socialist development policy. This approach would result in Labour's policy pronouncements during this period being inflected with a certain amount of anti-American sentiment. This can be attributed to a large degree to the election of the Republican Ronald Reagan to the White House in 1980, and his efforts through the 'Reagan Doctrine' to confront the 'evil empire' of communism in Central and Latin America. Under Reagan – and with the fulsome support of Thatcher in Westminster – the White House offered political and financial support to authoritarian regimes in the region, most notably Chile and Argentina that Labour officials had previously criticised.

Labour seized this opportunity to openly attack the stance taken by the United States concerning social democratic parties in Central America,⁸⁹ and in particular, its role in the El Salvador civil war. Washington had openly given support for the Right-wing junta in order to bring down the Revolutionary Government of El Salvador and prevent the further spread of a Leftist movement across the country.⁹⁰ Labour's criticism of the White House was further reinforced by the NEC in 1983 when it issued a statement expressing its solidarity with the incoming socialist Sandinista government in Nicaragua and its struggle to build a new socialist society following Somoza's dictatorship. Whilst declaring its support for the Sandinista Party, Labour attacked what it viewed as "a US-financed counter-revolution and direct military intimidation from the United States of America".⁹¹

⁸⁹ *Labour Party* (1981c)

⁹⁰ *Labour Party* (1981d)

⁹¹ *Labour Party* (1983a) *Statement by the National Executive Committee*, London: Labour Party

Labour's hostility towards Washington was further fuelled by the debt crisis that was unfolding at the time.⁹² A policy document published in 1984 captured a growing sense within the Party that relations between the global North and the global South, particularly in regions such as Latin America and sub-Saharan Africa, needed to be reconfigured in order to address the crisis and the impact that this was having upon the development of states in these areas. Two years later, Labour again called for root-and-branch reform of the IFIs based in Washington, whose interests, certainly in respect of the debt crisis, Party officials argued, were too heavily in favour of the global North and the US in particular. Labour instead called for reform of these institutions so that they worked in favour of the *whole* international community, rather than a handful of global political and economic elites.⁹³

Labour's international development policies during this tumultuous period of the Party's history nevertheless remained firmly ensconced within the socialist traditions of Labour's past. The heavy General Election defeat that Labour suffered in 1983 meant that, in reality, these policies carried little weight abroad. Nevertheless, the discourse and the narrative of these policies reflected a continued commitment to addressing matters of global inequality and poverty, and the pursuit of social justice and progressive institutional reform overseas. Labour did not do this simply by reaffirming its commitment to "increase aid to developing countries towards the UN target of 0.7 percent [of Britain's GNI]" and "re-establish a separate Ministry of Overseas Development" as it had at previous elections.⁹⁴ Through the publication of key policy documents, Labour sought to also

⁹² *Labour Party* (1984)

⁹³ *Labour Party* (1986)

⁹⁴ *Labour Party* (1983b)

address new issues that had emerged in the international arena, such as the debt crisis in the developing world and the effect that this was having upon global development.

Fig. 3.6 *Solidarity, Socialism and Labour’s International Development Policies*

Themes	Policy Commitments	Outside Antecedents	Challenges
<p>Explicitly “socialist” and moral policy framework; themes of inequality, global justice, and human rights</p> <p>Criticism of a ‘market-orientated’ approach to development</p> <p>Criticism of the emphasis placed upon ‘stability’ in development</p> <p>Address the fundamental cause of global poverty: inequality</p> <p>Need to address the debt crisis</p> <p>Root-and-branch reform of the IFIs – <i>far less</i> multilateralism</p> <p>Rejection of Cold War politics and criticism of the role of the US, particularly in Latin America</p> <p>Increased solidarity with socialist movements and governments in LDCs</p>	<p><i>As above</i></p>	<p>The <i>North–South</i>, or Brandt, report prepared by the Independent Commission</p>	<p>Deepening debt crisis abroad</p> <p>Extensive cuts to Britain’s aid programme by the incumbent Tory government</p>

As the table in **Fig. 3.6** shows, under Foot’s leadership, Labour’s international development policies remained committed tackling poverty, and in particular the debt crisis, which by this point had started to escalate in its severity. However, what differentiated Foot’s party from its predecessors was the solidarity it declared with Left-wing governments, particularly in Latin America where Cold War politics and the effects of the debt crisis were undermining the sovereignty of socialist movements. A more effective

response was required, one that dealt with the fundamental structural inequalities that the crisis was exposing.

In the wake of this General Election defeat however, Foot's resignation and Neil Kinnock's subsequent election as Party leader, the socialist principles that underpinned Labour's response to these issues would be gradually reconfigured through an extensive Policy Review. It would be this programme of modernisation that would eventually pave the way for New Labour, both at home and abroad. Kinnock prompted an extensive review of the Party's priorities and policies.⁹⁵ This Policy Review would signal a gradual move away from the explicitly 'socialist' politics of Labour's more recent past and towards, what the Party leadership hoped would be an altogether more electable, socially democratic alternative to the Conservative government.

Towards a 'New Labour' and a New Direction: Labour's Transformation and the Re-orientation of its International Development Policies

Labour's programme of modernisation was extended to the Party's international development policies, where a report, *For the Good of All*, was published, detailing how Labour would meet 'the global challenge' of poverty if it were elected into government. However, due perhaps in part to the transitory nature of the reforms that the Party was undertaking at the time, it is difficult to read-off the overall character of Labour's political economy, and certainly the transmission between its domestic and foreign policies during this period of introspection. While the Party gravitated towards the market at home, its

⁹⁵ As Adam Lent (1997) suggests, quite when Labour's period of transformation occurred is a matter of some debate in the literature. Some such as Hughes and Wintour (1990), and Smith (1994) argue that this took place after the 1987 General Election. Shaw (1994) identifies a shift from late 1985 onwards, while Wickham-Jones (1995) argues that the Party has been changing since as far back as 1983.

international development policies remained distinctly socialist in character, even going so far as to reject global market actors in the development policy process.

There was a certain amount of political expediency to Labour's now well-established commitment to international development. Party officials argued that "Tory policies have contributed to the Third World's problems – while the British people have shown unprecedented generosity and sympathy with the victims of underdevelopment through their contributions to Live Aid and other charities".⁹⁶ Again, Labour's appetite for dealing with these types of issues came not simply through the work of the Party's own members, but from pressures outside the Labour movement. Labour policymakers identified the British people as having displayed a great deal of support for and solidarity with the victims of the famine in Sudan and Ethiopia. The Conservatives on the other hand, had completely misread both the gravity of the famine unfolding in East Africa, and the response to it by the British public. Under the chancellorship of Nigel Lawson, the Treasury neither increased Britain's aid contribution in the light of the famine, nor did it initially write-off the VAT on the proceeds of the Band Aid charity single *Do They Know It's Christmas?* released to raise funds for the relief effort. Labour officials hoped to capitalise upon Lawson's error of judgement and set about addressing four key areas; famine, recession, overseas aid and debt.⁹⁷ To this end, Labour proposed a series of policy solutions (see **Fig. 3.7**) that would at least begin to address the issue of global poverty.

⁹⁶ *Labour Party* (1987: 4)

⁹⁷ *Ibid.*, p. 5

Fig. 3.7 Labour's Policy Pledges – 'For the Good of All' (1987)

- Provide new export markets for developing countries and increase demand for products from the developing world;
- Promote better and more stable commodity prices to support developing world export earnings, and help countries plan more effectively;
- Press for major reforms in the world's trade and financial institutions;
- Promote international action to share the burden of developing world debt;
- Increase aid and investment in developing countries, supporting in particular the Southern African Development Co-ordination Conference;
- Regulate the activities of multinational companies to make them more accountable to host governments and their people;
- More than double the aid budget, increasing aid spending to 0.7 percent of the national income within five years;
- Restore priority to those most in need – to the poorest countries, to the poorest and most disadvantaged social groups, and to governments committed to progressive social change;
- Improve the quality of aid spending, paying special attention to the needs of women and to the environmental impact of development programmes;
- Restore funding for development education;
- Greater support to voluntary agencies and other NGOs;
- Revise the arrangements for aid procurement, giving more emphasis to local suppliers and suppliers in other developing countries;
- Abolish the Aid-Trade provision;
- Increase trade with developing countries;
- Improve the Multi-Fibre Arrangement so to benefit the poorer developing countries;
- Enforce international codes to regulate the conduct of multinational companies;
- Negotiate development agreements with companies seeking to invest abroad, to bring their investments into line with the needs of the poor in developing countries;
- Support research and development into better and more appropriate technology;
- Set up a new Trade and Development Fund, to help match the skills of British industry with development needs of poor countries;
- Put in place a new government department – the Department of Overseas Development and Co-operation – to take the lead role in areas of policy primarily affecting Britain's economic relations with the developing world

Source: *Labour Party*⁹⁸

Although space does not permit a thorough analysis of these pledges, several policies were significant both in the light of the Party's new direction under Neil Kinnock, and those that New Labour would take up in office. It was Kinnock who, Shaw argues, made the historic and decisive step of commending the market, rather than the state, as the best mechanism for allocating goods and services.⁹⁹ Outlining the role of the state as one of 'enablement', Kinnock argued that the "economic role of government is to help the market system work properly where it can, will and should – and to replace or strengthen it where it can't, won't or shouldn't".¹⁰⁰ Labour's attitude to the market was now far less overtly socialist and altogether more social democratic in character. The Party understood the role of the state as one that should *enable* the market to work properly and to create the conditions for a fairer and more efficient delivery of goods. Although this move represented the start of the historic compromise between Labour's traditional commitment to socialism and its acceptance of the market, it was a position the Party found difficult, initially at least, to maintain in its international development policies. Labour remained uncomfortable with affording a role to market actors such as multinational firms and the IFIs in the development process. I shall evaluate this position shortly, but I begin by assessing Labour's altogether more traditional commitment to "a bigger aid programme".¹⁰¹ This would financially support the work of NGOs and trade unions, and enable these agencies to take a far more active role in the development process. In the case of the latter, trade unions would have a key role to play in confronting the power that multinational firms were able to wield in the developing world.

⁹⁸ *Ibid.*, p. 7

⁹⁹ Shaw (1994: 86)

¹⁰⁰ *Labour Party* (1989: 6)

¹⁰¹ *Labour Party* (1987: 9)

Labour's proposed Department of Overseas Development and Co-operation would run a much-expanded aid programme, promising to not only meet the 0.7 percent target within a full Parliamentary term, but to extend this to a full 1.0 percent if re-elected for a second term.¹⁰² Rejecting the conditionality imposed by the IMF, Labour would play particular attention to those "countries that have been deprived of aid because they have refused to implement IMF austerity programmes".¹⁰³ Aid would not depend upon countries meeting certain economic criteria, but preference would be given to:

Governments which are carrying out policies that benefit the poorest social groups...which have a good record of using aid effectively to promote progressive social change, and which respect human and trade union rights.¹⁰⁴

This move would restore to Britain's aid programme the principle of focusing aid on the needs of 'the poorest people in the poorest countries' that Labour sought to incorporate in its policy commitments in the past.¹⁰⁵

Labour also committed to working far more closely with NGOs, voluntary agencies and trade unions, who the Party argued, had "vital skills and expertise to offer" in the development process.¹⁰⁶ These constituencies would play a crucial role in maintaining addressing poverty and inequality in "repressive or corrupt regimes", and working towards "social change and...a fairer society...when facing multinational companies".¹⁰⁷ To this end, Labour pledged to restore and increase financial support to NGOs and trade unions as an integral part of its development strategy. This particular commitment is

¹⁰² *Ibid.*, p. 9

¹⁰³ *Ibid.*

¹⁰⁴ *Ibid.*, p. 10

¹⁰⁵ *Ibid.*

¹⁰⁶ *Ibid.*, p. 13

¹⁰⁷ *Ibid.*

striking since officials identified multinational firms as a *hindrance* to the development process. Indeed, later in the report, “tackling the multinationals” was of vital importance since all too often they had:

Secured investment opportunities which deprive local people of their land and income; ignored ILO standards of employment practice, including trade union rights; used ‘transfer pricing’...to minimise their tax obligations and the contribution they make to local development; promoted the sale of products banned or strictly regulated in the West, such as drugs and pesticides, with no regard for the safety of Third World consumers; intervened in the internal politics of developing countries to support dictatorships or oppose governments committed to meeting the needs of their people.¹⁰⁸

Despite the power of these firms, Labour nevertheless believed “that it is possible to defend the interests of people in other countries”, arguing that “urgent steps must be taken to make multinational companies more accountable for their actions” to “ensure that their investments do not harm the interests of local people”.¹⁰⁹ Business had for far too long exploited the global poor, and it was time that the activities of these firms were much more closely regulated. For Labour, this was to be achieved through a series of stringent measures. It promised to:

...enforce international codes of conduct on marketing practices...ensure that British-based multinationals provide detailed information on their activities in developing countries...support the ILO’s tripartite declaration on the employment policies of multinationals...build international trade union solidarity as a counterweight to the power and influence of multinationals...[and] set up a new Trade and Development Fund to encourage British firms to develop and produce better products and to export these to developing countries.¹¹⁰

¹⁰⁸ *Ibid.*, pp. 21–22

¹⁰⁹ *Ibid.*, p. 22

¹¹⁰ *Ibid.*

This barely-veiled contempt for business, and the exploitative role that multinationals had played in the developing world, would come to sit in stark contrast to the position taken by New Labour ministers. In an internal policy document prepared for the Labour Party, the Secretary of State for International Development, Clare Short argued that “companies’ core commercial interests would be advanced by development success in poor countries” and that “sustainable competitive advantage requires companies to be economically viable, environmentally sound and socially responsible”.¹¹¹ Previous Labour pronouncements attacking global poverty were addressed in distinctly ‘moral’ terms, and development was priority simply as a matter of socialist principle. For Short however, there was a strong ‘economic’ imperative of ‘enlightened self-interest’ that businesses operating in the developing world should, and indeed, did now consider. This revealed a stark difference between the respective positions of ‘old’ and New Labour concerning the role of business, and indeed trade unions in the development process. ‘Old’ Labour officials had warned in no uncertain terms of the inability of multinationals to self-regulate, and made it clear that firms should be made to be more accountable for their actions. Here trade unions had a crucial role to play. New Labour however, was happy to accept that firms *were* now aware of their social responsibilities.¹¹² This new understanding justified New Labour’s approach of ‘working in partnership’ with business, previously articulated in DFID’s first White Paper.¹¹³ As New Labour’s first Secretary of State for International Development, told the rest of her party:

DFID consults widely with business on our development policies, both with local businesses in developing countries in drawing up our country strategies, and also through sector or issue-specific groups. We have also set up a Business Advisory Panel where my officials and I discuss

¹¹¹ Short (1999a: 1)

¹¹² *Ibid.*, p. 2

¹¹³ DFID (1997: 41)

with key business leaders in the UK how best we can work together at a strategic level.¹¹⁴

This new 'business-friendly' approach enabled New Labour to grant multinational firms a leading role in shaping New Labour's development strategy. The trade unions however were nowhere to be seen. Indeed, as Ludlam, Bodah and Coates remark, unions from the perspective of New Labour, were but "one pressure group amongst many, with no special claim on government attention, sympathy or support".¹¹⁵ No more clearly was New Labour's reconfigured relationship with business demonstrated than in the Party's response to the issue of HIV and AIDS in the developing world, explored in chapter 5. Here the New Labour government imputed business with a key role in increasing access to essential antiretroviral drugs, signalling a clear transformation in the Party's attitude towards business and the role that multinational firms now had to play within the development process.

Labour's analysis of the debt crisis in 1987 was based upon "a travesty of economic justice".¹¹⁶ Countries in the developing world were paying out more to Western banks and governments than they were receiving in new investment, while the cost of servicing these debts was taking money away from development projects, social welfare, food production, and the investment needed to build the base for future economic growth. Labour framed the debt crisis in distinctly multilateral and cosmopolitan terms. Since the debt crisis affected us all, Labour argued, it was in our mutual interest to share the debt burden and restore the prospects for better economic relations throughout the world.¹¹⁷

¹¹⁴ Short (1999a: 2)

¹¹⁵ Ludlam, Bodah and Coates (2002: 229)

¹¹⁶ *Labour Party* (1987: 22)

¹¹⁷ *Ibid.*, p. 23

The Party identified the World Bank and the IMF as holding “the keys to debt management” and having a central role in arranging “for debt to be rescheduled, for payments to be deferred...and provide some money themselves to tide the debtors over”.¹¹⁸ In Labour’s eyes, these institutions were presently doing little to resolve the crisis, merely postponing it.

Labour criticised the monetarist, deflationary austerity measures imposed by the World Bank and IMF, principally because they served to shift the burden of debt directly onto the poor, cutting deep into wages, welfare benefits and food subsidies.¹¹⁹ This analysis was again drawn from thinking outside the Party, this time through the strategy set out in the Socialist International’s *Global Challenge* report. Written as a follow-up to the Brandt Report published five years earlier, this worldwide organisation of social democratic, socialist and labour movements published a joint strategy calling for a programme of international action in order to meet the needs of the developing world.¹²⁰ This report argued that the Structural Adjustment Programmes (SAPs), designed and implemented by the IMF to stabilise heavily indebted poor countries hindered, rather than helped global development. The receipt of additional finance to prop-up these economies were made conditional upon developing countries pursuing particular deflationary and deregulatory policies designed to accommodate market-led development. Not only did these SAPs serve to discourage governments from seeking funds before budgetary deficits reached crisis level, these policies were fundamentally asymmetric in the demands that they placed upon indebted countries. Clearly, economic reform was indeed necessary for some developing countries to achieve sustainable levels of development. For large parts of the

¹¹⁸ *Ibid.*, p. 24

¹¹⁹ *Ibid.*; *Labour Party* (1989: 83)

¹²⁰ *Socialist International* (1985: 91–92)

developing world however, these regressive policies only served to exacerbate poverty and the standards of living experienced by those living in these countries. Borrowing extensively from this analysis, Labour laid out a three-point strategy to deal with the debt crisis. This involved: (1) sharing the debt burden more fairly; (2) changing the policies and structures of the world's financial institutions; and (3) increasing investment in the developing world.

Labour's debt relief policies continued to directly challenge the ideas and the practices of the IFIs. As Jim Callaghan's government had done in the 1970s, Labour called for the cancellation of the debts of the poorest countries, and tied its aid programme with that of its debt policies. Just as the last Labour government had converted the debts of the poorest countries into aid, so too would a future Labour government continue this policy. Unlike the Conservatives, Labour again reaffirmed the promise it made earlier in the report not to withhold aid from countries unwilling or unable to meet the demands of the IMF. Instead, the Party would "provide additional aid to countries that refuse IMF austerity measures", squaring this with Labour's longstanding principle of supporting countries that "have a good record of using aid to meet the needs of the poorer sections of the community".¹²¹

Institutional reform was writ large over Labour's debt policies. Dominated by the United States and a handful of other Western states, Labour argued that the developing world was poorly under-represented in these institutions. For Labour, neither the World Bank nor the IMF was fit for purpose. Pre-dating Gordon Brown's call for 'a new international economic architecture' (examined in chapter 5) while he was Chancellor of the Exchequer,

¹²¹ *Labour Party* (1987: 24)

as early as 1987, Labour were arguing for “a new financial system and new financial arrangements to deal with today’s economic problems”.¹²² Labour made it clear that it did not want these institutions to be scrapped. It did however promise that, if elected into government, it would “use its influence in the World Bank and IMF to press for changes in their policies and structures, and put development back on top of their agenda”.¹²³ For Labour, this would mean these institutions giving developing countries a greater say in how the global economic system worked, and undertaking joint action with governments in the developing world to help them pursue democratic development strategies that had been rejected by the institutions.¹²⁴

As the table in **Fig. 3.8** suggests, Labour’s policies concerning aid and debt were ‘path-dependent’ in that they continued to draw from the ideas of development that had appeared in the Party’s previous policies. The 1987 report however, by identifying the negative role that multinational firms had played in the exacerbation of poverty in the developing world introduced a new constituency into Labour’s policy mix. Together, these three areas of analysis revealed a reconfiguration of policy that ranged from ‘the radical’ – the regulation of multinational firms operating overseas and the restoration of Britain’s aid programme at home – to ‘the reformist’ and the gradual transformation of the IFIs in Washington. This shift in policy was striking however since the references to Labour’s socialism, clearly evident in Labour’s previous policies, and now even in its altogether more ‘radical’ policies, were now far less clear. Despite its continued commitment to, and solidarity with, ‘the poorest people in the poorest communities’, Labour started to talk in far more muted tones about themes of ‘inequality’ and ‘social justice’. At this stage of

¹²² *Ibid.*

¹²³ *Ibid.*

¹²⁴ *Ibid.*, pp. 24, 25

Labour’s transformation, it was not entirely clear either what these values would be replaced with, or indeed how the Party would square its newly-acquired acceptance of the market with its traditional socialist principles and overarching moral commitment to addressing poverty both at home and abroad.

Fig. 3.8 *International Development and the Transformation of the Labour Party*

Themes	Policy Commitments	Outside Antecedents	Challenges
‘Shades of socialism’, rather than a distinctly ‘socialist’ set of policies	<i>As above</i> Aid target to be extended to 1% if re-elected	Generosity of British public in response to the famine in Ethiopia and Sudan	Peak of the debt crisis within the developing world
Closer partnership with NGOs and trade unions	MNCs to be made far more accountable for their activities in LDCs through a rigorously enforced set of regulations	Socialist International and its report, <i>Global Challenge</i>	Effects of SAPs beginning to undermine the prospects of development in poor and highly indebted areas
Rejection of MNCs in the development process			
Debt understood as an issue both of economic justice and self-interest	Trade unions to play a key role in offsetting the structural power of firms		
Renewed engagement with IFIs, principally though as a means of reform			

This dilemma at the heart of Labour’s policies in this field would not be resolved during Kinnock’s time as Party leader. A fourth successive defeat for Labour at the 1992 General Election would see Kinnock step down and John Smith elected in his place. Although the pace of modernisation would slacken during Smith’s brief tenure, this period of Labour’s history would nevertheless act as an important bridge between in the transition from ‘old’ to New Labour. Although the effects of this transition would only be realised until after Smith’s untimely death, the influence of Smith would be writ large over New Labour’s moral commitment to addressing matters of international development.

Edging Closer to Power: John Smith and the Renewal of Labour's Moral Commitment to International Development

John Smith spent just two years as leader of the Labour Party before his untimely death in May 1994. Despite this brief tenure, Smith was able to take his place in a long line of Labour leaders committed to overcoming “the crisis of debt and deepening poverty in the Third World”.¹²⁵ As his biographer, Brian Brivati notes, now freed from the shackles of a domestic brief, Smith’s position as leader of the Party enabled him to think beyond the confines of Westminster politics, and address the complex international issues of the early 1990s.¹²⁶ Whilst Party leader, Smith made two speeches that revealed both an insight into Labour’s future policy direction in the field of international development, and the origins of Smith’s own politics. The first of these speeches would begin to bridge the gap between the findings of the Policy Review carried out under Smith’s predecessor, Neil Kinnock, and final stage of modernisation completed by Smith’s successor, Tony Blair. The second speech returns to the moral case for development, a theme that officials have used at various times throughout the Party’s post-war history to justify their commitment to tackling global poverty. Here however, Smith reveals the antecedent to his moralism, discussing at length his Christian socialism and the importance of this as a compass to guide his politics. As I shall show in chapter 4, this would be a theme taken up both by Blair and Brown, in their assessment of the debt crisis, and New Labour’s response to it.

Smith used the Lothian Lecture in November 1992, to set out his own appraisal of the world in the post-Cold War era. His remarks, particularly in relation to matters of international development, drew largely from the earlier findings of Labour’s own Policy

¹²⁵ Smith (1992) in Brivati (*ed.* 2000: 194)

¹²⁶ Brivati (*ed.* 2000: 185)

Review of the late 1980s. This is unsurprising given how closely Smith himself was involved in this process. Nevertheless, now as Labour leader, Smith was keen to reassert these claims in an altogether new, post-Cold War context. Indeed, it was this context, and the difficulties that many transitory states in Central and Eastern Europe now faced that gave these claims added significance and greater urgency. In keeping with the position that the Labour Party had staked out over the past decade or so concerning the role of the IFIs in the global development process, Smith spoke extensively of the need to reform the structures and the ideas of these institutions. In this particular speech, Smith criticised the IMF for their slow disbursement of credit and debt relief. Although Smith did not dispute the legitimacy of the role played by the World Bank and IMF, he knew that “he was not alone in questioning the wisdom of their policy advice” which, Smith argued, “invariably proposes severe reductions in social expenditure and austerity measures...almost regardless of the political consequences”.¹²⁷ For the Labour leader, the effects of this could be found across the developing world and in the transitional economies of Central and Eastern Europe, keeping these countries locked in poverty and under-development.

Some, albeit limited, progress was being made towards rescheduling and writing-off the debt burdens of a number of middle-income countries in Latin America. Nevertheless, “Africa’s debt burden, owed overwhelmingly to Western governments” remained “still seriously neglected”.¹²⁸ For Smith, this was both a “human tragedy for the millions living in poverty” and “a drag anchor on the world economy”.¹²⁹ The result of this, and indeed the ‘lost decade of development’ that had unfolded over the previous ten years, was that many sub-Saharan countries were now expected to experience minimal levels of per

¹²⁷ Smith (1992) in Brivati (ed. 2000: 195)

¹²⁸ *Ibid.*, p. 196

¹²⁹ *Ibid.*, pp. 196, 197

capita income growth by the year 2000. Smith argued that rich countries had “a moral duty to provide a combination of debt relief and generous levels of official aid” as a means of boosting development.¹³⁰ The thrust of Smith’s moral argument was reinforced by a commitment to trade, and global markets to deliver the high levels of growth required for development. For Smith, aid was not enough, and it was important that a fairer global trade regime was established to enable debt-ridden countries in the developing world to trade their way out of poverty.¹³¹ This explicit and increased emphasis upon trade as a means of meeting Labour’s development agenda enabled the Party to now square its domestic commitment to the market (outlined during the Policy Review) with its international development policies overseas. For Labour, increased trade within a fairer system would enable the changes that were taking place across the world – changes that would be referred to later by New Labour officials, as ‘globalisation’ – to benefit the world’s poorest people.

The focus of Labour’s Policy Review was to elicit the cross-class support necessary to return the Party to power.¹³² There was therefore little space in the economic and political language afforded to the Christian socialism and Marxian antecedents that had featured in its earlier development policy rhetoric. Although the latter may have been undermined by the collapse of the Soviet Union at the start of the 1990s, the former found its way back into Labour’s development policies through the leadership of John Smith. Delivering the Tawney lecture in March 1993, Smith was clear that “there should always be an ethical and moral approach to public office”.¹³³ Indeed, as Andy McSmith remarks, writing while

¹³⁰ *Ibid.*, p. 197

¹³¹ *Ibid.*

¹³² Thompson (2006: 235)

¹³³ Brivati (*ed.* 2000: 212)

Smith was still alive, “what the public will gradually learn about Labour’s new leader is that he is a deeply moralistic family man, with a strong sense of public duty, rooted in religion”.¹³⁴

Smith’s faith gave him an acute “sense of obligation to others”.¹³⁵ Given that by this point, Labour, and indeed Smith himself was only too acutely aware of the ever-increasing integration between domestic and international forms of policymaking, the Labour leader argued that such a moral duty should frame the implementation of policies at home, but particularly abroad. Smith recognised the responsibilities that his Party had towards the rest of the world:

We must never allow the needs of the developing world, where live the majority of our fellow world citizens, to be anything but central to our political purposes.¹³⁶

This would resonate strongly with both Labour’s past and its future. The themes and policy commitments made by Smith (see **Fig. 3.9**) emerged out of Labour’s pasts, but would, as I shall go on to show, act as a signpost to Labour’s future. As I have demonstrated in each of the earlier phases of the Party’s policies, ‘old’ Labour’s approach to international development was framed, by and large, in these moral terms, drawing eclectically from Christian teachings concerning a responsibility *to* the poor (not, significantly, a responsibility *from* the poor that New Labour would demand), and the humanism of Marx. The ‘War on Want’ campaign for instance, which shaped the development policies of the first Wilson government, had a deeply moral, and indeed, spiritual impulse bound up in a duty to both God and fellow man. This was then supported

¹³⁴ McSmith (1993: 227)

¹³⁵ Smith (1992) cited by McSmith (1993: 227)

¹³⁶ Smith (1993) in Brivati (*ed.* 2000: 223)

by altogether more Marxist principles concerning the redistribution of wealth, from those able to create this wealth to those who needed it.

Fig. 3.9 *International Development and the Birthing of New Labour*

Themes	Policy Commitments	Outside Antecedents	Challenges
Increasing acceptance of the market (through trade) as a means of delivering resources more equitably	Increased debt relief Structural and ideological reform of the IFIs	Christian socialist movements	Post-Cold War context: stagnant, and in some instances, regressive economies in both Central and Eastern Europe, and the developing world
Moral responsibility of rich countries towards the poor, derived from Smith's Christian socialism	More generous amounts of overseas aid Supported by more, and fairer terms of trade		
Revisiting of the 'War on Want'			

Although the latter was dropped from Labour's more recent policy pronouncements, the former – as I show in chapter 5 – was mirrored to a certain extent by New Labour's response to debt relief, and the attempted accommodation of church groups in the policy process. Deriving their policy expectations from the Biblical mandate of Jubilee, these groups appealed to the Blair government to cancel the debts of the world's poorest countries. Insofar as Smith was concerned, his short spell in charge of the Labour Party meant he could offer little in the way of concrete policy proposals beyond his extensive contributions to Labour's earlier Policy Review. In terms of international development however, what he did provide was both a bridge to Labour's past and a signpost towards New Labour's future. Smith's social liberalism, drawn from his clear commitment to Christian socialism would underpin New Labour's normative commitment to international development. This particular thread of Christian socialism would be taken up by both Tony

Blair and Gordon Brown, during their respective roles as Prime Minister and Chancellor of the Exchequer.

Conclusions

I conclude this chapter by assimilating the tables summarising each phase of 'old' Labour's international development policy highlighting schematically in **Fig. 3.10** the temporality of 'old' Labour's key policy commitments, themes, antecedents, and comparing these to what the following chapters will reveal to be the main themes of New Labour's international development policies. This table is useful since it highlights the continuities and change between 'old' and New Labour, and the policy constituencies, explored in the following chapter that the latter incorporated into its international development policies. Summarising the analysis of this particular section, this table reveals more change than continuity, and it identifies a number of themes and constituencies that New Labour officials now deemed to be essential in eliminating global poverty. However, it also highlights those constituencies that New Labour no longer considered appropriate or necessary to prioritise in its policies.

Fig. 3.10 Change and Continuity in the Themes and Antecedents of Labour’s International Development Policies (c. 1950–2010)

Time Period	Key Elements of ‘Old’ Labour’s International Development Policies (c. 1950–1994)				New Labour in Government (1997–2010)	
	Themes	Policy Commitments	Outside Antecedents	Challenges	Continuity	Change
c. 1950-74	<p>“War on Want”</p> <p>British form of socialism to be exported overseas</p> <p>Moral imperative to address the global inequality that exists</p> <p>Ecclesiastical concern for the poor</p> <p>Marxian concept of wealth redistribution</p>	<p>Cabinet post dedicated to matters of overseas development (ODM)</p> <p>Increase aid to end poverty</p> <p>The modernisation of LDCs</p>	<p><i>War on Want</i> report</p> <p>Socialist movements and humanitarian activists, Association of World Peace</p>	<p>Difficulties with Britain’s balance of payments</p> <p>Spending cuts across Whitehall</p>	<p>Institutionalisation of DFID</p> <p>Increased commitment to 0.7% GDP aid target, and now debt relief</p> <p>Emphasis upon modernisation</p>	<p>Jettisoning of ‘socialist’ and Marxian references</p> <p>‘Inclusion’ rather than inequality, identified as the problem. Integration into the global economy understood as the solution</p>
1974-79	<p>Explicitly “socialist” and moral policy framework; themes of inequality, global justice, and human rights</p> <p>Development for the ‘poorest people in the poorest communities’</p> <p>Aid and debt relief conditional upon these principles</p> <p>Increased multilateralism with international development agencies</p> <p>Interdependency</p>	<p>ODM re-institutionalised</p> <p>New aid target of 0.7% GDP</p> <p>‘Social’ development</p> <p>Debt-to-aid policies</p>		<p>1975 sterling crisis at home and subsequent IMF bailout</p> <p>Worsening economic conditions abroad</p> <p>Increasing indebtedness of LDCs</p> <p>Rising food prices</p>	<p><i>As above</i></p> <p>Aid to be targeted at the “poorest people in the “poorest countries”</p> <p>Multilateralism, particularly with IFIs</p> <p>‘Good governance’. Human rights used as a condition of aid and debt relief</p> <p>‘Globalisation’ as a synonym of interdependency</p>	<p><i>As above</i></p> <p>Multilateralism the pretext for reform of the IFIs and the building of a ‘new global economic architecture’</p> <p>However, policies that support trade liberalisation and encourage flows of FDI – ‘good economic governance’ – viewed as a prerequisite to development</p>

Time Period	Key Elements of 'Old' Labour's International Development Policies (c. 1950–1994)				New Labour in Government (1997–2010)	
	Themes	Policy Commitments	Outside Antecedents	Challenges	Continuity	Change
1980-85	<p>Explicitly “socialist” and moral policy framework; themes of inequality, global justice, and human rights</p> <p>Criticism of a ‘market-orientated’ approach to development</p> <p>Criticism of the emphasis placed upon ‘stability’ in development</p> <p>Address the fundamental cause of global poverty: inequality</p> <p>Need to address the debt crisis</p> <p>Root-and-branch reform of the IFIs – <i>far less</i> multilateralism</p> <p>Rejection of Cold War politics and criticism of the role of the US, particularly in Latin America</p> <p>Increased solidarity with socialist movements and governments in LDCs</p>	<i>As above</i>	The <i>North–South</i> , or Brandt, report prepared by the Independent Commission	<p>Deepening debt crisis abroad</p> <p>Extensive cuts to Britain’s aid programme by the incumbent Tory government</p>	<i>As above</i>	<p>Rather than pursue an altogether more multilateral approach to development, ‘old’ Labour here and New Labour both argued that reform of the IFIs was necessary. Both, for instance, called for a far more proportionate representation of LDCs in these institutions</p> <p>Altogether more ‘market-led’ approach to poverty reduction and development</p> <p>Macroeconomic stability viewed as being of principal importance as a means of attracting foreign investment. The basis of the Treasury’s proposals for its ‘new global economic architecture’</p> <p>Far closer relationship with the US, politically with the White House, and economically with the IFIs in Washington</p>

Time Period	Key Elements of 'Old' Labour's International Development Policies (c. 1950–1994)				New Labour in Government (1997–2010)	
	Themes	Policy Commitments	Outside Antecedents	Challenges	Continuity	Change
1985-92	<p>'Shades of socialism', rather than a distinctly 'socialist' set of policies</p> <p>Closer partnership with NGOs and trade unions</p> <p>Rejection of MNCs in the development process</p> <p>Debt understood as an issue both of economic justice and self-interest</p> <p>Renewed engagement with IFIs, principally though as a means of reform</p>	<p><i>As above</i></p> <p>Aid target to be extended to 1% if re-elected</p> <p>MNCs to be made far more accountable for their activities in LDCs through a rigorously enforced set of regulations</p> <p>Trade unions to play a key role in offsetting the structural power of firms</p>	<p>Generosity of British public in response to the famine in Ethiopia and Sudan</p> <p>Socialist International and its report, <i>Global Challenge</i></p>	<p>Peak of the debt crisis within the developing world</p> <p>Effects of SAPs beginning to undermine the prospects of development in poor and highly indebted areas</p>	<p><i>As above</i></p> <p>Closer partnerships with NGOs in particular</p>	<p><i>As above</i></p> <p>No commitment to exceed the 0.7% target</p> <p>MNCs now afforded an integral role within the development process</p> <p>Less emphasis upon the role of trade unions. These constituencies now viewed as 'roadblocks' to global capital and 'forces of conservatism'</p>
1992-94	<p>Increasing acceptance of the market (through trade) as a means of delivering resources more equitably</p> <p>Moral responsibility of rich countries towards the poor, derived from Smith's Christian socialism</p> <p>Revisiting of the 'War on Want'</p>	<p>Increased debt relief</p> <p>Structural and ideological reform of the IFIs</p> <p>More generous amounts of overseas aid</p> <p>Supported by more, and fairer terms of trade</p>	<p>Christian socialist movements</p>	<p>Post-Cold War context: stagnant, and in some instances, regressive economies in both Central and Eastern Europe, and the developing world</p>	<p>Commitment to increased aid and debt relief. Free trade now an integral part of international development agenda</p> <p>Acceptance of a 'moral responsibility' of rich countries</p> <p>Some emphasis upon Christian socialism by Blair and Brown. Inclusion of church and other faith groups into the policy process</p>	<p><i>As above</i></p> <p>Debt and aid linked heavily to LDC acceptance of trade liberalisation policies</p> <p>Increased emphasis upon the 'securitisation of development'. Poverty reduction strategies seen as complementary to, rather than replacement of military expenditure</p>

The implications of this reconfiguration of New Labour's political economy are explored in the case study chapters. As 'old' Labour evolved towards 'New', it is clear that the Party underwent a gradual distinct shift away from an explicitly 'socialist' set of development policies towards a strategy that was orientated specifically towards meeting the broadly 'economic' expectations of market actors. Although New Labour would retain the normative moral commitment to development that was present throughout its post-war history, the internal transformation that the Party underwent during the late 1980s and early 1990s meant that New Labour's response to this 'moral challenge' would look very different to that of its predecessors. As each of the case study chapters show, this approach of securing moral outcomes through 'economic' means would reveal a number of policy tensions, not least in the way government officials, under the direction of the Treasury, chose to manage the expectations of core market constituencies. It is to the central role that the Treasury, under the chancellorship of Gordon Brown in particular, played in the formation of New Labour's international development policies, and its management of these broadly economic expectations that the thesis now turns its attention.

Managing New Labour's International Development Policies

Having explored the historical antecedents to New Labour's international development policies in the previous chapter, my attention now turns to two clear departures from the way in which 'old' Labour formulated policy but which heavily influenced the terms upon which New Labour's policy was managed and delivered. The first of these concerns the influence that Treasury officials were able to wield, as they were in other areas of government located within traditional 'spending' departments, over the formation and the implementation of international development policies. The institutional dominance of the Treasury across Whitehall was central to New Labour's model of political economy. Ceding responsibility for the policy duties normally assigned to the Treasury (such as monetary policy) to outside agencies (such as the Bank of England) gave the Chancellor of the Exchequer unprecedented scope to intervene in the setting of both economic and social policy both at home and abroad. The result of this was that all of the domestic policy themes identified in chapter 2 had been at least in one way or another influenced by the Treasury. As the case studies in the following three case study chapters demonstrate, the centrality of the Treasury was particularly evident in the formation of New Labour's international development policies, where the personal imprint of, in particular, Gordon Brown's thinking on such matters, was far greater than that of any Secretary of State at DFID. In this area of policy, the Chancellor sought to meet his own personal and moral commitment to eradicate global poverty with a series of measures that he and his team at the Treasury had designed to be implemented across Whitehall.

A further departure from 'old' Labour comes to the fore through my analysis of those constituencies that were incorporated into New Labour's policymaking process. As I noted in the previous chapter, some of these policy constituencies like the IFIs such as the World Bank and IMF based in Washington, had featured in 'old' Labour's policies.¹ Under New Labour however, the depth of these relationships changed considerably, becoming far stronger and much more central to Britain's international development policies.² Reflecting the dominant role that these institutions now played in global development affairs, the character of these new relationships was significant. Like a number of development practitioners and observers outside the so-called 'Washington Consensus', 'old' Labour policy pronouncements made clear the link between the market-oriented policies of these institutions and the persistent – and indeed, worsening – levels of poverty experienced across the developing world.³ Any alignment with or acceptance of the policies supported by these IFIs would put government ministers on a collision course with Labour's altogether more 'traditional' constituencies such as rank-and-file party members, NGOs, and church groups, whose own expectations were either derived from or mirrored traditional Labour and socialist values concerning equality and justice.

Other, altogether newer constituencies however, also emerged, largely as a response to the new issues, such as HIV and AIDS that New Labour faced in government. A relatively recent phenomenon, the AIDS epidemic that had swept through the developing world since the 1980s, was simply not an issue for 'old' Labour. Clearly this makes any direct comparison impossible. Nevertheless, the crisis that New Labour was faced with did open up space within the policy process for officials in Whitehall to demonstrate its commitment to include the business community in its international

¹ *Ministry of Overseas Development* (1975: 34–37)

² *DFID* (1997: 34–37)

³ See for example, *Labour Party* (1981b: 4) and *Labour Party* (1987: 6, 14)

development policies. To address the issue of a lack of access to antiretroviral drugs and other essential medicines in the developing world, New Labour set about increasing its dialogue with representatives from the pharmaceutical industry concerning this particular issue. Rather than simply increasing government spending, New Labour officials attempted to build a partnership with firms that, it was hoped, would increase access to these types of treatments and encourage more research to be carried out into the less-profitable, yet deadly diseases found in the developing world.⁴ New Labour's strategy in this respect was striking, since, as I showed in the previous chapter, there was a clear shift in policy from the position 'old' Labour had taken, even as recently as the late 1980s, concerning the role of multinational firms in the development process.

This chapter draws to a close by mapping out, on the basis of their specific expectations, both these 'new' and existing constituencies within a policy-matrix of 'market' and 'social'-orientated development outcomes. This matrix reveals a significant spatial divergence between these different policy constituencies, which would appear to present a problem for New Labour and its attempts to build a coherent – or in New Labour-speak – 'joined-up' set of policies. Given the tensions between the different constituencies that the Blair and Brown governments attempted to accommodate in the policy process, it would surely be problematic for the Party to meet and assimilate successfully all these expectations within its various policy strategies, due mainly to the simple fact that many of them were conflicting. Again, the theoretical concept of 'strategic selectivity' discussed in the opening chapters of the thesis is instructive. As Jessop has remarked, "particular forms of state privilege some strategies over others, privilege the access of some forces [or constituencies] over others, some interests [or expectations] over others, some time horizons over others,

⁴ *DFID* (2005a: 2)

[and] some coalition possibilities over others”.⁵ Linking the core claim that runs through the thesis concerning the transmission of policies from the domestic to the international sphere, this chapter concludes by identifying those constituencies New Labour prioritised at home in the construction of its domestic political economy. I argue that if these domestic policies were designed to support the expectations of specific constituencies, then it is likely that New Labour would also prioritise these same constituencies *abroad* by ‘internationalising’ policies that supported the expectations of these constituencies at home.

This claim is taken up and explored empirically in each of the three case studies that follow this chapter. Whilst in office, New Labour – and Gordon Brown in particular – played an instrumental role in reconfiguring the existing multilateral debt relief process by laying out proposals for a ‘new global economic architecture’. This new framework however, was designed not strictly to address the ‘social’ effects of developing world debt identified by ‘old’ Labour, but rather to prioritise the broadly ‘market’ expectations of global investors and institutions of international finance. For New Labour, this was to be achieved through the pursuit of macroeconomic stability, a position that, as I noted in the previous chapter, had been criticised by ‘old’ Labour.⁶ Similarly, New Labour’s commitment to increase access to the essential medicines in the developing world concerned itself principally, not with the ‘social’ impact of diseases such as HIV and AIDS, but instead with meeting the broadly market-based expectations of the pharmaceutical industry, and ensuring the ongoing competitiveness and profitability of British-based firms in this sector. The proposals for the International Finance Facility drawn up by the Treasury were designed not to meet ‘old’ Labour concerns over equality, but rather to integrate and include developing

⁵ Jessop (1990: 10)

⁶ *Labour Party* (1981a: 5)

countries in the global economy, and make them more open to the trade and overseas investment that officials argued was necessary to encourage growth and eliminate poverty.

Therefore, although New Labour framed its commitment to international development in terms of the elimination of poverty, its approach tended to prioritise 'the economic' over any 'social' or 'moral' imperative in reaching this objective. The precedence that New Labour gave to 'the economic' through the incorporation of these new market-based constituencies into the policy process revealed a great deal concerning the character of the political economy of New Labour, both at home and abroad. Furthermore, these new patterns of incorporation also differentiated the policies offered by New Labour from those of its 'old' Labour predecessors, explored in the previous chapter.

Structure of the Chapter

This chapter is split into three parts. The first, larger part examines central role that the Treasury had in directing and implementing government policy. Although the Treasury extended its tentacles across all areas of Whitehall, the chancellorship of Gordon Brown saw the Treasury take a particular interest in matters of international development. In the first part of this chapter, I explore the domestic origins of the control exerted by the Treasury, and trace this back to themes already explored in the thesis concerning 'credibility' in macroeconomic policymaking.⁷ This commitment to credibility leads me to discuss the Chancellor's claim of 'prudence' and latterly, 'prudence for a purpose', and how this was realised both domestically and in terms of the government's international development policies. I then look beyond Whitehall

⁷ My focus here is upon economic credibility. For an assessment of New Labour's *electoral* credibility see Wickham-Jones (2005).

and examine the ‘internationalisation’ of the Treasury. Here, I assess how the Gordon Brown’s model of political economy was hardwired into the framework of the ‘post-Washington Consensus’. As a means of tying this section up and opening the case study chapters that follow, I conclude this particular part of the chapter by analysing the ‘stamp’ of Treasury preference upon New Labour’s international development policies.

The second and third parts of the chapter are considerably shorter, but are nevertheless vital in enabling me to explore the two secondary areas of research that this thesis is concerned with. The first of these two parts identifies the constituencies and their respective expectations of New Labour’s policies in the field of international development. This section maps out the character of these different constituencies on the basis of their expectations of government policy to reveal the dilemma that New Labour officials were faced with in attempting to accommodate these constituencies in its policy process. The second of these two parts (third overall) provides an analytical framework that will, in the case study chapters that follow, enable me to trace not only the character but the changes and the direction that New Labour’s international development policies underwent while in office.

The Institutional Dominance of HM Treasury and the Centrality of International Development to Gordon Brown’s Model of Political Economy

Arguably the clearest difference between ‘old’ and New Labour, or indeed that of any of New Labour’s predecessors in government, was the latitude afforded to Gordon Brown, as Chancellor of the Exchequer, in the influencing of policy that would normally fall outside the traditional economic policymaking duties of the Treasury. This difference has been summarised pithily by one of Brown’s biographers, William

Keegan who has remarked that while “previous Labour governments had felt captured by the Treasury. Brown *captured* the Treasury”.⁸ This section examines how the Chancellor achieved this and the policy influence that Brown’s Treasury was subsequently able to exercise over other Whitehall departments and DFID in particular. Whilst serving as Chancellor, Brown peppered his annual Budget speeches, spending review announcements and other statements with frequent references to education, welfare and social policy. However, it was in the area of international development that the Chancellor devoted arguably most of his attention. In this section I trace the revolution that the Treasury underwent during the Blair government and the ways in which this gave Gordon Brown the unparalleled scope to shape New Labour’s international development policies to an even far greater degree than DFID’s own Secretary of State.

The imprint of the Treasury and of Gordon Brown in particular, was writ large over each of the case studies explored in the following three chapters. The ‘new global economic architecture’, discussed in chapter 5 and recast as a response to the debt crisis in the developing world, was predicated upon the same principles of macroeconomic stability, improved regulation and increased surveillance introduced by the Treasury at home. Chapter 6 examines the supply-side reforms, such as tax credits for research and development that the Chancellor viewed as being essential as a means of incentivising pharmaceutical firms to increase the supply of essential drugs required to combat HIV and AIDS in the developing world. The focus of the final case study in chapter 7 explores Gordon Brown’s own proposals for an International Finance Facility. Designed to frontload the US\$50 billion worth of aid that was required to meet the UN Millennium Development Goals, the IFF was based upon ideas central to the Treasury thinking at home concerning welfare policies such as the ‘New Deal’,

⁸ Keegan (2004: 247, emphasis in original)

and spending strategies such as Private Finance Initiatives and public-private partnerships. As a means of contextualising these three policy initiatives, I begin by exploring the institutional reconfiguration of the Treasury under the Blair government and its impact upon New Labour's international development policies.

Historically, the Treasury has been regarded as an all-powerful agency able to exert policy influence through its control of resources. For Martin Smith, although formally the Treasury remains an economic, and not a co-ordinating department, the importance of its functions, the status of its ministers and the impact it has upon all other departments, has placed it in a unique position to affect the operation of the core executive as a whole.⁹ While Paul Fawcett accepts this to be true, he also notes that other contributions to the literature have been more circumspect in terms of the extent of this power.¹⁰ Thain and Wright for instance have commented that despite this power, "the Treasury cannot dictate to departments or impose [its] will upon them".¹¹ For Deakin and Parry, quite simply, "whatever its apparent strength, Treasury power is less than absolute".¹² For these authors, irrespective of the dominance that the Treasury might claim in its control over the purse-strings of central government, Whitehall departments still enjoy relative autonomy in terms of how policy should be conducted.

This section disputes these claims, exploring the unparalleled dominance that the Treasury enjoyed under New Labour. I do this not by focusing solely upon the budgetary or fiscal 'dominance' that the Treasury has traditionally been able to wield over other Whitehall departments. Rather, I follow John Hills, and more recently, Simon Lee both of whom have argued that the particular type of dominance in

⁹ Smith (1999: 145)

¹⁰ Fawcett (2010: 2)

¹¹ Thain and Wright (1995: 5)

¹² Deakin and Parry (2000: 2)

Whitehall, exercised by the Treasury under New Labour, was both new and striking.

For Hills:

Not only have most of the significant developments [concerning New Labour's welfare and social policies] been made as part of its Budget and spending announcements, but the tax system is also being used as an explicit instrument of social policy. It has also greatly increased its power by making any additional spending by departments in cash terms over the next few years conditional on convincing the Treasury that agreed reforms have taken place.¹³

According to Simon Lee, reforming welfare in this way enabled the Chancellor to strengthen the power of the Treasury by establishing it as the pilot agency of New Labour's political economy and economic modernisation its core remit.¹⁴ This, I argue, was made possible by the crucial decision that Brown made to cede responsibility for monetary policy to the newly-reformed Bank of England and the Monetary Policy Committee (MPC). Although it was a decision taken initially to establish a monetary policy framework that would, in the terms of the Chief Economic Adviser to the Treasury, Ed Balls, "command market credibility and public trust" through an altogether more 'prudent' approach to spending.¹⁵ It was a move that would give the Treasury unprecedented scope to intervene in social as well as economic policy arrangements, both at home and abroad.

The power that this gave to the Treasury enabled New Labour to pursue an altogether more 'joined-up' programme of government.¹⁶ 'Joined-up government' as it was articulated by policy officials was a meta-governmental response to the problem of separate compartmentalised Whitehall departments attempting to deal with "cross-

¹³ Hills (1998: 32–33)

¹⁴ Lee (2008: 20)

¹⁵ Balls (2004)

¹⁶ *HM Government* (1999). Interestingly, "policy consistency" was also a cornerstone of DFID's first White Paper (1997: 50–76).

cutting issues”.¹⁷ Several issues faced by the government fell, directly and indirectly within the remit of several Whitehall departments. Historically, this had led to inter-departmental conflict and a less than consistent set of policies as various government ministers and officials attempted to assert their own stamp of authority upon policy. To resolve this problem, New Labour sought to govern far more cohesively, designing and delivering policy in a far more integrated manner. However, for New Labour’s policymaking process as a whole to take on the appearance of a single, ‘joined-up’ entity, it required an institutional agency at its core as a means of steering government policy. It was to be the Treasury that would fulfil this role, and this enabled Brown and his officials to extend their reach concerning the policy decisions taken by Whitehall ministers. Crucially, as Matthew Watson has remarked, although “the outcome might well be more consistency across different policy outputs...it is also likely that all policies will be inflected with a clear stamp of Treasury preference”.¹⁸ No more clearly was this demonstrated than in the policies of DFID, the work of which Brown took a particular interest in. Rooted in the Chancellor’s reforms to Britain’s economic policymaking at home, the section explores how the pursuit of ‘prudence for a global purpose’ enabled Brown and his colleagues in the Treasury to achieve this, and establish considerable control over New Labour’s international development policies as a result.

Reforming the Treasury: Institutionalising and Locking-in Macroeconomic Credibility

In order to do what a Labour government should do, you’ve got to earn credibility first.

*Ed Balls to Gordon Brown*¹⁹

¹⁷ Clark (2002: 108)

¹⁸ Watson (2009b: 48)

¹⁹ Cited in Keegan (2004: 131)

Biographers have noted the extent to which Gordon Brown's politics were infused right from the very beginning with a strong sense of social justice and moral sense.²⁰ Inculcated with the strong values of compassion and civic duty of his Presbyterian parents, whilst Shadow Chancellor, Brown promised delegates at the Labour Party conference "that we in the Labour Party will not leave our conscience at the Treasury door: we will take moral purpose to the heart of government".²¹ As the following case study chapters show, it was clear that Brown's 'moral compass' was instrumental in directing the policies of the New Labour government, both at home and abroad. However, for Brown to fulfil both his and his party's 'moral purpose', both in Britain and across the developing world, it was necessary to put in place a credible macroeconomic framework. As Andrew Rawnsley has remarked however, Gordon Brown was less interested in operating the levers of macroeconomic management than any previous incumbent at the Treasury.²² It would fall to Ed Balls to set out such a policy framework that would allow Gordon Brown to become, in the terms of Robert Peston, a "credible socialist".²³

Much of the early literature concerning the post-1994 architects of the New Labour project, understandably focuses upon the Blair-Brown nexus, of which other players such as Peter Mandelson, John Prescott, Robin Cook, Alastair Campbell and Bryan Gould are afforded roles in the supporting cast of varying prominence.²⁴ Rather surprisingly, Ed Balls features very little in these accounts. Yet, as I argue here, he was instrumental in New Labour's efforts to secure credibility with the financial markets: a central objective of the Party, both in opposition and in government. It was the ideas of Balls, and in particular his argument concerning the need to build a credible

²⁰ See for example Routledge (1998: 7); Keegan (2004: 19); Peston (2005: 25); Lee (2007: 19–20).

²¹ Brown (1995b)

²² Rawnsley (2001: 32)

²³ Peston (2005: 112)

²⁴ See for example Anderson and Mann (1997); McSmith (1997); Gould (1999); Rawnsley (2001).

monetary framework based upon stability, low inflation and institutional reform, that underpinned the macroeconomic reforms initiated by Gordon Brown as Chancellor of the Exchequer. Without the support of the financial markets that this credibility would secure, Party officials felt that they would not be able to achieve the economic and social aims of the New Labour project.

Through his role as Brown's chief economic advisor within the Treasury, Balls was able to exert considerable influence upon the formation of New Labour's domestic economic policy. Moreover, given the centrality of the Treasury in dictating New Labour's international development policies, Balls' influence also extended far beyond the British polity to an altogether higher spatial scale of governance. No more clearly was this evident than in Gordon Brown's appeal for a new global financial architecture (explored in chapter 5) which was derived from the same policy narrative of macroeconomic stability, policy transparency, and clear and binding rules that Balls had frequently argued was necessary for the Treasury to instil at home.

Balls was uniquely positioned in order to capture the credibility that New Labour officials were seeking. His position at the *Financial Times* gave him an array of important contacts in the City of London, which in turn provided him with an insight into what the financial markets were thinking. Politically too, although critical of 'old' Labour's stance over the European Exchange Rate Mechanism, Balls was a leading member of the progressive, centre-left Fabian Society and a proponent of alternative economic strategies to those pursued by the Conservative government. Brown, for one, was impressed with Balls' critique of the economic policy of the incumbent Conservative government and its failure to address the underlying structural weaknesses of the UK economy. In a paper written in the wake of the ERM debacle,

Balls called for “a credible and predictable macroeconomic policy framework which can deliver economic stability combined with active government measures to promote growth and full employment”.²⁵ In a single statement, Balls had distilled what Brown would attempt to achieve as Chancellor of the Exchequer.

Although senior party officials had sought to engage with the City and financial constituencies, since the launch of the so-called “prawn cocktail offensive” in November 1989,²⁶ it was only *after* the appointment of Balls as Gordon Brown’s chief economic advisor in 1994 that New Labour adopted an altogether new approach to securing this credibility. Officials started to stress the importance of ‘predictability’ and ‘stability’, and how this would be achieved through a framework of fixed rules, constrained government discretion and increased openness in macroeconomic policymaking. As I have already demonstrated in chapter 2, these were touchstones of New Labour’s political economy and central to the Party’s commitment to sustainable economic growth. Crucially, this approach would give Gordon Brown the latitude to fulfil what he saw as his own moral purpose as a Labour politician. Leaving Balls to engineer New Labour’s macroeconomic strategy,²⁷ the Chancellor could realise his own commitment to social justice through the pursuit, both at home and abroad, of a series of microeconomic policies and supply-side reforms.

The final piece in securing this credibility – the masterstroke for which Brown is frequently credited – was the decision to grant “the Bank of England operational responsibility for setting interest rates, with immediate effect”.²⁸ Announced within days of being elected into office, it was a move that caught many by surprise, both for

²⁵ Balls (1992: 3)

²⁶ Wickham-Jones (1995a: 476)

²⁷ It is notable that it was Ed Balls who in 1997 delivered what was arguably the definitive statement on the New Labour government’s macroeconomic strategy at the Scottish Economic Society/Royal Bank of Scotland Annual Lecture.

²⁸ Brown (1997a)

the speed and the manner in which the decision appeared to have been taken. However, it was a move that should not have taken anyone aback. In May 1995, Blair used the Mais lecture to outline his plans for an independent monetary policy committee.²⁹ Similarly, in a speech to business leaders in London in May 1995, Brown expressed his belief that:

The Bank [of England] should establish a new Monetary Policy Committee which would decide on the advice given to the government on monetary policy. The committee could comprise of the Governor and the Deputy Governor of the Bank, both appointed by the government, [and] six directors including the Chief Economist. These six also appointed by the government following consultation with the Governor and the Deputy Governor...I believe that these reforms, together with our suggestions about more openness and transparency, and the conduct of decision-making including the budgetary process will make a positive impact on the way policy is made and greatly improve the credibility of the current process.³⁰

Although widely understood as a personal triumph for Brown, it was Ed Balls whose influence was, in fact, writ large in this decision. In his 1992 Fabian pamphlet, Balls had argued that “an independent central bank, charged to deliver low and stable inflation, is a better way to achieve macroeconomic stability”.³¹ Indeed, as he went on to argue, “a carefully reconstituted and statutorily controlled central bank, empowered to pursue low and stable inflation, would make policy more representative and more accountable than at present”.³² Although when he was writing in 1992, Balls was quick to point out that the Bank of England in its current form lacked the institutional capacity to fulfil such a task,³³ by the time Brown made the announcement a little less than five years later, the necessary reforms had been completed, leaving the door open for central bank independence.

²⁹ Blair (1995) in Blair (*ed.* 2004: 87)

³⁰ Brown (1995a)

³¹ Balls (1992: 16)

³² *Ibid.*, p. 17

³³ *Ibid.*, p. 18

Although the government would continue to set economic policy through the Treasury, it would be the Bank of England, through the newly-established Monetary Policy Committee, whose responsibility it would be to ensure that the government's monetary targets were met. For Balls, the logic of this move was clear. The creation of an independent central bank would strengthen a Chancellor's credibility, and strengthen, rather than weaken the hand of a Labour government:

Freed from debilitating market doubts about the government's anti-inflationary resolve, a Labour chancellor would be free to concentrate on many other aspects of policy, including fiscal policy.³⁴

Depoliticising monetary policy was essential in reassuring both the financial markets and the electorate that this was a very different kind of Labour government, one that rejected tax-and-spend, and short-term political decisions. Taking these decision-making processes out of the hands of politicians, and placing them with a small group of non-elected economists at the Bank of England would, the Chancellor claimed, benefit both "business, which wants to plan ahead with confidence", and "families, who have suffered enough from the uncertainties of short-term economic stability".³⁵

The political and economic expediency of such a strategy has not gone unnoticed in the literature. As Claire Annesley and Andrew Gamble have remarked, an altogether more credible set of economic policies would be more likely to convince voters that a New Labour government "would not be blown off-course by the kinds of financial pressures that had wrecked its predecessors".³⁶ For Peter Burnham, granting the Bank of England the power to set Britain's monetary policy could, politically, enable New Labour to "evade direct responsibility for high interest rates and the high value of

³⁴ *Ibid.*

³⁵ Brown (1997a). See also Balls and O'Donnell (*eds.* 2002: 93).

³⁶ Annesley and Gamble (2004: 147)

sterling, thus establishing its credibility with markets whilst, at the same time, [increase] the pressure on labour and capital to become more competitive".³⁷ Simon Lee has gone further still, suggesting that this apparent loss of power was little more than a political con-trick:

The Bank of England is not independent. The Monetary Policy Committee...exercises a degree of administrative autonomy over the setting of interest rates but only within the monetary policy framework and inflation target laid down by the Treasury and the Chancellor of the Exchequer. What Brown presented as a devolution of political power was, in practice, a delegation of administrative responsibility that provided Brown with an institutional alibi for unpopular economic policies.³⁸

New Labour officials did little to reject these claims. Indeed, the depoliticisation of monetary policy was deemed to be a useful tool in a wider strategic context in which the role of national politicians had supposedly been eviscerated by globalisation. As I argued in chapter 2, globalisation was understood by policymakers to have restricted the latitude of politicians to pursue only policies that worked 'with the grain' or accommodated the demands of global capitalism. As Ed Balls had previously observed, "in an internationally integrated world, companies can choose where to invest among countries".³⁹ By handing over power to an agency more attuned to the preferences of market, rather than political actors, as Flinders and Buller have suggested, depoliticisation could refine and change public expectations concerning both the capacity of the state and the responsibilities of politicians in setting policy.⁴⁰

Again, the views of Ed Balls dictated New Labour's position on this issue. Depoliticising the setting of interest rates would signal to markets New Labour's commitment to make its macroeconomic policy as open and as transparent as possible. According to

³⁷ Burnham (2002: 139)

³⁸ Lee (2007: 139)

³⁹ Balls (1992: 19)

⁴⁰ Flinders and Buller (2006: 308)

Balls, British economic policymaking up until this point was “shrouded in secrecy”, and the “absolute” power of the Treasury was “...inefficient and out of date. Successful developed economies, including left of centre governments...have realised that an independent central bank, charged to deliver low and stable inflation, is a better way to achieve macroeconomic stability”.⁴¹ By locking-in an altogether more transparent policy process, the Treasury could present far more demonstrably a credible set of policies, commensurable with the expectations held by international financial investors. Explaining and justifying this particular approach to policy, in the wider context of the global economy, Balls would later argue that:

In a world of global capital markets...credibility in modern open economies requires three ingredients: a reputation for following long-term policies; maximum openness and transparency; and new institutional arrangements which guarantee a long-term view.⁴²

These new institutional arrangements would lock-in the government’s commitment to pursue a long-term macroeconomic strategy that incentivised global capital. Indeed, as Matthew Watson has argued such “institutional lock-ins” would “demonstrate, by their very presence, that no alternatives [were] possible to the pre-announced policy”.⁴³ Rather, as Watson goes on to note, this new institutional arrangement put in place “a formal apparatus that, from the government’s perspective, [would run] policy on automatic pilot”.⁴⁴

Running economic policy on ‘autopilot’ through these new institutional arrangements would be crucial in reassuring the global financial markets of the credibility of the Blair government. Putting macroeconomic policy out of the reach of meddling ministers would enable New Labour to make a decisive break both from its own past reputation

⁴¹ Balls (1992: 16)

⁴² Balls (1998: 114–115)

⁴³ Watson (2008b: 580)

⁴⁴ *Ibid.*, p. 581

as a ‘tax-and-spend’ party, and the economic misfortune that had befallen previous Labour and Conservative governments. According to Gordon Brown, the monetary policy decisions taken by his predecessors had been “dominated by short-term political considerations”,⁴⁵ which Ed Balls would later argue had contributed to “the violent boom-bust economic cycles of the past twenty or so years”.⁴⁶ Balls’ reading of the British economy in the past was one that had been punctuated by recession, joblessness and high inflation, all of which had reduced Britain’s economic capacity and the willingness of firms to make long-term investment commitments. Having internalised this narrative of Britain’s recent economic crises, Treasury officials concluded that the political manipulation of monetary policy undermined not only the government’s aim to secure the macroeconomic stability necessary for investment,⁴⁷ but crucially, the very credibility of this commitment in the eyes of market investors.

What was designed as a political strategy to demonstrate the credibility and the financial probity of the Treasury’s macroeconomic strategy under New Labour however, would also prove to be beneficial for Gordon Brown’s microeconomic reforms; a series of policies designed to tackle the barriers to productivity growth and to close the productivity gap.⁴⁸ These reforms were intended to boost the supply-side, to enable markets to function more efficiently, and to allow firms and workers to maximise their productive potential by targeting five historical weaknesses that had undermined productivity performance. They included strengthening the competition regime; promoting enterprise; supporting science and innovation; improving skills through better education and encouraging investment to improve the stock of physical capital.⁴⁹

⁴⁵ Brown (1997a)

⁴⁶ Balls (1998: 115)

⁴⁷ *Ibid.*

⁴⁸ Balls, O’Donnell and Grice (*eds.* 2004: 9)

⁴⁹ *Ibid.*, pp. 9–10

As well as these microeconomic reforms, freed from monetary policy concerns, Brown could also enter into areas of policy such as healthcare, education, welfare, poverty and international development – areas that traditionally would have fallen outside the remit of the Treasury. The Chancellor frequently took it upon himself to make specific policy announcements and tie them into the Treasury’s broader commitments concerning economic policy. In 1998 for instance, Brown announced a series of supply-side measures designed to boost the quality of education, skills and training as a means of “improving productivity, expanding opportunity and investing in our future”.⁵⁰ Under previous governments such policies would have been announced either by the Secretary of State for Education and Employment or the Secretary of State for Trade and Industry. Brown however, while giving the impression of ‘joined-up government’ made only a passing mention to the input of these ministers and their departments. Rather, these were policies taken over by the Treasury, and presented as reforms designed to “achieve our long-term goals for growth and employment” and support the “radical modernisation of our *economic policy* in favour of opportunity, enterprise and work”.⁵¹ This would signal the socialisation of economic policy that, under the chancellorship of Brown, the Treasury would roll out across Whitehall and, as I shall show in the following case study chapters, beyond into the developing world.

Even these policy announcements however, were constrained, initially at least, by the Treasury’s overarching commitment to credibility. A credible macroeconomic strategy meant a credible *microeconomic* strategy based upon what was presented to the electorate as ‘prudent’ levels of public spending. To this end, New Labour chose to accept, for the first two years of office, the punitive expenditure targets set by the outgoing Conservative administration, promising to maintain a “tough inflation target”,

⁵⁰ Brown (1998)

⁵¹ *Ibid.*, emphasis added

to keep “mortgage rates as low as possible” and “stick for two years within existing spending limits”.⁵² This prudence would be governed by the self-imposed ‘golden rules’ of borrowing and spending. These fixed rules – again reinforced by the perceived need for predictable government policies – would permit the Treasury to spend only what it could afford, and to borrow only as a means of financing future investment. As Robert Peston has argued, this initial prudence or “hair-shirtism” would be “crucial to acquiring economic credibility, to restoring the strength of the public finances and averting the kind of economic crises that undermined all previous Labour governments”.⁵³

This prudence however had significant payback once credibility amongst the financial markets was assured, thus revealing the temporality of Brown’s commitment to prudence. Having stuck assiduously to these spending levels in the first two years of being in office, the Chancellor moved to the next stage of this prudence, thereby revealing its *purpose*.⁵⁴ This prudence would enable the government to:

...target tax cuts on hard-working families and to release for our public services in the coming year alone additional resources of £4 billion. These extra resources are not at the expense of our prudence; they arise *because of our prudence*.⁵⁵

With a little over a year to go before the next General Election, the prudence that Brown had exercised in a bid to secure macroeconomic credibility, would now enable the Chancellor to pursue an election-winning programme of tax cuts and increased investment in public services. With the fundamentals of macroeconomic “stability locked in” through its monetary policy framework and prudent set of fiscal policies, New Labour was now in a position to meet its “prosperity goal” of closing the

⁵² *Labour Party* (1997)

⁵³ Peston (2005: 150–151)

⁵⁴ Brown (2000d)

⁵⁵ *Ibid.*, emphasis added

productivity gap; its “full employment goal” of employment opportunity for all; its “education goal” of 50 per cent of young people in higher education; and its “anti-poverty goal” of halving child poverty by 2010 and ending it by 2020.⁵⁶ In 2002, the purpose of Brown’s prudence was health. By “cutting debt, unemployment and waste” and pursuing “prudent management and economic stability and growth”, the Chancellor was able to announce significant increases in spending on the National Health Service.⁵⁷ While in 2001 the Treasury invested £2,370 for the average household on the NHS, by 2007-08 the Chancellor promised it would increase this investment to £4,060 per household; a 48 percent increase in real terms after inflation.⁵⁸

Problematically for Brown – or more directly, his successor in the Treasury, Alistair Darling – once this prudence had been relaxed and levels of government spending started to rise towards the middle of New Labour’s time in office, it was difficult to retrieve. For David Coates, New Labour’s ‘chickens came home to roost’.⁵⁹ According to Coates, the problems faced by the Brown government in the lead-up to the 2010 General Election were due in no small part to the new Prime Minister’s largesse during New Labour’s second term in office, whilst he served at the Treasury. Indeed, Brown’s *imprudence* as Chancellor may have cost Brown his credibility as Prime Minister. Whilst it lasted however, Brown’s prudence enabled the Treasury to place its considerable imprimatur upon these other Whitehall departments. It was widely held by Treasury and other senior government officials that without a credible and prudent monetary and fiscal policy framework, none of the Whitehall departments concerned with New Labour’s social policy commitments – the Department for Trade and Industry, the Department for Education and Skills, the Department for Work and Pensions, or the

⁵⁶ Brown (2000d)

⁵⁷ Brown (2002b)

⁵⁸ *Ibid.*

⁵⁹ Coates (2009)

Department for Health – could deliver their objectives. It was therefore essential that the New Labour project retained at its centre the Treasury and its carefully-designed model of political economy. Its position at the heart of Whitehall enabled the Treasury to strengthen its grip upon these departments, not simply in terms of the money it provided as a ministry of finance, but crucially concerning the content and outcomes of policies in these areas.

‘Prudence for a Global Purpose’: Establishing the Dominance of the Treasury in DFID

One area of policy that Gordon Brown was particularly keen to intervene in was that of international development. Although New Labour had made good on its promise to establish a separate department from the FCO for matters relating to international development through the creation of DFID, this did not prevent the Treasury setting the tone for the policy outputs of this new department. Indeed, the decision to hand over the setting of interest rates to the MPC enabled Brown to pursue his very personal commitment to the alleviation of poverty in the developing world.⁶⁰ As I noted earlier, each of the policies that I explore in the following case study chapters emerged largely as a result of Treasury-thinking, rather than from DFID itself. Furthermore, whilst Chancellor, Brown made frequent references to international development in his numerous public spending announcements. Where Brown had claimed ‘prudence for a purpose’ in relation to increased spending in domestic policy areas such as education, skills, welfare, productivity and health, there was a distinctly ‘global’ purpose to Brown’s prudence concerning matters of international development. This, as the table in appendix **A1** shows, enabled the Chancellor to make issues relating to global poverty central to the political economy of the Treasury under New Labour. With only a handful of exceptions, issues relating to international

⁶⁰ Keegan (2004: 244)

development featured heavily in the frequent spending announcements made by Brown as Chancellor.

From this table, a number of key trends continually reoccur. Firstly, the Chancellor placed a clear emphasis upon the core areas of debt relief, access to antiretrovirals and other essential medicines, and increasing aid to developing countries. Debt relief was to be achieved through the Heavily Indebted Poor Countries (HIPC) initiative but the Chancellor was also keen to extend debt relief through other mechanisms that he had designed such as the 'Mauritius Mandate' and the Multilateral Debt Relief Initiative (MDRI). Access to the antiretrovirals, vaccines and other medicines required to combat the 'diseases of poverty' would be subject to a series of supply-side measures, such as tax credits to incentivise pharmaceutical firms into scaling-up levels of research and development. Brown also sought to increase the amount of aid that was available for developing countries to finance their growth. A specific International Development Trust Fund was suggested initially but this was replaced in favour of an International Finance Facility that would frontload aid money borrowed from private markets.

A new compact – a 'Global New Deal' – between rich and poor countries was suggested. If developing countries implemented 'pro-poor' policies – that is, policies which maintained economic stability, good governance, trade liberalisation and open markets – developed countries would open up their markets to exports from developing countries and continue to meet their commitments. Elsewhere, four steps were identified by the Chancellor as a means of achieving global prosperity: new codes and standards; an increased role for the private sector and business within the development process; a freer and fairer global trade regime; and increased finance. These were areas that were clearly central to New Labour's commitment to the

developing world, and crucially, areas that the Chancellor would retain full control over.

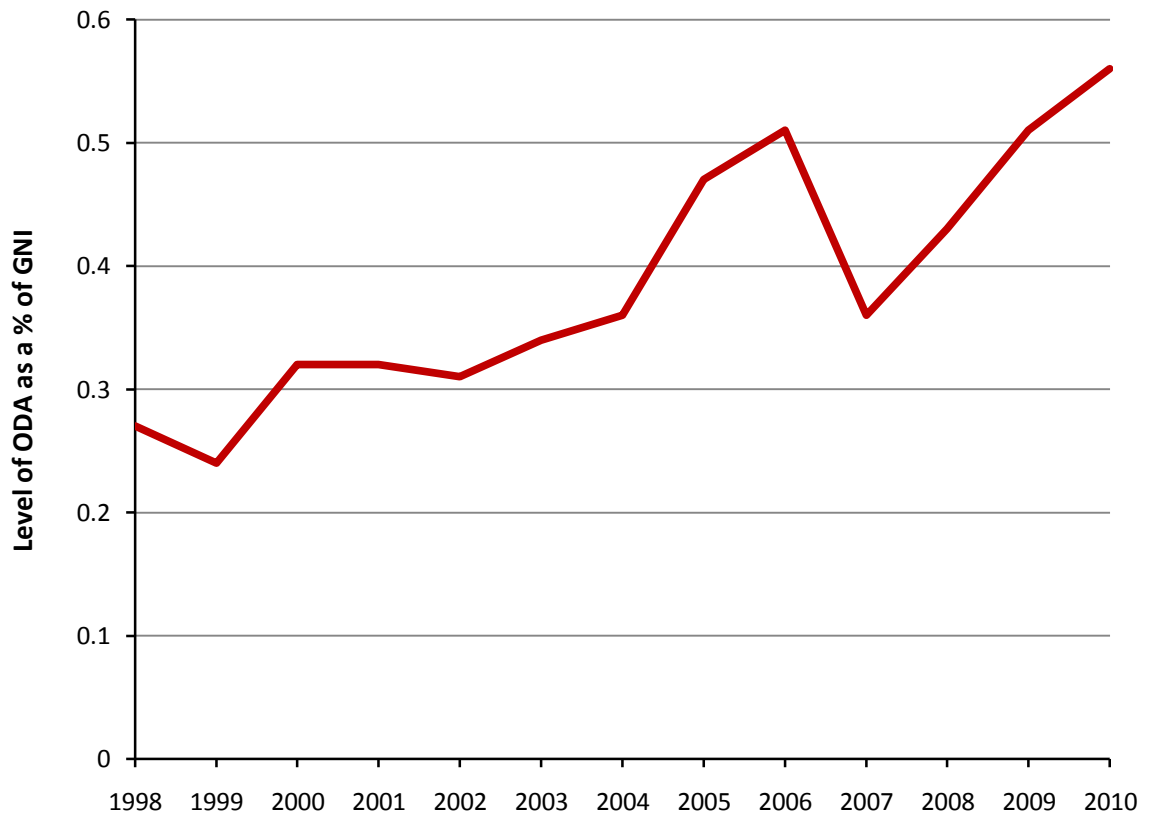
Despite a pre-election commitment to increase Britain's aid spending sufficiently to meet the longstanding 0.7 percent/GNI target, Brown in his prudence, was reticent to finance this aim straightaway. Rather than meet this particular pledge, the Chancellor elected to stick to his principle of 'prudence for a purpose' believing that this would enable the newly-formed department to deliver on its policy commitments in the longer term. This pursuit of prudence however meant that New Labour relied upon hard economics rather than any moral sentiment to dictate the amount of money Britain was willing to spend on aid. Indeed, as the Treasury's Chief Secretary, John Healey would later remark, although the government remained committed to making progress towards meeting the 0.7 percent target, it would do so only "as the fiscal climate permits".⁶¹ Therefore, although overseas aid did increase under New Labour (compare **Fig. 3.5** in the previous chapter, with **Fig. 4.1** for instance) there were times when it fell back quite considerably. In 1999 for example, Britain's ODA actually dropped to its lowest level during the forty-year period between 1970 and 2010. Although this figure did climb back up to 0.51 percent/GNI in 2006, it slipped back again to 0.36 percent in 2007. It was this cut in particular – a cut almost as great as that made by Thatcher's Conservative government in 1980 – that put back New Labour's initial commitment to meet the 0.7 percent target by 2009,⁶² to 2013 instead.⁶³

⁶¹ Healey (2004)

⁶² *HM Government* (2005: 39)

⁶³ *HM Treasury* (2007b: 126)

Fig. 4.1 Britain's Overseas Development Aid as a % of GNI, 1998–2010



Source: *OECD* and *DFID*⁶⁴

As the table in **A1** shows, Brown's prudence was exercised in two ways: firstly, by creating a tax relief scheme to encourage British taxpayers to increase their giving; and secondly, by selling off the government's majority stake in the Commonwealth Development Corporation (CDC). The creation of the tax relief scheme was designed to shift away, or at least share the burden of responsibility of development aid from the government onto the British taxpayer. The sale of the government's share of the CDC paved the way for it to become initially a public-private partnership and then a public limited company in 1999. Both these decisions enabled the Treasury to prudently increase Britain's commitment to international development, and in particular its level of overseas aid, two years after entering office.

⁶⁴ *OECD* (2011); *DFID* (2010: 25)

During the first two years of New Labour's time in government, spending limits were imposed across all Whitehall departments. Therefore, although clearly supportive of DFID's commitment to addressing matters of global poverty, Treasury officials were left to look for alternative, yet prudent ways in which to support the financing of this commitment. To do this initially, the Chancellor urged the British taxpayer to increase their contributions to projects in the developing world by introducing a 'gift aid' or tax relief scheme, designed symbolically at least, to mark the new millennium. The money raised by this policy would support the work, not of DFID itself but of charities and NGOs working within developing areas, who as Brown would later claim, shared New Labour's own commitment to debt reduction, poverty relief and development. In policymaking terms, this statement fitted in with the government's openness to working with a plurality of outside actors, and matched the importance that DFID had already afforded to 'building partnerships' in its own White Paper.⁶⁵

As with the Treasury's decision to cede responsibility for other aspects of New Labour's economic policy, this 'Millennium Gift Aid' scheme enabled the Chancellor to depoliticise the government's initial forays into international development. By incentivising British taxpayers to increase their contributions to the work of the charities and NGOs that have "led the crusade to combat Third World poverty", the Chancellor deliberately imputed to these agencies a principal role in the delivery of the government's own international development goals. This strategy shifted expectation away from the government and upon a set of actors understood to be far better placed to address the issues faced by developing countries. During a period of self-imposed fiscal rectitude, this would be useful since it would dampen any expectations of the government itself, especially amongst core policy constituencies such as Labour Party members who, as the previous chapter suggested, had come to attach a great

⁶⁵ DFID (1997: 22–47)

deal of significance to matters of global poverty. In reordering these expectations, this strategy would also buy government ministers more time in building an altogether more fiscally 'credible' set of development policies.

The second means by which the Treasury sought to prudently finance its commitment to international development, and in particular Britain's level of overseas aid, was through the sale of the government's majority stake in the CDC. The Corporation was set up as the UK's own development finance institution to "create and manage new business and act as a catalyst for other investors".⁶⁶ Using its own resources, the CDC invested in a number of private equity funds which in turn enabled it to help finance the development of countries in Asia, Africa and Latin America. Upon entering office, New Labour officials argued that the CDC was "an under-utilised asset" and therefore set about extending the role it could play within the development process.⁶⁷ However, rather than increasing the government's stake in this public corporation, policy officials decided to retain just a minority holding in the CDC and transform it into a public-private partnership. This would enable an injection of private capital through the PPP that would increase the resources at CDC's disposal, and enable its proceeds to be recycled into the government's aid budget.

This CDC would represent New Labour's newfound commitment to working in partnership with the private sector, and typify its new altogether more 'market-orientated' approach to development.⁶⁸ For New Labour, the new "dynamic government/private sector partnership" that underpinned the CDC would enable the Treasury to increase Britain's aid commitment overseas, whilst at the same time balance the books at home. With this money, New Labour could finance its healthcare,

⁶⁶ *Ibid.*, p. 46

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*, p. 41

education and anti-poverty programmes in the developing world, as well as offer debt relief for the poorest countries. This, in and of itself, represented a significant break from 'old' Labour. For New Labour officials, the Party could and should no longer be held hostage to the *means* by which development should be achieved. Instead, as Tony Blair and others would remind constituencies both in and outside the Labour Party, 'what counts was what works'. What was important was the *outcome*, not the means, and addressing issues of international development was all that mattered. For the Treasury, the loosening of these ideological constraints and, concomitantly, New Labour's acceptance of the private sector as being vitally important in the development process, allowed Brown to meet the expectations of his core party constituencies in a prudent, 'fiscally-responsible' manner.

Combined with the Chancellor's 'Millennium Gift Aid' initiative, the selling-off of the government's majority stake (and the subsequent transformation into a PPP) of the CDC provided Brown with the prudence that he sought in sticking to the Treasury's spending commitments during New Labour's first few years in office. This spending strategy would provide the platform for the Treasury and Gordon Brown in particular, to intervene in the setting of New Labour's international development policies. From 2001 onwards, the Chancellor's parliamentary announcements became less about the financing of development (although, clearly, in the spending reviews this remained the case), and more about the substance of the policies themselves. Traditionally, such policy announcements would be made by the Secretary of State. Brown however, would, as he did on behalf of other 'spending' departments at home, take it upon himself to outline the significance of these policies in terms of New Labour's political economy; offering explanations as to the way certain policies had been formulated,

and the role that particular actors, both in and outside of government, had to play within the policy process.

The 'Internationalisation' of the Treasury and its Emergence as an Institutional Focal Point for Global Development

The Treasury became the institutional mechanism at the heart of New Labour's policy process. However, it not only mediated, influenced and engaged with Whitehall departments, but external policy constituencies as well. As the appendix **A1** makes clear, the spending announcements made by the Treasury relied upon ongoing dialogue with institutions of global financial governance such as the World Bank, IMF and WTO, transnational business constituencies such as the pharmaceutical industry, and non-governmental actors such as charities, development agencies and faith groups. The Treasury retained a unique role in being able to talk directly with each of these constituencies, giving the Chancellor considerable leverage in directing and coordinating New Labour's international development policies both at home and abroad. As well as becoming the longest-serving and most senior finance minister within the G7/G8 group of countries, Brown also served as the Chair of the powerful International Monetary and Financial Committee (IMFC) in Washington. This gave the Chancellor unparalleled scope to impress upon his fellow finance ministers his proposals – for instance, to establish a 'new global economic architecture', or introduce policy mechanisms such as a Multilateral Debt Relief Initiative (chapter 5) and the International Finance Facility (chapter 7) in a way that the Secretary of State simply could not do. As well as these 'market-orientated' constituencies, Brown was also keen to engage in dialogue with representatives from faith groups and NGOs. Throughout his chancellorship, Brown delivered far more speeches and lectures to these audiences than any Secretary of State for International Development. Indeed, very rarely did the likes of Clare Short or Hilary Benn speak to these constituencies without the Chancellor

present. Keen to ‘micro-manage’ New Labour’s international development programme in a similar way that he had in other areas of government spending,⁶⁹ Brown would frequently use such opportunities to explain and justify the rationale for the policy decisions that had been made in an attempt to secure support amongst these altogether more ‘socially-orientated’ constituencies for the government’s own position.

Even in areas of policy where the Chancellor was not afforded quite such a high profile, such as the Prime Minister’s High Level Working Group on Increasing Access to Essential Medicines in the Developing World (the Secretary of State, Clare Short chaired this particular group), there was a sufficiently strong Treasury presence in the Group to ensure that the Chancellor’s preferred strategy of supply-side measures such as tax credits and other incentives were incorporated into the government’s strategy.⁷⁰ As I show in chapter 6, Short favoured a more ‘demand-side’ approach based upon creating the right ‘market conditions’ in developing countries for pharmaceutical firms to invest; Brown, on the other hand, believed the government’s priority should be to incentivise firms to undertake far more research into the ‘diseases of poverty’. It would be this research, combined with more equitable pricing strategies that the Chancellor argued, would increase the amount of vaccines and treatments available in the developing world and enable the government to meet its commitment to securing universal access to essential medicines. Short’s departure from the government in 2003 and the subsequent appointment of Hilary Benn as Secretary of State for International Development merely made this approach to policy a formality. As a backbencher, Benn had already sided with the position taken by the Chancellor, arguing that “the pharmaceutical companies have a moral obligation to

⁶⁹ Heffernan (2008: 285)

⁷⁰ The Financial Secretary, Paul Boateng was the Treasury’s sole representative on this working group.

make [life-prolonging] drugs available to the people of Africa at a price they can afford".⁷¹ Benn's later promotion allowed DFID's strategy in this area of policy to be far more aligned, or in New Labour-speak, 'joined-up' with that of the Treasury.

The scope of the Treasury to intervene in the setting of government policy was strengthened further by the extensive role that Brown played *beyond* Whitehall within what Robert Cox (and latterly, Andrew Baker) has termed the "*nébuleuse*" of global financial institutions: the World Bank and IMF, or more specifically the IMFC.⁷² The Chancellor's long-standing status as one of the world's leading finance ministers gave Brown a prominent voice within these institutions. The "complex, reciprocal" relationship between the global agencies of this *nébuleuse* and national governments to which Baker refers,⁷³ enabled New Labour's own development policies to be 'internationalised' and embedded within these institutions in an unprecedented manner. This meant that although New Labour was undoubtedly influenced by the Party's own historical commitment to addressing matters of global poverty, its policies were also framed and mediated by the contemporary ideas – the 'conventional wisdom' – held by these international institutions. This has left Paul Williams to conclude that New Labour's international political economy was, in practice, much closer to New Right economics than to its traditional commitment to social democracy, and displayed more than a passing resemblance to the so-called 'post-Washington Consensus' (PWC).⁷⁴

⁷¹ Benn (2001)

⁷² Cox (1992) in Cox with Sinclair (1996: 298)

⁷³ Baker (1999: 92)

⁷⁴ Williams (2005a: 110)

Hardwiring New Labour's Political Economy into the 'Post-Washington Consensus'

Coinciding with the arrival of New Labour into office in 1997, the emergence of the 'post-Washington Consensus' was supposed to mark a decisive break from the failures of structural adjustment and the chronic underdevelopment experienced in large parts of the developing world. As I remarked in chapter 3, 'old' Labour, in its own policy pronouncements, had been hugely critical of the policies of privatisation, deregulation, liberalisation that many developing countries had been forced to undergo during the 1980s. Although further denunciation of the old 'Washington Consensus' came from economists such as Paul Krugman in 1995,⁷⁵ the real tipping-point came with the financial turmoil experienced in South East Asia, Russia and parts of Latin America in the period 1997–1998. It was in the aftermath of the Asian crisis in particular that IMF-led reforms came under attack,⁷⁶ prompting senior officials at the Fund, such as the Managing Director, Stanley Fischer, to reassess how it as an institution might respond to future market crises.⁷⁷ Crucially, it was this crisis that flagged up to Treasury officials in the UK of "the need for action".⁷⁸ These financial crises highlighted the ways in which the global economy has changed the environment for domestic policymaking, and the need for "a shift in the focus of global financial governance away from ex post crisis resolution and toward strengthened *ex ante* procedures for crisis prevention and containment".⁷⁹ Linking my remarks in chapter 2 with my analysis to follow in chapter 5, Treasury officials noted that:

At the heart of this new approach lies an enhanced mechanism for international economic surveillance based on a framework of internationally agreed codes and standards of best practice and embodying a greater degree of openness and transparency.⁸⁰

⁷⁵ Krugman (1995: 28–44)

⁷⁶ Sachs (1998). See also Bullard, Bello and Mallhotra (1998) and more famously, Stiglitz (2002).

⁷⁷ Fischer (2001)

⁷⁸ Balls and O'Donnell (*eds.* 2002: 300)

⁷⁹ *Ibid.*, p. 302

⁸⁰ *Ibid.*

Within the existing neoliberal orthodoxy, the expansion of the market had meant reducing the role that the state had to play in the economy. As Ziya Öniş and Fikret Şenses have noted however, although the PWC maintained the importance of market liberalisation, it now conceived states and markets as “complementing rather than substituting for each other”.⁸¹ This fundamental shift in emphasis was underpinned by the publication by the World Bank of the 1997 World Development Report, *The State in a Changing World*. It argued that:

An effective state is vital for the provision of goods and services – and the rules and institutions that allow markets to flourish and people to lead healthier, happier lives. Without it, sustainable development, both economic and social, is impossible.⁸²

Where there had been what Craig and Porter term, “an over-withdrawal of the state...paradoxically, a strong and capable state was [now] required to implement the neoliberal reform agenda”.⁸³ The World Bank, for instance, argued that the “liberalisation of the business environment can be a powerful catalyst, setting off a virtuous spiral whereby each reform makes the next one easier”.⁸⁴ The challenge however, was “finding a way to set this virtual spiral in motion”.⁸⁵ The Bank argued that the state, through better regulation, institutional reform and increased capability was best placed to meet this challenge, and it offered a template of responsibilities that governments should take up in order to make markets work. Countries should put in place “commitment mechanisms that credibly restrain arbitrary government action”, and demonstrate to markets “the ability to respond quickly to surprises, a competitive business environment and a track record of public-private partnership”.⁸⁶

⁸¹ Öniş and Şenses (2005: 275)

⁸² *World Bank Group* (1997: 1)

⁸³ Craig and Porter (2006: 98)

⁸⁴ *World Bank Group* (1997: 63)

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*, p. 75

Crucially, this narrative underpinned New Labour's political economy and its understanding of contemporary state-market relations, both at home and abroad. In its first White Paper, DFID made it clear that "only governments can create the right political and economic framework within which the march of poverty can gather momentum".⁸⁷ Officials claimed to have learnt the lessons from the shortcomings of post-war development thinking. An over-reliance upon the state in certain areas had only served to create distortions, which had led to inefficiency and corruption, while the free-market approach of the 1980s had failed to deliver sustainable economic growth, giving rise instead to an increase in inequality across the developing world.

This assessment of international economic policy mirrored that of New Labour's own 'Third Way' project at home, and specifically Tony Blair's personal "pursuit of a 'Third Way' between the *laissez-faire* of the last twenty years, and the model of statist and corporatist policies that used to be fashionable on the Left". Neither of these policies, 'New Right' or 'Old Left', Blair argued, fitted the modern world.⁸⁸ New Labour's 'Third Way' however gave governments a new role. "Not as a director but as enabling of wealth generation. Not trying to run industry or protect it from proper competition; but stepping in, where the market fails, to equip business and industry compete better in that market [*sic*"]".⁸⁹ For New Labour, government had an ostensibly new role; to create 'the right political and economic framework'. Rejecting out of hand a return to 'big government' – after all, "leverage, not size, is what counts", Blair maintained – in a modern society, what was more important is "what government does, and how well, not how much".⁹⁰ This was, as I remarked earlier, Blair's frequently-cited aphorism that 'what counts is what works'.

⁸⁷ DFID (1997: 12)

⁸⁸ Blair (1997d)

⁸⁹ *Ibid.*

⁹⁰ Blair (1998a: 15)

For New Labour's broader international development policy framework, this newly defined role for government opened up "an opportunity to create a new synthesis which builds upon the role of the state in facilitating economic growth and benefiting the poor".⁹¹ This 'Third Way' thinking led New Labour to realise that "both states and markets make good servants and bad masters". Consequently, it became the aim of the New Labour government to create what DFID labelled "the virtuous state", one that might start the World Bank's 'virtuous spiral' necessary to create the conditions attractive to business. There are parallels here with the shift from the 'safety-net state' to the 'enabling state' that Mark Bevir has argued, occurred under New Labour.⁹² This 'virtuous' or 'enabling' state would support the "economic arrangements which encourage human development, stimulate enterprise and saving and create the environment necessary to mobilise domestic resources and to attract foreign investment".⁹³ With its own emphasis upon credible economic decision-making, prudent approach to monetary and fiscal policy, and commitment to working in partnership with the private sector, Treasury officials set about institutionalising the framework supported by the World Bank, both domestically and – as I demonstrate in chapter 5 – at an international level too. At home, as well as ceding responsibility for the setting of interest rates to the MPC, in line with the World Bank's wish to see national governments introduce "commitment mechanisms that credibly restrain arbitrary government action",⁹⁴ Gordon Brown set about introducing new measures including a Memorandum of Understanding between the Treasury, Bank of England and Financial Services Authority, and Code for Fiscal Stability. These new rules and codes were designed to make the decision-making processes of the government and British financial institutions more transparent and accountable to market actors.

⁹¹ DFID (1997: 12)

⁹² Bevir (2005: 42)

⁹³ DFID (1997: 12)

⁹⁴ World Bank Group (1997: 75)

For both the World Bank and New Labour, the PWC and its attendant model of political economy was to be implemented through a strategy of specifying “the content of policy in precise rules, and then [locking] in those rules using mechanisms that make it costly to reverse course... [working] in partnership with firms and citizens, and, where appropriate, [shifting] the burden of implementation entirely outside government”.⁹⁵ This strategy would form the basis of the ‘new global financial architecture’ that Brown himself was keen to introduce. Underlying this new strategy was the unwavering belief that capitalism could be made to work for the good of all.⁹⁶ For this to occur however, it was necessary to introduce a series of institutional reforms to minimise the inherent instability of market activity and make economic policies responsive to the needs of global capital. Under the terms of the PWC, the problem rested not with markets, but national governments. By emphasising and institutionalising the principle of ‘good governance’, this new PWC could restrict the profligacy of national and local politicians, and orientate government policy towards the exigencies of the international economy.

Although this new paradigm for development represented a considerable improvement of the terms of the crude neoliberal understanding of development that underpinned the earlier Washington Consensus, its policy arrangements nevertheless remained problematic. For Ben Fine, the PWC shares the same “intellectual narrowness and reductionism” of its predecessor,⁹⁷ while Öniş and Şenses have noted that it retains a continuing “systematic bias towards domestic reforms as opposed to systemic or global reforms”.⁹⁸ Although this new emphasis upon institutions represented an important recognition that markets do not function unless they are

⁹⁵ *Ibid.*

⁹⁶ Such supporters ranged from the New Labour government itself – and in particular the publication of DFID’s 2000 White Paper, *Eliminating World Poverty: Making Globalisation Work for the Poor* to Joseph Stiglitz’ (2007) best-selling book *Making Globalization Work: The Next Steps to Global Justice*.

⁹⁷ Fine (2001: 4)

⁹⁸ Öniş and Şenses (2005: 278)

socially embedded, the focus of the PWC towards regulatory and institutional reform was designed principally to improve the performance of the market. As I demonstrate in chapter 5, Gordon Brown frequently championed such measures, particularly in respect of banking and finance, as part of moves towards this new global financial architecture. For the Chancellor, increased transparency and a more effective supervision of government policymaking, together with a more robust set of standards and codes were understood to be key elements in maintaining macroeconomic stability. The platform of stability that Brown was careful to stake out, both at home and abroad, would be essential in creating the right investment climate for economic growth and development.

Despite the Chancellor's fulsome endorsement of the PWC and the way in which the Treasury embedded both its domestic and international policies within an IFI-approved model of political economy, it did not always follow that Brown's own proposals concerning international development were met with the backing that he or his Party would have liked. Clearly it gave the Chancellor considerable scope to 'hardwire' his ideas within this institutional *nébuleuse* yet there were times in which his proposals hit a roadblock. Attempts to build support for faster and deeper levels of debt relief were often made in vain, whilst the International Finance Facility, proposed as a means of increasing the amount of finance for development was met with a decidedly lukewarm response from the United States, and other leading OECD countries.⁹⁹ Nevertheless, the Chancellor's unique position within both Whitehall and Washington meant he retained unparalleled influence at both a national and an international level in the formulation of strategies designed to address the most pressing issues facing the developing world. Back home, such was the influence of Brown that in spite of the

⁹⁹ Indeed, US President George W. Bush brusquely dismissed the idea of an IFF, telling reporters that "we have made our position pretty clear on that: that it doesn't fit our budgetary process" (*The Independent*, 2005).

independence granted to DFID upon its institutionalisation in May 1997, the Treasury remained the central actor in determining New Labour's international development policies. As a result of this, it became the pre-eminent institution out of which the government's own policy ideas emerged, and through which other strategic ideas from external agencies, such as the IFIs, were filtered. New Labour's international development policies therefore were imprinted with the stamp of 'Treasury preference'. The following section explores the implications for this in terms of the political economy of New Labour's international development policies.

The Stamp of 'Treasury Preference' and its Effect upon New Labour's International Development Policies

The key elements of New Labour's strategy for addressing matters of global poverty – debt relief, improved access to medicines and increased aid – all displayed the hallmark of 'Treasury preference' in that the content and the delivery of these policy proposals borrowed extensively from the Treasury's political economy at home. Just as the Chancellor frequently argued that monetary policy stability and prudent government spending should be at the heart of New Labour's reforms of Britain's economic policymaking, so too should this 'new global financial architecture' be based upon these same principles in order to stabilise the global economy and relieve the world's poorest countries of their debt. Furthermore, just as the focus of Brown's domestic political economy was upon raising Britain's productivity and competitiveness through a series of supply-side reforms, the Chancellor introduced similar policies in order to incentivise pharmaceutical firms to increase access to essential medicines in the developing world. By the same token, Brown's ideas concerning welfare and in particular, the New Deal programme introduced to tackle youth unemployment, found their way into the formation of 'a global New Deal', the centrepiece of which was the IFF and the delivery of aid, or welfare, to the global poor.

As each of the following case studies demonstrates, such was the dominance exerted by the Treasury in this area of policy that even where other government departments, including DFID itself, were incorporated into the policymaking process, the 'voice' and the expectations of these other departments were sidelined if they did not conform to the Treasury's way of thinking. Similarly, for those constituencies beyond Whitehall, although Brown gave the impression of engaging in open policy dialogue with these groups, when the expectations of these constituencies did not match that of the Treasury, their voice too within government policy was silenced. It is to these 'outsider' constituencies and their expectations that this chapter now turns its attention, for it is these sets of actors to whom the Treasury's policies were directed. As this section and the following case study chapters show, it was the strategic direction of these policies that reveals arguably the most concerning the character of New Labour's political economy, and particularly that of its international development policies.

Managing Great Expectations: Identifying and Mapping the Constituencies in New Labour's Policymaking Process

So far this thesis has explored the contingent character of New Labour's political economy as it intersected across the different strategic, ideational, historical and institutional contexts. In this brief final section of the chapter, I offer a breakdown of the 'expectations' of the various policy 'constituencies' with whom New Labour officials engaged in its policymaking process. The following case study chapters will explore the extent to which these constituencies, together with their expectations were incorporated into New Labour's international policies. Here however I identify the actors and institutions that made up these constituencies and their expectations of New Labour's international development strategy. Having captured these constituencies and their expectations empirically, I then frame, in strictly theoretical

terms, the way in which the processes of change and temporality discussed in chapter 2 might be conceptualised. There is a two-fold purpose to this. By tracing the shifting proximity of New Labour officials to each of these constituencies over time, this diachronic analysis reveals the degree to which the expectations of each of these constituencies was accommodated by the New Labour government and subsequently assimilated in its policy process. Locating both the orientation of these policies and any change in trajectory or emphasis that occurred within a matrix of 'market' and 'social' imperatives will bring to light in a far more nuanced fashion the contingent character and the political economy of New Labour's international development policies.

Policy Constituencies and their Expectations

A policy constituency is an ensemble of actors each of whom shares a certain set of normative preferences concerning what government policy should look like in order to secure a specific set of outcomes.¹⁰⁰ Tied in with this, constituencies are shaped by the shared 'expectations' that they have of government policy. These expectations are based upon a shared commitment to a particular set of normative ideas or beliefs. Laden with all manner of values, expectations concerning poverty reduction, for instance, may be articulated in terms of economic growth, or derived from a moral or ecclesiastical concern for the poor and desire for global justice. In keeping with the underlying issue of temporality and contingency explored throughout the thesis, sufficient allowance must also be made for these expectations to alter over time. In the same way that government policy cannot be treated as being static, positioned as it is upon what is perceived to be a changing strategic context, neither then should one expect the emphasis of these expectations to remain the same over time, even if their overall trajectory is maintained. For instance, a business constituency might concern

¹⁰⁰ Policy constituencies are not in the strictest sense of the word, policy actors because, although they can influence policy, they do not actively implement policy – this remains the responsibility of government officials in Whitehall.

itself initially with profit-maximisation and shareholder value, pay little attention to its social responsibilities and expect the government to put in place the right framework for its own growth and continued profitability. Over time, however, the business may come to realise its wider obligations and begin to incorporate a social imperative into its own activities. It will continue to pursue a profit-maximising strategy but do so in a more 'socially-aware' manner, perhaps through the adoption of a greater degree of corporate social responsibility. Injecting this nuance into these types of expectations reflects the changing character of the said constituency at a particular moment in time, thereby indicating where it might be located in terms of the government's own policy objectives. I discuss how I will go about capturing this change in the following section of this chapter.

Space does not permit me to assess all the constituencies that made up the audience with whom New Labour sought to engage with in its international development policies. I therefore focus only upon those constituencies with whom New Labour engaged in each of the three policy case studies that I explore in the following chapters. Temporal changes to these expectations notwithstanding, these constituencies (listed in **Fig. 4.2**) can be divided up fairly easily into two distinct camps. The first of these constituencies 'expected' a distinctly economic or 'market'-orientated set of policy outcomes. The expectations of IFIs, for instance, would be met if New Labour supported the ongoing integration of developing countries into the global economy, and subscribed to the 'post-Washington Consensus' as the paradigm through which growth and development might be achieved. As I noted earlier in this chapter, and will go on to demonstrate in chapters 5 and 7, this particular set of expectations would be realised through national governments recognising their 'responsibilities' in adopting market-led reforms that supported macroeconomic

stability, trade liberalisation and open monetary and fiscal policies, all of which, it was believed would attract the levels of international trade and foreign investment required for sustained economic growth and development. Although already part of such a framework, other 'market' constituencies however brought their own self-interest to bear on the policy process with their own particular set of expectations. Domestically, as I have already demonstrated in chapter 2, pharmaceutical firms for instance emphasised the need to protect their own profitability in an increasingly competitive global economy. As I shall show in chapter 6, in order to satisfy the expectations of this powerful industry abroad, the New Labour government was expected to put in place a series of suitably 'investment-friendly' policies, and create the right market conditions for firms through a series of demand and supply-side reforms.

Alongside these 'market'-orientated constituencies however, New Labour officials were also faced with an array of an altogether more 'social' set of constituencies. In keeping with the traditions of the Labour Party (see chapter 3), rank-and-file members as well as churches, other faith groups, NGOs, charities, trade unions, celebrities, and members of the general public all tended to view development in altogether more 'moral' terms. Whether this morality was derived from a faith-based understanding of duty towards the poor, a commitment to international socialism and/or simply a belief in humanity, development was understood by these groups as a means of improving the lives of those presently trapped in poverty. Despite the plurality of voices in this particular constituency, expectations centred around an appeal for social justice on a global scale. Within their broader demands for a fairer world trade system and greater investment in education and healthcare, these groups called for the cancellation of the debt owed by the world's poorest countries (chapter 5); urged pharmaceutical firms to

take far more seriously their responsibilities in the global fight against HIV and AIDS (chapter 6); and pressed national governments to increase the amount of overseas aid as a means of financing development (chapter 7).

Fig. 4.2 *Selected Constituencies and their Expectations in New Labour's International Development Policymaking Process*

Constituency	Expectations of Government Policy
Business ¹⁰¹	<p>Policies that not only “ensure firms are best able to compete effectively and create employment” but also “fit within the broad themes of delivering economic growth and balanced public finances, building a flexible high-skilled labour market, reforming public services and working towards a sustainable future”.</p> <p>Helping businesses influence economic decision-making.</p> <p>Improving education and skills.</p> <p>“A forward-looking approach to employment law...to promote economic growth”.</p> <p>The need for “a healthy financial system to help businesses to invest and grow” (see also <i>Financial Market Investors</i>).</p> <p>“The UK economy can only grow with the right infrastructure powering it”.</p> <p>“A competitive tax regime [for businesses] to prosper in an increasingly globalised economy”.</p>
Churches and other faith groups ¹⁰²	<p>The ‘moral’ imperative of development is supplemented by a faith-based dimension. A number of leading NGOs such as <i>Christian Aid</i>, <i>Tearfund</i>, and <i>World Vision</i> have their roots in churches and rely heavily upon the support of Christians both in Britain and across the world. The expectations of these groups are underpinned by Biblical teaching concerning social justice and compassion for the poor.</p>
Commission for Africa ¹⁰³	<p>Five pillars to “generate new thinking and effective action in Africa”:</p> <ol style="list-style-type: none"> (1) governance and capacity-building (2) peace and security (3) investing in people (4) growth and poverty reduction (5) more and fairer trade

¹⁰¹ CBI (n. d)

¹⁰² Clifford (2010); *Tearfund* (2011); *World Vision UK* (2011)

¹⁰³ *Commission for Africa* (2005: 14–16, 133–300)

Constituency	Expectations of Government Policy
Financial market investors ¹⁰⁴	<p>Not necessarily a question of simply more or less government regulation, but an issue of <i>better</i> government regulation. Market failure often occurs not because of the extent of state intervention, but because of the poor design of existing regulatory mechanisms.</p> <p>For markets to work at their optimal level, investors require <i>information</i>. One way in which governments can intervene more effectively in markets is by providing that information to enable investors to make appropriate market decisions.</p> <p>Greater transparency of macro and microeconomic decision-making processes. Standardised procedures will give financiers the confidence they need to invest in markets.</p> <p>Credible and sustainable economic policies; emphasis upon deflationary policies and low interest rates to encourage borrowing.</p> <p>Heavily securitised bonds with strong credit ratings in order to give investors the confidence that (government) borrowing will be repaid.</p>
GAVI Alliance ¹⁰⁵	<p>In GAVI's first six years (2000–2006) , the Alliance concentrated on two primary areas:</p> <ol style="list-style-type: none"> (1) supplying new and underused vaccines (2) strengthening vaccine delivery systems <p>During the second phase (2007–2010) GAVI sought to:</p> <ul style="list-style-type: none"> • Contribute to the strengthening the capacity of the health system to deliver immunisation and other health services in a sustainable manner • Accelerate the uptake and use of underused and new vaccines and associated technologies and improve vaccine supply security • Increase the predictability and sustainability of long-term financing for national immunisation programmes • Increase and assess the added value of GAVI as a public-private global health partnership through improved efficiency, increased advocacy and continued innovation
International Monetary and Financial Committee	<p>“Responsible for advising, and reporting to, the Board of Governors as it manages and shapes the international monetary and financial system, the IMFC also monitors developments in global liquidity and the transfer of resources to developing countries; considers proposals by the Executive Board to amend the Articles of Agreement; and deals with unfolding events that may disrupt the global monetary and financial system”.¹⁰⁶</p>

¹⁰⁴ On the expectations of financial investors see Mosely (2003); Sinclair (2005); Hall (2009).

¹⁰⁵ GAVI Alliance (n. d – a, n. d – b)

¹⁰⁶ IMF (2011)

Constituency	Expectations of Government Policy
International Monetary Fund	<p>The fundamental mission of the IMF is to help ensure stability in the international system through surveillance, lending and technical assistance.¹⁰⁷</p> <p>(1) <i>Surveillance:</i> “When a country joins the IMF, it agrees to subject its economic and financial policies to the scrutiny of the international community. It also makes a commitment to pursue policies that are conducive to orderly economic growth and reasonable price stability, to avoid manipulating exchange rates for unfair competitive advantage, and to provide the IMF with data about its economy. The IMF’s regular monitoring of economies and associated provision of policy advice is intended to identify weaknesses that are causing or could lead to financial or economic instability”.¹⁰⁸</p> <p>(2) <i>Lending:</i> “IMF loans are meant to help member countries tackle balance of payments problems, stabilize their economies, and restore sustainable economic growth”.¹⁰⁹</p> <p>(3) <i>Technical assistance:</i> “The IMF shares its expertise with member countries by providing technical assistance and training in a wide range of areas, such as central banking, monetary and exchange rate policy, tax policy and administration, and official statistics. The objective is to help improve the design and implementation of members’ economic policies, including by strengthening skills in institutions such as finance ministries, central banks, and statistical agencies”.¹¹⁰</p> <p>The IMF expects national governments to pursue policies that are conducive to its own remit to “foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world”.¹¹¹</p>
Labour Party membership, ¹¹² including trade unions ¹¹³	<p>A fairer world, in which wealth and opportunity are shared by all. Core Labour values of equality and social justice should determine how Britain engages with the rest of the world.</p> <p>Emphasis upon ‘the moral case’ to alleviate poverty, protect human rights and promote democracy.</p> <p>A commitment to global solidarity, supporting people around the world in their struggle to avoid persecution, to achieve decent standards of healthcare, education, employment and the right to say how they are governed.</p> <p>The untying of aid from blanket economic conditions to political reform instead, such as decent labour standards, democracy, good governance and the promotion of equality.</p>

¹⁰⁷ IMF (n. d – a)

¹⁰⁸ IMF (n. d – b)

¹⁰⁹ IMF (n. d – c)

¹¹⁰ IMF (n. d – d)

¹¹¹ IMF (n. d – e)

¹¹² Labour Party (2009a, 2009b, 2009c, 2009d)

¹¹³ TUC (2009a, 2009b, 2009c); UNISON (2009); Unite (2009)

Constituency	Expectations of Government Policy
Non-Governmental Organisations	<p data-bbox="579 302 1302 331">“To improve the policies that impact on the lives of people in poverty”.¹¹⁴</p> <p data-bbox="579 344 1114 374">Expectations will vary but typically these agencies will:</p> <ul data-bbox="579 387 1422 790" style="list-style-type: none"> <li data-bbox="579 387 1382 468">• Place greater emphasis upon the social rather than the economic case for development, and be driven by moral concern rather than the reasons of self-interest <li data-bbox="579 481 1406 539">• Use different discourses of development. For instance, ‘debt cancellation’ rather than ‘debt sustainability’; ‘poverty eradication’ rather than ‘alleviation’ <li data-bbox="579 553 1422 633">• Call for more tailored, more community-based approaches to development rather than the blanket, one-size-fits-all models prescribed in the past by global development agencies <li data-bbox="579 647 1401 728">• Focus upon the broader social impacts of development, e.g. the implications for women and children, welfare and education rather than simply the economic concerns <li data-bbox="579 741 1390 790">• Seek a fairer, more equitable international system both in terms of trading and democratic representation in the institutions of global governance
Pharmaceutical industry ¹¹⁵	<p data-bbox="579 853 1449 992">“The life science industry is a critical part of the knowledge economy and key to the UK’s global economic competitiveness”. It therefore “needs a better environment to foster and reward innovation if it is to continue to be a world-leader in life sciences...world-class R&D skills, a competitive framework for undertaking clinical trials and an attractive business environment to maintain jobs and investment in the UK”.</p> <p data-bbox="579 1010 975 1039">To achieve this, the government should:</p> <ul data-bbox="579 1052 1417 1301" style="list-style-type: none"> <li data-bbox="579 1052 916 1081">• Reduce burdens on employers <li data-bbox="579 1095 1406 1176">• Review the tax system to improve the UK’s international competitiveness and introduce new tax regimes, such as the “patent box”, to support the generation, retention and exploitation of intellectual property in the UK <li data-bbox="579 1189 1398 1247">• Support small and medium-sized enterprises by simplifying R&D tax credits and making them more widely applicable <li data-bbox="579 1261 1417 1301">• Accelerate the formation of globally competitive life science clusters by providing incentives for companies to locate in the UK

¹¹⁴ BOND (n. d)

¹¹⁵ ABPI (2009: 5)

Constituency	Expectations of Government Policy
The World Bank Group	<p>The World Bank Group comprises of two institutions. The first, the International Development Association (IDA) aims to reduce poverty in the world's poorest countries by providing interest-free credits and grants for programmes that boost economic growth, reduce inequalities and improve people's living conditions.¹¹⁶ It emphasises broad-based growth, based upon:</p> <ul style="list-style-type: none"> • Sound economic policies, rural development, private business and sustainable environmental practices • Investment in people, in education and health, especially in the struggle against HIV and AIDS, malaria and TB • Expansion of borrower capacity to provide basic services and ensure accountability for public resources • Recovery from civil strife, armed conflict and natural disaster • The promotion of trade and regional integration <p>The second institution, the International Bank for Reconstruction and Development (IBRD) aims to "reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services. IBRD raises most of its funds on the world's financial markets and has become one of the most established borrowers since issuing its first bond in 1947. The income that IBRD has generated over the years has allowed it to fund development activities and to ensure its financial strength, which enables it to borrow at low cost, and offer clients good borrowing terms".¹¹⁷</p>
World Trade Organization ¹¹⁸	<p>A country should not discriminate between its trading partners and it should not discriminate between its own and foreign products, services or nationals.</p> <p>Trade barriers such as customs duties (or tariffs) and measures such as import bans or quotas should be lowered in order to encourage trade.</p> <p>Foreign companies, investors and governments should be confident that trade barriers should not be raised arbitrarily. With stability, transparency and predictability, investment is encouraged, jobs are created and consumers can fully enjoy the benefits of competition — choice and lower prices.</p> <p>Unfair practices, such as export subsidies and dumping products at below cost to gain market share are to be discouraged.</p> <p>Less developed countries should be given greater flexibility, special privileges and more time to adjust to the more unfamiliar and, perhaps, difficult WTO provisions.</p> <p>The WTO's agreements permit members to take measures to safeguard public health and protect the environment. However, these measures must be applied in the same way to both national and foreign businesses. In other words, members must not use public health protection measures as a means of disguising protectionist policies.</p>

Although this table provides a fairly comprehensive list of constituencies, there are a number of constituencies who for methodological reasons I have *not* included here. Perhaps the most surprising of these omissions are other countries, both developing and developed, who the New Labour government sought to help and engage with

¹¹⁶ IDA (2011)

¹¹⁷ World Bank Group (2011)

¹¹⁸ WTO (2012)

respectively. Normatively speaking, one would assume that since they are the recipients of government policy, the expectations of developing countries would be heavily prioritised in the policymaking process. Likewise, since New Labour deemed these issues to be of a global concern (requiring global solutions) one might expect the expectations of *developed* countries to also be included. Indeed a key part of New Labour's strategy was to try to build support amongst rich countries for its proposals to address the key areas of debt relief, disease and aid in the developing world. However, the sheer extent of problems that developing countries face and which lie at the heart of global poverty means that tabulating these types of expectations in any coherent fashion is virtually impossible. There are all manner of outcomes that both rich and poor countries alike may well seek, including improved economic and social development; an eradication of poverty, disease and debt; properly targeted and sustained investment; autonomy in economic decision-making and political self-determination; a fairer and more representative international system; and an increased access to developed country markets. However, quite *how* these outcomes should be achieved and incorporated into policy solutions remains a matter of considerable debate. A series of collapsed trade talks, slow progress towards debt relief, a failure to secure universal access to essential medicines, broken promises over aid commitments all demonstrate that there has been little in the way of agreement amongst developed countries, let alone between developed and developing countries, as to the most effective way of ending global poverty.

A further constituency that has been left out of the analysis is the British public. Again, this may appear to be somewhat surprising given the apparent popularity of the Chancellor's Gift Aid initiative since its launch in 1997,¹¹⁹ and the generosity displayed by Britons following a number of major humanitarian crises. As Labour had noted

¹¹⁹ *HM Revenue and Customs* (2011)

previously in its Policy Review, the British public had shown unprecedented generosity in donating large sums of money to the Ethiopian relief effort in the mid-1980s.¹²⁰ This was topped by the response to the Boxing Day tsunami that affected large parts of South East Asia in 2004, when £300 million was donated by Britons.¹²¹ Despite this munificence, however, global poverty remained a low priority for voters. As Jennifer van Heerde and David Hudson have noted, even in 2005 when, as I noted in chapter 1, international development dominated the political and social agenda, it remained “a low-salience issue” amongst the electorate.¹²² It is precisely this divide between public levels of ‘giving’ and actual ‘understanding’ that has led Ian Smillie to suggest that “in general, public support for development assistance is a mile wide and an inch deep”.¹²³ Given this tension, it is virtually impossible to assimilate a linear set of expectations. Therefore, rather than attempt to capture these expectations as a unified bloc, I have instead subsumed into other, more discrete constituencies such as faith groups, NGOs and/or the Labour Party itself, the British public and the various expectations that it as an aggregated constituency might otherwise hold.

As the case studies that follow this chapter show, those constituencies that I have included in **Fig. 4.2** engaged in extensive dialogue with New Labour officials, making it quite clear what their expectations were of government policy, and what the government should be aiming to achieve in the developing world. Conversely, the speeches and statements delivered by ministers and other officials concerning government policy act as a gauge as to the level of influence that these constituencies, in voicing their expectations, were able to exert within New Labour’s policymaking process. This would reveal those constituencies that the government prioritised at a given time, and equally, those whose expectations it marginalised. Both the extent to

¹²⁰ The NGO ONE (2009) has estimated that £150 million was raised by the British public in response to the Ethiopian famine.

¹²¹ BBC (2005)

¹²² van Heerde and Hudson (2010: 394)

¹²³ Smillie (1999: 72)

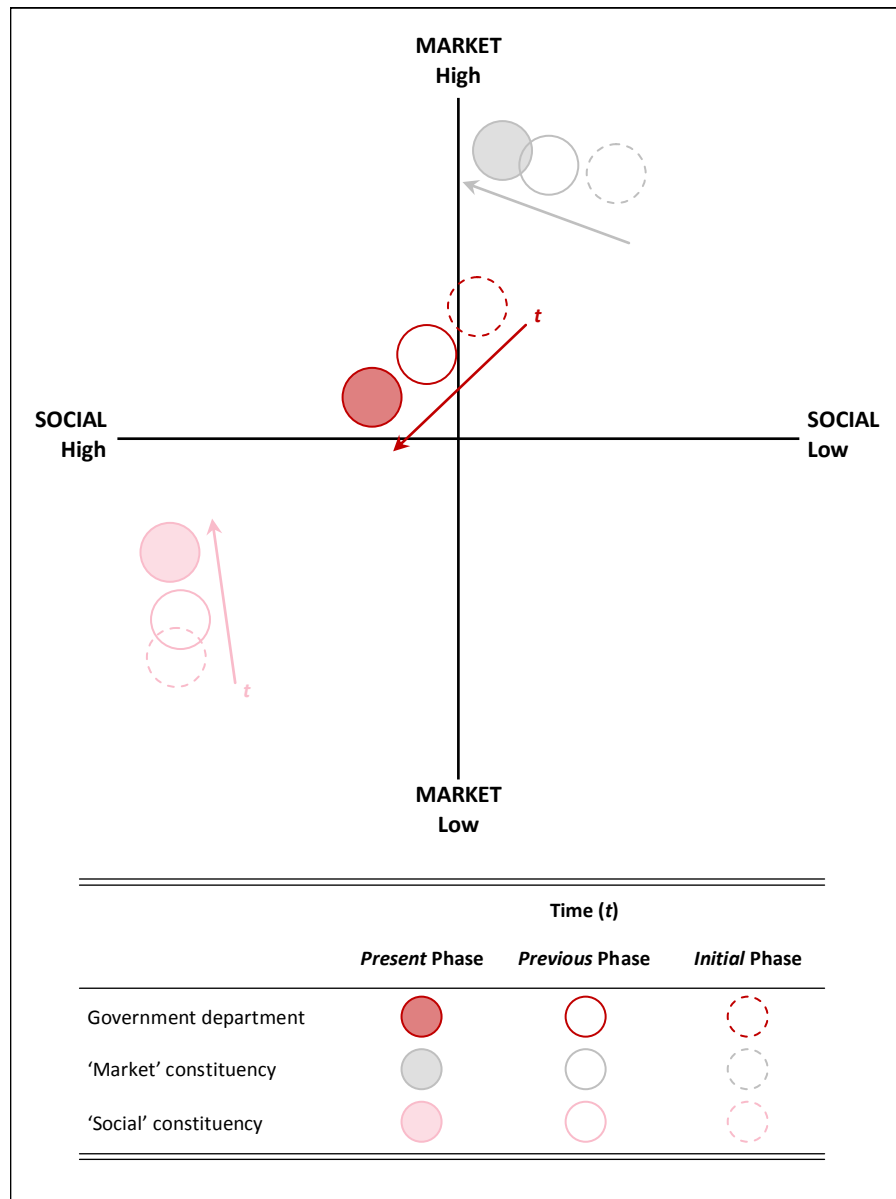
which New Labour transmitted its domestic policies into the global polity *and* the division of expectations contained within its international development policies reveals the overall character of New Labour's political economy.

Before turning to these empirical case study chapters that demonstrate the different aspects of this character, I return to the themes of temporality and contingency that I explored at the beginning of the thesis. New Labour's management of the policy process was by no means static, and again, as each of the case studies will show, each set of policies underwent changes that altered the emphasis, trajectory and character of New Labour's commitment to matters relating to global poverty. Supporting the major claim of the thesis concerning the 'internationalisation' of New Labour's domestic political economy, the following chapters will also assess the extent to which Whitehall officials, in seeking to end global poverty, internalised the expectations of these constituencies, and modified policy accordingly over time in order to meet and accommodate these expectations.

Charting the Temporality and Contingency of New Labour's International Development Policies

Building upon the explanatory framework shown at the start of the thesis in **Fig. 1.2**, the diagram shown in **Fig. 4.3** (overleaf) will be operationalised in each of the case studies to illustrate the temporality of government policy, and the processes of change that each policy strategy underwent during New Labour's time in office. On the basis of the evidence presented in each of the three distinct phases, I demonstrate schematically the key policy instigators within Whitehall, the changing relationships between each of the respective government departments, and the different policy constituencies with whom there was ministerial dialogue.

Fig. 4.3 *Tracing the Contingency of New Labour’s International Development Strategy over Time: a Policy Matrix of ‘Market’ and ‘Social’ Imperatives*



This dummy framework shows that the ‘social’ constituency has remained firmly committed to a ‘social’ form of development over time, whilst demonstrating a gradual acceptance of market imperatives. For its part, the ‘market’ constituency has started to accept its ‘social’ responsibilities whilst retaining its commitment to ‘market’ imperatives. The government department however, has moved away from its initial position in which it prioritised ‘the social’ aspect of development to one that is much more in line with the expectations of market-based constituencies.

Once operationalised in the case study chapters, this explanatory framework demonstrates the spatial distance between the various Whitehall departments on the one hand, most notably DFID and the Treasury, and the expectations of these policy constituencies listed in **Fig. 4.2** on the other. Consequently, this allows in each of the case studies a picture to be built up that reveals the changing orientation of New Labour's overarching commitment to eliminate world poverty. Running alongside this analysis will be the competing expectations held by these two different sets of constituencies: one that viewed the issue of development through the lens of 'the market', and the other that viewed it in altogether more 'social' terms. Given the polarity between these two sets of constituencies, attempts at building a coherent 'joined-up' set of policies on the basis of dialogue with these two groups would clearly be problematic for the New Labour government as it sought to meet its own commitment concerning global poverty. This particular observation is significant in the light of the main claim of the thesis concerning the transmission of policies from the domestic to the international sphere. If, as I claim, there was a pattern of policy 'internationalisation' in New Labour's development policies then in order to overcome the problem of policy incoherence abroad, one would expect government policy to meet the expectations of those constituencies that New Labour had prioritised at home. To test this claim empirically, it is necessary to identify those constituencies whose expectations were incorporated into New Labour's international development policies in each of my chosen case studies, and how these patterns of assimilation altered over time.

Conclusions

Split into two parts, this chapter has explored the ways in which New Labour's policymaking process was managed, both at home and abroad. The first and most

prominent part of this chapter explored in broadly empirical terms the institutional dominance that was exerted by the Treasury across Whitehall in the design of New Labour's domestic and international political economy. Here the Treasury was identified as the pilot agency for the socialisation of economic policy with a remit that was to extend further than it had before, reaching across Whitehall into virtually all areas of government spending policy and beyond. The imprint of the Treasury's influence would be writ large over the delivery of New Labour's political economy. The institutional measures designed by Gordon Brown and his advisor, Ed Balls gave the Treasury, under Brown's chancellorship, unparalleled influence in all areas of policy, both at home and abroad. The second part of this chapter identified those constituencies with whom New Labour officials engaged in the policy areas that the three case studies focus upon, staking out the expectations that the former had of government policy in the field of international development. In concluding this chapter, I draw out the key implications of my analysis here for the claims of the thesis.

The dominance of the Treasury under New Labour should not be understood simply in terms of the control it exercised over the strings of the public purse. Clearly, this was part of it and Brown's initial commitment to 'prudence' and his pledge to stick to the spending limits imposed by the previous Conservative government would appear, initially at least, to reinforce the control that the Chancellor was able to exert over his cabinet colleagues. However, this 'hair-shirtism' was only part of Brown's carefully planned model of political economy. What was far more important to the Chancellor was 'credibility', both amongst the electorate and crucially, the financial markets whose support New Labour required in order to fulfil its policy objectives. On the advice of Ed Balls, 'credibility' would become the cornerstone of New Labour's political economy. Acquiring this credibility however would mean relinquishing, or at least

appearing to relinquish control of certain policy instruments such as monetary policy, and designing an economic strategy that, once locked-in, would reassure financial constituencies by offering greater stability, transparency and openness for investors.

As well as securing this credibility however, there was a further political pay-off for the Chancellor. Having handed over responsibility for the setting of interest rates to the newly established Monetary Policy Committee, Brown could concentrate on supply-side concerns and orientating New Labour's economic policy towards meeting its social objectives. The credibility that was gained through Brown's initial prudence and institutional reform enabled the Chancellor to reveal the *purpose* of this prudence, namely increased public spending in areas such as healthcare and education, and tax cuts. There was however also a global purpose to this prudence, and having stuck assiduously to spending limits overseas – as he had done at home – in the first two years of New Labour's time in office, the Chancellor subsequently increased Britain's contribution in the fight against global poverty. The pattern of prudent spending that the Treasury would follow abroad would match that of its spending commitments at home with the fiscal climate, rather than any moral imperative, dictating the amount of money that would be made available.

The strategy designed by Gordon Brown and Ed Balls in order to secure credibility had given the Chancellor greater scope to intervene in the setting of policy across Whitehall. Nowhere was this more evident than in the area of international development, an area in which Brown took a keen interest. Under Brown's chancellorship, the Treasury (rather than DFID) became the focal point of New Labour's international development strategy. Brown's appointment as Chair of the IMFC in Washington hard-wired New Labour's political economy into the *nébuleuse* of

these international financial institutions, and enabled the Treasury to take the policy lead over matters relating to global poverty. The 'post-Washington Consensus', the conventional wisdom espoused by the IFIs, validated the domestic reforms carried out by New Labour concerning central bank independence, and the introduction of clearly defined standards and codes in order to maintain stability, openness, and transparency for market investors. As I shall demonstrate in the following chapter, this transmission of policy thinking between Whitehall and Washington would enable the further internationalisation of these reforms into the developing world. Here the Chancellor sought to create a new global financial architecture into which developing, or more specifically, heavily indebted countries were to be integrated as a means of putting them on the path towards debt relief, economic growth and sustainable development.

As each of the following case studies show, New Labour's international development policies bore the considerable imprimatur of the Treasury. As at home, this would give the appearance of policy being designed and delivered in a far more integrated, or in New Labour-speak, 'joined-up' manner. However, this would have a considerable impact upon the array of different constituencies who sought to engage with the government – and indeed who the government sought to engage – over issues relating to global poverty. In the final part of this chapter, these constituencies and their expectations of government policy were identified and mapped out. Although the incorporation (or otherwise) of these constituencies into New Labour's international development policies will be explored in the following chapters, it is clear from the different expectations that not all these constituencies could be assimilated equally into the government's policymaking process. Some would inevitably be prioritised over others. If, as I argue throughout the thesis, there was a distinct transposition of New Labour's domestic policies into its international development policies, then it is likely

that the government would give precedence to those constituencies it had supported at home. In the following case study chapters I test this claim empirically: firstly, by exploring those elements of New Labour's domestic political economy that found their way into its international development policies; secondly, by identifying those constituencies New Labour prioritised in this process of policy transmission; and thirdly, by revealing the contingency of these processes – of policy transmission and constituency assimilation – that occurred over time.

A Matter of Life and Debt: New Labour and the Debt Relief Process

Through its analysis of New Labour's domestic political economy (explored in chapter 2) and the strategic, historical, and institutional context within which the Party's commitment to international development was located (chapters 3 and 4), the first part of the thesis has provided the framework necessary to conceptualise the political economy of New Labour's international development policies whilst in office. The purpose of this second part of the thesis is to take this framework as a means of explaining how New Labour addressed the three key areas of its international development policies: debt relief, HIV and AIDS, and overseas aid. Using a series of three case studies, each one assessing New Labour's response to these development issues, I operationalise this framework by demonstrating empirically the three core themes of the thesis: (1) the internationalisation of policy ideas as they there transposed from one spatial scale of governance to the other; (2) the constituencies that New Labour engaged with throughout its policy process, and (3) the processes of change that New Labour's policies – and subsequently the character of its political economy – underwent over time.

Pursuing these lines of empirical inquiry will, I argue, yield two mutually-reinforcing findings: firstly, the changing character of New Labour's political economy; and, secondly, the likelihood of policy success within the sphere of international development. The success of New Labour's international development policies will, I contend, be contingent upon the character of its political economy, something which itself would be shaped by the way in which the government formulated and

implemented policy, the constituencies and the expectations it prioritised, and concomitantly, those it sidelined. Interrogation of the character of New Labour's political economy in this respect provides a measure of the government's success in meeting its commitments towards those living in the developing world.

The first of these case studies, rather appropriately, assesses the first of the many forays into the realm of international development that the New Labour government made during its time in office. The issue of debt relief was central to New Labour's stated desire to eliminate global poverty, and it would become a hugely important instrument in freeing up the financial resources urgently required to meet this aim. Alongside the other means of development finance, such as increases in bilateral aid and the Treasury's own proposals for an International Finance Facility (IFF) assessed in chapter 7, debt relief provided an important means by which the most heavily indebted of these poor countries could finance the projects needed for their development and growth. Eligibility for debt relief, like the aid that would be made available through the IFF, would be dependent upon recipient countries meeting a certain set of conditions laid out by the international community. However, where my analysis of the IFF links the disbursement of aid with the discourse of 'rights and responsibilities' and the language of welfare, or more specifically, 'the New Deal', that New Labour had articulated at home (see chapter 2), the case study I assess here concerning New Labour's approach to debt relief examines the material effects of these global 'responsibilities', and what they looked like in practice. I argue in this chapter that these 'responsibilities' were designed to embed the economies of heavily indebted poor countries (HIPC)s into a qualitatively 'new' international financial architecture; an arrangement of state-market relations based upon the framework of the 'post-Washington Consensus' (PWC), discussed previously in chapter 4. Although

designed principally for the global polity, this new architecture was derived upon a similar set of reforms that New Labour officials working within the Treasury had introduced to the management of Britain's economy in order to minimise the risk of exposure to market volatility and instability in the global economy.

New Labour's approach to management of the global economy was derived from its almost unwavering belief in market liberalism. Here, UK government officials time and again reiterated their commitment to open markets and to pursue policies that facilitated, rather than hindered international market activity. By opening up the global economy still further, increased flows of international capital could reach developing countries, encouraging growth and reducing poverty. This acceptance of free market activity was complemented by a tremendous enthusiasm to work closely alongside the existing Bretton Woods and other international financial institutions (IFIs) to introduce a 'new', rules-based financial architecture that would enable global capitalism to be made to work for the world's poor. For British Treasury officials, this new financial architecture was required to maintain the stability that, under the terms of the PWC was identified as being essential for market-led development. This macroeconomic stability was to be achieved through national governments adhering to internationally-agreed codes of conduct relating to standards of fiscal and monetary discipline, market openness, accountability and transparency. Granting the IFIs the power to monitor the policymaking activities of national economies, these measures would lock-in economic prudence and discipline, and provide market actors with the context in which they could now make more informed investment decisions.

I argue in this chapter that the mechanisms designed in support of this new architecture provided the opportunity for the IFIs to discipline much more extensively

the governments of these heavily indebted poor countries. Debt sustainability would only be granted to HIPC's who were prepared to orientate their economies towards the demands of this new financial architecture; whether the country concerned was willing or not to open up its borders to the global economy, and whether it was prepared to create an appropriate institutional policy framework that would maintain the stability that market investors sought. Therefore although the HIPC process and latterly, the Multilateral Debt Relief Initiative (MDRI) were created under the pretext of poverty reduction and development, both were in fact based upon "market-reinforcing reforms",¹ designed to encourage a process of "market civilization".² Embedding these reforms into this new global architecture through a clearly defined system of standards and codes enabled IFIs and other market actors to – in Foucauldian terms – 'panoptically' monitor the performance and policy activities of national governments.³

Since the market-led development sought by both Whitehall and Washington relied upon the flows of trade and inward investment, this architecture was designed to meet the expectations of market actors. In meeting this particular set of expectations however, this panopticism simultaneously restricted the policy activities of debtor governments, further undermining their economic sovereignty and autonomy as they embarked upon the process towards debt relief. With the full and explicit support of the New Labour government, these debtor countries were coerced into pursuing a distinct set of economic policies that met the criteria of this new global financial architecture, while at the same time giving the IFIs increased scope to discipline and punish the 'inappropriate' or 'unsound' monetary and fiscal activities of national governments. In many respects then my claims here are similar to those made by Susanne Soederberg who has argued that this architecture has merely recreated the

¹ Watson (2002: 199)

² Gill (2003)

³ Foucault (1975/1991: 195ff.)

conditions for capital accumulation, masking the relations of power and exploitation that underpin it, and in effect serving as a form of social discipline.⁴ Foucault's depiction of power is a useful metaphor to describe how, under the new arrangements of this new global architecture, the balance of power has continued to favour economic elites in the global North.

Two key issues emerge from this line of argument, both of which support the broader claims of this thesis. Firstly, there were strong linkages between the formation of New Labour's macroeconomic strategy at home, and the design of this new financial architecture abroad. At home, as I argued in chapter 2, Treasury officials set about building a model of political economy sensitive to the perceived demands of the global economy and based upon a 'rules-based' system of openness and accountability. The emphasis upon transparency was crucial since New Labour ministers understood instability to occur when market actors lacked full information. To secure the government's principal goal of macroeconomic stability, government officials, already committed to increased market liberalisation, deemed it both logical and necessary to provide market actors with the information they required to make the appropriate investment decisions that would maintain this stability. Through the creation of a series of credible, binding standards that investors could rely upon, both at home and abroad, New Labour pursued a two-fold strategy of maintaining open markets and creating an institutional framework that would support macroeconomic stability and policy credibility. While at home this was a strategy created to meet the expectations of domestic market investors, abroad its principles were reproduced to underpin the building of a new international financial architecture based upon macroeconomic stability, policy transparency, and clear and binding rules. In this chapter I argue this was achieved through a strong and distinct transmission of policy between Whitehall

⁴ Soederberg (2005: 928)

and Washington that embedded the New Labour project squarely within what chapter 4 describes as the global *nébuleuse* of these international economic institutions. Crucially however, New Labour's response to the debt crisis only served to reinforce disciplinary forms of debt relief such as the HIPC process and MDRI across the developing world.

Such an assessment brings me to the second set of issues that the thesis explores. Following this line of argument raises important questions concerning New Labour's commitment to the moral dimension of debt relief, and the extent to which concerns centred upon ideas of global justice and equality were taken seriously by government ministers. A rapidly-expanding civil society coalition, which drew together not only NGOs, faith groups and celebrities but also core Labour constituencies such as grassroots party members and trade unions, viewed the continued indebtedness of poor countries as at best a form of Western usury, or at worst, economic slavery.⁵ Both collectively and individually, these groups were unanimous in singling out the IFIs as being to blame for their mismanagement of the crisis. Rather than a further round of debt rescheduling, they argued that what was required was outright debt forgiveness, root-and-branch institutional and ideological reform of the IFIs, greater representation of the global poor, and a (re)-orientation towards a form of development that was focused less upon market-led growth and more upon those most at risk from the systemic failures present in the global economy.

The argument made by these constituencies posed New Labour officials with a dilemma. Government ministers could not ignore this increasingly vociferous civil society coalition, yet as this chapter shows, they persisted in embedding this new

⁵ This particular argument was made by leading global debt campaigner, Ann Pettifor in her 1996 book, *Debt, the Most Potent Form of Slavery: a Discussion of the Role of Western Lending Policies in Subordinating the Economies of Poor Countries*, London: Debt Crisis Network

financial architecture within the existing institutional and ideological framework of these heavily-criticised IFIs. This is not to say that New Labour ministers completely sidelined the civil society coalition. Indeed, government officials would frequently meet senior figures and representatives of different parts of this movement, often going so far as to borrow the language and the imagery of these constituencies to signal their support for these expectations and their commitment to deeper and faster debt relief. However, government officials deployed these discourses selectively and managed these particular expectations carefully in the formation of policy narratives. Only those that fitted New Labour's appeal for a new global financial architecture were included, and those which would be frequently used to legitimise the government's debt relief policy to this particular audience. Those elements however that challenged New Labour's received economic orthodoxy were either simply ignored or criticised as being outdated and out-of-step with the assumed realities that faced by states in the new global economy.

To demonstrate these arguments, this opening case study proceeds by tracing the evolution of New Labour's debt relief policies from the legacy of the HIPC initiative that the Party took up upon arrival into office in 1997. Although, as I shall demonstrate in each of the other case study chapters, New Labour's development policy throughout its time in government would go through several stages, the evolution of its debt relief strategy was far more pronounced in terms of the points at which it evolved. The Chancellor's 'Mauritius Mandate' launched in 1997, and the G8 summit in Birmingham the following year provided the first of many opportunities for New Labour to take its proposals for a new approach to debt relief to an international audience. The summit however also placed the issue firmly within the public arena since it gave civil society, under the umbrella of the *Drop the Debt/Jubilee 2000* coalition, an increased

opportunity to press for faster and deeper levels of debt relief. New Labour ministers, their counterparts in the G8 and the IFIs signalled a willingness to reform the initiative with the agreement of the Enhanced HIPC initiative at the Cologne G8 summit in 1999. This, it transpired, paved the way for the formation of the MDRI introduced at the 2005 G8 summit in Gleneagles. Rather than looking explicitly at these initiatives, I focus upon their discursive formation in the light of the new financial architecture. Out of these movements, I map out New Labour's debt relief strategy into three distinct phases.

This particular chapter follows these changing phases as a means of tracing and characterising the political economy of New Labour's debt relief policy. It charts the efforts made by the New Labour government to position itself at the heart of this new 'post-Washington Consensus' through its appeal for a new global financial architecture, and its response to the growing voices within civil society who were demanding a fairer and more just resolution to the debt crisis. Having already made a few brief remarks concerning the debt crisis, and its significance for the developing world in chapter 3, the focus of this chapter is upon the policy measures that New Labour endorsed and undertook while in government. Evaluating the content of these policies at specific moments in time tells us a great deal, not simply of New Labour's debt relief strategy, but more broadly, of the character of its domestic and international political economy as it unfolded during its time in office.

The Heavily Indebted Poor Countries (HIPC) Initiative

Arguably the most significant, and certainly the most durable set of debt relief measures proposed by the international community was the HIPC initiative, agreed in 1996. Although this initiative predated New Labour's time in office, it nevertheless

provided the framework within which the Blair government's own nascent debt relief strategy would be embedded. It is therefore appropriate that I briefly examine the mechanics of the HIPC initiative before turning my attention to how New Labour animated its own debt relief policy within the strategic context of this initiative. It is from this point that my analysis of New Labour's debt relief strategy proceeds. It is within this framework that in the later part of this chapter, I demonstrate how Treasury officials set about incrementally reforming the HIPC debt relief process by institutionalising at a global level the financial architecture that would reinforce New Labour's domestic political economy.

Emerging in part out of a proposal in the mid-1990s by John Major's Conservative government, the HIPC initiative laid out a commitment by multilateral organisations and governments to work together in order to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries. It was designed to ensure that "no poor country faces a debt burden it cannot manage".⁶ By ruling out straightaway the idea of debt forgiveness, this statement of intent by the IMF polarised the core constituencies that New Labour would face in the formation of its own response to the debt crisis. Much to the chagrin of debt activists, the HIPC initiative did not promise to cancel the debts of poor countries, but rather consolidate and reduce the debt burden to a sustainable or more manageable level. Rejecting out-of-hand any notion of debt cancellation, the Deputy Director of the IMF's African Department, G. E. Gondwe asked supporters of debt forgiveness to consider:

Who would lend again to recipients of such cancellation? ...Why should countries that have misused resources more than others have more of their debt cancelled? ...and what guarantee was there that the money saved would be put to effective use?⁷

⁶ *IMF* (2011a)

⁷ Gondwe (1998)

Gondwe went on to argue that moves towards total debt write-off would be “sadly mistaken”. Debt, he argued was “only one of many problems that Africa must grapple with”, while “the pressures to misallocate money are strong. Unconditional cancellation could risk debt relief being squandered on corruption, military expenditure, or grandiose projects with little, if any, benefit in terms of sustainable growth or poverty reduction”.⁸ Similar sentiments were expressed by the President of the World Bank Group, James Wolfensohn, who also pointed to the large losses that the Bank was likely to incur if these debts were written-off. These losses, Wolfensohn argued, would undermine the financing of the International Development Association (IDA) whose lending activities support the poorest countries by providing interest-free loans and grants.⁹ However, Wolfensohn’s claims reveal the paradox of the Bank’s lending practices. Although he suggests that these repayments were needed for the Bank to continue to underwrite the development in these countries, clearly, if these funds were retained by the debtor countries then this money could be used by these countries independently themselves to finance their own development. Under the existing terms of the initiative, HIPC’s were in effect paying the Bank to finance their own development. Rather than supporting the ‘national ownership’ of development as the IFIs had promised under the terms of the Poverty Reduction Strategy Programme (PRSP), this recycling of repayments continued to give the Bank leverage to dictate the terms of development.

The other side to the ‘debt sustainability’ discourse was supported by the IMF’s “principal mandate [which] has been, and remains, the maintenance of international financial stability, without which sustained global growth would not be possible”.¹⁰ As the debt crisis of the 1980s and early 1990s showed, unsustainable debt clearly

⁸ *Ibid.*

⁹ Wolfensohn (2000)

¹⁰ Krueger (2006)

constituted a grave risk to the stability of the global economy. It was therefore in the best interests of the Fund, as the guarantor of global macroeconomic stability, to address this threat. The HIPC initiative would ensure that borrowing countries lock-in the reforms necessary to prevent the accumulation and default of unsustainable debt in the future; maintain fiscal responsibility; and, as Ben Thirkell-White has remarked, act as a catalyst for private capital flows in an era of increased financial globalisation.¹¹

To secure this debt sustainability, the HIPC initiative was designed as a two-stage process: the initial 'decision point' and final 'completion point'. In order to successfully reach the first of these two stages, the indebted country must fulfil four criteria. As this short section will show, by virtue of their orientation towards the neoliberal framework laid out in the PWC, these criteria were designed by the IFIs to discipline and 'civilise' developing countries to undertake the appropriate market and institutional reforms at the national level. For the IFIs, these criteria remained important, not simply as a means of securing debt sustainability, but more broadly, to enable developing countries to participate far more fully in the global economy and in doing so, confer the benefits of globalisation.

In order to meet the first criteria, the HIPC must face an unsustainable debt burden which cannot be addressed through traditional debt relief mechanisms. For their part, the Bank and the Fund consider a debt burden to be unsustainable when it exceeds a debt-to-export ratio of 150 percent. Since it is, by definition, a 'poor country' initiative, in order to meet the second criteria the debtor country must be eligible – i.e. poor enough – to borrow from the IDA arm of the World Bank and the IMF's Extended Credit Facility (ECF).¹² These agencies act, in effect, lenders of last resort, since the

¹¹ Thirkell-White (2005: 74)

¹² The IMF's Extended Credit Facility issues loans to low-income countries at subsidised rates.

fundamental test of a country's eligibility for access to IDA and ECF resources is its level of poverty (measured by per capita income) and its lack of creditworthiness for market-based borrowing, including both the commercial sector and from the International Bank for Reconstruction and Development (IBRD).¹³ Despite this lending status, such a form of borrowing does not exempt countries from having to meet "appropriate standards of performance". IDA eligibility still depends upon countries meeting certain criteria – "of which macroeconomic stability is an important one" – before funds are released.¹⁴ Similarly, under the ECF, member countries agree to implement a set of policies "that will help them support significant progress toward a stable and sustainable macroeconomic position over the medium term".¹⁵

This emphasis upon macroeconomic reform is supported by the third and fourth criteria, both of which are interlinked through the conditionality imposed upon debtor governments. For HIPC's to secure relief there must be a firmly established track-record of reform and 'sound' policies through IMF and World Bank supported programmes. The emphasis upon 'sound' policies is a recurring theme both of policy documents and in speeches made by IFI officials. It is interesting to note that, publically at least, very little is given away as to what these 'sound policies' actually look like in practice. The IFIs will often say *why* such policies are important. The Managing Director of the IMF, Horst Köhler, for instance identified "sound macroeconomic policies and domestic and international financial stability" as being the "preconditions for sustained growth".¹⁶ Anne Krueger, the Acting Managing Director of the Fund, continually underlined the importance of such policies, arguing that "sound fiscal policies give governments and citizens more choice" making it easier "for society to decide on its priorities".¹⁷ Krueger

¹³ IMF (2011b); IDA (2001: 1)

¹⁴ IDA (2001: 5)

¹⁵ IMF (2011b)

¹⁶ Köhler (2001)

¹⁷ Krueger (2004)

has also noted how “better policies” deliver “stability at the national level” thereby “greatly reducing the risk of instability at the global level”.¹⁸ Policy literature produced by the IMF notes how ‘sound’ economic policies are both desirable and necessary since they create “the room for fiscal stimulus without jeopardising economic stability”,¹⁹ and in doing so “[support] economic growth”.²⁰ However, what is striking about this continual appeal for ‘sound’ policies is the lack of any real description of what these, or indeed ‘unsound’ policies actually look like. Despite their absence in IFI policy discourse, they nevertheless form an integral part of contemporary development policy and the renewal of a global financial architecture in the era of the PWC.

An implicit understanding – or perhaps even a straightforward disinclination – amongst IFI officials might preclude a discussion of what these ‘sound policies’ actually entail. For the purposes of the thesis however, it is important to offer a characterisation of such policies. Here the work of prominent World Bank economists, Craig Burnside and David Dollar is instructive. In their seminal work on aid and growth, they spell out quite explicitly what these ‘sound policies’ should look like in practice, and how these are to be embedded institutionally in an era of liberal market reforms. Situating their analysis within the framework of the PWC, Burnside and Dollar argue that ‘sound policies’ are those measures “that have been shown in a wide range of studies to promote growth: open trade regimes, fiscal discipline, and avoidance of high inflation”.²¹

There is a clear link between the analysis offered by Burnside and Dollar, and the broader narratives of the IFIs concerning the importance of achieving and maintaining stability through ‘sound’ macroeconomic principles. If developing countries create the

¹⁸ Krueger (2006)

¹⁹ IMF (2009)

²⁰ IMF (2011c)

²¹ Burnside and Dollar (1997: 4)

right policy framework, that is, “if they stabilise their macroeconomic situations and liberalise their trade, they can create a sound environment for investment and growth”.²² Although “these policies will produce improved results even without an increase in a country’s receipts of aid” (which may also be read as debt relief), Burnside and Dollar argue that growth and poverty reduction will occur “significantly faster” in countries to which aid/debt relief is increased since these “increasing inflows of foreign aid, in and of themselves, increase the confidence of private investors in a country’s economy”. “In a sound policy environment” Burnside and Dollar go on to suggest, “aid attracts private investment, whereas in a poor policy environment, it displaces private investment”.²³

Burnside and Dollar’s logic underpins what Jeremy Gould terms as the “new conditionality” that supports both the HIPC initiative and the broader new global financial architecture.²⁴ Rather than simply focusing upon policy outcomes – i.e. poverty reduction and debt relief – this ‘new’ conditionality seeks to influence the policy and decision-making processes designed to secure these outcomes. At the heart of this ‘process conditionality’ therefore is the role of institutions. If aid donors, creditors and market actors are confident that states have the institutional capacity to maintain market discipline and stabilise the macroeconomic environment, then these states are more likely to attract the flows of aid, debt relief and/or private investment necessary to support poverty reduction strategies. Conversely, poverty is more likely to remain in those areas with weak institutions since they are not able to sustain market confidence.

²² *Ibid.*, p. 5

²³ *Ibid.*, p. 5

²⁴ Gould (2005)

This appeal for developing countries to pursue ‘sound policies’ squares with the emphasis, explored in the previous chapter, that the PWC places upon more state-led forms of development, and putting in place the institutional reform required to make aid and debt relief ‘work’ and crucially, to attract private investment. However, rather than offering any radical move away from market-led development, the framework itself – and concomitantly, the HIPC initiative – remains orientated towards an approach to development designed to accommodate the preferences of global flows of finance and capital. Although framed within the ‘reformist’ language of the PWC, the continued emphasis upon macroeconomic stability and processes designed to tackle budgetary deficits and inflation, merely locks-in the neoliberal fundamentals that practitioners at the IFIs require to support greater integration into the global economy. Rather than looking to address the systemic fault-lines upon which debt had been allowed to accrue and which was now being serviced by these HIPCs, these institutions reinforced the need of debtor countries “to pursue cautious borrowing policies and strengthen their public debt management”.²⁵ What is clearly striking about this caveat, as I shall explain later in this chapter, is the similarity of this discourse with the mantra of ‘prudence’ and ‘stability’ that Gordon Brown pursued through New Labour’s own economic policies at home.

This emphasis upon ‘sound’ economics, poverty reduction, and a new, ‘process’-orientated form of conditionality underpins the fourth criteria that debtor countries are required to meet in order to reach ‘decision point’ of the HIPC process. When the initiative was first launched in the mid-1990s, HIPCs were expected to have undertaken a Structural Adjustment Programme (SAP) in order to restructure their economies. Towards the end of the decade however, these SAPs were phased out and

²⁵ *IMF* (2011a)

replaced with PRSPs, and debtor countries have since been required to have developed a PRSP through a broad-based participatory process in the country.

These PRSPs promise to work in 'partnership with the poor' and offer increased 'country ownership' of poverty reduction programmes.²⁶ In many respects, PRSPs reflect the shift in emphasis from the old, *policy*-orientated 'Washington Consensus' to the newer, more *process*-orientated 'post-Washington Consensus' discussed in chapter 4. What has remained however is the commitment to neoliberal ideas, reproduced in the narrative of 'sound policies' concerning open markets, macroeconomic stability, and monetary and fiscal discipline. Under the terms of the PWC, there would be much greater emphasis upon the role of the state in poverty reduction strategies. SAPs had failed to secure local ownership of policy, and this had undermined efforts towards economic development. By stressing the importance of processes and institutions however, PRSPs offered a putatively new means by which the overall aim of poverty reduction might be achieved. As Thirkell-White has argued, macroeconomic theory began to place an increasing emphasis upon 'the economics of information'. Development practitioners and economists in Washington were becoming more interested in how institutional factors, particularly those promoting transparency and information provision could ensure efficient capital allocation.²⁷ With a renewed emphasis upon the state, these PRSPs were designed to instil the 'correct' institutional processes to increase and support flows of finance into the economy, whether through aid, debt relief or private investment.

However, the underlying commitment to deflationary policies in these PRSPs presents a problem for this 'process' conditionality. There is a clear conflict between the

²⁶ Soederberg (2004: 174)

²⁷ Thirkell-White (2007: 23)

monetary and fiscal discipline that remains an integral part both of the HIPC process and the broader framework of the PWC, and the high levels of government spending that is required to support poverty reduction programmes. The fear amongst policy officials was that increased government expenditure would lead to the inflationary pressures that would clearly run contrary to the 'stability' and 'sound policies' sought by the IFIs, donors and market actors. As the World Bank made clear:

Stability requires a monetary and fiscal policy stance consistent with maintaining public sector solvency at low levels of inflation, while leaving some scope for mitigating the impact of real and financial shocks on macroeconomic performance.²⁸

Even the altogether more 'development-friendly' United Nations Development Programme has argued that "an expansion of public expenditures is only desirable when it does not compromise short-term macroeconomic stability".²⁹ Both statements suggest that macroeconomic discipline should be prioritised over any spending plans a government may have, leaving HIPCs facing a trade-off between playing by the strict deflationary rules of the neoliberal game on the one hand, and making the necessary investments in poverty reduction and development on the other. This scenario, of course, presents developing countries with a further dilemma since it is the same institutions that set the rules of the game, and that also hold the purse-strings for the funding required for development. Understood in this light, the commitment towards increased 'country ownership' would appear to be very hollow indeed.

Even having met these criteria – and therefore reaching the 'decision point' – it still remains up to the Executive Boards of the IMF and World Bank to formally decide whether or not the country in question is eligible to receive debt relief. Should these

²⁸ *World Bank Group* (2005: 100)

²⁹ *UNDP* (2010: 85)

institutions be satisfied with the progress made by the debtor country, they will recommend that its creditors commit to reducing debt *to a level that is considered sustainable*. Once a country successfully reaches this 'decision point', it may immediately begin receiving interim relief on its debt servicing as it falls due, and start to take the second step towards 'completion point'. This second stage ensures that the debtor country receives full and irrevocable debt reduction. To achieve this second stage however, the country still needs to meet a further three set of policy conditions to reassure its creditors and demonstrate its commitment to the 'sound' policies pursued prior to 'decision point'. Firstly, the debtor country must continue and establish a further track record of good performance under programmes supported by loans from the IMF and the World Bank. Secondly, it must implement satisfactorily key reforms agreed at the 'decision point', and thirdly, the country must adopt and implement its PRSP for at least a further year. Once a country meets these criteria, it reaches its 'completion point', which allows it to receive the full debt relief agreed at the earlier 'decision point'.

Since the late 1990s, the HIPC process has been embedded in the framework of the PWC to move countries away from a policy-led form of development to one orientated more towards the processes and institutions that support poverty reduction and economic growth. This change in direction has enabled the IFIs to rebrand the HIPC process as one that gives countries a greater sense of 'ownership' over their development. However, these attempts to institutionalise neoliberal reforms have resulted in a strong tendency to discipline and 'civilise' these countries into pursuing market-based reforms reflecting the preferences of international finance and capital. This can be seen most clearly in the prioritisation of 'sound policies'; monetary and fiscal discipline, open markets and crucially, macroeconomic stability. These policies, I

argue lie at the heart of the new financial architecture supported vigorously both by the IFIs and the New Labour government. Indeed, as I shall argue in the remaining part of this chapter, picking up my argument from chapter 2, these were principles upon which New Labour's domestic political economy were based, but which would now be transposed into the international sphere through the government's debt relief strategy, and its commitment to building a new global financial architecture.

Phase 1: Sustainability, Stability and Sound Policies: New Labour's Formative Debt Strategy

New Labour staked its early development credentials upon supporting "further measures to reduce to reduce the debt burden borne by the world's poorest countries".³⁰ An early test of this commitment came at the meeting of the Commonwealth Finance Ministers in Mauritius in September 1997, during which Gordon Brown set out the 'Mauritius Mandate'. This five-point plan, the Chancellor promised, would lead to every eligible poor country in the Commonwealth having at least started to embark upon the process of securing a sustainable exit from debt by the year 2000. To meet this target, Brown committed the UK to: (1) helping countries meet the conditions to escape from the debt trap; (2) cancelling the remaining debt due to the UK from lower income Commonwealth countries, on the condition that they remain "committed to the 'pro-poor' policies, transparent and accountable government and sound economic policies"; (3) financing technical assistance to poor countries in the Commonwealth; (4) providing unconditional finance to the IMF Trust Fund, and (5) ensuring that export credits for poor, highly-indebted countries only support "productive expenditure". Only those countries "with the strongest reform

³⁰ *Labour Party* (1997: 39)

programmes, including a focus on transparency and productive expenditure, should get the maximum possible relief needed to ensure their debt burden is sustainable”.³¹

As a statement of intent it was ambitious to say the least, but the Mandate did at least confirm that the issue of developing world debt would be an important priority for the New Labour government. Although question marks remained over some of the Chancellor’s proposals, it was, by and large, welcomed by most NGOs. After all, it demonstrated the government’s commitment to go a considerable way in addressing the longstanding problem of debt in a relatively short space of time.³² Where NGOs did express concern, it was that the government’s approach remained, to borrow Paul Williams’ terms, “reformist rather than revolutionary”.³³ Like the HIPC initiative, Brown’s ‘Mauritius Mandate’ emphasised the central importance of debt *sustainability*, rather than debt relief, and upon the ‘sound’ economic policies advocated by the IFIs. Number 10, together with Treasury ministers and DFID officials in particular acknowledged the importance of policies that encouraged ‘human development’. For these officials however, this normative commitment could only be realised through the pretext of ‘sound’ economic reforms. In this phase of policy, I assess the implications of these themes as British government ministers initially brought the issue of debt into the international arena. I also examine the significant role that civil society played during this period, and the impact that this set of constituencies had upon New Labour policy in this area.

Despite the maelstrom of economic and social upheaval that debt had wreaked across the developing world over the previous two decades, DFID officials were convinced

³¹ Brown (1997d)

³² Guarded support for the Chancellor’s ‘Mauritius Mandate’ was expressed by a number of NGOs including Christian Aid, Oxfam, and the World Development Movement during evidence given in front of the House of Commons International Development Select Committee in the spring of 1998.

³³ Williams (2005a: 152)

that borrowing remained, in principle at least, a sound investment strategy. DFID's first White Paper, for instance, acknowledged that nearly all developing countries need to import the capital necessary for development from abroad.³⁴ This would suggest that New Labour was keen for the governments of developing countries to pursue a strategy of 'neo-indebted industrialisation', whereby the economic growth and development of these states would continue to be financed by borrowing on international capital markets. Such an assessment would also suggest that New Labour was dismissive of the claims made by some debt activists who argued that it was precisely this present system of continued borrowing that was keeping developing countries locked in a cycle of dependency and poverty. For DFID officials however, borrowing only became problematic when money was wasted or spent unproductively, loans began to accumulate and developing countries were faced with increasingly unsustainable debt burdens. As DFID's 1997 White Paper argued, it was this "overhang of unpayable foreign debts" that was likely to "discourage new investment and therefore growth [thereby] creating a long-term barrier to development".³⁵ Policymakers clearly believed that countries could avoid this scenario by managing their loans more effectively, investing in capital productively and pursuing beneficial and transparent economic policies.

There were clear similarities between the arguments put forward by Whitehall officials and those of Burnside and Dollar at the World Bank. Both pinpointed the causal effect of weak economic governance and an unsustainable debt burden upon macroeconomic instability and a subsequent lack of development, while the focus of the Blair government upon the processes and institutions rather than policy instruments echoed that of the emerging PWC. For there to be lasting poverty

³⁴ *DFID* (1997: 71)

³⁵ *Ibid.*

reduction, national government institutions needed to pursue policies that would maintain macroeconomic stability. As a means of securing this “economic and financial stability”,³⁶ New Labour’s principle goal was to achieve debt ‘sustainability’.³⁷ As I noted in chapter 2, upon arriving into office, Brown stated that “high and stable levels of growth and employment” would be the central economic objective of the new government.³⁸ “Stability with low inflation”, the Chancellor would later argue, was the first of five “building blocks of prosperity” needed to build the national economic purpose.³⁹ However, this “[could] only happen *if* we build from solid foundations of prudent economic management and sound finance”.⁴⁰ Both at home and abroad, the link between maintaining macroeconomic stability and pursuing prudent or “sensible economic policies” was unmistakable.⁴¹ Domestically, the high levels of national economic growth and employment sought by the Treasury could only be achieved through prudent economic decisions. Similarly, within the field of international development, poverty reduction strategies would only work if they were underpinned by ‘sound’ economic reforms.

The character of these ‘sound’ reforms matched those that had been tacitly appealed to by IFIs: a continued orientation towards an open economy, macroeconomic stability, low inflation, market discipline, and monetary and fiscal rectitude. The Treasury was adamant that any commitment made by the international community towards debt relief must be matched with an equal commitment by the debtor countries to adopt and adhere to appropriate economic and structural reforms.⁴² The International Development Secretary, Clare Short was similarly clear on this point.

³⁶ *Ibid.*

³⁷ Short (1997c)

³⁸ Brown (1997a)

³⁹ Brown (1997e)

⁴⁰ Brown (1997a)

⁴¹ *DFID* (1997: 74)

⁴² Liddell (1998a)

“Governments must have a good [economic] track record to qualify for their first stage of debt relief, and their record must continue to be good”.⁴³ As the World Bank and the IMF, in charge of the HIPC process had argued, debt relief would not take place until countries had taken onboard and institutionalised the neoliberal policy reforms required to sustain the poverty reduction strategies.

This raised suspicions amongst civil society that these reforms were too heavily geared towards ‘process conditionality’ and penalising ‘poor macroeconomic performance’. Oxfam for instance, noted that these conditions continued to give “insufficient regard for their impact on the poor”.⁴⁴ The international think-tank, the South Centre, argued that the PRSP programme, designed to institutionalise these reforms and ensure that HIPCs reached ‘decision point’, merely constituted a ‘rebranded’ form of the conditions to the old structural adjustment policies.⁴⁵ Crucially, for debt campaigners, unsustainable debt was not a macroeconomic problem, but rather it was a human tragedy exacerbated by the greed and profiteering of Western lenders. The *Jubilee Debt Campaign* criticised the HIPC process as being “entirely controlled by creditors...not [accepting] responsibility for their part in creating and maintaining the debt crisis... [and not allowing] poor countries to have a say”.⁴⁶ These processes of macroeconomic discipline and ‘market civilisation’ not only ensured that government policies reflected and accommodated the expectations of market constituencies, but actually undermined the ability of debtor countries to invest in adequate levels of healthcare, education and other forms of social welfare. Similar to those arguments put forward earlier in the chapter, World Vision also remarked that indebted countries were “allocating less than 15 percent of their budgets to the provision of basic services

⁴³ Short (1998a)

⁴⁴ Oxfam (1998: 2)

⁴⁵ South Centre (2001)

⁴⁶ Jubilee Debt Campaign (2006)

such as health, education and water, while more than 40 percent was being used to repay debts”.⁴⁷

Despite the clear emphasis in the White Paper linking ‘debt sustainability’ to ‘macroeconomic stability’, the significance of the ‘human’ dimension to the debt crisis was not entirely lost on New Labour officials. Tony Blair acknowledged that “some of those countries spend a vast proportion of the public money they spend simply on debt repayment, so that, of their overall expenditure, only a small percentage is left for trying to develop their countries”.⁴⁸ Similarly, Clare Short recognised that policies and processes concerning debt should be designed to benefit the needy and the poor since “they are the ones who suffer the consequences of debt”.⁴⁹ Gordon Brown went even so far as to argue that debt was a “moral issue” because “millions of people in the world’s poorest countries [were] suffering because money that could be spent on health and education and on ensuring economic self-sufficiency is currently going to repay debt”.⁵⁰ In its response to a report published by the Commons Select Committee on International Development, the Treasury maintained its stance that “unsustainable debt is a *moral* as well as an economic issue”.⁵¹ The assimilation of these two distinct narratives revealed how New Labour intended to frame its own debt strategy at this early stage, and how this enabled the government to appeal to the two main policy constituencies with whom Whitehall ministers were in dialogue.

Politically, Tony Blair’s rejection of “doctrine...dogma [and]...a return to the past”,⁵² and move instead towards what he termed “‘permanent revisionism’, a continual

⁴⁷ *World Vision* (2006)

⁴⁸ Blair (1997b)

⁴⁹ Short (1997a)

⁵⁰ Brown (1998c)

⁵¹ *HM Treasury* (1998e)

⁵² Blair (1997a)

search for better means to meet our goals”,⁵³ meant that what *really* counted in policy terms was what *worked*. To meet the government’s commitments towards debt and poverty reduction, it was considered to be necessary to orientate the processes of institutions in developing countries towards the market as a means of stabilising their economies and setting them on the path towards development. Focusing upon the *outcome*, rather than the means enabled Whitehall officials to justify these policies as being ‘pro-poor’. Of course, to audiences in Washington the policies themselves represented ‘sensible’ policies and ‘sound’ reforms. The outcome however – the ‘pro-poor’ narrative – was used as a discursive device in an attempt to appeal to those constituencies situated in civil society who had expressed concern at the ‘human’ or moral dimension to the debt crisis, which they argued had been sidelined in favour of Western and economic interests.

That New Labour could claim these policies to be ‘pro-poor’ would be useful as government officials set about addressing – albeit selectively – the expectations of civil society, and in particular the nascent *Jubilee 2000 Coalition* (out of which the subsequent *Drop The Debt* and *Jubilee Debt Campaign* would later emerge), as it gathered momentum in the lead up to the crucial G8 summit in Birmingham.⁵⁴ Ahead of this summit, the Coalition gave evidence to the Parliamentary Select Committee for International Development, in which it called “on the Prime Minister to place debt high on the agenda of the G8 nations at their Birmingham summit in May” and “exert maximum pressure on other G8 leaders at the summit to take a significant step toward the cancellation of the unpayable debt of the world’s poorest countries by the year 2000”.⁵⁵

⁵³ Blair (1998a: 4)

⁵⁴ The G8 summit is made up of Canada, France, Germany, Italy, Japan, Russia, the UK and the United States. The G7 excludes Russia.

⁵⁵ *Jubilee 2000 Coalition* (1998)

For their part, Gordon Brown and Clare Short convened a joint Treasury-DFID seminar with prominent church leaders in the UK, a representative from the NGO, Oxfam, the Deputy Director General of the Commonwealth Secretariat, and the President of the World Bank, James Wolfensohn. The headline outcome of this meeting was the Chancellor's announcement that he was prepared to cover 10 per cent of Mozambique's debt that it owed to the Paris Club. Strikingly however (and perhaps surprisingly given the make-up of his audience) Brown chose *not* to play the 'moral card' but instead suggested that his decision was based upon the fact that "Mozambique has a strong track record of economic reforms yet still faces a growing debt burden".⁵⁶ This signalled both to the HIPCs themselves, and to the faith groups and NGOs represented at the Chancellor's meeting that hard economics, rather than any moral imperative, would continue to dictate the decisions of Western creditors.

Despite this decision, the rhetoric of senior New Labour officials appeared to suggest that the government was on the side of the debt campaigners. Clare Short remarked that "the churches and *Jubilee 2000* have done a glorious job in mobilising support in this country and internationally for debt relief for the poorest countries".⁵⁷ Gordon Brown actively encouraged MPs "to work with the churches in their areas" to ensure that there would continue to be "strong public opinion in favour of action", since this groundswell of public opinion was "already making a difference internationally and will help us to secure the necessary debt reductions".⁵⁸ This public activism even led some government ministers to believe that the debt campaigners were on the side of the government. The Economic Secretary, Helen Liddell for instance told the House that

⁵⁶ *HM Treasury* (1998d)

⁵⁷ Short (1998b)

⁵⁸ Brown (1998a)

“the Treasury [had] received many thousands of letters *supporting* the Government’s position on the ‘Mauritius Mandate’”.⁵⁹

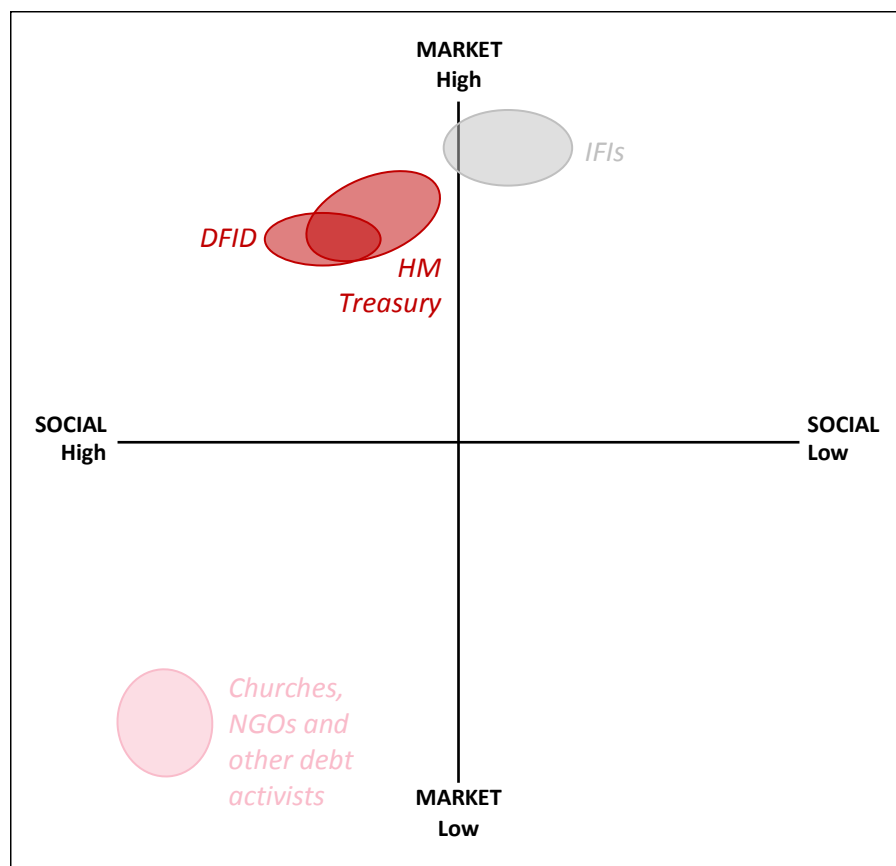
Given the evidence that the NGOs involved in the Jubilee movement had presented to the Commons Select Committee earlier in the year, and the public policy work that these organisations had undertaken themselves, it would be fair to say that Liddell’s claims were clearly exaggerated. While it is true that there had been extensive and open dialogue between the government and civil society, and a shared commitment towards debt reduction, it was clear that there were still distinct normative differences between the two as to *why* and *how* debt should be reduced. The New Labour government remained committed to the economic case for debt sustainability, disciplining heavily indebted countries with market reforms, while civil society pressed the moral case for deeper and faster debt cancellation to allow these countries to develop on their own terms.

Much to the disappointment of the 50-70,000 strong crowd of demonstrators that had gathered in Birmingham in May 1998, the G7 summit itself failed to provide any real progress towards finding a solution to the debt crisis. New Labour’s proposals to modestly extend the ‘Mauritius Mandate’ to a new, global multilateral debt relief initiative were blocked by Germany, the United States, Japan and Italy, and all the final communiqué contained was a broad and indeterminate agreement supporting “the speedy and determined extension of debt relief to more countries, within the terms of the HIPC initiative”. Naturally, it urged “all eligible countries to take the policy measures needed to embark on the process as soon as possible, so that all can be in the process by the year 2000” and encouraged creditors to ensure that “when they qualify, [debtor] countries get the relief they need, including interim relief

⁵⁹ Liddell (1998b)

measures...to secure a lasting exit from their debt problems".⁶⁰ Therefore, although Tony Blair would tell the Commons on his return from Birmingham that the summit would mark "a significant step forward in the pursuit of the government's policy of setting targets for the year 2000", the reality was that a great deal still needed to be done.⁶¹ How the government would go about meeting this challenge would form the second phase of New Labour's debt strategy.

Fig. 5.1 Phase 1 of New Labour's Debt Relief Strategy



As the above diagram shows (**Fig. 5.1**) despite what appeared to be a close engagement with churches, NGOs and other debt activists, New Labour's initial debt relief strategy prioritised 'debt sustainability' over debt forgiveness, and 'sound policies' over institutional policy reform. This placed New Labour to the left (on this

⁶⁰ G8 (1998)

⁶¹ Blair (1998d)

matrix) of the IFIs, who through their management of the HIPC process could set the terms of debt relief.

Phase 2: The Enhanced HIPC Initiative: Towards 'a New Global Financial Architecture'

Despite Blair's arguments to the contrary, Birmingham had unquestionably been a huge setback for those committed to securing a fairer deal for those living in highly indebted countries. The response to this from both the Treasury and DFID in particular was to maintain that developing countries themselves were largely to blame for the poverty they found themselves in. If these poor countries refused to adopt the necessary 'sound' policies that were required to lift themselves out of poverty, then the creditor countries could not be expected to agree to more debt relief. As Clare Short reminded the House, "countries must have a track record of such economic management both before and after they sign on for debt relief" and that "no country will receive debt relief unless it is being very responsible in its economic management".⁶² The Treasury was similarly clear on this point, even going so far as to argue that debt relief was not the principal issue at stake:

Debt relief is not enough in itself. It might be a necessary precondition for economic growth and development, but it is essential in the long term that the indebted countries implement policies that will lead to economic growth and development, so that they never again return to the high levels of debt that exert such a drag on their economics and create the conditions in which poverty becomes endemic.⁶³

This led to a growing conflict between the position of the government and that of the Jubilee campaign, summed up by Clare Short:

⁶² Short (1998c)

⁶³ Liddell (1998c)

Sometimes it [the *Jubilee* movement] talks as though all debt should be relieved unconditionally. We do not agree with that. There are countries with high levels of debt that have spent their money on luxuries or have excessive military expenditure. We believe that debt relief should be linked to a commitment to poverty reduction and sensible economic management. We believe in implementing HIPC more flexibly, not in cancelling all debt unconditionally.⁶⁴

Clearly agitated by the increasing public pressure surrounding debt, Short later argued that much of the talk surrounding debt relief was “media-driven, and driven by people who do not understand debt”.⁶⁵ The case for faster, deeper debt forgiveness continued to be pressed by NGOs and faith groups – the same groups whom the government had welcomed during the first phase of its debt strategy – forcing the International Development Secretary to declare that it was “not in the government’s power to call for a moratorium” on multilateral debt. Rather than displaying the political leadership that one might expect, Short capitulated and maintained that if these countries were to be helped, there needed to be far greater levels of international co-operation instead.⁶⁶

Strengthening this international co-operation and locking-in the ‘sound’ economic reforms at a global level underpinned the second phase of New Labour’s debt strategy, and its focus shifted to building what Gordon Brown initially called “new global structures for the new global age”.⁶⁷ While government ministers continued as they had in the first phase of the debt strategy to talk to domestic audiences (fellow parliamentarians, NGOs and faith groups) about the need to base debt relief upon sound economics and ‘pro-poor’ policies,⁶⁸ the Chancellor spent the second phase delivering a series of speeches and lectures to principally international economic elites and financial audiences across the world, in order to build up support for a ‘new global

⁶⁴ Short (1998d)

⁶⁵ Short (1998e)

⁶⁶ *Ibid.*, c. 29

⁶⁷ Brown (1998f)

⁶⁸ See *DFID* (2000: 89–91).

financial architecture'. These addresses were designed to showcase Brown's proposals for a broad set of global mechanisms which would offset the risk of financial crises emerging and support the debt relief process. Drawing upon the content of these speeches, this section assesses the character of this new global architecture, and what it would mean both for the HIPC's and New Labour's commitments concerning debt relief.

DFID's 1997 White Paper had already spoken about developing a "well-managed and regulated set of international mechanisms, such as increased IMF surveillance and banking supervision to support beneficial regulation and stability".⁶⁹ However, it was only during this second phase that this new global financial architecture began to emerge in more concrete terms. It would prove to be instrumental in securing the agreement for an Enhanced HIPC initiative at the G7 summit in Cologne in 1999, and latterly in the third phase of policy, when at the 2005 G8 summit in Gleneagles, New Labour ministers introduced the Multilateral Debt Relief Initiative.

Brown argued that this new architecture offered "a new framework for economic development" and gave "new hope to the poorest and most vulnerable countries".⁷⁰ Indeed, the Chancellor was keen that this new framework was "combined with measures to reduce unsustainable debt", and used to "accelerate" and go "beyond" the HIPC process.⁷¹ To achieve these aims, Brown transposed the Treasury's own macroeconomic strategy for Britain into this new architecture for the global economy:

I believe that, just as through central bank independence we set down a new rules-based system in the UK with Bank of England independence and a new monetary and fiscal regime, we should, in pursuit of the objectives of stability, development and prosperity,

⁶⁹ DFID (1997: 71)

⁷⁰ Brown (1998f)

⁷¹ *Ibid.*

consider also a new rules-based system of economic governance for the community of nations. This new system should be founded on clear procedures, with all countries, rich and poor, pursuing agreed codes and standards for fiscal and monetary transparency, and for corporate and social standards.⁷²

Although there was a clear policy fit with the existing economic orthodoxy of the PWC and the ‘sound’ reforms advocated by the IFIs, the imprint of New Labour’s domestic political economy upon these global policies was unmistakable. Brown believed that “the lessons in monetary and fiscal policy from our experience...are lessons also critical to the future of emerging markets across the world”.⁷³ Therefore, by borrowing policy ideas intended initially for consumption by domestic audiences and applying them to this new global architecture, the Chancellor set about joining-up New Labour’s macroeconomic strategy for the UK with its commitment to addressing the debt crisis in the developing world.

Brown had wanted “British economic success to be built on the solid rock of prudent and consistent economic management, not the shifting sands of boom-and-bust” and “to set the British economy on a new long term course that will deliver high levels of growth and employment through lasting stability”.⁷⁴ Similarly, his proposals to create a new global financial architecture were designed to “shape a new interdependent and integrated global economy through stability and growth, to ensure prosperity and opportunity for all”,⁷⁵ and eradicate “‘boom-and-bust’ on a global scale”.⁷⁶ At home, the Treasury had sought to achieve, in the eyes of its key business and financial constituencies, a credible anti-inflationary strategy. To this end, the Treasury took the decision to hand over control of monetary policy to the Bank of England to ensure that

⁷² Brown (2003k)

⁷³ Brown (2003j)

⁷⁴ Brown (1997a)

⁷⁵ Brown (1998g)

⁷⁶ Brown (1998i)

“interest rate decisions [would] be free from any political influence” and based upon “good long-term economics” rather than “bad short-term politics”.⁷⁷ Likewise, the credibility of this new architecture would rest on the Chancellor’s belief “that the IMF is as credible and independent from political influence in its surveillance of economies as an independent central bank is in the operation of monetary policy”.⁷⁸

Drawing from the template of New Labour’s domestic political economy, Brown set about redesigning the international financial architecture to institutionalise a set of credible policies that would support at the global level, the macroeconomic stability sought by investors. As the second DFID White Paper, published in 2000, argued, “those countries that apply rules and policies predictably...are likely to attract higher levels of inward investment and trade and to generate faster economic growth”.⁷⁹ The Chancellor was firmly of the opinion that “global markets can work in the public interest”,⁸⁰ since “international investment flows bring huge benefits to all countries”.⁸¹ For this type of ‘globalisation to work for the poor’ however, Brown maintained that developing countries in particular, must be open to the global economy and “pursue transparent, corruption-free policies for stability and the attraction of private investment”.⁸² The role of the IFIs in this was to devise “new operational rules” and create a new “institutional architecture” to set market-approved standards,⁸³ and “help deliver greater stability and prosperity” for “industrialised and industrialising economies alike”.⁸⁴

⁷⁷ Brown (1997c)

⁷⁸ Brown (2003k)

⁷⁹ DFID (2000: 23)

⁸⁰ Brown (1998i)

⁸¹ Brown (1998f)

⁸² Brown (2001i)

⁸³ Brown (1998f)

⁸⁴ Brown (1998g)

The heavily indebted countries however, situated on the periphery of this global economy, would be required to undertake processes of ‘market-civilisation’ by institutionalising and locking-in ‘market-reinforcing’ policies. Countries which sought the debt relief that – even by the Chancellor’s own admission – was necessary for their own development, would only receive this if they accepted “regular surveillance of how they are meeting the codes”.⁸⁵ Under the terms of this new architecture, this increased ‘panopticism’ would give the IMF in particular, greater scope to restrict, discipline and punish where it deemed necessary, the monetary and fiscal policies of developing countries.

This new global architecture was “to address both structural and institutional conditions”,⁸⁶ and as such would be underpinned by four elements: (1) macroeconomic stability; (2) ‘sound’ monetary and fiscal policies emphasising credibility and transparency; (3) a series of internationally-agreed disciplines and codes to support these policies; and (4) increased surveillance and accountability. These elements, developed from New Labour’s own domestic political economy, would be assimilated to form the ‘new’ conditionality that would apply to countries seeking to secure debt relief. I shall briefly examine each of these elements in turn as a means of characterising Brown’s proposals for this new global architecture.

As I noted in chapters 2 and 4, ‘stability’ was a theme that ran throughout the Treasury’s domestic macroeconomic strategy and was, according to the Chancellor, “necessary for [Britain’s] future economic success”.⁸⁷ In similar terms, Brown told the Annual Meeting of the World Bank and IMF that “stability is an essential pre-condition

⁸⁵ Brown (1998f)

⁸⁶ Brown (2001d)

⁸⁷ Brown (1997b)

for long-term investment, growth and jobs”,⁸⁸ before delivering a lecture at Harvard University in which he identified “macroeconomic stability, based on low inflation and sound public finances” as “an absolute pre-condition of economic success...in the global economy”.⁸⁹ Reflecting the clear transmission between ‘the national’ and ‘the international’ dimensions of New Labour’s political economy, ‘Britain’ and ‘the world’ were to the Chancellor synonymous and interchangeable. ‘Stability’ was fundamental to the economic success of both and as such, would be crucial in establishing the foundations of the new global architecture.

Clearly however, stability would be difficult to achieve within a global economy that was understood by New Labour to be dominated by “interdependent and instantaneous capital markets”.⁹⁰ Since individual countries could “no longer shelter themselves from massive, fast-moving and sometimes destabilising global financial flows”, Brown argued that reform was necessary at both the national and the international level.⁹¹ Globalisation meant that the ‘rules of the game’ had changed. Giving evidence to the International Development Commons Select Committee, the Chancellor argued that “there has got to be stability for countries to be able to prosper...countries can no longer disguise [from the international community] what is happening to them...they have got to publish figures about what is happening to their reserves, what is happening to their fiscal policy [so] that corruption is therefore exposed through transparency and through rules of procedure”.⁹² There were clear “procedures which each agree are necessary for an international economy to work”, the beneficiaries of whom “will be the poor countries because they are the countries which, because of secrecy, because of corruption, because of the lack of agreed rules of

⁸⁸ Brown (1998g)

⁸⁹ Brown (1998i)

⁹⁰ Brown (1998f)

⁹¹ Brown (1998g)

⁹² Brown (1999c)

the game, are denied international investment...[and] the access to the money that they need to be successful economies”.⁹³ Therefore, rather than attempting to trade-off “regulation versus deregulation”. States should instead look to achieve “the correct balance...to ensure financial systems work better” and assess “how the right kind of government can be an essential complement to markets”.⁹⁴ Despite the instability that had been caused to HIPC’s in the past as a result of volatile market activity, the assumed inevitability of globalisation meant that Brown understood it to be neither feasible nor desirable to regulate this global activity. Instead, ‘new rules of the game’ had to be drawn up, with an acute responsibility upon national governments to adopt policies that would work ‘with the grain’ of these financial systems, and match the expectations of this particular set of actors. For Craig and Porter, it was understood that:

Poor states must both conform to global norms, and manage their own exacerbated problems. Thoroughgoing reforms were required. But even though change was to be domestically contained, the role of government was boiled down further, to stability, risk management and discipline – staying the course, and owning the reforms necessary to connect better with globalized market ‘opportunities’.⁹⁵

“The only answer to the uncertainty and unpredictability of ever more rapid financial flows” Brown argued, were measures that “deliver the transparency and accountability”.⁹⁶ National governments therefore needed “to deliver stability by setting out clear objectives for fiscal and monetary policy”. This openness, the Chancellor argued, was critical for investor confidence:

Without transparency and the proper procedures that the codes of conduct will require, investors may not make the long term

⁹³ *Ibid.*

⁹⁴ Brown (2000a)

⁹⁵ Craig and Porter (2006: 99)

⁹⁶ Brown (1999d)

commitments on the scale necessary for jobs, growth and social progress.⁹⁷

These “clear and transparent frameworks for monetary and fiscal policy” were designed to “command market credibility and public trust”.⁹⁸ Reinforcing the new ‘economics of information’ that was an integral part of the PWC within which this new global architecture would be embedded, this emphasis upon ‘transparency and openness’ signalled to investors that they could be confident in the policy environment of the host economy. To achieve this ‘transparency’ and ‘credibility’ however, Brown argued that:

National governments must set clear, long-term policy objectives that build confidence and commit to openness in policymaking that keeps markets properly informed and ensure that objectives and institutions are seen to be credible.⁹⁹

If countries were to secure both “investment funds and the day-to-day confidence of international investors” then national governments must pursue consistent and credible policies that would guarantee the required stability.¹⁰⁰ This meant for developing countries orientating their economic policies towards meeting market expectations rather than more immediate poverty reduction concerns. Since these measures were an intrinsic part of the ‘sound’ policy reforms that developing countries were expected to pursue in order to receive debt relief, these HIPC countries would find themselves allocating much of their limited resources and capacity creating ‘the right investment climate’ and persuading market actors of the credibility of their policies, rather than tackling the more immediate, acute problems of poverty faced by their own people.

⁹⁷ *Ibid.*

⁹⁸ Brown (2001d)

⁹⁹ Brown (1998g)

¹⁰⁰ Brown (1999d)

Fig. 5.2 Stability, Credibility and Transparency: Gordon Brown’s Standards and Codes for ‘a New International Financial Architecture’

Code	Purpose	Institution(s) Responsible for Implementation
‘Fiscal Transparency’	To introduce greater transparency and new disciplines into the world financial system and ensure that countries undertaking good policies are properly recognised.	IMF
‘Monetary’	To extend the principle of transparency and openness into monetary and financial information and procedures.	IMF
‘Banking’	To provide a complete picture of usable central bank reserves, forward liabilities, foreign currency liabilities of the commercial banks and indicators of the health of the financial sectors. It also called for the speeding up of the publication of data on international banking flows.	IMF, World Bank, Bank for International Settlements and the Basle Committee
‘Corporate Sector’	To improve transparency in the corporate sector, to establish more stringent international codes in areas like accounting standards, insolvency regimes, corporate governance, securities markets and other aspects of private sector behaviour.	IMF, World Bank and the OECD

Although the emphasis upon ‘poverty reduction’ remained as the overall justification of this new architecture, Brown demanded that there should be “a new resolve from poor countries” that in pursuing anti-poverty strategies, they should seek to “be more transparent, and...to follow certain codes and principles in macroeconomic and social policy”.¹⁰¹ The codes or ‘disciplines’, illustrated in **Fig. 5.2**, were to be “the key building blocks of the new international financial architecture”, designed by the Treasury but implemented globally by the appropriate IFI(s). Like the architecture itself, the purpose of these was to maintain macroeconomic stability at both the national and the international level, and to lock-in the credibility and transparency of policy decisions made by national governments. As with New Labour’s decision to hand over the setting

¹⁰¹ Brown (2000a)

of interests to the Bank of England, the IMF was chosen as the institution to “boost the international credibility of national policymaking by setting standards for policymaking, and monitoring or policing those standards through regular surveillance and endorsement of sound reforms”.¹⁰²

The codes themselves were based upon five weaknesses that Brown had identified in the present system: (1) poor economic and financial policymaking; (2) weak financial sectors in emerging markets; (3) ineffective supervision; (4) poor crisis management; and (5) unacceptable social protection. If developing countries were to benefit from globalisation, these were specific areas that needed strengthening. Supported by the creation of the international Financial Stability Forum in 1999,¹⁰³ these new standards and codes emphasised greater openness and transparency in monetary and fiscal policy; more information, particularly concerning the health of the financial and banking sectors; and more robust standards within the corporate sector.

Principally however, these codes were created to institutionalise the reforms necessary to secure credibility in the eyes of market actors, such as financial institutions, private firms and investors, and increase the public accountability of national governments. New Labour understood debt to have been exacerbated, not by continuing systemic imbalances in the global economy, but by bad government policy decisions, a misallocation of resources, and procedures that encouraged corruption. To safeguard the money that would be made available through debt relief, it would be necessary to introduce these codes as a means of benchmarking the standards of good economic governance. By “strengthening debt sustainability analyses”, placing “greater focus on the structural sources of instability”, identifying at an early stage

¹⁰² Brown (1998f)

¹⁰³ *HM Treasury* (2001a)

“unsustainable macroeconomic frameworks”, providing “an assessment of adherence to codes and standards”, and identifying those “countries which still need to take action to forgive debt under the HIPC initiative”, these codes would enable the IMF in particular to monitor much more closely the behaviour of these indebted countries prior to, during and after they had embarked upon the debt relief process.¹⁰⁴ This meant that despite the appeal to ‘public accountability’, the reality was that these were a set of standards designed to act as signals to global economic elites already orientated towards meeting the expectations of ‘market’ audiences. In many respects, this is hardly surprising since these codes were drawn up to offset the risk and impact of future market failure, and to produce an environment in which financial markets in particular could operate more effectively. However, the Chancellor remained keen to stress the importance of the other, public audience he had in mind when formulating these codes. There was however a striking explanation as to why this was the case.

As I noted in chapters 2 and 4, at home, the Chancellor promised reform and increased openness of the labyrinthine processes of those institutions across Whitehall and beyond, charged with the task of regulating Britain’s financial activities. To achieve this, the Treasury introduced a series of institutional measures including handing over monetary policy to the Bank of England; publishing a Memorandum of Understanding setting out the division of responsibility between the Treasury, the Bank of England and the newly formed Financial Services Authority;¹⁰⁵ and a issuing a Code for Fiscal Stability.¹⁰⁶ These steps were designed to make the decision-making processes of governments and financial institutions more transparent and accountable. Alongside these institutional measures, the Treasury sought maintain a high public visibility. The department itself would make reports widely available, while its ministers would hold

¹⁰⁴ Brown (2003i)

¹⁰⁵ *Bank of England* (1997)

¹⁰⁶ *HM Treasury* (1998a)

regular briefings with journalists and write articles in newspapers, financial and academic journals.

These initiatives however were not simply concerned with increasing public accountability, or creating a more democratic or participatory form of economic policymaking. As Brown himself admitted, these measures were intended to instil “the market [with the] confidence needed for success”.¹⁰⁷ Chiming with the orthodoxy of the PWC, the Chancellor recognised that markets thrive upon information, and increasing the availability of this information within a credible framework “engenders greater investor confidence”.¹⁰⁸ Indeed, given the complexity and technical nature of much of these surveillance measures and procedures, it is unlikely that these documents would be read as extensively by the general public as Brown claimed. Instead these documents were deliberately aimed at – and picked up by – market actors. Within the wider context of the ‘economics of information’ of the PWC, these procedures would give the policy decisions reached by national governments the credibility with the markets, and market actors the confidence to make more informed investment decisions. Again therefore, these processes were designed not to create a more accountable form of policymaking, but rather orientate economic policies towards market expectations.

For these codes to be effectively implemented however, Brown argued that it was necessary to reform these institutions. Taken at face-value, the Chancellor’s proposals might have appealed to those constituencies who had long since called for just that. However, these constituencies had expressed the need for a change in the ideological direction of these institutions and a greater representation of the developing world.

¹⁰⁷ Brown (1998f)

¹⁰⁸ Brown (2002d)

What Brown meant by reform however, was “an enhanced role for the IMF monitoring and reporting on the operation of codes and standards”.¹⁰⁹ According to Brown, reform of the IFIs was needed, not because of any ideological failings but because “neither the IMF nor the World Bank alone [were] equipped to carry out the surveillance and assist in the development of emerging countries’ financial systems”.¹¹⁰ Therefore, rather than weakening the scope of the IFIs, Brown believed it was necessary to extend the remit of these institutions, and in particular the IMF, to monitor these codes and strengthen the Fund’s surveillance work.

Brown’s proposals would strengthen the ‘panopticism’ of the IMF to ensure that the ‘sound policies’ supported by both the IMF and the UK Treasury were adopted and stuck to by national governments in the developing world. As the Chancellor remarked, “countries that want to be part of the global economic system cannot pick and mix which good and bad policies they want to pursue”.¹¹¹ Indeed so important were these codes that their “the implementation of codes and standards should be a condition for IMF and World Bank support”,¹¹² because “through the effective implementation of the codes we can extend good fiscal policy, monetary policy and corporate governance throughout the world and help prevent crises occurring”.¹¹³ In Brown’s new global architecture, the IMF would play a central role in implementing, monitoring, and where necessary, disciplining the economic performance of countries.

Unsurprisingly, given that Brown was its Chair, the International Monetary and Financial Committee (IMFC) at the IMF welcomed these measures to strengthen the surveillance arm and boost its monitoring activities. Giving evidence to the

¹⁰⁹ Brown (2001f)

¹¹⁰ Brown (1998f)

¹¹¹ *Ibid.*

¹¹² Brown (2001i)

¹¹³ Brown (1998f)

International Development Commons Select Committee, representatives from the IMFC identified these measures as “promoting greater financial stability and stronger global growth”, and in particular the scope “to help countries strengthen policy frameworks and prevent crises, and to “[improve] the framework for assessing debt sustainability”.¹¹⁴ These moves towards increased surveillance however revealed a clear tension between the claims of increased country ‘ownership’ supported under the HIPC initiative and the PRSP process, both of which were managed by the IMF, and the appeal to increase the public – or perhaps more accurately, the *market* – accountability of these sovereign states. By ceding power to a *non*-elected body of external economic elites merely for the sake of market credibility, it begged the question, who really did ‘own’ the development of these indebted countries? Certainly, it said a great deal about the character of the Chancellor’s new global architecture that it was the HIPCs who found themselves restricted in the policies that they were able to implement by the same IFIs whose remit for surveillance and control Brown had increased.

During this phase, New Labour claimed credit for the role it played in securing the Enhanced HIPC initiative at the G7 summit in Cologne, with a series of measures that provided “faster, broader and deeper debt relief”.¹¹⁵ Embedded within this new financial architecture, although it promoted the goals of poverty reduction and sustainable development, the new initiative was also designed to reinforce the need for developing countries to reform appropriately. For its part, the Enhanced HIPC initiative committed the IMF to “deeper debt relief through lower debt sustainability targets, lower qualifying thresholds, and calculations based on earlier actual data rather than projections” and “faster debt relief, including through the earlier provision

¹¹⁴ *IMFC* (2002)

¹¹⁵ *G7* (1999)

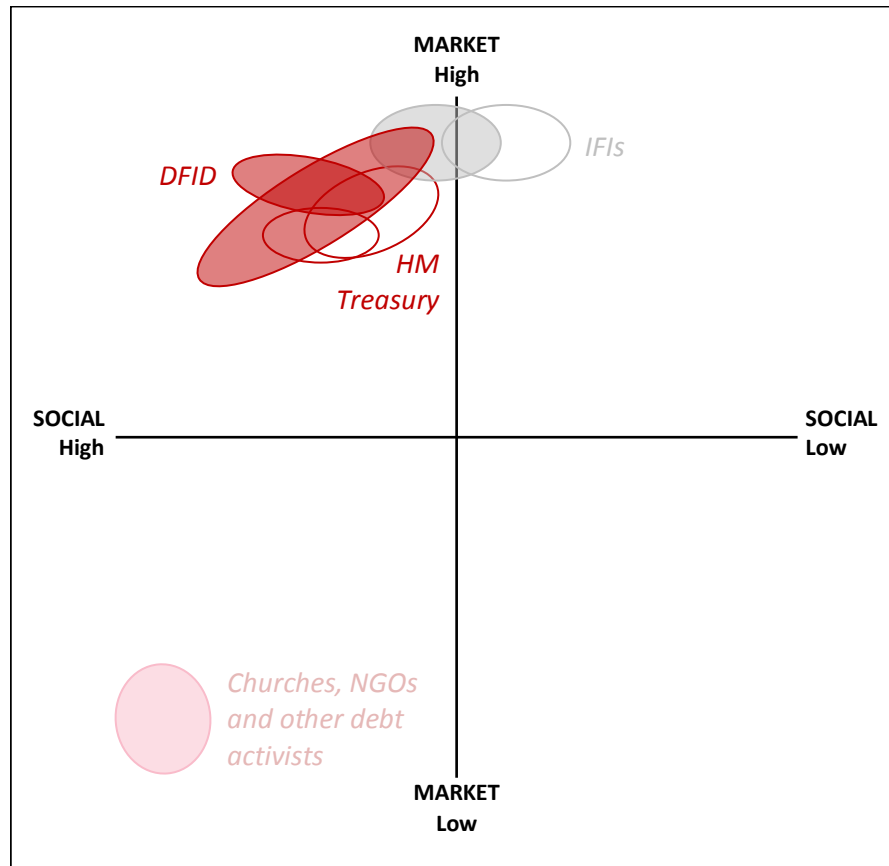
of front-loaded assistance to free up resources for poverty-reducing spending, such as on health and education”.¹¹⁶

For those who had gathered in Birmingham the previous year to call for increased levels of debt relief, this new initiative may have represented a significant triumph. Viewed through the lens of this new global architecture however, these headline announcements would prove to be a pyrrhic victory. In return for this “deeper” and “faster” debt relief, poverty reduction programmes would have to be reconfigured to reflect the new global architecture that was being drawn up. Debtor countries would have to ensure “that these outlays [in social expenditure] and the commensurate financing [were] consistent with macroeconomic stability and faster sustained growth”, and accept greater levels of surveillance through the “good governance” agenda including “full transparency and...monitoring of government budgets”.¹¹⁷ Therefore, while Brown and his counterparts in Whitehall, Washington and the rest of the G7 spoke of poverty reduction as the outcome, the processes required to meet these aims remained distinctly neoliberal in their ontology. Crucially, government spending on development and poverty reduction policies remained secondary to the principle focus of building institutions for markets, and maximising the accountability and transparency to market constituencies. In accordance with the orthodoxy of the PWC, the main responsibility of the state was to make markets work: to make tax, investment rules and economic policies responsive to the needs of increasingly globalised markets. The net result of which was to leave entirely intact the neoliberal prescriptions of global integration in macroeconomic policymaking.

¹¹⁶ *IMF* (2000)

¹¹⁷ *Ibid.*

Fig. 5.3 *Phases 1 and 2 of New Labour's Debt Relief Strategy*



Insofar as New Labour was concerned, what was striking about these speeches was their lack of any ‘moral’ content. Although the New Labour ministers had continued to meet with NGOs and faith groups at home, debt in the context of this new global architecture had reverted to being principally an economic issue, rather than one that had any social dimension to it. The Chancellor spoke in terms of ‘stability’, ‘credibility’, ‘transparency’, and ‘surveillance’. To his credit, Brown referred to the importance of ‘poverty reduction’ as an outcome. However, the message of the first phase that debt was as much a social issue as much as it was an economic issue had virtually been lost. As New Labour prepared to host its second G8 summit in the summer of 2005, civil society would seek to remind the government of its moral commitment. This elicited a striking response from the government and from Brown in particular, as he sought to

reframe his proposals for a new global architecture to this distinctly ‘non-economic’ constituency.

The focus that New Labour placed upon debt as principally an economic issue certainly blunted its moral commitment. However there was some evidence of a shift towards a more ‘social’ set of outcomes – after all, Brown did talk about debt relief as important for poverty reduction. What there is precious little of here is a social *concern*. The financial architecture that Brown sought to build spoke of poverty reduction but also of developing countries adopting new codes and practices, improving their openness and transparency, and being in a position to attract flows of investment.

Phase 3: The Road to Gleneagles and Beyond: the Multilateral Debt Relief Initiative

Having convinced the international financial community of his proposals for this new financial architecture, the Chancellor’s attention turned – or rather was turned – to the constituencies within civil society who had continued to press for a fairer and more comprehensive resolution to the debt crisis. During the second phase of New Labour’s debt strategy, ministers continued to meet with both the larger NGOs in the British Overseas Aid Group (BOAG) and the smaller NGOs that made up BOND, the British Overseas NGOs for Development, to discuss progress over debt relief.¹¹⁸ Both the Treasury and DFID held a series of meetings representatives of the UK faith groups and continued to receive many letters and postcards from members of the public pressing for more debt forgiveness.¹¹⁹ However, the relationship between the government and these constituencies was an uneasy one. As I have already mentioned in this chapter, there were times when New Labour officials were fulsome in their praise for the work

¹¹⁸ Short (1999b)

¹¹⁹ Short (2000a)

of these groups. There were other times however, when these campaigners appeared to get under the skin of government ministers with what Whitehall claimed to be an unrealistic set of demands.

New Labour's ambivalence towards the issue was reflected in its "enthusiasm for debt relief" but rejection that "all debt should always be written off".¹²⁰ Like her counterparts in the World Bank and IMF, Clare Short made it clear that "poor countries need to be able to borrow and repay responsibly, so that they have a good track record and can secure foreign investment and enable their economies to grow".¹²¹ The government's objective was therefore "not to achieve debt relief at any price", but rather "to lever policy so that it would bring real benefit to the poor, in terms of both better economic growth and better social policy".¹²² For the government, debt relief was but one instrument to achieve its commitment to poverty reduction. For these faith groups, NGOs and other parts of civil society however, debt relief was far more significant than that. In strictly development terms, poverty could not be eradicated whilst the governments of these HIPC countries continued to spend much of their budgets servicing debts that had been accrued decades before. At the turn of the new millennium, debt relief symbolised an opportunity to create a more just and equal world. Although, as this third phase would reveal, New Labour ministers accepted these arguments, they continued to view debt, not as an issue of systemic inequality and global injustice, but as principally the result of irresponsible and short-sighted policy decisions. For government officials, this was the *real* cause of poverty. If these issues were to be tackled and poverty reduced, then the 'correct' policy framework and the rubric of the new global architecture would need to be implemented.

¹²⁰ Short (2000b)

¹²¹ *Ibid.*

¹²² *Ibid.*

Although it may have frustrated Brown's own domestic political ambitions, the strength of his position as Chancellor of the Exchequer in Britain had seen Brown take up the chairmanship of the IMFC during the second phase of New Labour's debt relief strategy. This position would prove advantageous to Brown as he set about persuading his counterparts and other economic elites not only of the need but also the viability – and indeed, the *credibility* – of his new global financial architecture. Hard-wiring his proposals into the newly-emerging PWC, Brown knew instinctively what language to use to discursively construct a global architecture that would appeal to these particular audiences. The Chancellor spoke extensively of maintaining 'macroeconomic stability' and 'monetary and fiscal policy discipline', creating the 'right conditions for investment', 'opening up' and orientating national economies towards 'the global economy', and supporting these reforms through increased 'surveillance'. To convince NGOs and faith groups of New Labour's commitment to debt relief and poverty reduction, Brown drew upon a set of language and themes distinct from any other policy narrative offered by his colleagues in Whitehall. In these speeches, the Chancellor spoke not simply about the moral element of debt relief, but instead made explicit reference to the scriptures held to by the different faith groups represented in the civil society coalition. These scriptures were used to complement Brown's own social liberalism, the philosophy of which underpinned the Chancellor's work in this area.¹²³

These references were designed to send a signal to civil society that the economic dimension to New Labour's commitment to reducing the debt burden of developing countries was complementary to, rather than in conflict with, the moral appeal made by these constituencies. New Labour's strategy in this third phase was therefore to focus upon the similarities, rather than the differences that existed between the

¹²³ See for instance Brown (2000h; 2004a; 2004c; 2004g, emphasis added).

government and the expectations expressed by civil society. This it was hoped would in turn build support for the new Multilateral Debt Relief Initiative proposed by Tony Blair, Gordon Brown and Clare Short's successor at DFID, Hilary Benn, initially to the *Commission for Africa* in 2005, before it was formally launched at the G8 summit, hosted by Britain later that summer in Gleneagles. This new MDRI would not replace the Enhanced HIPC initiative but would cancel 100 percent of the debts owed to the IMF, the IDA, and the African Development Fund by countries that had reached 'completion point' under the Enhanced HIPC Initiative.

For its part, civil society was being galvanised by the emergence of a new coalition of NGOs, faith groups, trade unions, celebrities and members of the general public. Part of the *Global Call to Action Against Poverty* campaign, the *Make Poverty History* movement sought to raise awareness of global poverty, and in particular issues relating to trade, debt and aid. To this end, it had three core messages for national governments in the global North: "trade justice", "drop the debt" and "more and better aid".¹²⁴ As with other recent anti-poverty and debt campaigns and demonstrations, the target of the *Make Poverty History* movement was to be the G8. The question that confronted New Labour was not whether there was sufficient public support for its proposals – it was quite clear as the year unfolded that there was – but whether the government could persuade civil society that its own proposals concerning debt relief were sufficient to meet these expectations. Therefore, in the same way that New Labour had sought credibility for its proposals from amongst financial and economic constituencies, it now sought credibility from civil society, particularly since government officials were keen to throw their weight behind the campaign. Given the different set of expectations of these two groups however, the problem New Labour faced was how to appeal to these two different sets of

¹²⁴ *Make Poverty History* (2007)

constituencies without renegeing on the respective commitments that they had made to the other. How New Labour would solve this problem would reveal the true character of its debt relief policies, and the depth of its commitment to its more normative claims of addressing debt as a moral issue.

Developing the analysis of the previous phase, this third phase demonstrates that while New Labour officials actively sought to engage with civil society; for example, by regularly meeting representatives from the coalition, and borrowing the language and the discourse of faith groups and NGOs; these narratives were used only selectively by officials to justify New Labour's own position in relation to debt relief and the IFIs, rather than to directly meet the expectations of civil society. This enabled the government to *talk* to certain audiences about its moral commitment to debt relief whilst continuing to embed its actual policy within the neoliberal ideas of the global financial architecture. For Brown, the only response to the moral challenge that developing world debt posed to Western governments and other lenders was the creation of a distinctly market-orientated framework, one that would oversee the integration of heavily indebted countries into the global market economy.

The idea of debt forgiveness was derived from the Biblical commandment of Jubilee wherein every 49 years, those who found themselves enslaved were to be set free and allowed to return to their families in readiness for the fiftieth year which would be a year of Jubilee or celebration.¹²⁵ This precept was to act as the referent point for church leaders and their various congregations as they called upon government leaders to celebrate the year 2000 and the turn of the millennium by freeing those countries enslaved by debt. Publically at least, senior New Labour officials were fulsome in their praise of churches and faith groups. As Brown remarked:

¹²⁵ *Leviticus 25:8–54 (KJV)*

Churches and faith groups that have, across the world, done more than any others – by precept and by example – to make us aware of the sheer scale of human suffering – and our duty to end it. Indeed, when the history of the crusade against global poverty is written, one of its first and finest chapters will detail the commitment of the churches in Britain to help the world’s poor.¹²⁶

Whether it was the impulse of Christian socialism (the lineage of which is explored in chapter 3) that Blair, Brown and other senior figures shared, or they simply agreed with those who argued that “the burden of unpayable debt was morally wrong”,¹²⁷ New Labour ministers were receptive to these ideas and keen to meet on a regular basis, leaders from the Christian church and increasingly, representatives from other faith groups.

Addressing a meeting of the Christian Socialist Movement in 2001, Blair praised the work of the Jubilee 2000 movement and confirmed that since the end of the millennium year, Britain had derived no profit from the HIPCs. The government had already agreed to cancel their debts, or to place these repayments in a Trust Fund for when this money could be used to tackle poverty.¹²⁸ Although this was just three months, Blair was clearly keen to demonstrate that he understood (at least in part) the Jubilee principal that many in his audience supported. Just as the passage in Leviticus spoke of “not [taking] advantage of each other”,¹²⁹ so the Prime Minister sought to reassure the CSM that his government would not take advantage of indebted countries by charging excessive interest on the debts that were owed to Britain. While Blair deserves credit for this, he appeared to miss the other crucial points of Jubilee; *equality* and *liberty*. The underlying reason for the Jubilee commandment was to restore freedom and equality to a land that had been torn apart by inequality and

¹²⁶ Brown (2004g)

¹²⁷ Brown (2000h)

¹²⁸ Blair (2001d)

¹²⁹ *Leviticus 25:14, 17 (KJV)*

economic servitude. Therefore, although Blair's government would no longer profit from its debtors and put on hold the repayments owed to it by the HIPCs, it appeared unwilling to deal with the structural inequalities in the wider global economy that were keeping these countries immiserated in poverty.

Blair himself continued the theme of slavery when he drew a direct comparison between the work of the Christian, William Wilberforce and the abolition of the slave trade two centuries earlier, and the "moral challenge" of poverty faced in 2005. In an event set up by the Christian organisation, *Faithworks*, Blair reminded his audience that just as churches had been instrumental in that particular fight for justice so "today...faith leaders are at the forefront of the campaign to make poverty history".¹³⁰ The Prime Minister used this event to build support for the recently launched *Commission for Africa* report. Described by Blair as "bold and ambitious", it was "a plan with a mission to build international support for...the doubling of aid, 100 per cent debt cancellation, trade justice and action on governance and conflict".¹³¹ It was "deliverable", the Prime Minister argued but, adding a note of caution, "we will only achieve it together", implying that the government's policies required the support of his audience.¹³² Again, what was striking about Blair's remarks, was not so much what the Prime Minister said – the highly laudable, attention-grabbing 'headline policies' – but *what he left out*. Although there was a welcome shift away from 'debt sustainability' and a realisation (finally) that in many instances, "debt 'relief' merely relieves the creditor of a balance sheet fantasy",¹³³ the process towards debt reduction would still be contingent upon HIPCs pursuing 'sound' policies and promoting the growth necessary to reduce poverty. In other words, while the 'outcome' or reward might have been improved, the 'process conditionality' that

¹³⁰ Blair (2005a)

¹³¹ *Ibid.*

¹³² *Ibid.*

¹³³ *Commission for Africa* (2005: 108, parentheses in original)

underpinned Brown's financial architecture and Enhanced HIPC initiative would remain as steadfast as ever.

What is striking about these two speeches is the way in which they were designed to appeal to a clearly defined set of constituency expectations. As well as signifying the importance of faith, these speeches tapped into the Biblical themes of 'Jubilee', 'debt cancellation' and 'justice'. The extent to which these themes could be realised in practice however would be clearly undermined by the distinctly 'economic' set of expectations that embedded within this new global financial architecture. Indeed, rather from freeing these countries, as the Jubilee precept demanded, heavily indebted states would instead be subjugated through all manner of surveillance measures; standards, codes and increased transparency,¹³⁴ to ensure that they orientated their economies to the exigencies of the market.

Although unlike Blair, Brown's own personal faith remained a private affair, the Chancellor nevertheless also made it a priority – arguably more so – to meet with church leaders and other faith groups. For Brown, there was “a network of mutuality” that binds “together, all of us, citizens and nations, rich and poor, in one moral universe”.¹³⁵ According to the Chancellor, globalisation and increased interdependency had created a 'network of mutuality' that in turn had strengthened the impulse to fight the global injustice of debt. As this third phase unfolded, it would be this mantra that Brown would appeal to time and again, and upon this basis that the Chancellor would frame his own moral arguments. Brown's approach to meeting these particular groups differed from that of Blair. Although like the Prime Minister, Brown was keen to flag up the 'headline' achievements of the New Labour government, the Chancellor was also

¹³⁴ *Ibid.*

¹³⁵ Brown (2000h; 2004a; 2004c)

far more willing to place these achievements within the context of the Bible and other scriptural texts to spell out to these particular constituencies, the moral and spiritual significance of debt relief. Brown frequently showcased what one biographer has described as “an osmotic understanding of the Bible” that he would have acquired from a young age as a ‘son of the Manse’.¹³⁶ Therefore, whereas the Prime Minister would only sketch out the linkages between ‘faith’ and ‘debt relief’, Brown would quote – quite literally, chapter-and-verse – scriptural references in support of his arguments. Going even beyond Leviticus, the Chancellor drew upon a verse in the Old Testament book of Isaiah which spoke of undoing “the heavy burdens...to let the oppressed go free”,¹³⁷ and used the allegory of building a ‘new Jerusalem’ that appears in the Book of Revelation to symbolise a new world, free from debt.¹³⁸ These narratives would appear to suggest a distinctly ecclesiastical and moral purpose to debt relief. As Brown told the NGO, CAFOD, debts should be ‘wiped out’ “because people weighed down by the burden of debts imposed by the last generation on this cannot even begin to build for the next generation”. Moreover, “to insist on the payment of these debts offends human dignity – and is therefore unjust. *What is morally wrong cannot be economically right*”.¹³⁹ Brown’s moral compass was guided by spiritual teachings found in the Gospels of Matthew and Luke;¹⁴⁰ the Jewish Shabbat;¹⁴¹ and the Buddhist teachings of Udana-Varga,¹⁴² and the liberal social philosophy of Gertrude Himmelfarb, Abraham Lincoln, Michael Winstanley, Adam Smith and James Q. Wilson.

¹³⁶ Bower (2007: 2)

¹³⁷ *Isaiah 58:6* (KJV)

¹³⁸ Brown (2004g); *Revelation 21:1–27* (KJV)

¹³⁹ Brown (2004g, emphasis added)

¹⁴⁰ *Matthew 7:12, Luke 6:31* (KJV)

¹⁴¹ *Shabbat 31a* (Talmud)

¹⁴² *Udana-Varga 5:18*

The force of these moral arguments was certainly compelling. However, what was almost just as striking was the complete absence of these same arguments when Brown spoke to financial (i.e. 'non-civil society') constituencies. Any references to the 'moral sense' that the Chancellor had spoken about at such great length and with such apparent conviction on the eve of Britain's presidency of the G8 in December 2004, had disappeared by the time Brown made his statement to his colleagues at the IMFC in Washington four months later. On this occasion the Chancellor preferred instead to address issues relating to enhancing "the authority and credibility of surveillance, particularly of debt sustainability".¹⁴³ Two months later, the 'moral' rhetoric returned and a virtually identical copy of Brown's speech on 'the moral sense' was delivered at UNICEF's annual lecture in June. Although inflecting less the 'faith' aspect of debt relief, the Chancellor nevertheless spoke of how this 'moral sense' underpinned New Labour's commitment to debt relief as a means of empowering individuals.¹⁴⁴ True to form however, no mention was made of the moral imperative of debt relief neither in Brown's statement to the IMFC that September,¹⁴⁵ or to his counterparts at the conclusion of G7 Finance Ministers meeting in London at the close of the year.¹⁴⁶ Therefore, although New Labour had already committed to viewing debt relief as both a moral and an economic issue and one that required a solution that was moral and therefore economically right, these ended up being two very distinct discourses for two very different audiences.

Fig. 5.4 (overleaf) illustrates the bind in which New Labour tied itself into. Keen to talk about the 'moral' and faith-driven aspects of debt relief to sympathetic audiences, Brown reverted to playing the 'Iron Chancellor' when it came to discussing debt in the corridors and meeting rooms of the IFIs. It would appear that not even Brown was

¹⁴³ Brown (2005e)

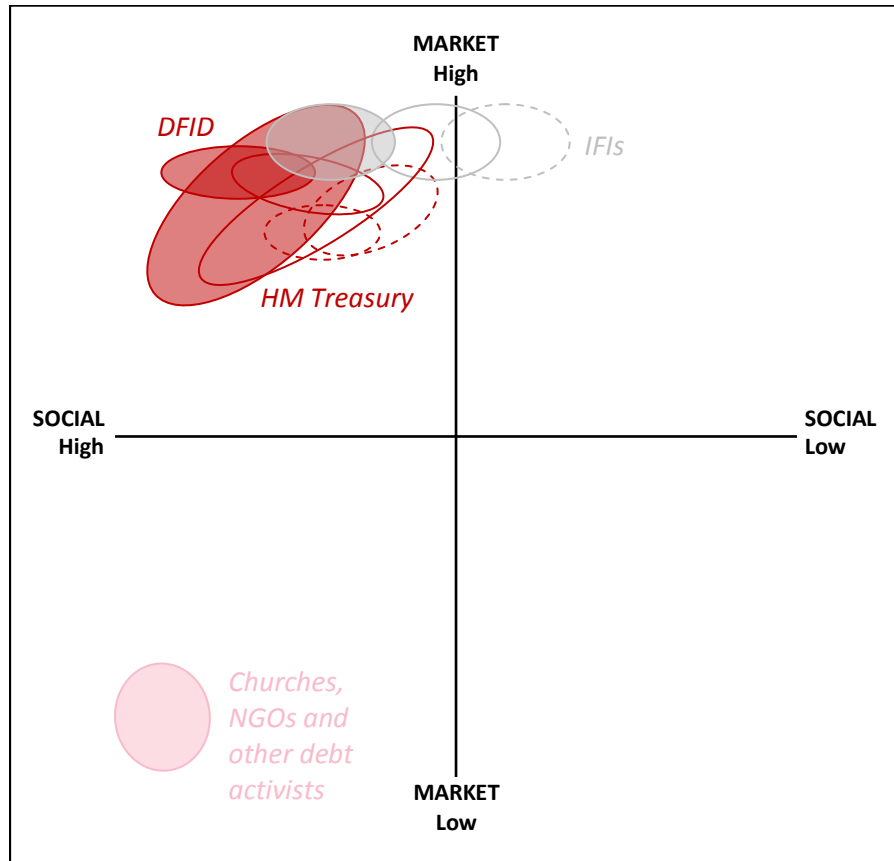
¹⁴⁴ Brown (2005f)

¹⁴⁵ Brown (2005g)

¹⁴⁶ Brown (2005h)

prepared to reconcile the two imperatives. This however would lead to an inconsistency in policy that would impede any progress towards securing debt relief.

Fig. 5.4 *Phases 1, 2 and 3 of New Labour’s Debt Relief Strategy*



Given New Labour’s commitment to a new global financial architecture, this strategic selectivity would appear to demonstrate the lack of any real depth to New Labour’s commitment to the moral dimension of debt relief. Although New Labour sought to engage with civil society and faith groups in particular, these were audiences that did not need convincing of the need for more extensive debt forgiveness. To these groups the government acknowledged that it could do more. Indeed this was something Hilary Benn was happy to concede in a speech to the Jubilee movement in 2004.¹⁴⁷ However, the general message to this type of audience was that the government had seen some success and was looking to improve in those areas where progress had been slow.

¹⁴⁷ Benn (2004a)

Interestingly, where this was the case it was never the fault of New Labour. It may have been due to the incalcitrance of fellow creditors, the failure of indebted countries to reform accordingly, or even the unrealistic demands of civil society. As this phase has shown however, New Labour did fall short and did fail to meet its responsibilities to the developing world through its inability to voice the same sort of moral commitment in the conference halls and meeting rooms of the IFIs as it had when speaking to civil society. Although officials spoke frequently about the need to build international support for faster and deeper levels of debt relief, when it came to flexing its muscle within these institutions, New Labour appeared not to have the stomach for a political fight in Washington. The moral dimension that Brown claimed would be so crucial as to make any debt relief policy “economically right” was overlooked in favour of a policy agreement that would support the expectations of the market instead.

Conclusions

Symbolic in that this was the first of New Labour’s many forays into the realm of international development, the response of the Blair government – and the Treasury in particular – to the issue of developing world debt provided an early opportunity to showcase its model of political economy on the global stage. In many respects then, this chapter is much more than simply New Labour’s attitude towards debt relief. Its response to indebtedness went beyond simply freeing up the much-needed financial resources for development. Instead, New Labour sought to offer an ostensibly ‘new global financial architecture’ which would incorporate and reform (or ‘enhance’) the pre-existing HIPC initiative, underpin the MDRI and set heavily indebted poor countries on the road to not simply debt sustainability but long-term economic growth and development. Both the HIPC initiative and MDRI provided an insight as to how New

Labour would work, firstly within the established structures of global economic governance, and secondly, the reforms it would offer as a means of meeting its own objectives in government.

Based upon the reforms that the Treasury had introduced at home (chapters 2 and 4), this new architecture was designed in a similar way to maintain macroeconomic stability, strengthen economic governance, and provide confidence to investors by increasing the visibility of market information. The design of this new architecture was striking, since these principles reflected the thinking of PWC subscribed to by the *nébuleuse* of IFIs located in Washington, just as much as it did the policy ideas of Gordon Brown and senior Treasury officials in Whitehall. This new architecture was, for instance, predicated upon a commitment by indebted countries in particular, to ‘sound policies’. Macroeconomic stability, market liberalism, economic growth, fiscal discipline and anti-inflationary policies were the touchstones of this architecture all of which in turn enabled it to be hard-wired into the political economy of the PWC. With this framework locked-in through a series of internationally-agreed standards and codes at the national level, countries seeking debt relief could be monitored ‘panoptically’ by institutions such as the IMF, whose remit to maintain stability would be strengthened under the terms of this new architecture.

The language used by Gordon Brown to describe these policies, and indeed this new architecture, was interesting. Although they appeared to be neoliberal in character, these policies were described by the Chancellor as being ‘pro-poor’. Without these policies in place, Brown argued that the investment necessary for growth-led development would not occur. Failure to attract market investment and to secure economic growth would preclude the governments of HIPCs from making the

necessary investments in healthcare, education, infrastructure and job creation. This understanding of development dovetailed with that of the Washington-based IFIs, and the IMF and the World Bank in particular, who viewed development in largely economic terms. Labelling these policies as being 'pro-poor' however was strategically useful when speaking to constituencies who viewed themselves as being outside of this orthodoxy. Church groups and NGOs in particular viewed the debt crisis as a moral issue and one that was about social justice, rather than simply a matter of economic expediency. According to these groups, governments and banking institutions in the global North had, for far too long, been guilty of extracting usury from the poorest and most vulnerable countries and people on the planet. The issue was not about debt sustainability and keeping these countries locked in a two-speed economic system, but about debt justice, forgiveness and the removal of this millstone from around the necks of the world's poorest countries. Only then could these countries begin to develop and see their standards of living increase.

These constituencies certainly loomed large over New Labour's strategy in this area. Each of the major policy actors, including Tony Blair, Gordon Brown and Clare Short engaged with these constituencies. Although the government was guilty at times of sending mixed messages – Short, in particular, sometimes praised the *Jubilee* movement, while at other times, criticised the movement for its unreasonable demands – overall, it was attentive to what these constituencies had to say. Indeed, the issue of debt and the church-based make-up of this movement gave both Blair and Brown the opportunity to talk openly about *their* own faith and the influence that it had upon their politics. The speeches made to these audiences were infused with the moral imperative of debt justice. While these were no doubt warmly received, what was surely disappointing for these constituencies that such support and the moral

weight of such arguments, never seemed to materialise when it *really* mattered. Through his role as Chair of the IMFC, Brown held a uniquely influential position within Washington as well as Whitehall. To these altogether more ‘market-minded’ audiences however, the Chancellor’s moral argument for increased debt relief never arose. Instead, the debate continued to be framed in altogether more ‘credible’ terms; maintaining stability, the pursuit of growth and creating the right conditions for investment.

Despite a clear engagement with civil society, as it passed through its three policy phases, New Labour’s debt relief strategy demonstrated a continued orientation towards the expectations of these ‘economic’ constituencies. This said a great deal as to the character of New Labour. Firstly, rather than representing any real break from the market dogma that ‘old’ Labour had frequently criticised the IFIs for championing, New Labour framed its own response to the debt crisis on virtually the same terms as these Washington institutions. Secondly, and perhaps even more significantly, New Labour officials were at least aware of and acknowledged the moral imperative of debt forgiveness. Crucially however, they appeared to lack the conviction to carry this moral argument right to the heart of where it was needed most; the institutions of global finance where New Labour officials could have brought about very real change to the lives of millions across the developing world.

Pro-Poor or Pro-Business? Increasing Access to Essential Medicines in the Developing World

Sandwiched in between the two case study chapters that explore New Labour's efforts to raise finance for development through increased debt relief and overseas aid is my analysis of the government's commitment to increase the availability of essential medicines, principally the antiretroviral drugs needed to combat HIV and AIDS in the developing world. The focus of this chapter is upon the two main dimensions in the partnership between the New Labour government and the UK pharmaceutical industry. The first, broadly 'economic' dimension concerns Britain's place within the strategic context of an increasingly competitive global economy, while the second altogether more 'ethical' or 'moral' dimension addresses New Labour's own commitment to meet the UN Millennium Development Goals, and specifically to achieve, by 2010, universal access to treatment for HIV and AIDS. The first dimension draws upon the findings of chapter 2, which discussed the significance of globalisation to New Labour officials and the importance that was, as a result, placed upon the 'knowledge economy' as the primary means by which Britain could compete in the global economy. This chapter explores the implications for those living in the developing world of a strategy designed by New Labour ministers to meet the globally-orientated expectations held by domestic pharmaceutical firms, and so retain the investment necessary to keep Britain at the forefront of this 'knowledge economy'.

The second dimension assesses this domestic strategy in the light of the altogether more 'moral' global commitment made by New Labour to increase the access to the

medicines required to address the spread of HIV and AIDS in the developing world. Specifically, it asks how much policy space this domestic strategy left for constituencies *outside* this government–industry partnership, such as those developing countries affected by the AIDS crisis and NGOs working within this particular field of development, to voice their expectations of New Labour’s commitments in this area. It was certainly clear from the policy pronouncements made by government ministers that there was a strong commitment from Whitehall to address the shortfall of both the amount of and access to antiretroviral drugs in these poorer parts of the world. What was altogether less clear amongst ministers however was *why* this shortfall and lack of access existed in the first place. The two main groups of policy constituencies offered competing narratives which, as this chapter will explain, fed into New Labour’s collective understanding of the AIDS crisis and its response to the problem of access to antiretrovirals.

The first group, made up of developing countries affected by the crisis and NGOs working in this field, identified the pharmaceutical firms themselves as being culpable for this lack of access through their failure to roll out more extensive treatment programmes. This enclave of ‘non-business’ constituencies pointed to inappropriate and expensive pricing structures, a chronic lack of research and development (R&D), and continued intransigence over intellectual property (IP) and patent rules as being the main reasons why rates of new HIV infections continued to outstrip the provision of medicines, and why millions already living with the disease across the developing world were still without antiretrovirals.¹ According to these groups, British and other Western pharmaceutical firms were concerned more about their own profitability and

¹ For a summary of this perspective see the call made by academics, social activists, public health advocates, government officials and politicians from Africa, Asia, South and North America, Australia and Europe at the workshop entitled ‘Patent Rights vs. Patient Rights’ convened in Oslo on 22-24 May 2000 to discuss access to essential drugs, including treatment for AIDS – *Third World Network* (2000).

their shareholders than they were about their moral responsibilities as global health providers.

For their part, industry groups representing the large 'research-led' multinationals argued that the continued profitability of their firms was vitally important if they were to continue to invest in new drug innovations and formulations. Accepting that they did in fact have "a moral responsibility to make its products accessible to poor people",² these firms, a significant number of whom were based in Britain, argued that they needed the protection offered by international IP laws to prevent their drug innovations from being copied and sold on by smaller pharmaceutical firms in low cost, emerging economies such as India and South Africa. The real barrier to access was not the IP rules, but the severely underfunded healthcare systems found in developing countries affected by HIV and AIDS. For the British-based GlaxoSmithKline (GSK), one of the world's leading pharmaceutical firms, it was certainly not the patents system. It was instead an acute lack of hospitals and clinics, poor medicine distribution networks, patient illiteracy and low numbers of healthcare staff that were impeding access to these essential medicines.³

The main aim of this chapter is to identify which of these two sets of audiences New Labour orientated its policies towards, and crucially what sort of expectations the governments' strategy met. New Labour's understanding of the global economy, together with these competing assessments of the crisis presented government ministers with two discernible policy alternatives. The first would be to meet more directly the expectations of those constituencies located outside of this partnership between the government and pharmaceutical industry. This alternative would involve

² *GlaxoSmithKline* (2008: 19)

³ *GlaxoSmithKline* (2011)

the government pressing ahead with its wider commitments concerning global public health, and demanding that the pharmaceutical industry takes a far greater responsibility for the delivery of and access to antiretroviral medicines in the developing world. This option however would risk alienating the industry and, in an era of heightened capital mobility, potentially trigger disinvestment from this vitally important sector of Britain's economy. As this chapter shall show, New Labour ministers considered this risk and its domestic implications to be far too great. Instead they chose to pursue a set of policy measures orientated more towards meeting the preferences of the industry itself. Although New Labour's strategy was far from linear – particularly since different government departments appeared to emphasise different policies – the overarching strategic narrative of this second option was one designed to appeal to and accommodate the expectations of the pharmaceutical industry.

This alternative policy was to be achieved by building upon the partnership that had been formed between government and industry officials at the domestic level. Going beyond “the privileged position of business” in the economy,⁴ and the “structural dependence” that the state has upon capital,⁵ New Labour officials had accommodated the expectations of the pharmaceutical industry through the creation of an economic and regulatory framework conducive to retaining and attracting further investment into Britain. As New Labour sought to scale-up the access to antiretrovirals overseas, it used and extended its relationship with the industry to introduce a number of market-based measures to incentivise, rather than regulate the industry into meeting its wider global healthcare commitments concerning HIV and AIDS. It was hoped that by keeping the industry ‘onside’ by offering them an ‘investment-friendly’ policy environment at home and support for increased IP

⁴ Lindblom (1977: 170ff.)

⁵ Przeworski and Wallerstein (1988: 11–29)

protection abroad, these firms would increase the quantity of research into ‘diseases of poverty’ and ‘tier’ their pricing strategies appropriately for developing country markets.

Rather problematically however, this option – although framed within the language of ‘partnership’ – would entail no concrete obligation on the part of firms to change their behaviour. This was striking since it perversely rejected the message of ‘rights and responsibilities’ that was imprinted elsewhere in New Labour’s political economy, both at home in its welfare system (chapter 2) and, as I shall demonstrate in chapter 7, in its foreign aid policy. This meant that firms could continue to take advantage of the ‘light-touch’ regulatory environment offered by the government, orientate their corporate strategy towards maximising shareholder value, but still be under no compulsion to fulfil their moral commitments. This demonstrated a clear inconsistency with other parts of New Labour’s international development policies, and suggested that the burden of responsibility lay disproportionately upon the shoulders of the global poor rather than on the powerful, resource-rich firms located in Britain and other parts of the developed world. Furthermore, if the pharmaceutical firms themselves were under no real obligation to deliver on their ethical commitment to those living in the developing world then this would in turn clearly present a problem for New Labour’s own commitment to increase access to antiretrovirals through these firms. If these firms did not consider it to be economically viable or profitable to sell drugs to these developing countries at an appropriate price, they simply would not do so.

Structure of the Chapter

Having already explored in chapter 2, the importance attached to the ‘knowledge economy’ by New Labour and the pharmaceutical industry’s significant role within it, I

open up this particular chapter by addressing the tension that arose in New Labour's own commitment to meet the market expectations of the pharmaceutical industry and the moral obligation that firms in this sector had as providers of global healthcare. Against these competing imperatives, I turn my attention to the way in which New Labour's stated aim to increase access to medicines in the developing world unfolded during its time in office. As its efforts underwent several phases of policy, I demonstrate how New Labour constrained its international commitment by making its chief priority the ongoing competitiveness and profitability of Britain's pharmaceutical industry. Despite an awareness of, and some limited appeals towards the moral case for action, New Labour continued to orientate its response to the crisis towards meeting the economic expectations of the pharmaceutical industry. I conclude this chapter with a brief assessment of the implications for those living with HIV and AIDS in the developing world of this particular part of New Labour's political economy.

Moral Obligations and Market Realities: Revisiting New Labour's Relationship with Britain's Pharmaceutical Industry

Pharmaceutical firms are not like other businesses, concerned only with the sale of goods and services, profit maximisation and satisfying shareholder expectations. They have intrinsic duties as health providers, and an acutely ethical commitment to make available affordable, effective medicines to all those who need them. As Richard Barker, the Director of the Association of the British Pharmaceutical Industry (the trade association for more than 75 companies in the UK producing prescription medicines) acknowledged:

As a global industry whose aim is to improve health, it is a clear responsibility of the pharmaceutical sector to do its part in addressing this [global] need.⁶

⁶ Barker (2007) in *ABPI* (2007: 3)

A similar point is made later on in the same report:

High standards of ethical behaviour must apply equally to the marketing of pharmaceutical products in all countries, regardless of the level of development of their economic and healthcare systems. This is vital if the contribution of modern pharmaceuticals to world health is to be trusted and embraced.⁷

Therefore, while other firms might have duties that fall under the broader umbrella of corporate social responsibility, pharmaceutical firms have a much more specific *ethical* obligation in the products they provide, one that extends far beyond their self-regulating, corporate behaviour but which forms their *raison d'être*. This point is further underlined by GSK:

Increasing access to medicines is important to our business for ethical, reputational and commercial reasons *because it is morally the right thing to do* and is valued by our shareholders, employees and other stakeholders.⁸

That this moral commitment was understood by firms such as GSK to be vital for both commercial and strategic reasons reflects a large degree of self-interest. Nevertheless, it is clear from these statements that the pharmaceutical industry viewed itself as having a distinct ethical imperative in meeting the global shortfall in essential medicines. Without this moral responsibility, pharmaceutical firms simply become just like any other business, whereby the medicines required to maintain and restore the health of individuals are commodities, provided only to those who, in a global market economy, can afford them.

New Labour itself recognised and acknowledged that “as the producers of existing and developers of new, medicines they [pharmaceutical firms] can – and do – make a

⁷ ABPI (2007: 18)

⁸ GlaxoSmithKline (2008: 53, emphasis added)

difference within their sphere of influence”.⁹ Indeed, this gave pharmaceutical firms a “particular role” in the government’s own commitment to increase access to essential medicines. Rather strikingly however, if this ‘particular role’ was an ethical imperative then it was barely mentioned in the government’s other policy pronouncements. Certainly, this ethical dimension was not attributed the same degree of importance as the economic imperative, and it was frequently downplayed when addressing industry audiences. For instance, while New Labour was keen to stress its economic commitment to the industry by providing a series of benchmarks laid out by the Department of Health for instance, no audit was made of New Labour’s performance in delivering a more ethical framework for the pharmaceutical industry. This suggested that the moral obligations of the industry would not be afforded the same degree of priority as the economic imperatives of competitiveness and profitability.

Even the *Framework for Good Practice in the Pharmaceutical Industry*, drawn up by Whitehall officials and industry representatives in support of New Labour’s commitment to increase access to essential medicines in the developing world, did not really press pharmaceutical firms over their moral obligations as healthcare providers. It argued that it was not simply the responsibility of the pharmaceutical industry to increase access to essential medicines, but “the whole international community”.¹⁰ A “lack of access to cheap generics” was due, not to a lack of investment in R&D but “ultimately, poor quality health systems...and a lack of financing to purchase medicines”.¹¹ These excuses for the current lack of access were an attempt to mask a fundamental problem that lay at the heart of New Labour’s commitment to those individuals in the developing world living with HIV and AIDS. Pharmaceutical firms were willing only to invest and provide drugs in well-established markets. That is,

⁹ DFID (2005a: 1)

¹⁰ *Ibid.*, p. 18

¹¹ *Ibid.*, p. 21

those found in the developed world. In these markets, there was no such problem of a lack of cheap generics, nor was there any problem for firms to fund high quality, highly productive research programmes. In those countries where there were weak and underdeveloped healthcare systems however, the industry was simply unwilling to invest. Despite the gravity of the AIDS crisis in the developing world and the ethical obligation upon the industry and the urgency to provide the antiretroviral drugs, the risks to profitability and shareholder value that these firms may incur meant that firms were simply unwilling to invest in and supply the necessary medicines to these poorer countries.

The residual appeal made by government officials to remind pharmaceutical firms of their moral obligations to those countries affected by HIV and AIDS was sweetened by a range of policy ‘carrots’ rather than regulatory ‘sticks’, designed to maintain the competitiveness and profitability of the industry both at home and abroad. Instead of urging the sector to step-up its efforts in rolling out the required levels of treatment, senior New Labour officials pledged their support to maintaining and strengthening the IP laws in order to protect the ‘intelligence, innovation and creativity’ of British pharmaceutical firms. Despite concerns from developing countries and civil society alike that these IP agreements actually undermined global public health, Tony Blair agreed with the pharmaceutical firms who had lobbied for the TRIPS legislation to be more tightly enforced, by describing intellectual property as being the “lifeblood” of the industry.¹² During her time as Parliamentary Under Secretary of State at the Department of Health, Hazel Blears repeated the Prime Minister’s statement. Addressing the Association of the British Pharmaceutical Industry, Blears argued that “intellectual property rights are the lifeblood of the innovative pharmaceutical industry, and that they are essential to investment in R&D”. The health minister

¹² Blair (2001e)

pledged to the industry that New Labour would “uphold that position in the face of those who claim that getting rid of patents would somehow solve the problem”.¹³

Given New Labour’s understanding of globalisation and how important within the strategic context of the global economy that these knowledge-based firms were to New Labour, this IP legislation was a hugely important political and economic instrument for safeguarding the ongoing profitability of these industries. These rules enabled firms to apply for patents on drugs in individual countries and receive exclusive rights to produce that drug in that particular country, providing the producer with a limited monopoly of the market (under the agreement, twenty years), which effectively closes the market conditions to factors such as supply and demand and allow the producer to fix the price of the product.¹⁴ Policy-wise, both Blair and Blears prioritised quite clearly ‘the economic’ over ‘the ethical’ to demonstrate New Labour’s recalcitrant support for the pharmaceutical industry.

Insofar as other government officials were concerned however, the issue was less clear-cut. Other ministers appeared to suggest however that there remained an underlying ethical imperative embedded within these economic concerns, which actually stood to benefit developing countries. Baroness Valerie Amos, the government’s international development spokesperson in the House of Lords, argued that “developing countries *need* intellectual property protection as a way of encouraging more investment, research and innovation, from which they should benefit”.¹⁵ This is striking since it enabled New Labour to speak to and reassure both audiences as to how the government could support IP protection and the interests of

¹³ Blears (2002)

¹⁴ Ostergard and Tubin (2004: 115)

¹⁵ Amos (2001)

pharmaceutical firms yet still remain committed to increasing access to essential medicines in the developing world.

These two narratives demonstrate clearly New Labour's awareness at least of the ethical commitment that it and the pharmaceutical industry had towards those individuals in the developing world living with HIV and AIDS. Of course, whether New Labour and the pharmaceutical industry would actually yield to this moral obligation was, as I have already suggested, an altogether different matter. As the government's strategy for increasing access unfolded, New Labour's policies followed a fine-line between maintaining the domestically-orientated position of the UK as a competitive and attractive location to the pharmaceutical industry on the one hand, and incentivising these firms located in Britain to take more seriously their altogether more international obligations to those AIDS-prevalent areas with weak and fragile healthcare systems on the other. To explore how New Labour managed this balancing act, and the depth of its commitment to the developing world in relation to that of the pharmaceutical industry, I now turn my attention to the different phases that government policy underwent during its time in office.

Phase 1: Different Whitehall Perspectives, One Policy Outcome

Certainly one of the most striking aspects of New Labour's early policy strategy concerning HIV and AIDS was the variety of ways in which different government departments diagnosed the problem of access to antiretrovirals, and the different solutions they proposed as a result. Not only did this make it difficult to read off a linear policy trajectory, but it appeared to undermine DFID's own commitment, set out in its first White Paper, to "ensure the maximum consistency between all these

different policies as they affect the developing world”.¹⁶ This opening phase of government policy assesses the strategies of three key Whitehall departments: the Department for Trade and Industry (DTI), DFID, and the Treasury. What this first phase of policy reveals is that despite these different policy perspectives, each of these departments retained a commitment to meeting the expectations of the pharmaceutical industry, supporting the industry’s appeals for greater IP protection, defending its claims over the weaknesses in the healthcare infrastructure of developing countries, and providing market-led incentives to carry out increased R&D into the urgently needed, yet altogether less-profitable ‘diseases of poverty’ such as HIV and AIDS. Therefore, despite the different policy approaches taken by these different departments, New Labour’s policy was orientated towards meeting the market-based expectations of the pharmaceutical industry ahead of any moral obligations these firms may have.

The DTI: Maintaining Britain’s Commercial Interests in the Midst of a Global Crisis

New Labour’s initial attempts to mobilise the pharmaceutical industry into taking greater action and increasing access to antiretrovirals appeared to be at least, relatively straightforward. Strikingly however, it was not DFID who first took the lead on this issue but the DTI. Taking the form of a tripartite partnership between the DTI, the pharmaceutical industry and the developing country concerned, the New Labour government saw its role not as a development agency but as an advocate for the commercial interests of British pharmaceutical firms. One country in which New Labour wanted to show support for these firms was South Africa. Politically, this was significant since South Africa’s leader Thabo Mbeki was a close ally of Tony Blair and supporter of the Prime Minister’s ‘Third Way’ project. More importantly however,

¹⁶ DFID (1997: 50)

South Africa had at the time some of the highest HIV prevalence rates in the world. At the height of the TRIPS controversy in 1999, an estimated 15 per cent of the adult population in South Africa were living with HIV and AIDS.¹⁷ The scale of the epidemic across sub-Saharan Africa prompted widespread calls from civil society for Western governments and global trade institutions such as the World Trade Organisation to relax the patent laws that were blocking access to life-saving generic antiretrovirals, and for the pharmaceutical industry to take more seriously its obligations as public health providers. New Labour's Trade Minister Richard Caborn however robustly defended the UK industry against these accusations, arguing that it was committed to providing "greater access to effective treatment for HIV/AIDS and other diseases".¹⁸ What was needed instead, Caborn argued, was for the South African government "to improve healthcare provision for its people while respecting its international obligations on intellectual property".¹⁹

This sent the message to the government of South Africa, and other countries in the region affected by HIV and AIDS crisis, that they had responsibilities not only to their own people, but to the pharmaceutical firms that held the drug technology and the treatments needed to combat the spread of the disease. The problem with this appeal however was that with increasing AIDS-related mortality rates already taking their toll upon their communities, the capacity of governments to invest in healthcare systems was diminishing rapidly. As I have already explained in chapter 3, many countries in the grip of HIV and AIDS in the developing world had seen their health systems weakened as a result of the austerity measures imposed through the Structural Adjustment Programmes of the 1980s and 1990s. Consequently, many simply found it impossible to fund adequately a response to the health crisis that they now faced. An already

¹⁷ WHO (with UNAIDS, 2008)

¹⁸ Caborn (2000)

¹⁹ *Ibid.*

under-financed healthcare system, combined with a shrinking domestic tax base exacerbated by a decimated workforce and declining overseas aid flows meant that it was virtually impossible for these countries to cope with the financial cost of the crisis, let alone put in place the highly developed healthcare systems demanded by the pharmaceutical firms. Crucially, Caborn failed to conceive of the possibility of the resource-rich pharmaceutical industry taking seriously their responsibilities as providers of global healthcare. Instead the responsibility lay squarely at the door of resource-stretched governments, not only to build up their healthcare systems but to orientate these as a means of meeting the expectations of the global pharmaceutical industry.

DFID's 'Demand-Management' Strategy

If the DTI was concerned with maintaining the commercial interests of the British pharmaceutical industry abroad, Clare Short's tenure as Secretary of State for International Development saw DFID focus upon what I term 'demand-management' strategies. Designed to "strengthen basic healthcare systems" in developing countries, these focused upon the need to build health infrastructures with sufficient capacity to manage the crisis.²⁰ Unlike the 'supply-side' measures supported by the Treasury to which I will turn to shortly, Short was adamant that "even if the drugs were free, most poor people would not get them, because they have no access to healthcare".²¹ To achieve this, Short had earlier remarked that "international co-operation" was needed "between the pharmaceutical companies, the governments of developing countries and the international community".²² Rather than focus upon the responsibilities that pharmaceutical firms had as healthcare providers, Clare Short persisted with the view that the industry had a much more discrete role in tackling HIV and AIDS in the

²⁰ Short (2001c)

²¹ Short (2001e)

²² Short (2001d)

developing world, working in partnership with “the governments of developing countries and the international community to put into place basic healthcare systems”.²³ Crucially however – and rather tellingly in the light of the discourse of ‘rights and responsibilities’ that appeared elsewhere in New Labour’s policy discourse – ultimate responsibility lay with the developing countries. For Short, it was crucial that “there [was] now a much bigger commitment from African heads of state than previously, so...that we can make faster progress”.²⁴

Short’s emphasis upon the demand-side stemmed from her belief that developing countries did not have the capacity to cope with and administer the huge influx of drugs that would be needed to treat the vast numbers of HIV patients. Therefore while the Secretary of State welcomed “the initiative by a group of pharmaceutical companies to reduce the cost of ARV therapies for developing countries” as “a positive step”, Short nevertheless conceded that “even at greatly reduced prices they remained unaffordable for many people in developing countries”.²⁵ To address this issue, it would be necessary to establish a partnership, not just with pharmaceutical firms but with the developing countries themselves in order to “put in place basic primary healthcare systems [which would] deliver basic drugs and other care to all in need”.²⁶ As the Secretary of State pointed out, these “drugs are complex to administer and require constant monitoring of the treatment regime. Many developing countries do not have primary healthcare systems and thus, whatever the price of [these] drugs, have no means of delivering care to the poor”.²⁷ Although Clare Short was correct in her assessment of the situation faced by developing countries, her actual analysis was flawed as it ignored the systemic factors that prevented these countries from investing

²³ *Ibid.*

²⁴ *Ibid.*, c. 290

²⁵ Short (2001b)

²⁶ *Ibid.*

²⁷ *Ibid.*

in their own healthcare systems. Therefore, like the DTI's approach, the role that DFID afforded to the pharmaceutical industry in tackling HIV and AIDS remained a discretionary one.

The Secretary of State also deliberately underplayed the effectiveness of antiretrovirals in fighting the disease, even going as far as to say that she hoped "that no one will pretend that antiretrovirals are the answer, *because they are not*".²⁸ Despite a groundswell of calls from civil society demanding that prices of generic antiretrovirals be cut, a fairer set of rules governing the sale and distribution of essential drugs in developing countries, and access to these medicines widened,²⁹ Short rejected these calls as "not being helpful".³⁰ For the Secretary of State there needed to be "a global agreement [...] so that pharmaceutical companies can get some return on their investment, particularly their massive research budgets".³¹ Again, much of what Short said was right. The pharmaceutical firms did have 'massive' research budgets, and it was important that ongoing and future research was protected. However, the research track-record of these firms was less than impressive. In 2004, the WHO estimated that "over 95 per cent of global investments in drug development [were] targeted to the medical needs of the richest 20 per cent of the world's population. By contrast, only 1 per cent of the drugs developed over the previous 25 years were for tropical diseases and TB, diseases that together accounted for over 11 per cent of the global disease burden".³² Despite the 'massive' budgets that Short alluded to, there appeared to be a profound unwillingness on the part of the pharmaceutical firms to address the needs of patients living in the developing world who lacked the purchasing power to afford the lifesaving antiretroviral treatments.

²⁸ Short (2001d)

²⁹ See for example *Oxfam* (2002).

³⁰ Short (2001d)

³¹ *Ibid.*

³² *WHO* (2004b: 36)

Despite working “in conjunction with the British pharmaceutical industry” to offer a “big review into access to medicines”,³³ the Secretary of State clearly remained sceptical of any efforts to scale-up access to the drugs that large parts of the developing world so desperately needed. This scepticism was perhaps no more clearly evident than when Short, giving evidence to the Select Committee for International Development, rejected out of hand “the whole Western, European obsession with antiretroviral drugs”.³⁴ Agreeing with the Secretary of State’s evidence, the Select Committee duly concluded that:

Whilst efforts should be made to improve the affordability of antiretrovirals, this must not distract donors and governments from the need to focus on basic healthcare systems. Antiretrovirals must not be seen as a magic bullet; the crisis in southern Africa is primarily one caused by poverty and vulnerability, rather than by lack of access to medicines.³⁵

Short’s remarks both to the Select Committee and elsewhere provide several striking insights into the Secretary of State’s reading of the AIDS crisis, and the response that her department, as a result, made to it. Like the pharmaceutical industry, Short spoke – quite rightly – of the structural conditions within which the crisis had unfolded, of ‘poverty and vulnerability’. However, where the pharmaceutical industry acknowledged the responsibilities, or at least, the “big role” it had to play in addressing “the interlinking issues of poverty and health”,³⁶ the Secretary of State chose instead to shore up the commercial interests and market-based expectations of these pharmaceutical firms, by making healthcare systems, rather than the actual increase of medicines DFID’s priority.

³³ Short (2002e)

³⁴ Short (2003) cited in *House of Commons Select Committee for International Development* (2003a: 68)

³⁵ *House of Commons Select Committee for International Development* (2003a: 68)

³⁶ *ABPI* (2007: 18). See also *AstraZeneca* (2011); *GlaxoSmithKline* (2004: 10–13).

The emphasis that Short in particular placed upon managing the ‘demand-side’ was tantamount to ‘creating the right market conditions’ for pharmaceutical firms to invest. Indeed, the government viewed “the prospect of affordable antiretroviral drugs as *an additional incentive* for strengthening health systems”.³⁷ Essentially for DFID, more antiretrovirals would be made available *only if* developing countries improved (i.e. suitably marketised) their health infrastructures. Once these ‘health markets’ were properly in place then pharmaceutical firms would be far more prepared to invest and provide the drugs that were needed. Again, the responsibility for increasing access to these medicines would therefore rest upon the developing countries themselves, rather than the pharmaceutical firms who already had the capacity – if not the willingness – to boost this capacity themselves and invest in drug formulations suitable for use in developing countries. Of course, healthcare services needed to be improved, but DFID’s strategy served to ease the specific pressure that the pharmaceutical industry should have faced in delivering these medicines, placing it instead upon developing countries that were already under considerable strain. Crucially, this undermined the moral commitment that other government ministers, MPs and parts of civil society felt was upon both the pharmaceutical industry and DFID to increase levels of access to these drugs within the developing world.

Clare Short’s own personal remarks meant there was a distinct contradiction between her position and the appeals being made elsewhere in the government, including that of her own department to increase access to antiretrovirals. Tony Blair himself set up a High Level Working Group on Access to Medicines, which the Secretary of State was asked to chair.³⁸ Short’s own department meanwhile, had played an “active role in

³⁷ House of Commons Select Committee for International Development (2003b: 21)

³⁸ Short (2002a)

establishing the Global Fund to Fight AIDS, TB and Malaria”.³⁹ Despite frequently rejecting the importance of antiretrovirals in favour of establishing stronger healthcare systems, Short nevertheless appeared to have no qualms chairing this Working Group that called upon pharmaceutical firms to keep “prices close to the cost of manufacture”,⁴⁰ and increase “R&D into diseases of poor people in the developing world”.⁴¹ Similarly, DFID’s contribution to the Global Fund was “designed to improve provision of drugs and commodities to treat those diseases”.⁴²

Both these initiatives however had distinct ‘supply-side’ objectives – increased funding for drug research and availability of medicines – that contradicted the Secretary of State’s argument that it was purely the ‘demand-side’ that needed to be addressed. Given Short’s antagonism towards the benefits of antiretrovirals in tackling the AIDS epidemic, it was certainly remarkable that she could agree with a remit of the group to scale-up the levels of access to these same drugs, or spend “US\$200 million...over five years” on an initiative which she clearly had some reservations over.⁴³ Crucially, the stance taken by Clare Short put her at odds not only with the aims of her own working group, but with the measures taken elsewhere in Whitehall, most notably the Treasury, to incentivise the pharmaceutical industry and boost the supply-side. Here a fiscal policy based upon increased spending and tax relief measures was introduced to increase the availability of antiretrovirals suitable for dispensation in developing countries. Although this was a welcome move towards encouraging firms to take more seriously their responsibilities as healthcare providers in these developing countries, these measures remained locked into accommodating the altogether more market-based expectations of the industry both at home and abroad.

³⁹ Short (2002b)

⁴⁰ Short (2002a: 5)

⁴¹ *Ibid.*, p. 7

⁴² Short (2002b)

⁴³ *Ibid.*

The Treasury's Supply-Side Policy Measures

Unlike Clare Short, the Chancellor Gordon Brown and his team at the Treasury believed that the pharmaceutical industry had an altogether more prominent role and a far greater responsibility in the fight against HIV and AIDS in the developing world. Rather than focusing upon the 'demand-side' issues identified by DFID as being the biggest barrier to tackling AIDS, the Treasury probed the pharmaceutical industry over what it was doing to combat the spread of the disease in the developing world. The Treasury did not criticise the stance taken by Clare Short's DFID, nor did it suggest that the pharmaceutical industry on its own could tackle the crisis. The Treasury did believe however that the pharmaceutical industry should step-up and meet its obligations over the provision of antiretroviral medicines.

Drawing upon the government-industry links that Tony Blair and other senior New Labour officials had been keen to develop at home, Treasury staff designed a series of proposals in order to address the problem of chronic under-investment in the health sector within the developing world. As part of these supply-side measures, the Treasury announced plans for a tax credit to incentivise pharmaceutical firms into spending more on R&D on vaccines suitable for developing countries. In the 2000 pre-Budget Report, the Treasury argued that the underlying problem of access to drugs in the developing world was because:

Only a tiny fraction of new patents address diseases in developing countries. This is mainly because those who might be able to develop vaccines fear they would not be able to recoup the significant research expenditures that will be needed.⁴⁴

To address this problem, the Chancellor proposed a new tax incentive to encourage firms to "develop, cut the costs for and ensure the supply of anti-TB, anti-malaria and

⁴⁴ *HM Treasury* (2000c: 116)

anti-AIDS drugs”.⁴⁵ Still working within New Labour’s rubric of ‘partnership’ by building upon the extensive consultations already underway between the government and the pharmaceutical industry, the Treasury’s proposals would “depend heavily on developing a shared commitment to tackle this issue”.⁴⁶

This tax credit would be part of an overall package of policy measures designed tackle the diseases of poverty by stimulating increased investment into R&D.⁴⁷ Brown announced plans to encourage “commitments by the industry...to make donations on a more consistent basis, in support of developing countries own health strategies, and launch a new global purchase fund, both to encourage the development and delivery of effective and affordable treatments that do not yet exist, and for the treatments already available”, which the Treasury would link to removing the “constraints in the tax system on donations of drugs and vaccines”.⁴⁸ Given that only a tenth of all research was being devoted to diseases that affect the world’s poor, the Chancellor argued that it was necessary to “create new tax incentives to accelerate the research done on diseases like AIDS, TB and malaria”.⁴⁹ This tax credit would not only apply “for research done in the United Kingdom”, but also “for research done elsewhere”.⁵⁰ Brown argued however that there must be “a corporate commitment to create new drugs and vaccines in ways that truly meet the needs of the poor and sick”.⁵¹ For the Chancellor, it did not matter *where* this research was being undertaken; the tax credit would be applied for research carried out by British firms with their bases in the UK and elsewhere. Significantly, this indicated that Brown was concerned not simply with the means by which these policy commitments would be met, but principally with the

⁴⁵ Brown (2000g)

⁴⁶ *HM Treasury* (2000c)

⁴⁷ *DFID* (with *HM Treasury* and the *Performance and Innovation Unit*, 2001)

⁴⁸ *HM Treasury* (2001b)

⁴⁹ Brown (2001b)

⁵⁰ *Ibid.*

⁵¹ *Ibid.*

outcomes; that the research was carried out and that the supply of antiretrovirals was increased. To deliver on these outcomes and this commitment to public health however, meant accommodating the market-based expectations of pharmaceutical firms and orientating the government's strategy to ensuring the ongoing profitability of the industry.

In the 2001 pre-Budget Report, the Treasury continued its commitment to increasing access to essential medicines by rewarding R&D into drugs and vaccines to treat diseases threatening lives in the least developed countries.⁵² While DFID had (correctly) identified the AIDS crisis to have been exacerbated by the poverty experienced by these countries, the Treasury offered an altogether more acute diagnosis. The underlying problem was that “only 18 per cent of the world's pharmaceutical market [were] in developing countries”, yet these developing countries “made up 80 per cent of the world's population”. The poorest within these countries were faced with a double-burden, spending a high proportion of their low incomes on unsuitable treatments. For the Treasury, “the current R&D pipeline for effective drugs and vaccines” that would address this problem was “negligible”.⁵³ To boost these levels of research the Treasury pledged to “provide an extra 50 per cent relief on qualifying expenditure...for companies undertaking research into specified diseases”.⁵⁴ Crucially, the pharmaceutical industry had a far greater role than that implied by DFID in supporting the ‘demand-side’ and sustaining the healthcare systems of developing countries. “The government”, the Treasury confirmed, was “also investigating options for increasing the incentives for pharmaceutical companies to

⁵² *HM Treasury* (2001e: 98)

⁵³ *Ibid.*

⁵⁴ *Ibid.*

donate drugs, vaccines and suitable equipment in support of developing countries' health strategies".⁵⁵

Underpinning these supply-side strategies was a moral commitment that Brown argued the pharmaceutical firms and developed countries had to those countries experiencing high levels of HIV and AIDS. The Chancellor argued that pharmaceutical firms and rich countries alike had "a capacity to help and a moral duty to act".⁵⁶ Of course, this was to be a shared commitment by the international community. Developing countries "must do all they can to create community-driven strategies to tackle disease and despair and prioritise health in their budgets", and these were to be supported in this by the World Bank, IMF, UN agencies and medical foundations.⁵⁷ However, in the midst of this shared commitment, Brown maintained that it was vital that governments "urge the pharmaceutical companies to do more by supporting research and development and making drugs available to the poorest countries at affordable prices".⁵⁸ Addressing a Special Session of the United Nations General Assembly, Brown further stepped up the pressure on the industry by urging it to match the commitment demonstrated by the developed countries in the creation of the new Global Fund with a commitment of its own "to create new drugs and vaccines in ways that truly help the poor and sick".⁵⁹ The Chancellor called on pharmaceutical firms "to step up to their responsibility, to recognise the scale of the challenge we face and to respond on an equal scale".⁶⁰

Although admirable, what was striking about these speeches and statement was that – much like Brown's apparent support for faster and deeper appeals for debt relief

⁵⁵ *Ibid.*

⁵⁶ Brown (2001d)

⁵⁷ Brown (2001e)

⁵⁸ *Ibid.*

⁵⁹ Brown (2002c)

⁶⁰ *Ibid.*

assessed in the previous chapter – this moral appeal was made only to ‘non-industry’ audiences. Again, therefore New Labour flattered to deceive. Whilst emphasising to these ‘pro-development’ constituencies the moral obligation that pharmaceutical firms had, there was a noticeable lack of any similar rhetoric in the government’s own partnership and policy dialogue with the industry. While the Chancellor spoke to wider audiences of pharmaceutical firms and rich countries alike having a ‘capacity to help’ and ‘a moral duty’ to act, its framework with the industry itself spoke only about providing market-based incentives to address what the Treasury’s Financial Secretary Paul Boateng understood to be little more than “a specific case of market failure”.⁶¹ Even when Labour backbenchers raised the issue that “of the 25 million people in Africa with HIV and AIDS, only one in a thousand can gain access to the life-prolonging drugs created by that research, because they are simply too expensive”, Tony Blair failed to address the clear moral obligation that pharmaceutical firms had to make such these drugs more widely available and affordable. Instead Blair shifted this responsibility from the pharmaceutical firms to “the whole international community”.⁶²

Rather than addressing the failure to deliver on the moral prerogative of the pharmaceutical firms, the chronic underinvestment or the lack of access to antiretrovirals and other essential medicines, the Treasury’s dialogue with the industry treated the issue as one of ‘market failure’. This tied in with the findings of Clare Short’s working group which had already pointed out that “pharmaceutical companies are of course run for profit...[and] the poor of the world cannot generate a market”.⁶³ Short’s logic was simple: firms will not invest where they cannot expect to receive adequate returns upon their investment. The Treasury’s tax credit was therefore

⁶¹ Boateng (2002)

⁶² Blair (2001a)

⁶³ Short (2001e)

designed to address this issue. Since the poverty of these developing countries affected by HIV and AIDS had triggered a failure in the health market, it was therefore up to the government to promote “a market-based solution” as a means of correcting this failure.⁶⁴ As Boateng remarked, “the government believes in the market and in its ability to deliver if it is properly regulated”.⁶⁵ To this end, the tax relief initiative would act as a ‘carrot’ rather than a ‘stick’ by encouraging market activity and increased research and investment.

The High Level Working Group provided the platform for dialogue between government and industry officials. Boateng revealed that it was during these meetings that the pharmaceutical firms outlined two concerns. These concerns are telling because they articulate precisely what the industry’s expectations were of New Labour’s antiretroviral policy.

First, they have shareholders whom they must satisfy and to whom they have certain fiduciary responsibilities. Secondly, they see themselves, as health providers, as having a moral purpose and a degree of corporate responsibility. They recognise that they have skills and an infrastructure for research and development, but – they are very upfront about it – there is no market because the developing world does not have the resource base available to it either to put in place the infrastructure or to fund the research and to buy its product.⁶⁶

Like the two imperatives identified earlier in the chapter that underpinned New Labour’s policy strategy, the pharmaceutical industry claimed two similar duties: economic or ‘fiduciary responsibilities’ to its shareholders; and moral obligations as health providers. There was however a distinct prioritisation of these particular imperatives. The pharmaceutical firms admitted that while they had the skills and the

⁶⁴ Boateng (2002)

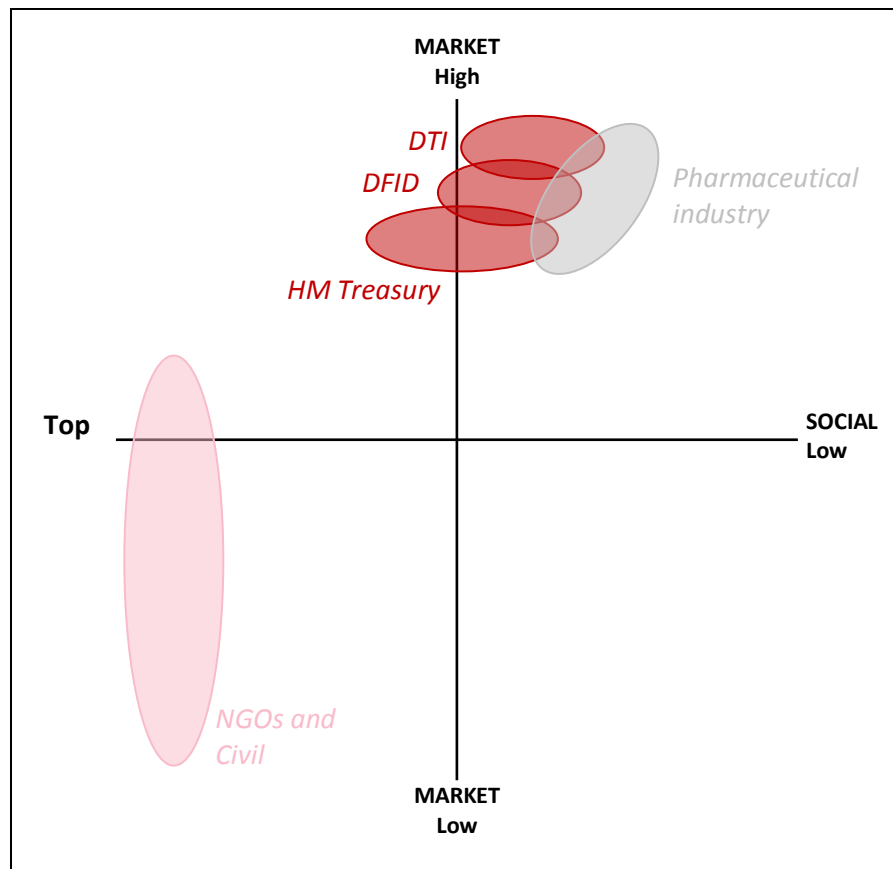
⁶⁵ *Ibid.*

⁶⁶ *Ibid.*

infrastructure to increase levels of research into HIV and AIDS, they were unwilling to invest this capital *because there was no market incentive to do so*. The developing world simply did not have the resources or the infrastructure necessary to facilitate these types of investments. While it would be the moral, and indeed ‘the right thing to do’ in terms of fulfilling their duties as health providers, to invest in research and products solely for use in these ‘non-markets’ would be, in the eyes of their shareholders, economically irresponsible. Brown attempted solve this problem by assimilating these two elements; talking about increasing access in distinctly moral terms but embedding the response of the Treasury’s firmly within the strictures of the market. It was clearly felt that if Brown wanted the pharmaceutical sector to play a far greater role in scaling-up access to medicines then the Chancellor would need to introduce policy measures that accepted these economic realities. Only by accommodating the overriding economic expectations held by the pharmaceutical industry could New Labour’s own moral commitments be met.

There was clearly a distinctiveness that set the work of the DTI apart from the set of proposals offered by DFID and the Treasury respectively. Whereas the DTI had sought to maintain and champion the commercial interests of British firms abroad, DFID had focused upon managing the ‘demand-side’ of the crisis, and creating the right ‘market conditions’ in which the pharmaceutical firms could invest. The Treasury, for its part, had sought to address shortcomings in the ‘supply-side’ by incentivising the pharmaceutical industry to play a far greater role in scaling-up access. Despite these contrasting policy approaches, each of these strategies, as the diagram in **Fig. 6.1** suggests, converged to accommodate the economic expectations of the pharmaceutical industry.

Fig. 6.1 Phase 1 of New Labour's Policy Commitment to Increase Access to ARVs



For the DTI, this involved building a tripartite partnership between the New Labour government and the developing country in question to support the business interests and activities of that pharmaceutical industry. Although DFID took on an altogether more 'development focused' role, it too set about establishing a 'pro-market' framework whereby the developing countries themselves were encouraged to manage the crisis far more effectively by taking greater responsibility for developing healthcare systems into which firms could invest. For the Treasury, the problem was one of 'market failure' and firms needed to be incentivised into (re)balancing the fiduciary responsibility they had towards their shareholders, and the moral obligations they had as research centres and healthcare providers to deliver the drugs needed by the developing world. To correct this market failure, Treasury officials devised a set of

proposals that it hoped would enable firms to meet both sets of expectations. As New Labour stepped up its dialogue with the pharmaceutical industry into the second half of its time in office, it also started to take even more seriously its own commitment to those living with HIV and AIDS in the developing world. The second phase of this policy would be underpinned by the government's 'Taking Action' strategy, a series of key measures designed explicitly to increase access to essential medicines. It is to this strategy that I now turn my attention.

Phase 2: Increased Policy Coherence and Ambition...but Business as Usual?

Throughout this second phase DFID produced a proliferation in policy literature to reveal its ambition to increase access to essential medicines in the developing world. This message became undoubtedly *the* focal point of New Labour's efforts to halt and reverse the spread of HIV in the developing world. The 'Call for Action' launched in December 2003 demanded "better funding [...] stronger political direction [...] better donor co-ordination [and] better HIV and AIDS programmes".⁶⁷ This was to prove to be the catalyst for the UK's own 'Taking Action' strategy the following July which outlined how Britain would itself respond to these challenges. This report was flanked by two further specific reports, one revealing the UK's policy and plans for increasing access to essential medicines in the developing world,⁶⁸ and the other detailing the government's HIV and AIDS treatment and care policy.⁶⁹ Arguably the most important document that New Labour published however was its *Framework for Good Practice in the Pharmaceutical Industry*.⁷⁰ This outlined the partnership between the government and the pharmaceutical industry and formed the second part of New Labour's commitment towards 'Increasing People's Access to Essential Medicines in Developing

⁶⁷ DFID (2004a: 11–12)

⁶⁸ DFID (with the DH, DTI, FCO, HM Treasury, Inland Revenue and Patent Office, 2004)

⁶⁹ DFID (2004b)

⁷⁰ DFID (with the DH and DTI, 2005)

Countries'. Taken together, these policies would provide the template for the government's presidency of the G8 in Gleneagles in 2005, where tackling HIV and AIDS would be high upon the agenda.

New Labour's renewed strategy in 2003 coincided with a change in key personnel within DFID. Clare Short's resignation following Britain's invasion of Iraq led to the appointment briefly of the junior Foreign Office minister Baroness Valerie Amos, and then the promotion of junior development minister Hilary Benn to the position of Secretary of State for International Development. It would be under Benn and his Parliamentary Under Secretary of State, Gareth Thomas that DFID's HIV and AIDS strategy would move into a policy phase away from the emphasis upon the 'demand-management' of the Short years to a policy position that took onboard the 'supply-side' measures introduced by the Treasury. For Thomas it was crucial that the government tried "to increase the affordability of key pharmaceuticals [and] step up efforts to encourage the research and development of specific global public goods such as new knowledge, new drugs, diagnostic treatments and vaccines, which are all necessary to meet current and future challenges".⁷¹ To do this, Benn argued that it was important to "engage the pharmaceutical companies because of the contribution that they can make to bring down the price of the medicines" and because of their capacity to undertake "more research on the diseases to which we paid less attention in the past but that matter enormously to developing countries".⁷²

At the heart of this renewed strategy was an increased dialogue between the government and the pharmaceutical industry. DFID's head of HIV/AIDS team, Robin Gornal noted how "massive pressure" had already been brought to bear upon

⁷¹ Thomas (2003)

⁷² Benn (2003)

“pharmaceutical companies from people living with HIV and AIDS and from developing country governments about the inequity of the lack of access for people living in poor countries”.⁷³ This had resulted in a number of pharmaceutical firms taking “very brave steps forward to reduce prices”, and the introduction of “differential prices for poor countries and rich countries”.⁷⁴ This clearly represented a significant and welcome step forward, and “a DFID voice saying, ‘make these drugs cheaper’”,⁷⁵ certainly marked a change from Clare Short’s argument that less-expensive medicines would not solve the problem. Nevertheless, like their counterparts in the Treasury, DFID ministers remained reluctant to impose any formal regulations upon the industry. In fact, policymakers were content to adopt a broadly deregulatory approach when it came to framing the R&D agenda of the pharmaceutical industry.

The dynamics of this relationship continued to lay bare the inherent tensions between the economic and ethical imperatives of New Labour’s strategy. The clear ‘moral case’ for action was offset by the understanding that ‘business knows best’. Government ministers and civil servants were only too aware of the ‘economic’ imperative, and the expectations of shareholders that shaped the direction of the industry. In a memorandum to the House of Commons Health Select Committee, the Department of Health stated quite clearly that:

The government believes that the current model – whereby medicines are developed by the private sector in response to what *they perceive to be the demand of healthcare systems* – is more effective and efficient than alternatives that could be considered (such as nationalising the drug industry, or by government directing the research that the industry should undertake).⁷⁶

⁷³ Gornal (2004) in *House of Commons Select Committee for International Development* (2005, ev. 5)

⁷⁴ *Ibid.*

⁷⁵ Allan (2004) in *House of Commons Select Committee for International Development* (2005, ev. 6)

⁷⁶ *Department of Health* (2004) in *House of Commons Select Committee for Health* (2005, ev. 3)

This view was further reinforced by the Director of the DTI's Bioscience Unit, Monica Darnbrough who believed that "it is very much a question for the companies themselves what lines of research and development they choose to go down. Obviously, they go down roads where they think there is a real market for their products".⁷⁷

As the National Institute for Clinical Excellence noted in its evidence to the Health Select Committee, the aim of the pharmaceutical firm "ultimately, is to ensure a market for their products and a return for their shareholders".⁷⁸ These shareholder obligations impact upon commercial decisions; how research funding is allocated, which drugs are developed, what markets are ventured into, and crucially, its moral duties as a healthcare provider. As the Health Select Committee remarked, the industry's "commitment to provide its shareholders with a good return on investment" could inhibit the "development of new and improved treatments in the areas of greatest medical need".⁷⁹ The economic expectations of firms mean that drug innovation tends "to be targeted at diseases of affluence rather than priority health needs".⁸⁰ For the 'diseases of poverty' – illnesses such as HIV and AIDS – there was little commercial benefit for pharmaceutical firms to invest. This meant that it was highly problematic for DFID to make a commitment to increase access to medicines that could treat these types of illnesses, whilst supporting a policy of *laissez-faire* whereby the industry was left to regulate itself. Without a more robust regulatory framework in place to influence the research direction of firms, the industry would continue to focus their efforts upon the 'diseases of affluence' and neglect the illnesses – the 'diseases of poverty' – found in the developing world.

⁷⁷ Darnbrough (2004) in *House of Commons Select Committee for Health* (2005, ev. 21)

⁷⁸ *National Institute of Clinical Excellence* (2005) in *House of Commons Select Committee for Health* (2005, ev. 364)

⁷⁹ *House of Commons Select Health Committee* (2005: 45)

⁸⁰ *Ibid.*

Treasury officials had of course already recognised this behaviour within the industry, and this formed the basis of Gordon Brown’s earlier ‘supply-side’ proposals. Under Hilary Benn, DFID too began to meet with pharmaceutical companies to discuss “issues such as the affordability of existing medicines and other health technologies, and the need for increased research and development into new technologies – including vaccines – for diseases disproportionately affecting developing countries”.⁸¹ For Benn’s Under Secretary of State, Gareth Thomas it was important that New Labour continued “to work with the many pharmaceutical companies that have offered their support to the governments of affected countries by, among other things, reducing the prices of antiretroviral drugs”.⁸² Balancing supply-side concerns with management of the demand-side, Thomas reaffirmed DFID’s commitment to “press for lower prices for those drugs”, but also “meet the challenge of getting antiretroviral drugs out to the communities that need them”.⁸³

Despite a greater degree of consistency and convergence in the respective policy approaches of DFID and the Treasury, this strategy of increased engagement with the pharmaceutical industry took place in the same ‘light-touch’ regulatory framework that New Labour had established domestically to attract and retain investment from the pharmaceutical industry. There would be no compulsion upon the industry to act. Instead as the Secretary of State for Health, John Hutton and the Health Minister, Lord Warner remarked, the government’s focus would instead be upon ‘incentivising policies’ such as tax relief measures and advance purchase agreements (which would ‘guarantee’ the market for firms⁸⁴) “to create the right financial incentives for

⁸¹ Benn (2004c)

⁸² Thomas (2004)

⁸³ *Ibid.*

⁸⁴ The government guaranteed “under such schemes [...] to buy vaccines for developing country markets, at a fixed price, from any firm that could develop an effective new product, thus providing the private sector with the financial incentive that is presently missing” (DFID, 1997: 44).

pharmaceutical companies to invest in research”.⁸⁵ As the Treasury had sought to do through its ‘supply-side’ proposals, these market-orientated incentives would enable New Labour to maintain the ongoing competitiveness of the British pharmaceutical industry, yet appear to appeal to the moral commitment of increasing access to medicines in those parts of the world least able to afford them.

Like each of the three case studies explored here, New Labour’s plans to combat HIV and AIDS formed part of Brown’s ‘global New Deal’ or ‘modern Marshall Plan’. To tackle the disease, DFID and the Treasury set about drawing together these ‘demand’ and ‘supply-side’ policies to form “a comprehensive strategy from funding work on the first preventative vaccine to treatment and care to developing health systems and anti-poverty programmes”.⁸⁶ This plan is outlined in **Fig. 6.2:**

Fig. 6.2 *The Chancellor’s ‘Comprehensive Plan for HIV and AIDS’*

- A global HIV and AIDS research platform and increased funding for research
- A global advance purchasing scheme for HIV and AIDS vaccines
- Treatment for all those who need it and the development of effective healthcare systems
- More finance for drugs like antiretrovirals and for other treatments
- Increased funding in support of plans to build up healthcare, education and infrastructure systems
- Technical assistance to help countries to scale-up their AIDS measures effectively
- Investment in HIV and AIDS research and the development of vaccines, microbicides, and new and better diagnostics and drugs

To deal with the funding issue, Brown outlined his proposals for an International Finance Facility (IFF), which as I shall explain in more detail in chapter 7, would provide

⁸⁵ Hutton (2004) cited by Warner (2004)

⁸⁶ Brown (2005b)

a long-term, predictable source of finance over many years. This set of proposals would address the ‘demand-side’ concerns by providing funding for health systems that need continued investment, and giving practitioners and patients the confidence that the supply of drugs they depend on will be maintained. The IFF would also tackle issues on the ‘supply-side’ by encouraging private sector operators into the market and raising incentives for increased R&D.⁸⁷ Therefore, although as chapter 7 explains, the IFF was designed to ‘frontload’ resources – to double aid in order to halve poverty – it also served to finance the right market conditions into which the pharmaceutical industry could invest and meet its core economic expectations.

This way in which the IFF was used as a response to HIV and AIDS, and New Labour’s commitment to increase access to antiretrovirals reveals a great deal about the character of New Labour’s political economy. Quite simply, the Chancellor defined the role of the state as one which provided the conditions necessary for firms to invest. It was the state whose responsibility it was to undertake the spadework – “bulk-buying drugs; building up healthcare sanitation and education systems” – alongside the fiscal incentives such as tax relief credits, all of which were necessary before firms would be willing to “set up laboratories and trial sites for testing treatments [and] develop effective vaccines [to make] them affordable”.⁸⁸ To meet the moral commitment that New Labour had signalled it was willing to meet, government officials considered there to be no alternative but to prioritise the market-led expectations of firms.

The disinclination amongst pharmaceutical firms to invest in treatments for poor country diseases such as HIV and AIDS meant that in 2005, “only £400 million pounds [was] being spent on researching and developing an AIDS vaccine every year”, which

⁸⁷ *Ibid.*

⁸⁸ *Ibid.*

despite the prevalence of the disease, amounted to “less than 10 pence a year per citizen”.⁸⁹ To put these figures into context, in 2009, GSK posted pre-tax profits of £7.8 billion.⁹⁰ For Brown the challenge required:

At least a doubling of money for AIDS research...over the next 5 to 10 years [which] could bring forward the discovery of an AIDS vaccine by three years...save six million lives that would otherwise be lost [and reduce] future HIV/AIDS treatment costs...by US\$2 billion a year – money that could then be spent on education, water supplies and other critical needs.⁹¹

In encouraging the pharmaceutical firms to meet the challenge, Brown used ‘carrots’ of extra funding, tax relief and market guarantees rather than the burdensome ‘sticks’ of increased regulation and a more redistributive tax system. Indeed, in these advance purchase schemes, the onus was upon *the donors* of finance rather than the suppliers of medicines. For “if donors committed to buying the first 300 million vaccine courses at US\$20 dollars per course of vaccinations; that would translate into a US\$6 billion dollar guarantee – large enough to induce much stronger interest from both large and small pharmaceutical firms”.⁹²

The offer of these ‘carrots’ to the industry signalled the thinness of the Chancellor’s previous appeals concerning the pharmaceutical industry in the first phase of policy. To these ‘non-industry’ audiences, Brown had demanded that the pharmaceutical industry do far more and take greater responsibility for increasing access to drugs. Now however, to industry audiences, Brown spoke in altogether more conciliatory terms of the role that the pharmaceutical industry *could*, rather than *should* play in scaling-up access to medicines. This message was matched by the language of partnership that was used by DFID officials when drawing up the principles behind the

⁸⁹ *Ibid.*

⁹⁰ *GlaxoSmithKline* (2010: 94)

⁹¹ Brown (2005b)

⁹² *Ibid.*

Framework for Good Practice in the Pharmaceutical Industry. Here Gareth Thomas sought “to recognise the good work of the many companies in the industry”,⁹³ while ‘the spirit’ of the Framework itself was one of “building upon the best work being done by the industry”.⁹⁴ Clearly however, there were areas in which pharmaceutical industry practice was far from impressive. The Chancellor had already raised the issue of under-investment in research for diseases affecting developing countries, but the Labour backbencher, Ian Lucas also raised the issue of young children in the developing world living with HIV. As Lucas pointed out, “drug companies do not manufacture dedicated drugs for young children and as a result there is some over and under-prescribing of drugs”.⁹⁵ Like the issue of under-funded research, this was clearly yet another instance whereby market-driven imperatives overtook moral obligations. There was little in the way of a market incentive in developing paediatric drug formulations, which led to the industry neglecting the illnesses that children living in the developing world were vulnerable to. Therefore, while this partnership framework took as its point of departure ‘the good work’ that the industry was doing, for it to be truly effective then it would need to go beyond the existing economic expectations of the pharmaceutical industry. Although well-intentioned, this partnership framework remained firmly geared towards meeting these market-based expectations and maximising shareholder value.

This framework (summarised in **Fig. 6.3**) set about addressing the demand-side issues since “without effective health systems, or the money to buy medicines, many patients will [still] be denied access to even the cheapest medicines”.⁹⁶ It did however represent a significant step forward from Clare Short’s own position as it argued that

⁹³ Thomas (2005a)

⁹⁴ DFID (with the DH and DTI, 2005: 7)

⁹⁵ Lucas (2005)

⁹⁶ DFID (with the DH and DTI, 2005: 6)

the industry has a “significant role to play”.⁹⁷ Given that the actions of the pharmaceutical industry had in the past actually served to deepen the AIDS crisis by restricting access to vitally needed antiretrovirals, any strategy which now actively engaged the industry and urged them to address the pressing issues surrounding access and increased research should be welcomed. This new strategy looked far more like what a partnership should look like with responsibilities at least being apportioned on both sides.

Fig. 6.3 Joint Government and Pharmaceutical Industry Policy Framework

<p>The Government “will”:</p>	<ul style="list-style-type: none"> • Increase its overseas aid budget to £6.5 billion a year by 2007/08 • Commit to spend £1.5 billion to tackle AIDS over the next three years, including support for ARV therapy and treatment for opportunistic infections • Work to increase the amount of international development finance available by reaching the UN target to spend 0.7 per cent of GDP on overseas aid by 2013; promoting the IFF (see chapter 6), and supporting increased debt relief for developing countries (see chapter 7)
<p>Pharmaceutical firms are “encouraged” to:</p>	<ul style="list-style-type: none"> • Engage in widespread differential pricing of essential medicines in developing countries, especially the world’s poorest, to support the development of viable markets • Increase R&D investment for diseases affecting developing countries, including engagement in public-private partnerships • Work to support broader health and development goals in developing countries, including by considering voluntary licences • Report on activities designed to increase access to essential medicines

Source: DFID⁹⁸

⁹⁷ *Ibid.*, p. 16

⁹⁸ *Ibid.*, and DFID (2004c: 34–42)

This newfound recognition of the responsibilities that the pharmaceutical industry had in delivering essential medicines was however skewed by the commitment that New Labour said it *would* make, and the measures that the industry was *encouraged* to take. To its credit, through this framework, the New Labour government did establish a series of measurable benchmarks through its ‘Taking Action’ strategy, such as closing the funding gap, which could be used to assess performance.⁹⁹ However, although these funding commitments demonstrated New Labour’s willingness to financially underwrite its policy response to the crisis, any similar sort of measurability was missing in the pharmaceutical industry’s side of the partnership. The strategies, such as differential pricing that the industry was urged to take were far less precisely defined and problematic in their application. Other questions remained; by how much should R&D investment increase? What auditing mechanisms would be in place to report this increase in research activity? Put simply, there was no concrete obligation upon the firms to undertake any of these measures. It was rather strange then that although “*the Framework’s* development was influenced by a request from some companies for a clearer articulation of what the UK government would like to see companies do in this area”,¹⁰⁰ the document itself provided no regulation and no compulsion for the pharmaceutical industry to act in any of these areas. As a result, there was little genuine accountability from the pharmaceutical industry. Therefore, despite New Labour’s call for the ‘ethical case’, it was not afforded the same priority as the set of economic expectations held by the pharmaceutical firms to whom New Labour entrusted a role to in increasing access to antiretrovirals. In these terms then, *the Framework* therefore remained a fairly blunt instrument.

⁹⁹ Part of DFID’s ‘Taking Action’ strategy was aimed at closing the funding gap (DFID, 2004a: 16–23).

¹⁰⁰ DFID (with the DH and DTI, 2005: 6)

Rather than *the Framework* re-orientating the pharmaceutical industry towards recognising its unique duties as healthcare providers, it set up the response to this crisis in terms of corporate social responsibility.¹⁰¹ Although well-intentioned, this merely mapped out the response of the pharmaceutical industry in a rather limited set of normative activities designed to appease the calls from developing countries, civil society, and in more muted tones, Whitehall officials. The sheer size and scale of the AIDS crisis meant that a response far beyond the CSR activities of firms was required. Treating the issue of antiretrovirals in the developing world as merely an issue of CSR, rather than one that should be central to the purposes of the pharmaceutical industry, and one which should distinguish the pharmaceutical firm from other transnational corporations, suggests that tackling this human tragedy was ancillary to the economic imperative, and the profitability and shareholder value of the industry.

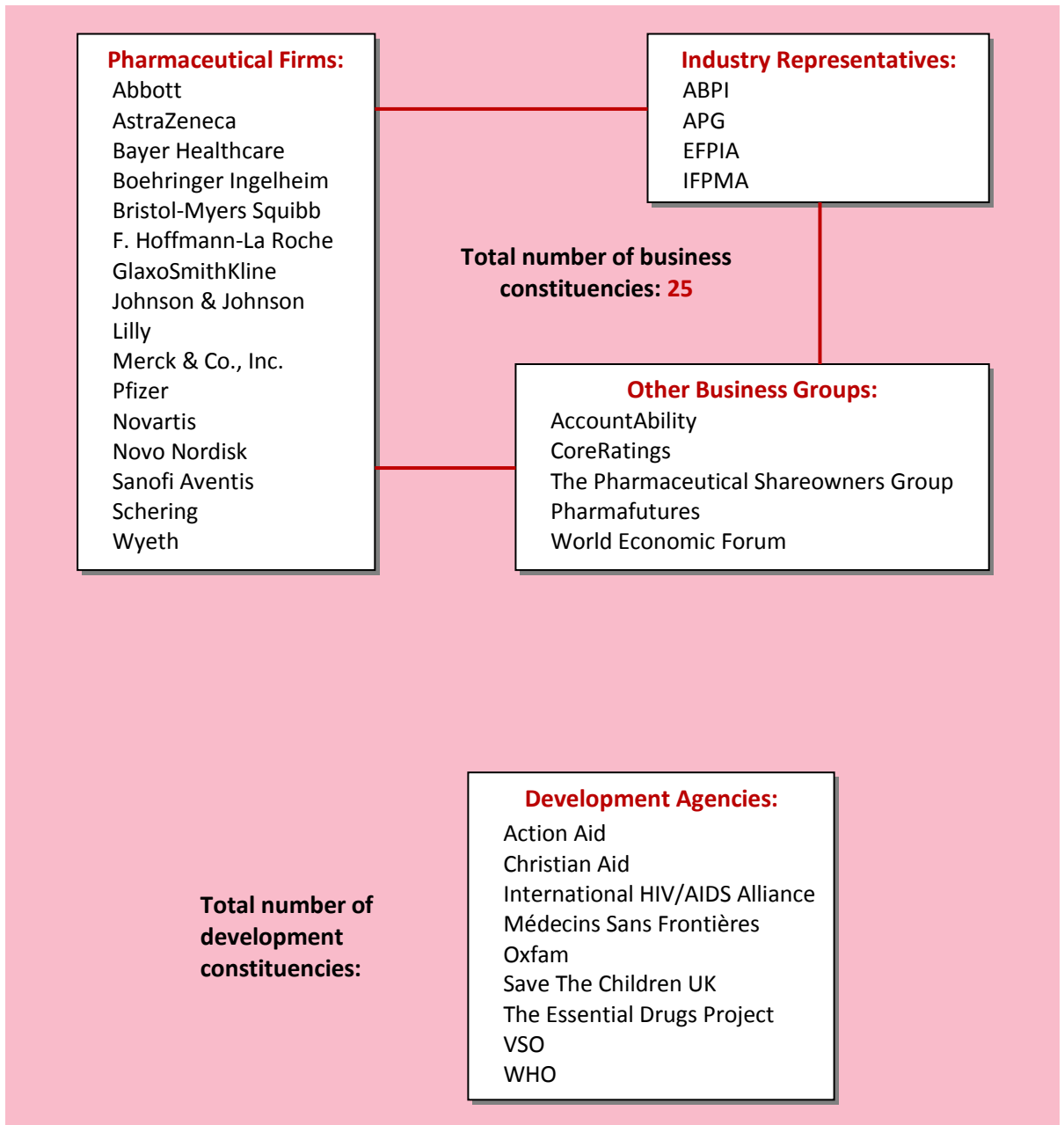
In developing *the Framework*, New Labour sought to make it as ‘industry-friendly’ as possible by focusing upon the ‘business case’ for action. Government officials claimed that “ethical arguments about what should be done have developed into arguments about the business case for action”.¹⁰² The policy measures that DFID proposed as part of this framework appeared to be designed not to tackle the moral crisis facing the developing world, but rather to combat the “perceived threats to business interests and long-term profitability”.¹⁰³ The continued prioritisation of ‘the economic’ over any moral commitment should not be entirely unexpected when one considers the division of labour in *the Framework*, illustrated in **Fig. 6.4**, between the number of representatives from the pharmaceutical industry who were given the opportunity to input into the proposals compared to those from a development-based background.

¹⁰¹ DFID (with the DH, DTI, FCO, HM Treasury, Inland Revenue and Patent Office, 2004: 36)

¹⁰² DFID (with the DH and DTI, 2005: 28)

¹⁰³ *Ibid.*

Fig. 6.4 Organisations Consulted during the Development of DFID’s ‘Framework for Good Practice’



Source: DFID¹⁰⁴

New Labour’s intent to accommodate the economic-based expectations of the pharmaceutical industry occurred in two key ways in *the Framework*. Firstly, the government argued that if pharmaceutical firms could scale-up access to essential medicines, the pharmaceutical firms would “enhance their [own] reputation”, “protect

¹⁰⁴ *Ibid.*, p. 36

the credibility of the intellectual property system”, and leave the pharmaceutical companies “better able to maintain and market share in developing countries”.¹⁰⁵ Essentially, pharmaceutical firms could manipulate their response to the AIDS crisis as a means of protecting their own competitive advantage. In the face of the ‘international pressures’ brought about by ‘changes in the global environment’, this would of course stand to benefit the firms concerned. In altogether less ethical terms, this suggests that pharmaceutical firms could actually use the suffering of the crisis as leverage to increase their competitiveness and global market share.

The second means by which New Labour matched the expectations of industry with its own commitment to increase access to essential medicines was derived upon the set of proposals that emerged out of the UK Working Group formed in the first phase of New Labour’s strategy. The group recommended ‘differential pricing’ as an “economically and commercially viable” means of achieving this aim.¹⁰⁶ Differential pricing enables firms to sell medicines at lower prices in developing country markets, and at higher prices in richer countries. It is viable because the variable costs comprise around 15 per cent of the total costs of producing drugs.¹⁰⁷ As pharmaceutical firms can decide with some flexibility upon the geographic market in which they can recover non-variable costs, pricing remains close to the cost of manufacture, enabling firms to retain a profit. As developing country markets offered very little in the way of overall profitability – in 2004, Africa for example constituted just 1.1 per cent of the global pharmaceutical market by value¹⁰⁸ – differential pricing provided a “rational way for global companies to maximise profits in both low and high-income countries”.¹⁰⁹ Although this appeared to be a step in the right direction, this strategy was again

¹⁰⁵ *Ibid.*, p. 28

¹⁰⁶ Short (2002a: 4)

¹⁰⁷ DFID (with the DH and DTI, 2005: 31)

¹⁰⁸ DFID (with the DH, DTI, FCO, HM Treasury, Inland Revenue and Patent Office, 2004: 13)

¹⁰⁹ DFID (with the DH and DTI, 2005: 32)

problematic. Despite its commercial appeal, if such a strategy was undertaken on a voluntary basis, as New Labour proposed, then the WHO warned that it would have “only a modest impact on peoples’ access to care” and would leave developing countries having “little control” over the “availability...the channels of distribution and the volume of medicines available”.¹¹⁰ Paradoxically then, given DFID’s commitment to strengthen healthcare systems in AIDS-affected regions through its ‘demand-side’ policies, this strategy would do little to address the weaknesses of health infrastructures in many developing countries and undermine DFID’s attempts to ensure a regular, predictable and sustainable supply of antiretrovirals in these areas.

In pressing the ‘business case’ over more moral grounds for action by pharmaceutical firms, *the Framework* added little to the Treasury’s earlier policy initiatives designed to address the persistent problem of chronic under-investment in the research of diseases that disproportionately affect the poor in ‘low-profit’/low-income country markets. Despite these countries remaining hugely unattractive to the pharmaceutical firms, New Labour officials continued to keep the industry onside by offering incentives on a purely voluntary basis. In spite of the urgent and profoundly moral challenge presented by the AIDS crisis, there was to be no regulation of corporate research agendas; simply a proposal that firms ‘consider’ increasing their levels of R&D for the ‘diseases of poverty’ and participate in a series of public-private partnerships, which by spreading the outlay on research investment, would minimise the exposure of risk to the firms themselves.

The imprint of *the Framework* was transposed into the international policy arena, firstly through the work of the *Commission for Africa*, and secondly, the agreement reached at the 2005 G8 summit, hosted by the New Labour government. Despite the

¹¹⁰ WHO (2004a: 71)

orientation of *the Framework* towards the economic expectations of the industry and the problems that this strategy presented, *the Commission* and the G8 offered a combination of demand and supply-side measures designed to ‘revive Africa’s health services’,¹¹¹ and achieve “an AIDS-free generation”.¹¹² As this was extended into the global arena however, it was clear that whatever problems there were with this strategy at the domestic level, these would only be intensified internationally.

On the demand side, both *the Commission* and the G8 spoke of the importance of healthcare infrastructures being strengthened; African governments increasing their healthcare budgets, and recruiting and retaining more staff, and donors supporting this with increasing amounts of financial assistance. Although clearly important, these solutions raised a number of issues that neither *the Commission* nor the G8 leaders addressed. Firstly, there was for instance, the continuing legacy of structural adjustment and the debt crisis that continued to hang over the healthcare budgets of many African governments, making the scaling-up of expenditure in this area not quite as straightforward as these two reports made out. Secondly, the scale and the nature of the AIDS epidemic across Africa brought its own unique pressures, which again *the Commission* and the G8 appeared not to fully appreciate. HIV and AIDS demands that governments increase their health and education budgets in order to halt its spread, but concomitantly governments in these areas have found their response to the crisis hamstrung by dwindling economic growth and a decimated tax-base. These pressures have clearly not helped by an already weakened health system and the continued migration of many health workers overseas, many of whom have ended up being recruited by the NHS to fill the shortage of skilled health professionals in Britain.

¹¹¹ *Commission for Africa* (2005: 65–68)

¹¹² *G8* (2005: 22)

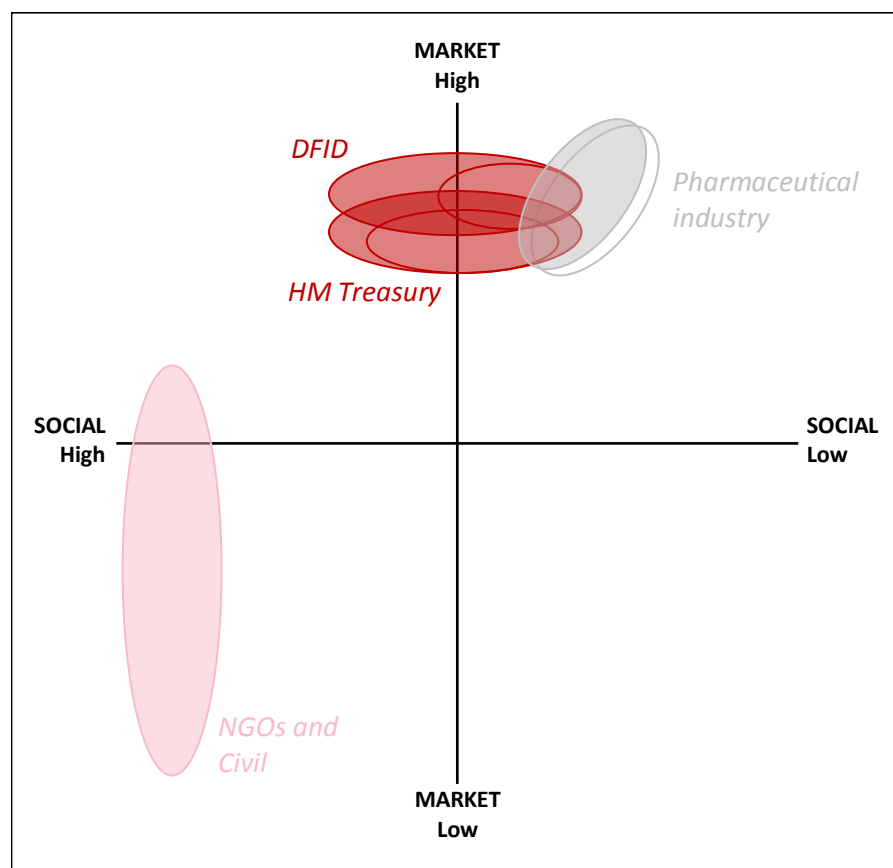
On the supply-side, there was a marked difference in the language of both *the Commission* and the G8 from the earlier appeals made by Gordon Brown to these 'non-industry' international audiences. The Chancellor's earlier appeal for the pharmaceutical industry to take more seriously its responsibilities as providers of global healthcare was not reflected either in the report of *the Commission* or in the G8 communiqué. Any moral obligation that these firms had was conspicuous by its absence in these two documents, which instead tacitly accepted that firms were continuing to put their profits and the shareholders ahead of the lives of the poor. Even though both the Commission and the G8 recognised that the paediatric formulations and microbicides which protect women from HIV infection were not being made available or receiving the priority they deserved by the pharmaceutical industry, both these sets of actors let these firms off the hook by placing the burden of responsibility upon *donors* rather than upon these knowledge and resource-laden companies. Both *the Commission* and the G8 leaders instead called upon governments to incentivise pharmaceutical firms into investigating the diseases that affect Africa, and to make legally binding commitments to buy these drugs so that firms are induced into putting these new medicines and vaccines into production.¹¹³

In the light of New Labour's conceptualisation and discourse of globalisation, there was a certain irony to this particular phase of government policy. At home, the New Labour government had been desperately keen to retain these firms since they would place Britain at the forefront of high-skilled, high-tech 'knowledge economy' and allow it to compete with low-cost, emerging countries. However, once these industries were mobilised in the global economy – the same global economy that made this 'knowledge economy' so crucial – the technology, the skills and the innovation that these firms had at their disposal was left untapped and under-deployed. The activities

¹¹³ *Commission for Africa* (2005: 67); *G8* (2005: 22)

of these companies were not truly 'global' since in reality they served only to benefit those wealthy and affluent parts of the world; a fraction of the world's population. This meant that although New Labour's ambitions to tackle the AIDS crisis were laudable, its strategy of prioritising the economic expectations of the industry above all else, did little to address the gross inequalities in access to and quality of healthcare that existed between developed and underdeveloped areas. If these were to be reversed, New Labour would need to re-evaluate and reconfigure its assessment of the role that private firms had to play in the delivery of public goods.

Fig. 6.5 *Phases 1 and 2 of New Labour's Policy Commitment to Increase Access to ARVs*



The DTI was dropped from New Labour's response to AIDS, but this only helped build coherence between the two leading departments on this issue. There was a great deal more convergence in the respective stances of DFID and the Treasury, certainly

compared to the first phase where policy was divided. DFID took onboard the views of the Treasury in respect of supply-side issues, and both the demand and supply-side perspectives were incorporated in the *Taking Action* and *Good Practice* strategies. Incorporating some of the concerns raised by civil society, there was a slight move towards more a 'social' set outcomes. However, overall, New Labour's strategy continued to accommodate the expectations of the pharmaceutical industry.

Phase 3: Placing People before Profits? Change and Continuity in New Labour's Strategy

Under Gordon Brown's premiership, the fight against HIV and AIDS continued to be an important part of New Labour's international development strategy, and in 2008 Brown's government embarked upon another policy strategy to achieve universal access to comprehensive HIV prevention programmes, treatment, care and support. Although curtailed by New Labour's General Election defeat in May 2010, this third phase of government policy was altogether more nuanced than the previous two phases as it sought to introduce a new 'social' imperative, one designed to address the needs of people living with HIV in the developing world. The government's new Secretary of State for International Development, Douglas Alexander, promised a strategy that would place "people at the heart of the response".¹¹⁴ This section explores the depth of this new commitment and where this left the pharmaceutical industry as a key interlocutor of policy. This phase reveals that while this shift in emphasis appeared to represent a welcome break from the continued prioritisation of the industry's competitiveness over global health concerns, the expectations of pharmaceutical firms nevertheless continued to be accommodated, and indeed become strengthened in some key areas of policy.

¹¹⁴ Alexander (2008) in *DFID* (2008: ii)

As well as the changes in the leadership of New Labour, and subsequent cabinet reshuffle, this third phase of policy took place against a backdrop of financial turmoil and global uncertainty. Neither of these factors however did little to dampen the government's commitment to tackling HIV and AIDS. Instead, Brown's government pressed ahead with meeting its commitments concerning HIV and AIDS. Initially it did this through the publication of a comprehensive policy paper, *Achieving Universal Access*,¹¹⁵ and then, a year later, a fourth White Paper in just twelve years, *Building Our Common Future*.¹¹⁶ Strikingly, neither DFID's policy paper nor the government's White Paper focused heavily upon the role that the pharmaceutical industry had to play in the crisis. These new policies instead focused upon three key areas: (1) supporting the claims of the developing countries by responding to the needs and protecting the rights of those most affected;¹¹⁷ (2) supporting more effective and integrated service delivery;¹¹⁸ and (3) making money work harder through effective partnerships.¹¹⁹ The first area was designed to support the 'people-centred' response that the new Secretary of State sought to put at the heart of this new commitment. The second and third areas however emphasised the demand and supply-side policies, developed from the government's previous *Taking Action* strategy, now designed to secure universal, rather than simply increased access to essential medicines.

On the demand-side, the New Labour government committed to contribute a further £1 billion to the Global Fund,¹²⁰ £6 billion on health systems and services by 2015 and over £200 million on developing and supporting social protection programmes. In addition to this financial support, the government promised to work with international partners to support countries with health worker shortages so that there would be at

¹¹⁵ DFID (2008b)

¹¹⁶ DFID (2009a)

¹¹⁷ DFID (2008b: 22–29)

¹¹⁸ *Ibid.*, pp. 30–41

¹¹⁹ *Ibid.*, pp. 42–56

¹²⁰ Lewis (2009)

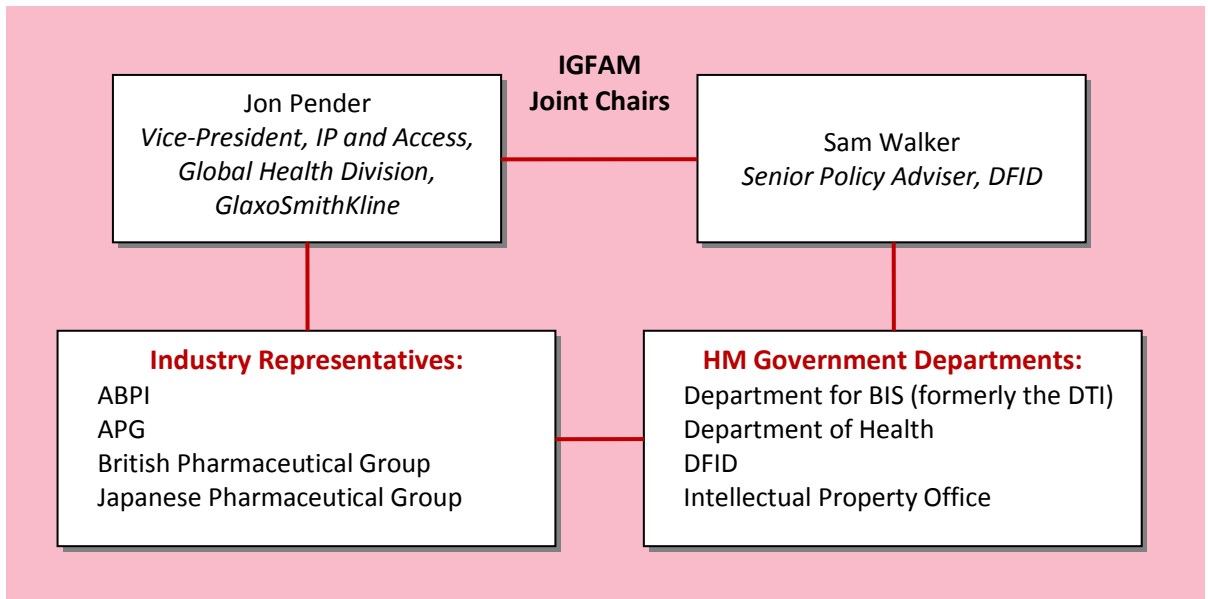
least 2.3 doctors, nurses and midwives per 1,000 people.¹²¹ Although the policy proposals that DFID offered concerning the supply-side were slightly less concrete, they did at least appear to reflect a significant shift in policy. The government committed to use “our central research budget to fund cutting-edge research to stimulate innovation”.¹²² In each of the two previous phases, government officials, and Gordon Brown in particular, had called upon the pharmaceutical industry to increase its investment into the research of treatments for diseases affecting the developing world. In this third phase however, despite the massive research budgets that these large multinational firms had at their disposal, the tax incentives that the Treasury had offered in order to support this type of research, and the continued accommodation of industry expectations in government strategy, investment by pharmaceutical firms into diseases that affect the poor, remained stubbornly low. Indeed, despite the 22.4 million people living with HIV and AIDS in sub-Saharan Africa, the government could only point to 3 million actually having access to antiretroviral treatment in 2009.¹²³ Despite repeated claims of an ethical obligation on the part of the pharmaceutical industry, this represented a clear failure of government policy. It did however underline the need for the government to create its own research fund to finance the necessary investments in the required medicines if this access was to be scaled-up, and these drugs made available to all those who needed them.

¹²¹ *DFID* (2008b: 64)

¹²² *ibid.*, p. 65

¹²³ *DFID* (2009a: 94)

Fig. 6.6 The Industry–Government Forum on Access to Medicines



Source: DFID¹²⁴

Despite the failure of the pharmaceutical industry to respond adequately to the AIDS crisis, New Labour still retained a role for the industry in its commitment to improve access to medicines. As a follow-up to *the Framework* developed in the second phase of New Labour’s policies, *the Industry–Government Forum on Access to Medicines* (IGFAM) was set up to “facilitate better and sustainable access to medicines in developing countries”.¹²⁵ The purpose of this new forum however was decidedly unclear since, unlike *the Framework*, it offered neither any sort of recommendations, nor did it include any participation from development agencies. Instead, as **Fig. 6.6** illustrates, IGFAM reflected far more the business-driven and altogether more economic concerns of the industry, rather than the epistemic, development-based expectations, experience and expertise of NGOs and other ‘non-business’ health organisations.

¹²⁴ DFID (2009b)

¹²⁵ *Ibid.*

The intent and the interests of the group are clear from IGFAM's make-up. The Vice-President of Intellectual Property and Access at GSK was appointed as Joint Chair and he was joined by pharmaceutical industry representatives from the UK, the United States and Japan, and the government's own IP Office. The aim of IGFAM was to maintain the competitiveness of the industry whilst increasing access to medicines. This would ensure that industry expectations are not lost in any commitment to scale-up the access to and availability of antiretrovirals.

Much like *the Framework* that preceded it, there was an implicit understanding – even amongst firms – that there was an ethical imperative at play here. However, in similar terms to *the Framework*, GSK also argued that “it is good for GSK's image and reputation; and there is a sound business rationale”.¹²⁶ The company no longer viewed emerging markets “as peripheral but as major market opportunities which are currently constrained by [a] lack of purchasing power”.¹²⁷ This analysis of the issue clearly ran counter to the Secretary of State's earlier commitment ‘to place people at the heart of the response’. GSK appeared to understand the issue only in terms of projecting the right corporate image and capitalising upon new market opportunities.

Like *the Framework*, IGFAM also lacked any real representation from the generic firms based in these emerging markets. Instead, the group was made up of firms and industry representatives based in the global North. If the New Labour government was really serious about tackling the issue of essential access in the developing world – as opposed to simply maintaining the competitive advantage of these large multinationals in the global economy – then one might have expected it to have invited representatives from these types of firms to the debate. These firms had a very

¹²⁶ Cited in *IGFAM* (2009: 8)

¹²⁷ *Ibid.*

different set of expectations from the large, supposedly ‘research-led’ firms which had dominated the dialogue between the government and the industry, and who appeared to be concerned only with recouping the investment that they had made during the initial R&D stage. As the case of the major US pharmaceutical firm Gilead illustrated, these larger firms were willing only to invest in those areas in which they could secure this return more quickly. Holding the marketing rights to the antiretroviral, Tenofovir, in 2006 Gilead voluntarily licensed the drug to more than ten generic firms, each of whom paid a 5 per cent royalty back to Gilead. Three years later however, Gilead itself was still selling Tenofovir at US\$365 (US\$200 to governments), while the generic licensees were selling the drug for US\$100, mainly to developing countries.¹²⁸

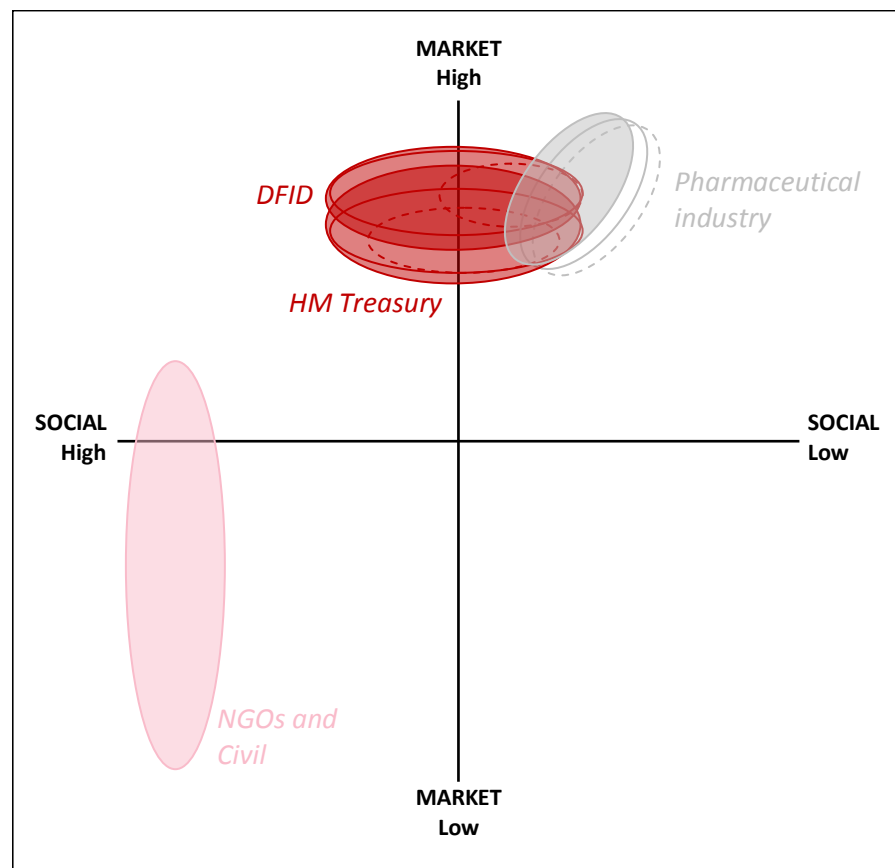
These two cases alone demonstrated why it was simply inadequate for New Labour, particularly in the light of its commitment to focus upon the ‘human’ aspect of the crisis, to continue to rely upon the corporate goodwill or the research agendas of the larger multinational firms. While the Secretary of State was correct to diagnose the AIDS crisis as, above all, a human crisis, it cannot be addressed by protecting the profitability and the market-driven expectations of a narrow corporate elite. Strikingly, Gordon Brown, in his final conference speech as Prime Minister and leader of the Labour Party admitted as much. “Markets need what they cannot generate themselves. They need what people alone can bring to them...markets need morals”.¹²⁹ Although perhaps designed to signal to a party low on confidence, that the economic crisis was at least beginning to recalibrate the Labour Party away from a strictly market-orientated model of political economy, on reflection, this statement might well have also served as a useful lesson for the government’s strategy to increase access to essential antiretrovirals in the developing world. In concluding this

¹²⁸ *Ibid.*, p. 14

¹²⁹ Brown (2009b)

chapter, I assess what these phases tell us about the character of New Labour’s political economy and what lessons might be drawn from its strategy in this area of its international development policies. Before I do however, I briefly assess the change that took place in this phase of policy.

Fig. 6.7 *Phases 1, 2 and 3 of New Labour’s Policy Commitment to Increase Access to ARVs*



Despite a commitment to place ‘people at the heart of the response’, there was very little movement in the respective positions between the Treasury, DFID and the pharmaceutical industry. Although the social imperative that was present in the government’s strategy was stronger here than it was at any previous phase, New Labour’s approach remained predicated upon a continued accommodation of the pharmaceutical industry. This stance had softened somewhat, and firms were

beginning to recognise their 'ethical' duties. However, even these were framed in terms of self-interest and continued shareholder value.

Conclusions

In chapter 2, I demonstrated the ways in which New Labour's discourse of globalisation placed considerable constraints upon the domestic policy options available to Whitehall officials in accommodating the expectations of business and capital. As this particular chapter has unfolded however, the grave effects of internalising such logic have been clearly demonstrated. At home, senior New Labour officials stressed the importance of the 'knowledge economy' as the *only* means by which Britain could compete in this ostensibly new global economy, and set about accommodating the expectations of key sectors like the pharmaceutical industry in order to retain the inward investment that these firms provided. Abroad however, Whitehall ministers were faced with the challenge of a lack of access to the antiretrovirals in the developing world that these firms were *supposed* to be producing. This presented New Labour with a dilemma: whether to continue to support and champion the interests of its pharmaceutical industry in the face of an unfolding global tragedy, or challenge and demand firms to take seriously their obligations as producers of global public goods. Over the subsequent three phases of policy, government ministers proceeded to send out a series of different and often seemingly contradictory messages concerning the importance or otherwise of these industries and their treatments in the developing world.

During the first phase in particular, a range of government departments emphasised different parts of the government's initial strategy. While the DTI sought to maintain the commercial interests of Britain's pharmaceutical firms during the height of the

unfolding AIDS epidemic, DFID attempted to deflect this responsibility away from the industry onto the resource-stretched economies in the developing world with a series of measures designed to boost the demand-side. For its part, the Treasury set about creating a set of supply-side proposals designed to incentivise the industry into stepping up the amount of research that was being undertaken by these firms into producing antiretroviral treatments suitable for the developing world. In the midst of these different appeals however, there was a common thread that ran through Whitehall. Each department concerned prioritised the economic expectations of the industry and its firms, over any real moral imperative to tackle the crisis.

There was a tacit understanding in the second phase of the government's strategy that there was indeed an increasingly moral case for pharmaceutical firms to step up their efforts into researching and developing treatments for people living with HIV in the developing world. This was perhaps most evident in the more joined-up strategy between the Treasury and DFID: the Chancellor's proposals to incentivise the industry through a series of tax relief measures, and the commitment from DFID to increase the financing and the capacity of healthcare systems in the developing world. By and large however, the crisis was visualised through the eyes of the industry, rather than those living with the disease and the developing countries who were struggling to cope with the impact of the epidemic. Although clearly well-intentioned, both the *Taking Action* strategy and *the Framework* between the New Labour government and the pharmaceutical industry viewed the crisis as an issue of market failure, rather than of any moral duty. It therefore attempted to respond to this crisis in largely market-based terms, preferring to listen to and to keep onside the concerns of the pharmaceutical industry rather than the voices calling for increased access to these essential medicines on altogether more moral grounds.

Amidst a background of political change within the Labour Party, and economic turmoil both at home and abroad, the third and final phase appeared to finally recognise the human tragedy of AIDS, and the need to respond to it by meeting the needs of people. Despite this shift in emphasis however, the government continued to give what appeared to be special dispensation to the pharmaceutical industry. This was particularly striking since many of the larger firms were themselves blocking access to these antiretrovirals by keeping the prices of these drugs high. Where access had increased, it was due largely to the efforts of the smaller generic firms who, having secured a patent licence from these large multinationals, were able to sell copies of these drugs at a fraction of the price. Although these generic firms were at the forefront of increasing access – and therefore far more likely to meet New Labour’s commitment in this respect – remarkably, the government did not engage with them. They chose instead to continue to protect the interests and the profitability of the larger, more research-led firms domiciled in Britain.

New Labour’s strategy to meet its commitment concerning the access and availability of life-saving antiretroviral drugs reflected a model of political economy orientated towards accommodating the expectations of a small business cadre. That these expectations were prioritised over the urgent needs of the global poor undermined any moral imperative that may have been present. Had New Labour’s commitment to those living with HIV and AIDS in the developing world been beyond meeting these ‘pro-business’ expectations, then one might have expected it to have engaged in more dialogue and demonstrated greater support for those constituencies and those parts of the pharmaceutical industry who *were* attempting to address the crisis and make universal access to these drugs a reality. Although these constituencies did not wield the structural power that New Labour’s understanding of globalisation had granted to

the pharmaceutical industry, they would have nevertheless enabled the government to meet far more effectively its commitment to increasing access to these essential medicines.

Coming to the Aid of the Developing World: Tackling Poverty through the International Finance Facility

This final case study chapter returns to the theme of finance for development explored in chapter 5. Just like debt relief, overseas aid was seen to be an important instrument in raising the money necessary to finance poverty reduction. Despite sharing this common objective however, it is possible to separate the formation and the management of aid and debt relief along policy lines demarcated at home. While chapter 5 embedded the issue of debt relief within New Labour's macroeconomic strategy, this chapter will assess the transmission into the international realm of the Treasury's 'golden rule' for borrowing and spending, and the government's welfare policies.

These domestic principles would underpin Gordon Brown's proposals for a 'Global New Deal' or 'Marshall Plan for Africa'; the centrepiece of which would be the International Finance Facility (IFF).¹ Both personally and politically for the Chancellor, the IFF was a hugely significant initiative since it was, according to one of his biographers, Brown's "single most important political priority" aside from reaching Number 10 itself.² More importantly however, in terms of New Labour's own commitment to tackling global poverty, the IFF, if implemented, would enable Britain to finally meet the United Nations target set in 1970 for 0.7 percent of its GDP to be allocated to foreign aid. The specificity of this historical target, discussed in chapter 3, has made international development distinct from any other area of government

¹ Brown (2005a)

² Peston (2003: 293)

spending, so much so that it has can act as a gauge of the significance (or lack of) that governments attach to international development. Therefore, although New Labour might have claimed that overseas development was “not just...about aid” and that its policies in this field were concerned with ‘sustainable development’ and “securing a future for our planet and its people”,³ such was the symbolism of the 0.7 percent target that if New Labour *was* genuinely committed to improving the lives of millions across the developing world – irrespective of its other endeavours in this field – it would have to make meeting this longstanding goal a clear priority for Britain and the rest of the international donor community.

The IFF would enable this target to be met by drawing upon two distinct themes that appeared in New Labour’s domestic political economy. The first developed the Treasury’s commitment to a credible and prudent fiscal policy, and its ‘golden rule’ of ‘borrowing to invest’. At home, New Labour government promised to borrow only as a means of financing long-term capital investment rather than current or ongoing public expenditure, which would be funded by the taxpayer. Despite tight spending controls, particularly in the first few years in office, New Labour had been able to increase the level of long-term public investment by using a combination of Private Finance Initiatives (PFIs) and public-private partnerships (PPPs). These arrangements enabled the New Labour government to fund large-scale investment projects at home, but to do so in such a way that would ease the current burden upon the public purse. These spending strategies found their way into the Treasury’s proposals for the IFF. The IFF would not detract from Britain’s ongoing commitment to spend 0.7 percent of its GDP on overseas aid – its current spending – but in order to fill the US\$50 billion funding gap that existed in the global level of development finance, Brown suggested borrowing from international capital markets to lock-in and ‘frontload’ the future aid

³ DFID (1997: 16, 20)

commitments of donor countries. Without this money, the Treasury conceded that many developing countries would be left unable to reach the UN's Millennium Development Goals (MDGs) before 2015, and it was upon this basis that the Chancellor was prompted into launching his 'global New Deal' and IFF initiative.

The second theme of the IFF drew upon New Labour's 'New Deal' at home; a plan which sought to lift people out of unemployment and include them in training schemes and an increasingly global world of work. The Chancellor's 'global New Deal', to which the IFF was central, worked on the same principles of 'rights and responsibilities' to equip and to help developing countries enter and participate in the global economy. New Labour agreed that 'claimants' under both these schemes held rights to government support, but that they also had responsibilities to use this support appropriately. Like Britain's own welfare system under New Labour, this assistance was not to be an end in and of itself, but rather a 'springboard' for inclusion into the workplace and the global economy. Similarly, just as welfare claimants at home had to comply with a specific set of obligations in order to become eligible for this finance, so too were conditions laid down that developing countries were required to meet if they were to receive this aid money.

Although this particular narrative of 'rights and responsibilities' was inflected differently when government ministers were addressing audiences at home and abroad, the underlying message articulated by New Labour officials was that economic and social exclusion lay at the root of poverty. This, as I noted in chapter 2, signalled a clear shift away from traditional Labour and social democratic concerns regarding 'equality' towards a set of policies that placed much greater emphasis upon 'inclusion' and 'participation' in the global economy. Despite its perceived challenges, it was from

the processes of globalisation that opportunity, wealth and prosperity could be derived. To confer the benefits of globalisation, individuals and countries alike needed to work ‘with the grain’ of these processes for poverty reduction to take place. Therefore social and economic inclusion became a matter of ‘obligation’ rather than a ‘right’ requiring the recipient to actively take-up a series of responsibilities and duties. As I have already demonstrated in chapter 2, this had far-reaching implications for the framing of New Labour’s welfare policies at home. As I shall show in this chapter, it would also have repercussions for the delivery of development aid overseas.

There are two key dimensions to the IFF that this chapter explores. The first examines the design of the IFF itself, and the feasibility of using finance raised – or to use the Chancellor’s terms, ‘frontloaded’ – from global capital markets as a means of increasing the amount of aid available for redistribution in the developing world. The case for the IFF was made principally on the basis that transnational and instantaneous markets – almost as emblems of globalisation itself – could be used to redistribute wealth from the global North to the global South, and so meet New Labour’s overarching commitment to ‘make globalisation work for the poor’.⁴ The IFF would work on the basis of Britain and other donor countries initially committing to an increase in aid resources up to 2015. These legally binding commitments, together with the credit-worthiness of donor governments would act as collateral against bonds raised on international capital markets. These bonds would enable the proposed additional flows of US\$15–20 billion per year suggested by the Treasury to be leveraged up to US\$50 billion per year, which could then be used straightaway to finance poverty reduction programmes across the developing world.

⁴ DFID (2000)

The second dimension assesses the political economy of the IFF and how New Labour sought to manage these expectations through the conditions imposed by the IFF, upon the recipients of its finance. This particular dimension reveals a clear internationalisation of policy from the way welfare was viewed at home to the disbursement of aid overseas. Both at home and abroad, New Labour treated individuals and developing countries alike as 'global citizens', each with a set of obligations to participate fully in the global economy. At home, welfare recipients had a clear duty to fulfil these responsibilities. Abroad, developing countries had, in similar terms, a distinct set of conditions linked to the new economic architecture discussed in chapter 5, that they needed to meet in order to receive this aid. New Labour's welfare system at home and its international aid programme were both imputed with the same principles of 'rights and responsibilities' that government officials had articulated at home. This meant that any redistribution of wealth would be based upon the fulfilment of obligations rather than the immediate needs of the poorer and excluded members of society, both in Britain and in the developing world. These conditions are hugely significant for two reasons. Firstly, given that the very character of these 'obligations' were market-orientated (despite their 'pro-poor' rhetoric) they prioritised the expectations of market constituencies over the needs of recipients. Secondly, the framing of aid in the contractual terms of 'rights and responsibilities', would serve only to shift the burden of responsibility away from wealthy donors and onto the poorest and most vulnerable people on the planet instead.

Structure of the Chapter

This chapter takes as its point of departure the challenge that New Labour faced in raising the sufficient amount of finance required to meet the MDGs. A failure by the largest industrialised economies to meet the 0.7 percent/GDP aid target had left a

shortfall of US\$50 billion per year. This chapter looks at three interlinked policies that Treasury officials argued could fill this gap. I look at each one in turn, drawing out the domestic lineages of these proposals and assessing the likelihood of their success. The first proposal I examine is the International Development Trust Fund, however my main focus is upon, its successor, the IFF since this would be central to Gordon Brown's 'global New Deal'. This was predicated upon the rule of 'borrowing to invest' and the principle of 'rights and responsibilities'. The final phase explores the IFFIm, the International Facility for Immunisation. Based upon the same principles of the IFF, rather than raising money purely for aid, this mechanism sought to raise money on international bond markets to purchase vaccines for the diseases and illnesses such as malaria and tuberculosis (TB) that disproportionately affect the poorest people in the world. Throughout each of these phases I demonstrate how, despite the change in the content of the policy, New Labour continued to prioritise market expectations over those its policies were purportedly designed to help.

The Challenge of Increasing Aid for International Development

As **Fig. 7.1** clearly demonstrates, ever since the UN set the 0.7 percent/GNI target in 1970,⁵ only a handful of countries have met, let alone exceeded this commitment. This is significant because it provides an explanation as to why New Labour, and indeed the rest of the donor community was faced with such a huge shortfall in aid, and why the MDGs were unlikely to be met by 2015.

⁵ The terms 'GNI' and 'GDP' are used interchangeably both in the literature and in government accounts.

Fig. 7.1 *OECD/DAC Countries, Overseas Development Aid as a % of GDP, 1970–2010*

	1970	1975	1980	1985	1990	1995	2000	2005	2010
Australia	0.62	0.65	0.48	0.48	0.34	0.34	0.27	0.25	0.32
Austria	0.07	0.21	0.23	0.38	0.11	0.27	0.23	0.52	0.32
Belgium	0.46	0.60	0.50	0.55	0.46	0.38	0.36	0.53	0.64
Canada	0.41	0.54	0.43	0.49	0.44	0.38	0.25	0.34	0.33
Denmark	0.37	0.55	0.74	0.80	0.94	0.96	1.06	0.81	0.90
Finland	0.06	0.17	0.22	0.40	0.65	0.31	0.31	0.46	0.55
France	0.52	0.44	0.44	0.61	0.60	0.55	0.30	0.47	0.50
Germany	0.32	0.40	0.44	0.47	0.42	0.31	0.27	0.36	0.38
Italy	0.15	0.10	0.15	0.26	0.31	0.15	0.13	0.29	0.15
Japan	0.23	0.23	0.32	0.29	0.31	0.27	0.28	0.28	0.20
Netherlands	0.62	0.74	0.97	0.91	0.92	0.81	0.84	0.82	0.81
New Zealand	0.22	0.52	0.33	0.25	0.23	0.23	0.25	0.27	0.26
Norway	0.33	0.65	0.87	1.01	1.17	0.86	0.76	0.94	1.10
Sweden	0.35	0.78	0.78	0.86	0.91	0.77	0.80	0.94	0.97
Switzerland	0.14	0.18	0.24	0.31	0.32	0.34	0.34	0.43	0.41
United Kingdom	0.39	0.38	0.35	0.33	0.27	0.29	0.32	0.47	0.56
United States	0.32	0.27	0.27	0.24	0.21	0.10	0.10	0.23	0.21

Source: *OECD*⁶

Despite the overall increase in aid seen under New Labour, noted earlier in the thesis, a comparison between Britain's record on aid and that of other similar countries in the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) makes for mixed reading. None in the G7 group met the 0.7 percent/GDP target during the forty-year period between 1970 and 2010. Whilst New Labour was in office however, Britain did at least lead the way amongst this group of nations towards meeting this goal, giving around twice as much from its GDP than Italy, Japan and the United States. Despite its position as the G7's leading donor,

⁶ *OECD* (2011)

Britain was still outperformed by the Benelux countries and the major Scandinavian countries. The Netherlands, Denmark, Norway and Sweden had all met the 0.7 percent target within ten years of it being set. Luxembourg met this target in 2000, and Belgium was, in 2010, the most likely country to follow suit. Therefore, while Denmark, Luxembourg, the Netherlands, Norway and Sweden continued to meet and to exceed the benchmark set by the UN, Britain, the G7, and the rest of the international donor community were all left to play catch-up.

The continued failure of much of the international donor community to meet the 0.7 percent/GDP target resulted in a huge gap emerging in the aid resources available to the developing world. Despite the increasing levels of prosperity across the global North, the existing level of bilateral aid given from the DAC countries was insufficient if the MDGs were to be met by 2015:

The MDGs will not be achieved without additional resources for low-income countries. In addition to increasing domestic revenue and external investment, a substantial increase in both aid and debt relief is needed. This needs to be secure, predictable, and sustained up to 2015 and beyond.⁷

Indeed, as Gordon Brown would later remark, if current trends persisted, it was more likely that they would be met “in 2150, 135 years [too] late”.⁸ In order to reach the MDGs, Brown’s Financial Secretary in the Treasury, Stephen Timms argued that “an additional US\$50 billion of aid was needed immediately”.⁹ This huge scaling-up of finance for development would require a completely new approach to aid.

The first signs of this new approach to aid emerged late in 2001, when Gordon Brown proposed his own ‘Marshall Plan’ for the developing world. The Chancellor’s ‘Global

⁷ *HM Government* (2005: 58)

⁸ Brown (2005c)

⁹ Timms (2005)

New Deal' would be derived from the same principles of the New Deal and the welfare policies taken up by New Labour at home. This Global New Deal would be made up of four 'building blocks'. The first involved the creation of new 'codes and standards' designed to support stability in the global economy. These new 'rules of the game' (explored in chapter 5) would, the Chancellor argued, improve the terms upon which the poorest countries can increase their capacity to participate in the global economy. The second of the Chancellor's building blocks would see the adoption by international businesses of corporate standards, supported through a series of investment forums between public and private sectors in developing countries. The third building block sought to create an improved trade regime, which Brown identified as being essential if developing countries were to participate on fairer terms in the world economy.

It was the fourth building block however that would go on to form the purpose of New Labour's aid policy: "a substantial transfer of additional resources from the richest to the poorest countries in the form of investment for development".¹⁰ For Brown, this form of wealth redistribution at a global level would signal a shift away from "providing short term aid just to compensate for poverty, to a higher and more sustainable purpose".¹¹ The Chancellor argued that aid should instead be viewed as "a long-term investment to tackle the causes of poverty by promoting growth, prosperity and participation in the world economy".¹² This change in emphasis is striking because it meant that aid would no longer be seen just as a charity or as a 'hand-out', but as a means by which rich countries in the global North could 'invest' in the poor countries in the global South. Increased spending on areas such as welfare and overseas aid would not automatically increase social justice. What was important for New Labour

¹⁰ Brown (2001f)

¹¹ *Ibid.*

¹² *Ibid.*

instead was creating the *opportunities* that would enable developing countries to participate and compete in the global economy.

This emphasis upon ‘participation’ and ‘inclusion’ in the global economy is significant because, as I noted in chapter 2, it replaced traditional Labourite concerns regarding ‘equality’ and ‘social justice’. As in its welfare policies at home, the fundamental issue of equality was conspicuous by its absence in the speeches and policy documents that set out New Labour’s ambitions for international development. Clearly, both at home and abroad, New Labour remained firmly in support of redistribution and increased spending. However, in both these contexts, equality – that is, correcting the imbalances between the poor and the well-off – was replaced with ‘making work pay’. As Ruth Levitas has remarked, New Labour justified any inequalities of outcome on the basis of ‘hard work’; that the rich were entitled to more wealth because they had earned it.¹³ It followed therefore that New Labour understood the role of the state to be one of ‘enabler’ rather than ‘provider’, of ‘hand-ups’ rather than simply ‘hand-outs’. State assistance meant creating the *opportunities* that recipients needed to participate in the workplace and the global economy. Having created these opportunities, it was, as New Labour officials argued, the responsibility of individuals and countries alike to make the most of these opportunities themselves.

Phase 1: The International Development Trust Fund

The IFF started life as an International Development Trust Fund (IDTF), a mechanism that would involve “the richest countries making a substantial additional commitment of resources beyond 2015”.¹⁴ Although light on detail, the Treasury’s proposals for the IDTF mirrored that of the ‘asset-based welfare’ policies, explored in chapter 2, which

¹³ Levitas (2005: 136)

¹⁴ Brown (2001f)

were supported heavily by the Treasury at home, most notably through the Child Trust Fund (CTF). Designed to create a 'savings habit' which government ministers argued would give less well-off families in particular, a greater sense of financial empowerment and independence, the CTF would give young people a cash lump sum on maturity, with which they could finance and make the most of the opportunities open to them at that age.

There was, typically, a domestic antecedent to this since trust funds had been used by the Treasury in Britain to grant individuals, particularly with low to middle-income families, with the means to start a 'savings habit', and create a new form of 'asset-based welfare'. There was a clear transmission behind what the CTF aimed to do at home and what the IDTF sought to achieve abroad. At home, the CTF was designed to encourage saving and improve financial awareness. As a means of combating global poverty, the IDTF was designed as a means for rich countries to invest in the future of developing countries. For poor countries to be lifted out of poverty, it was important that these countries became more financially independent, more integrated into the global economy and therefore more able to make the most of the opportunities presented by globalisation.

New Labour's welfare logic in an era of globalisation suggested that once integrated in the global economy, developing countries could gain greater financial independence. No longer would they have to rely upon continued assistance from wealthy donors in the global North. Instead, these countries would be transformed into 'self-capitalising subjects', with greater autonomy and self-reliance to make the most of the opportunities presented to them. Like the CTF, and indeed New Labour's welfare strategy at home, this was to be realised through a contractual, 'something for

something' arrangement. Monies raised through these trust funds would only be forthcoming if recipient countries fulfilled strict conditions concerning their economic and trade policies.

Therefore, despite this commitment to move low-income countries from a continuing, passive dependency upon aid to an altogether more active culture of financial empowerment, this logic relied upon a series of 'responsibilities' that government ministers demanded be fulfilled. For the IDTF, the source of these responsibilities, or conditions, attached to this aid could be traced back to "the existing achievements of the World Bank, the IMF and the Regional Development Banks".¹⁵ This was significant because, despite a commitment to social justice that such a large spending pledge might suggest; it meant that the IDTF was orientated towards an approach to development supported by the IFIs, and that favoured market-based concerns and the expectations of investors. As Brown argued:

Developing countries must pursue corruption-free policies for stability, for opening up trade and for creating a favourable environment for investment. In return, we should be prepared to increase by 50 billion [dollars] a year in the years to 2015, vitally needed funds to achieve these agreed Millennium Development Goals.¹⁶

These conditions and responsibilities chimed with the expectations articulated by the IFIs who, as I noted in chapter 5, argued that for these global institutions, poverty reduction was best achieved by embedding market reforms that were open and investor-friendly. At the same time Brown was preparing his IDTF, the President of the World Bank, James Wolfensohn was noting how important it was for developing countries to "put in place good and strong governance, effective legal and judicial

¹⁵ *Ibid.*

¹⁶ Brown (2001h)

systems, and a robust financial system...to attract [the] foreign and domestic private investment [that is] crucial as engines of growth and poverty reduction”.¹⁷ Similarly, Horst Köhler, the Managing Director of the IMF, remarked that across the developing world, “steps to strengthen governance and fight corruption have often lagged behind other reforms, undermining credibility and investor confidence”.¹⁸

Senior officials, both in Washington and in Whitehall, were convinced that the failure to redistribute wealth at the global level and the lack of development finance could be traced to the opaque decision-making processes of central government treasuries and public financial institutions in developing countries. This argument is explored in greater depth in chapter 5, but essentially for these institutions, this lack of transparency was destabilising to both domestic and international markets. This instability created a sense of unease and uncertainty amongst investors all of which inevitably dampened the levels of much-needed investment in these poorer economies. As Köhler remarked, “only by getting access to investment capital from the rest of the world will the IMF’s poorest member countries be able to make a real breakthrough in poverty reduction”.¹⁹ For these international finance ministers, if there was to be the sustained flow of investment capital to enable poor countries to develop and lift individuals out of poverty, any development strategy must be geared towards meeting the expectations of markets and investors.

Despite the funding gap required to meet the broadly ‘social’ MDGs, as **Fig. 7.2** suggests, the IDTF was orientated clearly towards the expectations of the IFIs, rather than any demands that constituencies calling for a greater increases in aid may have had. This would reveal something of an inconsistency in Treasury thinking. While

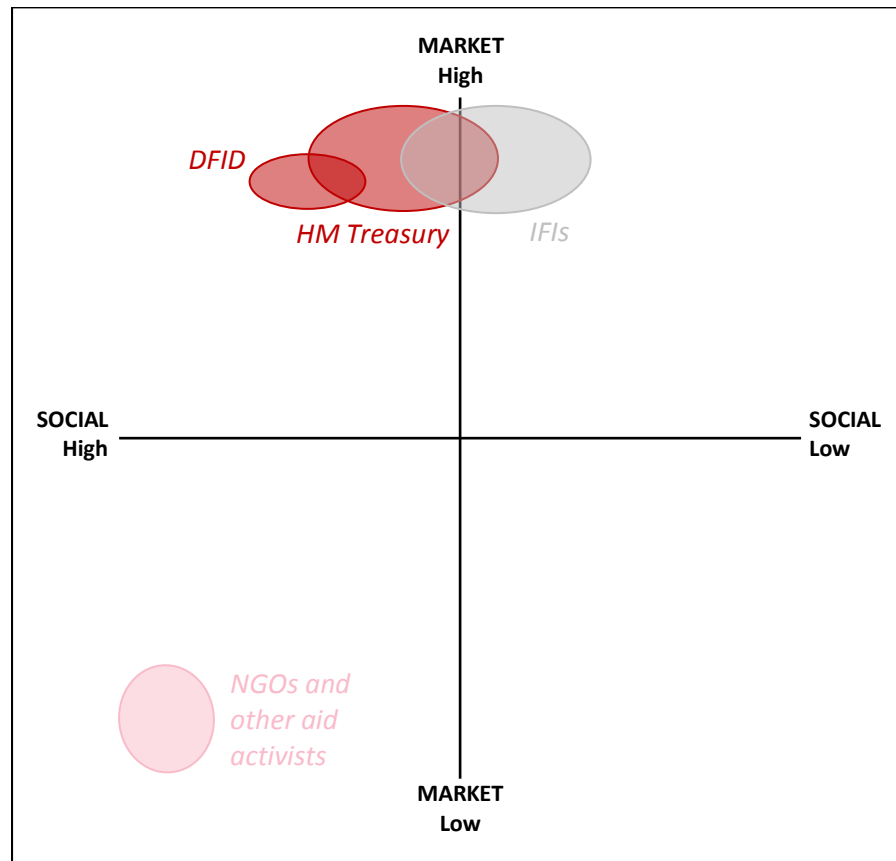
¹⁷ Wolfensohn (2001)

¹⁸ Köhler (2001)

¹⁹ *Ibid.*

officials would, as I shall show in the following section, press for donor countries to dig deeper and give more aid, through its ‘new’ conditionality, New Labour would carefully restrict who it would give that money too.

Fig. 7.2 Phase 1: the IDTF



Phase 2: The International Finance Facility

It was during the 2002 Spending Review that Gordon Brown announced a “new fifty billion dollar International Financing Facility” to spearhead “a new alliance against poverty”.²⁰ Evolving out of the Treasury’s previous idea for an International Development Trust Fund, this new Facility was designed to address the huge financing challenge that the donor community faced for the MDGs to be met by 2015. The first,

²⁰ Brown (2002d)

really concrete proposals for this new IFF first appeared in December 2002, promising to:

Lock-in a clear and binding – but conditional – commitment over the longer term from donors to provide substantial additional resources to 2015 and beyond in order to meet the MDGs. The Facility would be able to borrow funds in international capital markets, secured against these commitments. It would borrow funds by issuing bonds, and so raise additional financing. The finance raised would be distributed in the form of grants and concessional loans depending on country circumstance, and it would not contribute to a burden of unsustainable debt for the poorest countries. Its provision would be conditional on developing countries following good governance and implementing sound policies. To minimise bureaucracy and avoid the costly duplication of existing structures, additional resources should be distributed in a balanced way through existing effective bilateral and multilateral mechanisms, supporting poverty reduction strategies in developing countries.²¹

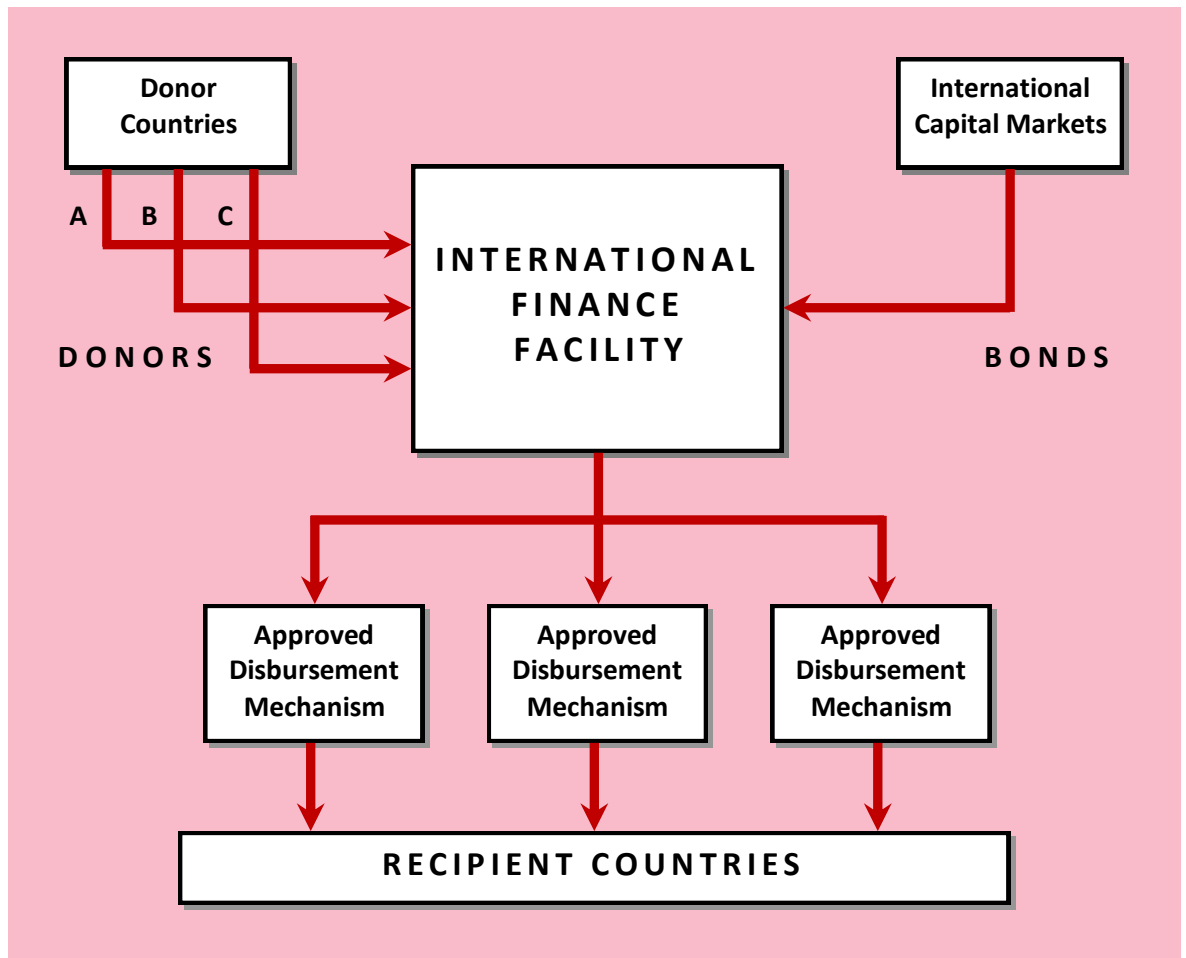
The Secretary of State for International Development, Hilary Benn, illustrated the Chancellor's proposals in even simpler terms. The IFF (illustrated in **Fig. 7.3**) was just like “the rich world taking out a mortgage to help the poor world, so the people of that world can improve their lives”.²² Rather than waiting for there to be enough money to tackle poverty, the IFF would borrow from international capital markets – just as a homebuyer would borrow from a mortgage lender – on the basis of future aid commitments. Indeed, just as a personal mortgage needs to be securitised, Benn later argued, so too would this ‘global mortgage’ lock in the political commitment of donors, provide a means of securitising borrowing, and provide the predictability and critical mass of aid needed for simultaneous and sustainable investment in developing countries.²³ This, Benn argued, would allow there to be faster progress in the fight against poverty.

²¹ *HM Treasury* (2002d: 5)

²² Benn (2004b)

²³ Benn (2004c)

Fig 7.3 Overview of the IFF



Source: HM Treasury²⁴

The IFF drew heavily upon several themes and policy narratives evident in New Labour's domestic political economy. The principles underpinning the IFF reflected both the Treasury's own commitments concerning domestic borrowing and spending, and the creation of a set of social policies and welfare regime orientated to meet the challenges presented by globalisation and the global economy. This phase examines the internationalisation of these themes, and their implications for New Labour's overseas aid programme.

²⁴ HM Treasury (2004c: 9)

The IFF and the Treasury's 'Golden Rule' of Spending and Borrowing

An initial freeze on spending in New Labour's first few years in office notwithstanding, the IFF reflected the Treasury's subsequent largesse both at home and overseas. Although significant, this increase in government expenditure was constrained by the self-imposed 'golden rules' of borrowing and spending set by the Treasury. Institutionalising the prudence that the Chancellor sought to bring to New Labour's fiscal policy, this rule allowed the New Labour government to spend only what it could afford, and to borrow only as a means of financing investment that would be of benefit to future generations. Laying out its proposals for the IFF, Treasury officials argued that the Facility itself would enable rich countries to borrow in order to invest in the developing world. Indeed, as the proposals made clear, "borrowing to invest" was "a well-established domestic and development principle" since "all donor countries borrow to invest in future prosperity, while the World Bank is a long-standing borrower in the capital markets".²⁵ By enabling these rich countries to make an investment in the poorer parts of the world in the lead-up to 2015, the international donor community could finance a real change in the lives of those not only currently living in poverty, but future generations who might otherwise be born into these same conditions of want. This money was therefore to act not "as compensation for past failures but as investment for future success".²⁶

Securing investment for the developing world was a key part of the IFF proposals. This meant reconfiguring overseas aid as an instrument that went beyond simply a means of compensating the poor. As Gordon Brown remarked, the Facility was not only "designed specifically to help meet the internationally agreed Millennium Development Goals" but it was also "an essential condition to allow the poorest

²⁵ *Ibid.*, p. 6

²⁶ *Ibid.*, p. 2

countries to attract private investment and participate in the global economy”.²⁷ Indeed, the money that the IFF would raise and the means by which it would be disbursed was designed to “ensure a domestic environment in which people and firms can produce goods and services efficiently and get them to international markets”.²⁸ Funds raised by the IFF would “provide developing countries with the means to invest in schools and healthcare, roads and legal systems”.²⁹ Investment which, the Chancellor argued would:

Help create the environment businesses need to start-up, invest and grow, as well as create the conditions that will enable countries to participate in, and benefit from, global trade. And as families in those countries are lifted out of poverty, new and dynamic markets will be created.³⁰

The securing of health and education outcomes, the building of roads and infrastructure, and the development of a domestic environment conducive to trade and inward investment were all part of a ‘virtuous circle’ necessary to lift these poorer countries out of poverty. By injecting finance into these developing countries through the frontloading of aid, the purpose of the IFF was to create and set this virtuous circle into motion. Acting almost as ‘start-up capital’, the IFF would trigger investment in these areas, which in turn would benefit future generations.

Given the tight spending rules the Treasury had imposed upon itself at home, it was both politically and economically expedient for New Labour to borrow this capital rather than simply increase its aid spending. In this respect, the IFF could be cast as an accounting device to allow for what would be a significant increase in aid expenditure whilst all the while maintaining its tight fiscal stance at home. This was obviously

²⁷ Brown (2003b)

²⁸ *HM Treasury* (2004c: 2)

²⁹ Brown (2003b)

³⁰ *Ibid.*

attractive to those within New Labour who were keen to portray their international development credentials and their commitment to improving the lives of those in the developing world. Politically too, the IFF was an attractive proposition since the repayment of the IFF bonds was scheduled to take place long after the current crop of ministers had departed the scene. Freed from the future burden of fulfilling the pledges made through the IFF, New Labour could claim, quite credibly, to be embarking upon a huge increase in ODA without placing undue strain upon the public purse now.

As appealing as these considerations were, New Labour officials were nevertheless also keen to point out that the Facility would not signal the end of ODA in the medium to long-term.³¹ As Gareth Thomas, the Parliamentary Under-Secretary of State at DFID insisted, the IFF should be viewed as being *complementary* to, rather than a substitute for progress towards achieving the 0.7 percent/GDP target.³² Even with the IFF in place, and despite the large flows of finance that this was forecast to provide, the UK would remain committed to not only meeting, but sticking to this goal.³³ For Thomas, the IFF was only a short-term mechanism, and it remained important that this financial support was sustained beyond 2015 with donor countries increasing their development budgets accordingly.³⁴ This would enable there to be the ‘safety-net’ of a continuing flow of aid once the disbursement of IFF funds had stopped. As a joint Treasury-DFID report argued, “finance ministers in developing countries will not be prepared to increase spending on the basis of short-term or unpredictable donor commitments”.³⁵ Without sustained, predictable finance, Hilary Benn warned that “African governments cannot use it both to employ teachers, doctors and nurses and

³¹ *HM Treasury* (2004c: 7)

³² Thomas (2005c)

³³ *HM Treasury* (2004c: 7)

³⁴ Thomas (2005c)

³⁵ *DFID* (with *HM Treasury*, 2005: 3)

to buy AIDS drugs for the long term”.³⁶ Benn would later note how finance ministers from developing countries needed reliable funding in order to pay doctors and nurses, run clinics, and purchase medicines.³⁷ For the Secretary of State, although the IFF was important in raising the finance as a means of financing the fight against HIV and AIDS, the predictability of this finance was just as crucial “because antiretroviral therapies cannot be turned on and off. Countries need to know that if they start the process – and individuals need to know that if they start taking the drugs – the treatment will be available in the long-term because it does not work any other way”.³⁸

There was a clear transmission of the Treasury’s ‘golden rule’ of borrowing and spending policies into the arena of international development. The IFF was to act as the means of borrowing long-term capital for investment in developing countries, while the current spending, raised by the UK taxpayer, was designed to finance Britain’s commitment to reaching the 0.7 percent/GDP target. The internationalisation of this policy however revealed a rather striking tension between New Labour’s clear commitment to market-led development on the one hand, and the continuing high level of overseas assistance promised on the other.

In the first instance, Treasury officials were at pains to portray the IFF as a temporary mechanism for frontloading finance; one that could provide the means through which aid could be raised and used by developing countries to invest in schools, healthcare, and infrastructure. Following a distinctly market-orientated approach to development, officials claimed that investment in these areas, combined with an increased market liberalisation and openness to the global economy would raise levels of trade and attract foreign flows of private finance. Both the Treasury in London and the IFIs in

³⁶ Benn (2005)

³⁷ Benn (2006b)

³⁸ Benn (2004e)

Washington argued that it was these increased flows of trade and finance, which were necessary to integrate these developing countries into the global economy and reduce poverty accordingly. Over time, this integration into the global economy would lessen the dependence of these countries upon foreign aid.

Despite this particular commitment to market-led development however, New Labour also continued to promise that it would meet the 0.7 percent aid target both prior to, and beyond the lifetime of the IFF. Given that welfare, like the IFF, was viewed by New Labour as a temporary measure, by continuing to reassert Britain's other commitment to the UN target, this suggested that government officials were not completely convinced that neither the leveraged investment offered by the IFF nor deeper integration into the world economy – even under the conditions laid out by the Treasury – would actually lift those currently living in the developing world, and future generations, out of poverty. Crucially therefore, despite its aspirations to reduce poverty by developing the education and healthcare systems and to build infrastructures across the developing world, the IFF could not guarantee that globalisation, as it was understood by New Labour, could be made to work for the world's poor.

Aid as Global Welfare: The Temporality and Conditionality of the IFF

Alongside the internationalisation of the Treasury's 'golden rules', there was a clear line of transmission between New Labour's conceptualisation of welfare at home and the policy design of the IFF for consumption abroad. This transmission emerged in two key ways. Arguably the most significant of these, the *conditionality* that the Treasury built into the IFF will be explored in depth later in this chapter. The first of these themes however – the *temporality* of the IFF – returns briefly to a theme already

touched upon in this chapter. Rather than acting as a permanent form of welfare, the IFF was designed to temporarily frontload aid and enable recipient countries to integrate themselves within the global economy. As New Labour had sought to do through its welfare-to-work schemes, most notably through the ‘New Deal’ programme, the pursuit of this altogether more market-based form of development would enable countries to participate in the global economy, and reduce poverty more independently rather than by simply continuing to rely upon foreign aid. At home, young people and the unemployed were urged not to rely upon the state for handouts, but to instead obtain the skills required to participate in the increasingly global labour market. Through the ‘New Deal’ the government would offer support, but once an individual had secured employment – and therefore financial independence – this funding would stop. Similarly, and certainly insofar as the Treasury was concerned, by bringing forward the aid commitments of donor countries, the IFF would support the integration of these developing countries into the global economy. This would enable these countries to become economically independent, create their own wealth and reduce poverty upon these terms.

The temporality of the IFF was reflected in the Treasury’s claim that the Facility would be “a limited-life entity” with an estimated lifespan of around thirty years.³⁹ The initial surge in aid would be supported by the IFF bonds receiving AAA credit-rating, which would enable up to US\$50 billion to be frontloaded and disbursed every single year leading up to 2015. With the subsequent US\$500 billion that the Treasury forecast would be raised over the ten-year period between 2005 and 2015 having been invested into poverty reduction strategies and development programmes,⁴⁰ the

³⁹ *HM Treasury* (2003b: 2, 8)

⁴⁰ *Ibid.*, p. 7

amount of aid disbursed by the Facility would begin to diminish.⁴¹ This would enable the recipient country to stand more independently in the global economy and lessen their dependency upon foreign aid. Like the Treasury's earlier proposals for the IDTF, the IFF reflected New Labour's belief that welfare should be a short-term measure – a means rather than an ongoing end in and of itself. The high levels of government spending seen under New Labour was intended to move recipients – whether welfare claimants at home or developing countries overseas – off a culture of dependency and into a position of financial independence which would enable individuals and countries to make the most of the opportunities presented to them. The projected disbursements of the IFF reflected this way of thinking. As a later draft of Treasury's IFF proposals argued, "while increased aid could increase aid dependency in the short to medium term, the experience of well-managed countries in receipt of large aid flows suggests that aid has helped them to grow fast enough to reduce aid dependence over time".⁴²

The aim of New Labour to reduce aid or welfare dependency also played a part in the distinct form of *conditionality* that the government attached both to its welfare policies and its aid programme overseas. The issue of conditionality was a prickly one for New Labour officials. Gordon Brown remained adamant that conditionality was "essential if we are to ensure the best use of overseas aid" and it certainly was an integral part of his proposals for the IFF.⁴³ There was however also a keenness amongst government officials to move the conditionality debate on, something that was reflected in the policy document, *Rethinking Conditionality* published in 2005.⁴⁴ This did not call for the end of aid conditionality, but rather sought to focus upon the issue of 'process conditionality', whereby standards of 'good governance' would be the

⁴¹ *Ibid.*, p. 8

⁴² *HM Treasury* (2004c: 6)

⁴³ Brown (2004e)

⁴⁴ *DFID* (2005b)

benchmark for aid rather than any exacting policy conditions. Throughout this phase of policy however, the lines of difference between the 'process conditionality' that New Labour officials claimed to support, and the 'policy conditionality' they claimed to have left behind were frequently blurred. As the case of the IFF demonstrated, the disbursement of aid would remain contingent upon recipient countries in the developing world continuing to put in place the same set of 'sound' policies conducive to economic growth. It was a recurring theme in the policy speeches and statements of government ministers that the implementation of pro-trade, investment-friendly policies was not only a necessary prerequisite for poverty reduction but also represented 'good governance' on the part of developing countries.

The overarching concept of conditionality enabled donors to set out the terms upon which aid should be disbursed, and to withhold or stop this money altogether should a recipient country renege upon these terms. It has been an integral element in the disbursement of both bilateral and multilateral aid programmes and two main forms of conditionality have come to dominate the international aid system: *tied aid* and *policy-based conditionality*. 'Tied aid' requires the recipients of aid to purchase the goods and services needed for development from the donor countries themselves. More often than not, tied aid prioritises the export markets and commercial interests of aid donors over the more immediate development needs of the recipient economies. 'Policy-based conditionality' requires the implementation of a series of policy prescriptions, typically to restructure the economy of the recipient country towards a more market-based form of development. This particular form of conditionality was introduced as part of structural adjustment measures first implemented in the 1980s by the IFIs under the rubric of the 'Washington Consensus'. Again, these policies typically prioritised economic growth over equality and market concerns over the more

immediate social issues such as healthcare and education that developing countries faced. Both these forms of conditionality had invoked widespread criticism from the NGO community, and developing countries alike as well as large parts of the Labour Party (see chapter 3), who considered these demands to be excessive and indicative of the exploitative power relations between the rich countries and those living in poorer parts of the world.

Senior New Labour officials were keen to distance themselves from pursuing these types of conditionality. In ruling out tied aid however, officials ended up maintaining a set of policy conditions akin to those laid out in the initial 'Washington Consensus', emphasising the importance of macroeconomic stability and economic growth to development, and prioritising these over the more immediate social issues faced by poor countries. In DFID's second White Paper, policy officials rejected tied aid as being "grossly inefficient", and outlined their commitment to "untying aid and promoting local procurement" instead.⁴⁵ No longer would the UK's increasing aid commitment be dependent upon recipient countries purchasing British goods or undertaking development projects that would benefit British firms and contractors. Previously, this policy would have contradicted the remit of the overseas arm of the Department of Trade and Industry (and its subsequent rebranding under New Labour) whose role it was to support the commercial interests of British firms abroad.

However, the specific discourse of globalisation articulated by New Labour officials emphasised the opportunities that this new global economy now afforded to firms looking to enter these new, emerging markets. For firms to make the most of these opportunities, and for developing countries to confer the benefit of the investment that these firms would bring, host countries themselves needed to become more

⁴⁵ DFID (2000: 94)

integrated in the global economy by pursuing 'appropriate' government policies. Consequently, both DFID and the Treasury emphasised the importance of 'sound' pro-investment government policies, open markets and trade liberalisation. These neoliberal imperatives would form the principle conditions upon which New Labour, through the IFF would disburse aid and provide other forms of development support. Although globalisation was understood to have restricted the latitude of policymakers at home, if 'managed properly' by countries in the developing world, it could lift millions out of poverty. British industry stood to reap the benefits of this since it would enable *more* firms to extend their reach into these emerging markets.

The importance that policy officials in charge of drawing up the IFF placed upon open markets and trade liberalisation reveals the extent to which New Labour struggled to make a distinctive break from the heavily criticised policy conditionality imposed by the IFIs based in Washington, and the aid programmes of previous British governments. Shortly before succeeding Clare Short as Secretary of State for International Development, Valerie Amos argued that the "conditionality in the form of the 'one-size-fits-all' prescriptions imposed on developing countries is gone from our agenda".⁴⁶ Amos's own successor at DFID, Hilary Benn also attempted to put clear water between the policies of his department and those of the World Bank and IMF where "in the days of the 'Washington Consensus'...there was scant regard for the impact on poverty and social conditions of an inappropriate 'one-size-fits-all' economic orthodoxy on poor countries".⁴⁷ Despite both these claims, a set of conditions remained, which Amos made clear, reflected "the international consensus on what works in development".⁴⁸ However, this rebranding of the much-maligned 'Washington Consensus' with an altogether more progressive sounding 'international

⁴⁶ Amos (2003a)

⁴⁷ Benn (2004a)

⁴⁸ Amos (2003a)

consensus' simply fudged the issue. In DFID's 2000 White Paper, the government promised to target aid and ensure that development assistance was used much more effectively.⁴⁹ Similarly, the IFF reiterated the importance of a "reform and better allocation of aid" which the Treasury's proposals would help achieve.⁵⁰ However, despite these reformist appeals for a more effective use of aid, the reality was that the conditions upon which aid would be disbursed would remain contingent upon a 'consensus' amongst policymakers in the global North rather upon the specific needs of individual countries in the developing world.

The character of this 'international consensus' was reflected in the distinctly neoliberal, pro-market conditions that countries in receipt of IFF finance were required to adopt. Laying out its proposals for the IFF, the Treasury spelled out three distinct elements to its own policy conditionality; elements that were linked heavily to the 'new international economic architecture' discussed in chapter 5. Firstly, countries were required to pursue anti-corruption, pro-stability policies and the necessary transparency in economic and corporate policies. Secondly, there must be a commitment to a sequenced opening-up of markets to global trade. Thirdly, countries must improve their macroeconomic environment to encourage increased investment and private sector-led growth.⁵¹ Introducing his proposals, firstly to the House of Commons Select Committee for International Development, and then in his pre-Budget Report, Gordon Brown set out these conditions as a partnership – a 'global compact' – between the developed and developing nations:

In return for developing countries pursuing corruption-free, pro-stability, pro-investment and pro-trade policies, developed countries

⁴⁹ *DFID* (2000: 84ff.)

⁵⁰ *HM Treasury* (2002d: 1)

⁵¹ *Ibid.*, p. 2

should substantially increase the development aid they are prepared to offer in the run-up to 2015.⁵²

In return for the developed countries insisting on corruption-free policies for stability, better conditions for trade...and a more conducive environment for investment, we should in return be prepared to put in the additional development aid.⁵³

In continuing to build support for the IFF the following year, Brown again called for “a commitment from developing countries to pursue policies for stability, growth and the opening up of trade and investment”.⁵⁴ In return for this commitment, the Chancellor went on to argue, “the international community, particularly the richest countries, should be prepared to say that we will help to meet the millennium development targets: ensuring that poverty is halved by 2015”.⁵⁵ For Brown:

The opening up of trade and of opportunities for investment that, combined with the programme for aid, will help the developing countries most... If the developing countries are prepared to open up to trade and to allow private investment to play its role in the development of their countries, we must in turn support them with rises in our aid budgets and with the new International Finance Facility.⁵⁶

In the 2003 Budget, the Chancellor again returned to his ‘global compact’ between rich and poor nations. “In return for action by developing countries to tackle corruption and establish stable conditions for equitable and sustainable economic growth”, the Treasury promised that “developed countries will increase aid from US\$50 billion a year today to US\$100 billion a year up to 2015”.⁵⁷ Similarly, “in return for African countries tackling corruption, pursuing policies for stability and opening up to

⁵² *House of Commons Select Committee for International Development* (2002: 9)

⁵³ Brown (2002g)

⁵⁴ Brown (2003d)

⁵⁵ *Ibid.*

⁵⁶ Brown (2003c)

⁵⁷ *HM Treasury* (2003a: 108)

investment, we will provide the resources to enable them to tackle their problems”.⁵⁸ This meant that although the IFF was designed to produce distinctly social outcomes, it was understood that these could *only* be achieved through the pursuit of a ‘pro-market’ model of development. Put simply, for more children to attend school, for more teachers and nurses to be trained and be employed, for more lives of mothers and babies to be saved during childbirth, developing countries *must* open up their markets, increase investment opportunities and integrate themselves in the global economy.

The conditionality of the IFF was designed to address four key areas – two normative, two explanatory – that New Labour officials considered to be of crucial importance if the finance raised by the IFF was to be used effectively, and if support for the IFF was to be forthcoming beyond Whitehall. The first and most distinctive of these four areas addressed the need for recipient countries to “meet their obligations to pursue stability and create the conditions for new investment”.⁵⁹ Although the Chancellor promised not to make British aid designed “for education, health and anti-poverty programmes conditional on either trade or commercial agreements”, Brown maintained that it would be nevertheless necessary for African countries to open up their economies “to trade and private investment” as a means of reducing poverty.⁶⁰ The character and the imprint of this particular brand of neoliberalism dominated the Treasury’s proposals, embedding them firmly within the “international consensus” that now existed in the ‘post-Washington’ era.

The second normative issue concerned the need for developing countries to demonstrate ‘good governance’ and particularly, a commitment to tackle corruption.

⁵⁸ Brown (2003l)

⁵⁹ Brown (2002a, ev. 84)

⁶⁰ Brown (2003f)

For Brown, this was necessary to ensure that the funds earmarked for developing countries were “properly and effectively used”.⁶¹ Indeed, if Britain and the rest of the donor community was “to provide additional help...it must have a guarantee that the money will go not to corrupt elites, wasteful military expenditure and prestige projects by bureaucracies” but instead be spent on “health, education and anti-poverty programmes”.⁶² Clearly, such a move was to be welcomed. This narrative however enabled British government officials to depict their counterparts in the developing world in less than favourable terms. New Labour played up to the crude but popular caricature of developing world leaders as being despotic, corrupt and profligate. Reinforcing the purpose of ‘the new economic architecture’, the Chancellor maintained that what was required was increased economic surveillance to discipline ‘good’ as well as ‘bad’ governments into following the neoliberal orthodoxy of the “international consensus”.⁶³ This raised serious questions concerning not only the perception of political leaders and decision-makers in developing countries but also the autonomy and latitude they would be afforded in formulating policies appropriate for their own national contexts. As Brown remarked, “in return for providing additional aid...central banks and finance ministers *of those countries* should be prepared to be far more transparent by opening their books to show where money was really being spent”.⁶⁴

These two normative aspects of New Labour’s conditionality policies were linked into two further altogether more explanatory reasons why conditionality remained so important for the government. Essentially these were used by Treasury officials to build support for and ‘sell’ its proposals for the IFF to constituencies both at home and

⁶¹ Brown (2002a, ev. 84)

⁶² Brown (2003e)

⁶³ Two centres were set up by the IMF with the full support of the New Labour government “...to advise on the proper preparations of fiscal and monetary policy” (Brown, 2004e).

⁶⁴ *Ibid.*, emphasis added

abroad. Again the depiction of corrupt, wasteful elites in the developing world came in handy for New Labour ministers like Benn who noted the “fiduciary responsibility” that donor governments have “to their taxpayers to ensure that aid is spent on development”.⁶⁵ This particular responsibility was highlighted by DFID’s policy paper on conditionality which noted the “particular responsibility” that donors have “as part of their accountability to parliament and the public, to ensure that their development assistance is not used in ways that abuse human rights”.⁶⁶ The logic here was simple: any government commitment to increasing aid would not be supported by their electorate if this money was being spent lining the pockets of the leaders of developing countries, particularly those who were guilty of human rights abuses. Although designed to appeal to domestic audiences who might otherwise be sceptical of aid, this particular narrative also signalled and reinforced the responsibility that developing countries had to conform to the demands of the international donor community.

As well as building support at home, New Labour’s continued emphasis upon conditionality was important in the building of support amongst other constituencies from the donor community. Tony Blair even went as far as to suggest that without these conditions in place, the IFF would not work. While the Prime Minister believed that the IFF was “a sound idea” he warned that Britain would “not obtain the full support for [increased] development assistance unless it is in return for a partnership with those countries which are taking the necessary measures to improve their governance”.⁶⁷ For government officials, it was clear that an initiative such as the IFF needed the safeguard of conditionality to persuade other donors to support the

⁶⁵ Benn (2004a)

⁶⁶ *DFID* (2005b: 8)

⁶⁷ Blair (2003c)

proposals. Without this accountability, donors would be unwilling to scale-up their aid commitments to the amount that was required to meet the MDGs.

Two rather striking observations can be made, both from Blair's remarks and the way, in much broader terms, in which the IFF was framed. New Labour officials had frequently stated the urgent case for increasing aid as a means of meeting the MDGs. For both Brown and his colleagues in DFID, it was essential that the aid community took seriously this challenge in order to fund desperately needed poverty reduction strategies across the developing world. This appeal however, like the Treasury's own spending plans at home, was tempered with economic caution and constraint. Only if recipient countries in the developing world adopted 'appropriate' macroeconomic policies would the international donor community be under any obligation to deliver on its aid commitments. Despite the gravity of the situation faced by the poorest countries and people groups in the developing world, any redistribution of wealth was to take place on these economic terms, and these terms alone, rather than any moral or humanitarian obligation on the part of the rich countries in the global North.

The priority that these economic concerns were afforded over the moral impulse that New Labour officials claimed elsewhere was reflected in the design of the IFF itself. Although its projected ability to raise US\$50 billion in aid enabled government ministers to talk about meeting 'the moral challenge' of poverty, the Facility itself was clearly hard-wired into addressing the 'economic' imperative of development. Like the IDTF before it, the IFF would not become a 'new' aid agency with a new set of criteria. Rather, it would continue to disburse money through "existing development agencies" and "effective bilateral and multilateral mechanisms".⁶⁸ This was significant since it appealed directly to the market-orientated expectations of these particular

⁶⁸ *HM Treasury* (2003b: 2)

constituencies, by assimilating the neoliberal ideas and the practices of these institutions into the design of the IFF. In a clear endorsement of the current practice of aid disbursement, particularly by the IFIs, the Financial Secretary to the Treasury, Stephen Timms justified the use of these arrangements as being “tried, tested and shown to be effective”.⁶⁹

Particularly under the terms of the old ‘Washington Consensus’, this approach to aid had attracted a great deal of criticism from large parts of civil society, a number of Labour backbenchers as well as rank-and-file party members. In spite of these criticisms however, neither New Labour officials nor the proposals for the IFF itself neither conceived of the need nor the possibility to reform these existing institutional arrangements. As John Healey, the Economic Secretary at the Treasury remarked, “the International Finance Facility would not impose new conditions on recipient countries”.⁷⁰ Instead, the finance raised and disbursed through the IFF would remain at the discretion of the donor. Funds would be allocated “by each donor to its choice of country and delivery channel”.⁷¹ Despite many donors (including Britain) reneging on their aid commitments in the past, the onus remained firmly upon the developing country creating “a good policy environment” where this aid could be “used most effectively”.⁷²

The IFF was proposed under a series of headlines announcing a ‘doubling of aid to halve poverty’ and a commitment to spend US\$500 billion over the course of the next ten years. These were clearly designed to appeal to civil society constituencies ranging from faith groups, NGOs and members of the Labour Party who had pressed the New Labour government into taking greater action over global poverty and spending more

⁶⁹ Timms (2004)

⁷⁰ Healey (2003)

⁷¹ *HM Treasury* (2003b: 2)

⁷² Short (2002f)

on overseas aid. In the midst of these bold projections however, the Treasury also sought to reassure the altogether more market-based constituencies of the economic credibility of the IFF. When addressing the former, New Labour championed the Facility as an ‘innovative’ mechanism which could solve the chronic shortfall in overseas aid and finance the means by which developing countries could grow and lift themselves out of poverty.

At the same time however, the IFF was also talked about as a means of stabilising “already shock-prone economies”.⁷³ The importance that Treasury officials afforded to macroeconomic stability is explored in greater detail in chapter 5, but what is significant here is the way in which the Facility was also presented to international financial constituencies as a tool for promoting the stability of aid flows, sound macroeconomic management, and creating the right conditions to attract foreign investment. This would suggest that what underpinned New Labour’s commitment to tackling poverty and increasing aid through the IFF was not principally a moral concern, but rather a means to stabilise the global economy and institutionalise market-led growth in these developing countries. This rather undermined the claims made concerning the moral leadership demonstrated by Tony Blair and Gordon Brown over this issue. That the IFF was shaped by largely economic imperatives, rather than any distinctly ethical mandate, reveals the character of New Labour’s aid policy during this particular phase of government.

New Labour and the Language of ‘Rights and Responsibilities’: Explaining the Conditionality of the IFF

One reading of New Labour’s conditionality policies and the way in which the Treasury’s proposals were pitched to economic and political constituencies, would

⁷³ *HM Treasury* (2004c: 7)

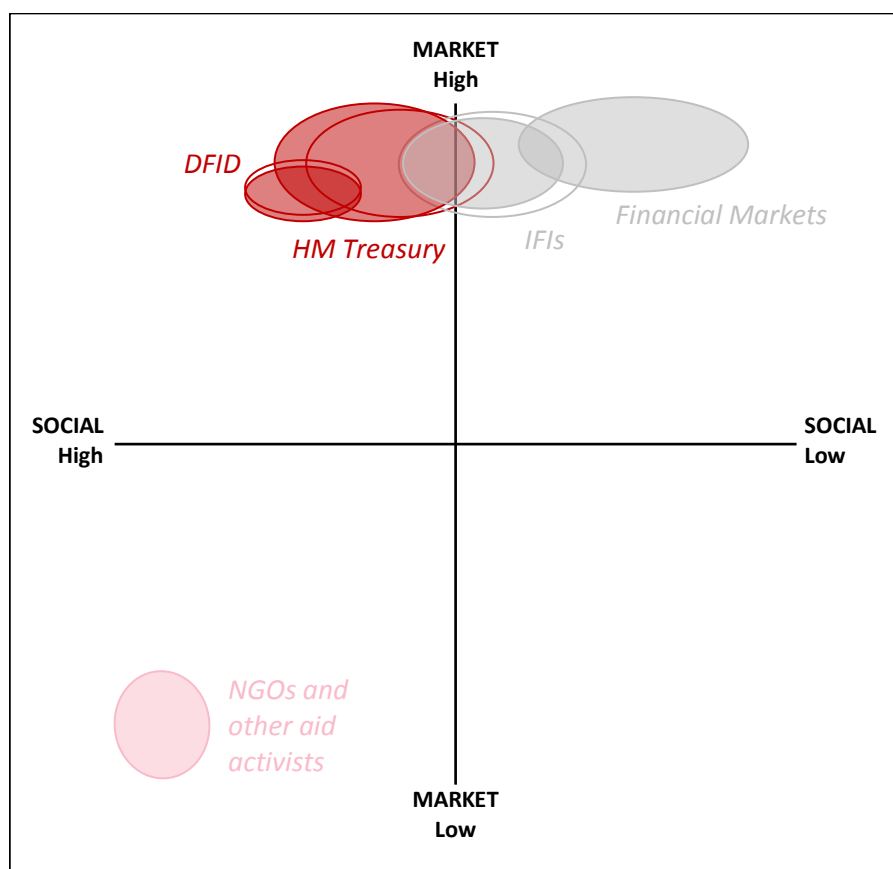
suggest that they emerged out of an increased assimilation with the IFIs in Washington and elsewhere. That New Labour almost blindly followed the practices of these institutions and simply incorporated these into its own development policies. This rather simplistic reading however not only ignores the agency of national government actors, but crucially misses the antecedent that New Labour had itself set through its own welfare policies at home. The conditionality that was strongly evident in this particular phase of development policy overseas borrowed extensively from the concept of ‘rights and responsibilities’ that government ministers had used at home to underpin its strategy for lifting individuals out of welfare (for which read, aid) and into the world of work and global markets. Although there was a clear difference in the substantive content of these obligations that both these sets of recipients were required to adhere to, these conditions – or moreover, these responsibilities – shared a character which reflected the putative demands upon both the state and the individual that globalisation was understood to have invoked. As I argued in chapter 2, both at home and abroad, government officials understood the changing strategic context of globalisation to have necessitated a qualitatively new way of approaching and responding to policy issues and challenges.

It was Hilary Benn who explicitly transposed New Labour’s domestic rhetoric of ‘rights and responsibilities’ into the arena of international development. The Secretary of State argued that “development aid should be about a wider, longer term global interest” and this principle “should govern the rights and responsibilities of states in this interdependent international community”.⁷⁴ However, the strong element of conditionality evident in the Treasury’s IFF proposals demonstrated what these rights, and in particular, what these responsibilities looked like in practice. Indeed, Gordon Brown’s ‘global compact’ between rich and poor countries was based upon this

⁷⁴ Benn (2004a)

relationship between the rights and the responsibilities of developing countries as recipients of aid. The Chancellor deemed it essential for developing countries to pursue “anti-corruption, pro-stability [policies] to enable them properly to participate in the world economy”.⁷⁵ Both at home and abroad, these policy narratives revealed the importance that New Labour placed upon recipient ‘responsibility’ as a means of encouraging increased integration into the global economy.

Fig. 7.4 *Phases 1 and 2: the IDTF and the IFF*



Strikingly – but perhaps not surprisingly – little mention was made in any of the numerous draft proposals of the IFF or the speeches made in support of the Facility of the responsibilities that donors themselves had in this mechanism. The Chancellor appealed for rich countries to increase the amount of aid they gave to the developing

⁷⁵ Brown (2003)

world, yet only a handful had so far demonstrated the necessary political will to do so. Since 1970, many donors had simply shirked their own responsibilities and pledge to meet the 0.7 percent/GDP target. This left the demands of the ‘compact’ between the global North and South resting far more heavily upon the shoulders of the latter. Rather than redressing this imbalance, New Labour chose to frame the IFF in terms of ‘global inclusion’, and to prioritise this particular imperative over more pressing – and more traditionally, Labourite – concerns such as inequality and social justice. Like the wider ‘new international economic architecture’, explored in chapter 5, in which the IFF would be animated, the Facility became a means of imposing a series of market-based responsibilities upon the recipients of this global welfare – a point reflected in **Fig. 7.4** – with the designated outcome of integrating individual citizens and developing countries alike into the global economy.

Phase 3: The International Finance Facility for Immunisation

Despite extensive promotion by government ministers both at home and abroad, most notably in the report published by the *Commission for Africa*,⁷⁶ and in the lead-up to and during the 2005 G8 summit in Gleneagles, the IFF as a mechanism for delivering increased aid to the developing world was actually dropped by Treasury officials shortly after. A failure to convince Britain’s key allies in the G8, most notably the United States, of the viability of the IFF, left the Treasury without the political and economic support it needed to be successfully implemented. Unperturbed by this setback, Treasury officials instead set about exploring the possibility of extending the ‘frontloading’ principles of the IFF to more specific areas of development, such as water and sanitation,⁷⁷ climate change,⁷⁸ and children’s health. It was the latter – through became what known as the International Financial Facility for Immunisation

⁷⁶ *Commission for Africa* (2005: 110)

⁷⁷ Benn (2006a)

⁷⁸ Brown (2009a); Vadera (2008, ev. 49)

(IFFIm) – that New Labour set about convincing the international community as to the feasibility of the ‘frontloading’ principles as a means of financing the scaling-up of access to life-saving vaccines, specifically for children living in the developing world.

The potential for an IFFIm had actually been suggested as early as 2004. Government officials noted that such an initiative could “send signals to the manufacturers of vaccines to increase production and encourage new investments, as well as providing greater predictability and security of funds to countrywide immunisation systems”.⁷⁹ Sticking closely to the Treasury’s design for the original IFF, the IFFIm was to be operationalised by “converting long-term aid commitments from donors into frontloaded resources for immunisation”.⁸⁰ The first tranche of finance would be used to purchase vaccines and other essential medicines, and disbursed over a ten-year period.⁸¹ DFID ministers claimed that these vaccinations could save an additional 5 million children’s lives in the years to 2015,⁸² and over time, enable “over 500 million people” to be vaccinated across the developing world.⁸³

The actual design of the IFFIm held a great deal in common with the earlier IFF model proposed by the Treasury. No more clearly was this demonstrated than in the component of ‘borrowing to invest’, and the use of international capital markets to raise the finance necessary to buy in large quantities the life-saving vaccinations, suitably modified for use in tropical regions. These aspects of the IFFIm were to be achieved by giving market actors a key role to play in the raising of this finance. Arguably the most important of these actors was the World Bank, which through its Concessional Finance and Global Partnerships (CFGP) division was appointed to act as

⁷⁹ *DFID* (2004c: 33)

⁸⁰ Balls (2006b)

⁸¹ Thomas (2005b)

⁸² Lewis (2005a)

⁸³ Foster (2009)

the Treasury Manager for the IFFIm.⁸⁴ The remit of the CFGP would include responsibility for the funding the IFFIm receives from capital markets, the management of risk, and donor co-ordination. The CFGP would also work closely with the credit-rating agencies to maintain the AAA rating that the IFFIm bonds needed to ensure the ongoing commercial attraction of these bonds to investors.

The CFGP designated the leading investment banks, Deutsche Bank and Goldman Sachs to manage the first IFFIm bond issue in November 2006. Priced comparably to other sovereign and supranational issuers, the IFFIm bonds were subsequently purchased by central banks, fund managers, and insurance companies,⁸⁵ raising US\$1 billion.⁸⁶ Although this inaugural bond issue represented just a fraction of the US\$50 billion that the Treasury hoped that the original IFF would raise on an annual basis, this money was nevertheless able to be used primarily by the GAVI Alliance (formerly known as the Global Alliance for Vaccines and Immunisation) to finance the purchasing of vaccines from pharmaceutical firms on behalf of poor countries, administer immunisation programmes, and support healthcare systems in the developing world. This process would create the appropriate market conditions and incentivise the pharmaceutical firms to invest in the research of vaccine technology and produce drugs suitable for use in tropical and ostensibly 'less-profitable' regions of the world.

In this respect, the IFFIm formed part of New Labour's broader commitment to increase access to medicines in the developing world (on which, see chapter 6) by creating the right market conditions for investment by pharmaceutical firms. It would also incentivise these firms into developing paediatric formulations of vaccines to protect against diseases commonly found in developing areas. This reinforced both the

⁸⁴ *World Bank Group* (2010)

⁸⁵ *IFFIm* (2010)

⁸⁶ *Ibid.*

‘demand’ and ‘supply’-side strategies that government officials had come to recognise as being integral elements in the increase of access to vaccines and medicines in the developing world. As I have previously remarked, an overriding responsibility to the expectations of shareholder and a lack of profitability in poor country markets had tended to deter a lot of pharmaceutical firms from investing in the research and development of medicines needed in the developing world. Where medicines had been made available, countries in these poorer regions were often unable to afford these treatments and frequently lacked the infrastructure to administer these medicines effectively.

In policy terms, the IFFIm revealed what the Treasury under New Labour actually meant when it spoke about ‘borrowing to invest’, particularly within the international arena. The IFFIm a mechanism for long-term borrowing designed to be embedded within a matrix of global market actors. For the IFFIm to work as policy officials envisioned, the Facility needed to be calibrated in order to meet the expectations of these particular actors. For this to occur however, New Labour officials clearly deemed it necessary to hand over all control of the Facility to IFIs and other economic actors that it deemed better placed to credibly deliver its own policy outcomes. The early performance and potential of the IFFIm (illustrated in **Fig. 7.5**) went a long way in vindicating this decision and enabled Treasury and DFID ministers to claim New Labour’s continued commitment to global social justice.⁸⁷

⁸⁷ Foster (2009); Merron (2008); *DFID* (2008c); Kennedy (2008); Malik (2007)

Fig. 7.5 *The Achievements and the Potential of the IFFIm since 2006*

What the IFFIm has *already* achieved:

- The immunisation of more than 100 million children under the age of five against polio
- 194 million children in 32 developing countries immunised with a measles vaccine
- 14.5 million children vaccinated against Hepatitis B
- 4.4 million children vaccinated against yellow fever

What the IFFIm *could* yet still achieve:

- The targeting of 26 million women living in developing countries with immunisation against maternal and neonatal tetanus
- The support of vaccine security and affordability, and the prevention of approximately 687,000 deaths up to the year 2050

The 'headline message' of these achievements that New Labour ministers sought to get across was that specifically-targeted aid works. Allocated and disbursed through a private, carefully monitored mechanism such as GAVI, aid *could* make a huge difference to the lives of millions across the developing world. Despite these successes however, a question clearly remained however over how much of a distinctly social democratic identity there was, both in New Labour's domestic and international development policies. Despite the initial success of the IFFIm, the moral basis of the IFFIm was subsumed by the market-based expectations of a powerful set of international economic constituencies. The interests of patients in the developing world would continue to be secondary to meeting the expectations of these constituencies. Given this policy success, pragmatists might be forgiven for asking why this was such a problem. After all, as many, particularly at the heart of the New Labour project argued, 'what matters is what works'. Such an assessment however would be to miss what really is at stake here. If it was indeed private markets and investors who were raising this finance, even for a policy objective as admirable as increasing the

number of children receiving vaccinations and/or scaling-up access to essential medicines, these actors – quite understandably – would nevertheless still want to know where their money is going and what it is being spent on. Followed to its logical conclusion, it would be these market actors, rather than the developing countries themselves, who would hold the final say in how and where treatments in poor countries were to be distributed.

This market-based logic is particularly evident during a period of financial uncertainty and economic recession. Such a scenario unfolded and overshadowed New Labour's final few years in office, making market actors – and concomitantly, political actors too – even more risk-averse in their behaviour. The main response to the financial difficulties that the New Labour government faced during this time at home, was to increase public borrowing in order to stabilising the ailing banking sector and stimulating aggregate demand in the slowing British economy. Abroad however, New Labour's fiscal policy had the effect of downgrading Britain's sovereign AAA-rating that as Chancellor, Brown had argued was an important component of the IFF proposals. If the markets were to remain convinced of the long-term viability of the IFFIm, it was essential that Britain's own level of borrowing was kept in-check and that the New Labour government pursued what the markets considered to be a credible set of spending plans.

Although Gordon Brown's government remained "committed to fulfilling its pledge to dedicate 0.7 per cent of its gross national income to development by 2013", it argued that "government spending on its own will not be enough".⁸⁸ Instead, a much greater emphasis needed to be placed upon sources of private finance and entrepreneurship. This was significant since it reinforced the view held by New Labour officials that

⁸⁸ *DFID* (2009a: 137)

private finance and entrepreneurial activity in developing countries would not occur if recipient governments did not pursue the same sort of market-orientated policies that encouraged this type of economic activity in the first place. Therefore, although all reference to the conditionalities that underpinned the previous IFF proposals had all but disappeared from the speeches made by New Labour ministers during this phase of policy, the emphasis upon the private sector meant that these conditions remained implicit. Without these types of policies in place, the aid necessary to finance the development that New Labour clearly remained in favour of, would not be forthcoming. This shift in government policy suggested that if spending on development could no longer come from governments – particularly in an era of financial uncertainty and belt-tightening – it would be necessary to look to the private sector in order to fill this gap.

This particular move is also significant since it reveals New Labour's assessment of the role that the state should play in the delivery of forms of welfare both at home and abroad. Continuing the transmission of its welfare policies into the framework of the IFF, and in particular the responsibilities that recipients had in order to receive this assistance, New Labour understood the state to be one of enablement rather than a direct provider of services. This was in stark contrast to 'old' Labour which had been concerned with what it provided as a government; its *outcomes* – for instance, a universal health service, extensive welfare provision and a large public sector. For New Labour, the focus was upon the *means*, and the effectiveness of these in meeting the Party's overarching commitment to social justice. As in other parts of its political economy, both at home and abroad, New Labour officials argued that what was important was the effectiveness of policies and how services were delivered. More often than not, this was understood to be best achieved through the innovation,

entrepreneurialism and cost-effectiveness found in the private sector. Insofar as overseas development aid was concerned, DFID emphasised the importance of private sector funding in its fourth White Paper. It set out an objective to:

Use innovative ways of working with the private sector to help meet financing gaps and to secure better performance, value for money and investment. A good example is our support to innovative financing in health...through an expanded International Finance Facility for Immunisation.⁸⁹

New Labour was clearly committed to the principle of global healthcare and increased aid in the developing world. In achieving this particular set of policy objectives, officials in Whitehall considered it necessary to underpin its own development aid programme through a series of market arrangements. Although identified by officials as the most efficient means of raising finance for example, this strategy nevertheless orientated policy towards the expectations of market investors rather than those living in developing countries. Periods of recession and market uncertainty tend to reinforce this shift in expectations since they draw the emphasis and the focus of these policies away from the policy outcome itself towards the means by which these policies are achieved. The same is true of forms of direct government spending. Where there is pressure over government spending increases, policies become less about the outcome and more about meeting the economic – and indeed, electoral – mandate of cost reduction and effectiveness, and the maintaining of ‘sound’ public finances. Indeed, the Secretary of State of International Development, Douglas Alexander believed that:

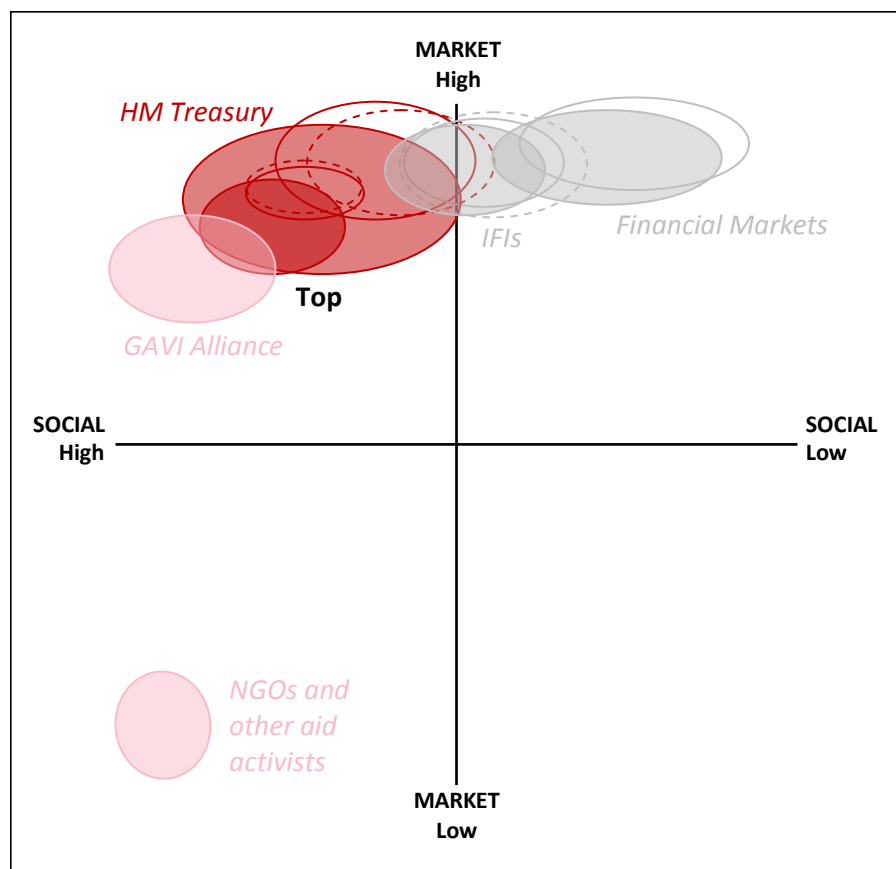
The British people would expect efficiency savings in a department that received such a generous increase of resources in the Comprehensive Spending Review. They have the right to know that their money is being well spent on their behalf, and the nature of

⁸⁹ *Ibid.*

DFID's work does not, and should not, exempt us from such scrutiny.⁹⁰

Alexander was “determined that the government’s aid, whether bilateral or multilateral, should aim to deliver maximum impact and represent value for money”.⁹¹ It is this imperative however that appeared to have become the principal focus of New Labour’s aid programme. Although officials continued to talk about the importance of aid in poverty reduction strategies, there continued to be restraint in how this money should be spent, and the channels through which it should be raised. For both private and public forms of aid, the issue therefore became less about *what* New Labour was spending aid money on, but whether it was cost-effective to or indeed worthwhile to do so in the first place.

Fig. 7.6 *Phases 1, 2 and 3: the IDTF, the IFF and the IFFIm*



⁹⁰ Alexander (2007b)

⁹¹ *Ibid.*

The initial results of the IFFIm do make for impressive reading and, as **Fig. 7.6** shows there was a discernible shift towards social outcomes and the expectations of ‘social’ constituencies and healthcare providers such as GAVI who were responsible for the disbursement of the money raised by the IFFIm. However, the design and the fundamental principles of the IFFIm mean that problems potentially lie in wait for the Facility, post-New Labour, and particularly whilst financial uncertainty remains in the British and the wider global economy. For as long as private market actors and other investors remain unconvinced by the long-term viability of the mechanism, and whether or not the bonds raised by donors will in fact be repaid, the policy outcomes of increased immunisation programmes across the developing world that the IFFIm promises remain under threat. The moral thrust of what New Labour tried to achieve through the IFFIm cannot be disputed. Its means of achieving this however, merely prioritised and reinforced the market-based expectations of private actors over the health and the well-being of those living in the developing world. For this reason alone, the IFFIm cannot be judged to be a complete success.

Conclusions

The purpose of this chapter has been to assess the character of New Labour’s clear commitment to increase the level of Britain’s overseas development aid through three closely interrelated policy mechanisms; the IDTF, the IFF, and the IFFIm. Throughout each of these three phases of policy, New Labour transposed various policies and narratives from its domestic political economy to meet this aid commitment. From the Treasury’s proposals for a CTF, its ‘golden rules’ concerning borrowing and spending, to New Labour’s broader welfare policies and emphasis it placed upon private finance to fund public projects, these themes and cognitive ideas were writ large over this particular aspect of the government’s international development policies.

The internationalisation of these various domestic policy ideas into Britain's aid programme under New Labour raises broader normative questions for Whitehall officials to consider. What I have sought to show in this chapter is that the transmission of themes and policy ideas designed initially for domestic consumption reveals a great deal about New Labour's assessment of wider issues such as equality in an era of globalisation, the role of the state in an increasingly global economy, and the extent to which development policy should be led by, and orientated towards the expectations of market actors. The language of 'rights and responsibility' that was a dominant theme of New Labour's welfare policies at home prioritised inclusion into this global economy over more traditionally social democratic concerns such as equality. This shift in emphasis was evident both at home and abroad. Just as at home recipients of welfare were disciplined into taking up a series of duties that would prepare them for the demands of the global economy, the aid that the IFF promised to deliver would also be conditional upon developing countries opening up and orientating their economies to meet the challenges of globalisation. Officials both in Whitehall and Washington argued that increased market openness, trade liberalisation and investor-friendly policies would not only enable these developing countries to meet the challenges of globalisation but take what was 'the only' route out of poverty.

To its credit, New Labour continued to retain a clear commitment to the redistribution of wealth. However, these duties and obligations signalled a significant change in emphasis. Wealth redistribution would no longer be based upon the immediate needs of the poor, but the extent to which recipients of this welfare were prepared to participate and become integrated within an increasingly global society. What this new form of wealth redistribution looked like in practice was a weakening of the duties and the responsibilities that the donor community had in the delivery of aid to the

developing world, to complete and reinforce New Labour's own discursive shift from 'equality' to 'inclusion'.

Within this strategic context of globalisation, New Labour viewed the role of the state as one of 'enablement' rather than 'provider'. Again, this was reflected initially at home through the Treasury's CTF, and welfare policies which were designed as tools to equip individuals with the finance and the skills to participate in the global economy. This discourse of 'enablement' however also framed the way in which policy was formulated. The state should 'enable', rather than simply 'provide' the best possible delivery of policy outcomes by putting in place the most cost-effective structures. For both the IFF and the IFFIm, market structures were deemed to provide the most efficient way of raising the finance that was urgently required to scale-up levels of aid and to fund vaccination programmes in the developing world. The initial achievements of the IFFIm were certainly impressive. However, there was a clear sense, from the policy statements and speeches of Whitehall ministers, that these achievements justified the means, that the real priority of government spending in this area was cost-effectiveness and a fiduciary responsibility to the British taxpayer. These reasons however undermined any real moral commitment that New Labour might have claimed for its continued pledge to increase overseas aid spending. Instead, these financial and electoral reasons led to a prioritisation of the expectations of market-based actors over the more immediate needs of those living in the developing world.

Conclusions: Exporting the Political Economy of New Labour from Whitehall to the World

In concluding the thesis, I return to the research questions laid out in chapter 1, and review firstly, the extent to which New Labour's domestic political economy was transposed abroad to meet its commitment to international development, and secondly, the constituencies that were incorporated at each phase of policy. In addressing both these questions I explore the processes of change that these policies, and New Labour's political economy more broadly speaking, underwent during its time in office.

This chapter proceeds in three parts. I begin by reviewing the first half of the thesis in which I conceptualised the political economy of New Labour in the light of its commitment to international development. For the second part, I return to the central claim of the research: that New Labour took elements of its domestic political economy and applied them to fit the concerns of the developing world. To do this, I use as my template the diagram mapped out in **Fig. 1.2**. Here however I extend this original diagram by illustrating not simply the different phases of New Labour's international development policies as they unfolded over time, but crucially, their relationship with the timing and the trajectory of those policies identified in chapter 2 that Whitehall officials had designed for domestic consumption. This leads me in the third part of this chapter to offer an analysis of the government's accommodation of the core market constituencies, and the processes of change that were evident here in the orientation of New Labour's political economy. These lines of enquiry lead me to offer an assessment concerning the character of New Labour's international

development and the likelihood of success in this area of policy.

Conceptualising the Political Economy of New Labour and its Approach to International Development

Chapter 2 opened with an assessment of globalisation as the dominant *leitmotif* of New Labour's political economy. The global economy served as the strategic context upon which policy decisions were taken and strategies were formed, and the processes of globalisation shaped the conduct of officials. The way in which this discourse shaped policy however was far from linear. At home, globalisation was, to varying degrees, understood as a 'constraint' upon policy. Abroad however, and within the realm of international development, it was presented largely as an 'opportunity'. However, upon closer reading of even this particular discourse, this was an opportunity that could only be realised by working within the parameters of the constraints imposed by globalisation. In conceptualising New Labour's discourse of globalisation, 'constraint' and 'opportunity' can be treated as two sides of the same coin; two 'faces' that are fused together.

New Labour's discourse of globalisation was evident throughout its domestic political economy and in each of the areas of policy that the second chapter proceeded to explore. Placing considerable evidence upon 'stability', 'openness' and 'transparency', and institutionalising a series of rules and standards to ensure 'market credibility', the Treasury's new economic and financial architecture was designed to navigate Britain successfully through the global economy. Similarly, New Labour's rebranding as the new 'party of business' was derived from its understanding of globalisation. Officials argued that Britain could no longer compete in terms of its declining manufacturing base. In order to be successful in the global economy, Britain needed a strong 'knowledge economy'. The welfare state under New Labour also underwent significant

change as a result of the constraints that globalisation was understood to impose upon governments and electorates alike. Such constraints brought about a change in discourse and policy, with imperatives of ‘opportunity’, ‘inclusion’ and ‘responsibility’ replacing Labour’s own traditional values of ‘redistribution’, ‘equality’ and ‘rights’. Each of these areas of domestic policy would reappear and be transposed in the three international development policies explored later in the thesis.

The role that New Labour saw for itself in the developing world did not exist in a vacuum. Indeed the relationship between the Labour Party and the developing world stretched back over much of the Party’s history. In chapter 3 the attention of the thesis turned to the Party’s longstanding commitment to matters of global poverty. Placing this commitment in an altogether more historical context, this chapter highlighted the patterns of change and continuity between ‘old’ and New Labour. Over the post-war period, the Party underwent a distinct shift away from an explicitly ‘socialist’ set of development policies towards a strategy that was orientated specifically towards meeting the broadly ‘economic’ expectations of market constituencies. This is not to say that New Labour shed completely its moral commitment to those living in the developing world. However, the period of transformation that the Party had undergone during the late 1980s and into the 1990s did result in a number of tensions in the political economy of Labour’s new international development strategy.

It would be the Treasury, with a newly defined role at the heart of Whitehall, whose responsibility it would be to resolve these tensions and manage the expectations of different policy constituencies across what I have labelled the ‘market’/‘social’ divide. As I demonstrated in chapter 4, the Chancellor Gordon Brown and his chief economic advisor, Ed Balls set about designing a model of political economy that would give New

Labour the credibility with international finance markets necessary to deliver its social goals both at home and abroad. In order to placate the perceived interests embedded in those markets, institutional reforms were undertaken to the Treasury and in the Bank of England in particular. The resulting policymaking apparatus gave Brown an unprecedented degree of power across Whitehall, and enabled the Treasury to become the pilot agency of New Labour's political economy. No more keenly was this influence felt than in DFID where Brown was able to realise his own personal commitment to the developing world. Despite the independence that DFID was afforded on New Labour's arrival into power, this department became, in effect, the 'development arm' of the Treasury. What is more, the Treasury's influence did not stop at Whitehall. Brown's position as Chairman of the powerful IMFC in Washington gave him considerable influence within the corridors of the World Bank and the IMF too. This led to a 'locking-in' of New Labour's political economy within the *nébuleuse* of these IFIs; a factor crucial in the 'internationalisation' of the New Labour project.

The second part of chapter 4 identified and mapped out the different constituencies who sought to engage with the government – and indeed with whom the government sought to engage – over issues relating to global poverty. Although the expectations of these constituencies would be assessed in the case study chapters that would follow, it was clear even from this initial exercise that not all these constituencies could be assimilated into the government's policymaking process. Some would inevitably be prioritised over others. The point of policy transmission is instructive here for if there was a distinct transposition of New Labour's domestic policies into its international development policies, then it is likely that the government would give precedence to those constituencies it had supported at home. Gauging the degree of this transmission provides considerable analytical purchase for me to make clear claims

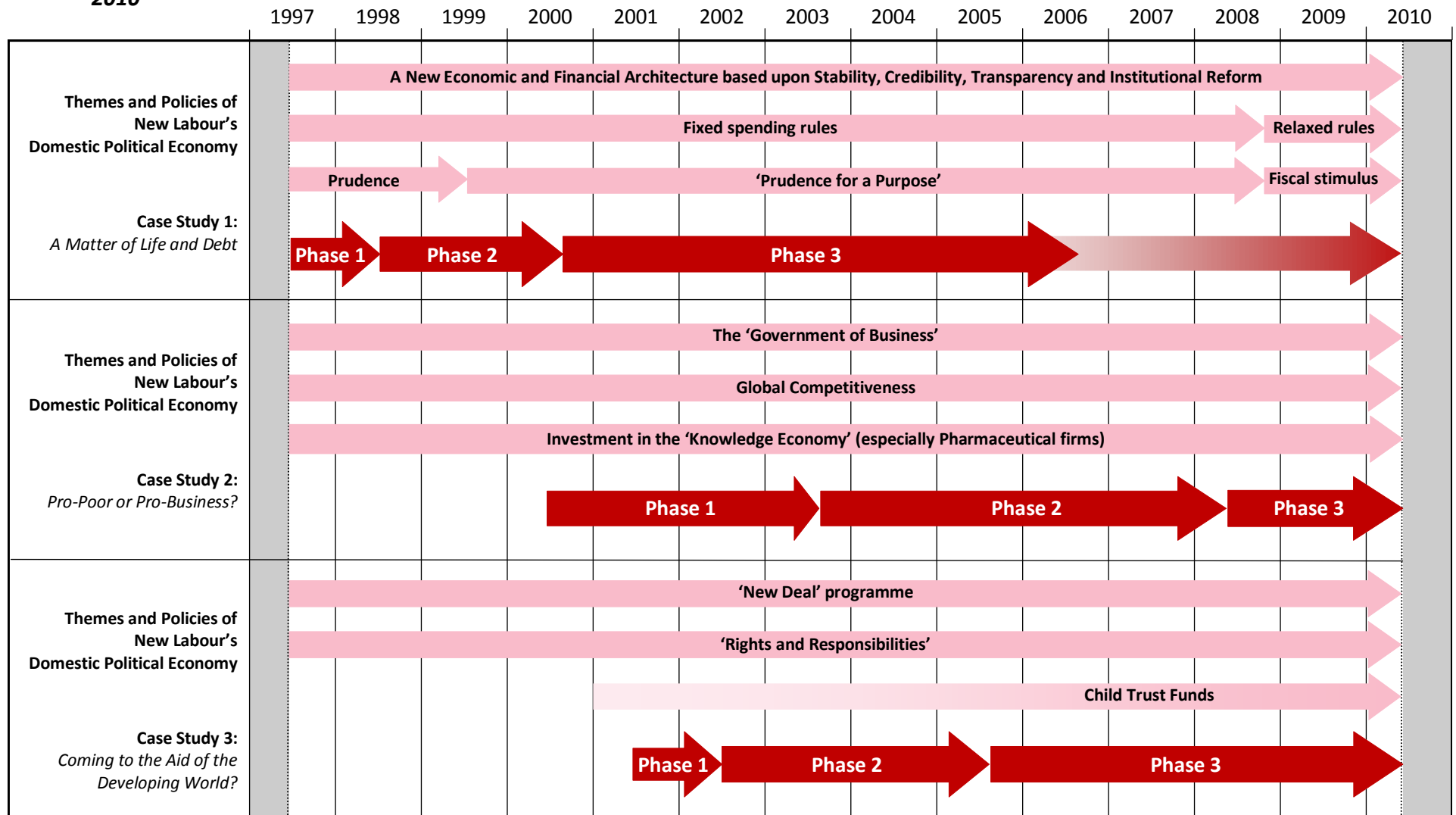
concerning the character of New Labour's political economy both at home and abroad.

The Transmission of Policy from the Domestic to the International Political Economy of New Labour

In **Fig 1.2**, I mapped out how each of the three policy areas that I would go on to explore in the case study chapters, could be divided up into three distinct phases. This demonstrated schematically where these policies sat in relation to one another, and the 'point of transition' at which there was a clear shift from one phase to another. Here, my focus was upon the lines of policy transmission that were evident between the domestic and international aspects of New Labour's political economy.

As both my case study chapters and **Fig. 8.1** suggests, there was a strong degree of transmission between the two domains. All of the policies constructed at home for domestic consumption pre-dated the emergence of New Labour's international development policies. Even where the chart appears to show the formation of New Labour's 'new global financial architecture' emerging at the same time as the building of a similar architecture at home, my analysis in chapters 2 and 4 reveals that proposals for the latter were being put together in the early to mid-1990s when Ed Balls became Brown's Economic Advisor. The IDTF emerged at around the same time as proposals were being mooted within the Treasury for a CTF at home. While the IDTF was quickly replaced by the IFF, the CTF remained a core part of the asset-based welfare strategy adopted by the New Labour government in the latter part of its time in office.

Fig. 8.1 From Whitehall to the World: The Transmission of New Labour's Political Economy into the Realm of International Development, 1997–2010



A number of initial observations are striking. Firstly, and perhaps most importantly in terms of the overall claims of the thesis, is the extent to which the themes that were so central to New Labour's political economy at home were incorporated into its international development policies abroad. There was, as I noted in chapter 2, a clear understanding amongst New Labour officials that in an era of globalisation, the lines between national and international policymaking had become increasingly blurred. By linking this observation with the trends evident in this chart, evidence is provided not only of the degree to which officials in Whitehall internalised the logic of globalisation, but crucially *the terms* upon which this occurred. Despite its different discourses, globalisation was understood as necessitating a specific set of policy responses. Policies relied upon 'constraint' on the part of governments and 'responsibilities' on the part of citizens in order to deliver the 'opportunities' that globalisation promised. Those themes and commitments that remained fixed throughout New Labour's time in government represented the policies that were understood to be the only game in town in terms of responding to globalisation. Emphases may, as they did here, go through 'phases' at the micro-level in terms of specific policy commitments but it is the character of these broader themes that reveals arguably the most about New Labour's political economy. The ongoing themes here were designed clearly to maintain the stability that investors and other market constituencies wished to see.

In terms of the specific policy strategies deployed by New Labour, there was also a clear degree of policy transmission. I shall review each of the case study chapters in turn to assess in strictly empirical terms the claims I made in the opening part of the thesis concerning the 'internationalisation' of New Labour's aspects of domestic political economy, and the accommodation of constituency expectations, both of which occurred

over time. Appropriately, the first of these case studies, in chapter 5, explored the first of many forays into international development made by New Labour. The response of the Blair government – and the Treasury in particular – to the issue of developing world debt provided an early opportunity to showcase its model of political economy on the global stage. It would be a response framed within ‘a new global financial architecture’, a framework based upon macroeconomic stability, market liberalism, economic growth, fiscal discipline and anti-inflationary policies; the very same framework that New Labour officials had sought to create at home. This new architecture would underpin the reform of the pre-existing HIPC initiative, the MDRI and attempt to put heavily indebted poor countries on the path to debt sustainability, long-term economic growth and development. Although clearly designed to appeal to market constituencies, these policies were described by officials as being ‘pro-poor’. This provides an interesting insight into how New Labour conceived development. Development – like Britain’s own economic success – could only be achieved, it said, through market-led growth and high levels of investment. To attract this investment however, New Labour believed that national economic policies had to be orientated towards the demands of global capital. Failure to attract this investment and deliver the growth necessary to development would preclude HIPCs from making the necessary social investments in healthcare, education, infrastructure and job creation. As the Chancellor had attempted to do at home, there was to be a distinct ‘socialisation’ of New Labour’s international economic policy.

This understanding of development dovetailed with that held by the Washington-based IFIs who viewed poverty reduction in largely economic terms. For New Labour however, the ‘socialisation of economic policy’ enabled the Chancellor in his many speeches to the ‘social’ constituencies who viewed development as a moral, rather than a purely

economic issue, to present his policies as being 'pro-poor'. Despite what was, on the part of the Chancellor, a clear understanding of, and indeed sympathy towards the way in which these issues were framed by civil society, New Labour's debt relief strategy remained orientated towards meeting the expectations of these 'economic' constituencies and embedded within the existing structures of global finance. Rather than representing any real break from the market dogma that 'old' Labour had frequently criticised the IFIs for championing, New Labour's response to debt relief virtually mirrored the policies endorsed by the IMF and the World Bank. Crucially, despite a clear acknowledgement of the moral argument in favour of debt forgiveness, which was voiced so eloquently by church groups and NGOs, New Labour lacked the courage to carry these demands to where they needed to be heard the most. Instead, New Labour chose the 'safe' option, choosing, in Paul Williams' memorable terms, to be 'reformist rather than revolutionary'. Yet in doing so, the government limited the prospects for real change that deeper and more extensive levels of debt relief could have had for the millions living in some of the poorest countries in the developing world.

Having already explored in chapter 2 the discourse of 'constraint' that New Labour officials articulated at home, the case study in chapter 6 demonstrated the effects of such logic on the delivery of its international development policies abroad. New Labour was keen to maintain the global competitiveness of Britain through support of the 'knowledge economy', at the heart of which was the pharmaceutical industry. However, it was also committed to increasing the provision of and access to antiretroviral drugs in order to combat HIV and AIDS in the developing world. The failure of the former to invest adequately into the research and the delivery of these drugs had contributed to the worsening crisis. It was therefore vitally important that these firms stepped up their

efforts and realised their obligations as providers of public health. The however presented New Labour with a dilemma: whether to continue to pursue the close relationship with the pharmaceutical industry that officials saw as being vital for Britain's ongoing competitiveness or whether to demand, by intervening in their research agendas, to urge firms to take more seriously their moral responsibilities to the developing world. Over three phases of policy, government ministers attempted a combination of different demand and supply-side policies as a means of incentivising these firms to take the necessary action.

As New Labour's strategy unfolded, a series of different and often seemingly contradictory policy messages emerged. Although the focus of this policy commitment slowly converged towards an accepted recognition of the need for greater antiretroviral provision, New Labour's strategy remained predicated upon the accommodation of the pharmaceutical industry and its expectations in the delivery of these life-saving drugs. One reading of this would be that this was simply New Labour, as it had done elsewhere in its political economy, using new means to meet old values. However, the extent to which the expectations of pharmaceutical firms and their shareholders were prioritised over the desperate plight faced by the world's poor clearly undermined any real moral commitment. New Labour did not necessarily have to be 'anti-business' to realise these aims. However, government officials could have engaged far more with what I have called the 'social' constituencies and supported those within the pharmaceutical industry, both in Britain and further afield, who were attempting to address the crisis and make universal access to these drugs a reality. Engagement with these more 'socially-orientated' constituencies would have enabled the government to meet far more effectively its commitment to increasing access to these essential medicines.

The third and final case study chapter returned to the issue of financing for development. Whilst in office, New Labour displayed a clear commitment to meeting, and indeed exceeding the 0.7 percent/GDP aid target. However, of even more pressing concern to the Chancellor was the shortfall of US\$50 billion that was required to meet the MDGs by 2015. Therefore, although 0.7 percent/GDP remained the long-term benchmark, Brown maintained that it was vitally important that finance was frontloaded immediately to meet these international targets. Although this aid strategy would unfold again in three phases, it did so using three different policy mechanisms: the IDTF; the IFF; and the IFFIm. The first of these actually preceded the domestic equivalent, the CTF that was launched in January 2005. This was based upon the idea of 'asset-based welfare', a qualitatively new form of welfare whereby recipients could be 'taught' financial awareness and principles of self-investment. This initiative however lasted only a few months before being replaced with the far more robust IFF. The IFF drew upon several aspects of Treasury thinking from its carefully prepared, 'golden' rule concerning borrowing and spending to the use of private finance to fund public projects. The framework within which the IFF was situated was of a 'Global New Deal' for the poor. Similar to the 'New Deal' launched at home by Gordon Brown, this new covenant between rich and poor countries underpinned the Chancellor's commitment to 'double aid to halve poverty'.

Of the numerous domestic policy ideas that were incorporated into New Labour's aid commitments, the principle of 'rights and responsibilities' was one that stood out the most. Under the terms of the IFF, aid would only be disbursed to those countries that were pursuing 'pro-poor' policies: that is, policies that were aligned with the 'new' macroeconomic architecture of stability, growth, market liberalisation and fiscal discipline. This raised two important issues, the first of which concerns the 'new conditionality' that

this framework implied. As I noted in chapter 3, 'old' Labour, along with several other constituencies from the 'social' camp, had voiced their disapproval and concern at the market-based conditionality that had been imposed upon developing countries as a result of SAPs during the 1980s and early 1990s. Here however, New Labour was guilty of the same practice. Although repackaged and presented as 'pro-poor' policies, countries were made to open up their markets and make their economies more attractive to international investors. Therefore, just as at home, where recipients of welfare were disciplined into fulfilling a strict set of criteria in order to receive benefits, so too were countries made to orientate their economies towards the demands of global capital.

The second issue this raised related to Labour's traditional emphasis upon equality. The language of 'rights and responsibilities' was deployed by senior New Labour officials to chide the old Left which they believed had placed too much emphasis upon 'rights' and not enough upon 'duty' and 'responsibility'. Although officials did not dismiss equality out of hand, neither did they prioritise it. Instead, far greater emphasis was placed upon social and economic inclusion, particularly in the global economy, whereby if individuals took responsibility and made the most of the opportunities that globalisation presented to them, greater levels of inclusion and equality would follow. Neither aid nor welfare was to be a hammock, but a springboard towards increased prosperity and self-fulfilment. Of course, it would provide some degree of equality of opportunity, but this would still be predicated upon the recipient taking responsibility to make the most of this opportunity.

The analysis of the IFFIm in the final phase of policy looked less at the issue of aid, and more in terms of the delivery of global public goods, and the respective roles of the state and the market had to play in this. As I noted in chapter 4, New Labour sought to create

what the World Bank had previously termed ‘the virtuous state’: a government that ‘enabled’, rather than simply ‘provided’. For both the IFF and the IFFIm, the market and private actors were understood to be the most effective means of delivering policy outcomes. By contrast, the role of the government was to put in place the right framework to guarantee and securitise the money that needed to be raised. Certainly insofar as the early achievements of the IFFIm were concerned, this partnership enjoyed a great deal of success. This again gave New Labour considerable leverage when talking about its successes in this field to ‘socially-minded’ audiences. However, to audiences elsewhere, this policy was not pursued for any moral purpose. It was instead done for reasons of cost-effectiveness and fiduciary responsibility on behalf of the taxpayer. Put simply, the assumed expectations of financial and electoral constituencies were prioritised over the lives of those desperately in need of this assistance.

Having reviewed the main analytical claim of the thesis, my attention now turns to the two supporting research questions set out in the opening chapter. I begin with the constituencies that were present (and indeed, left out) of the government’s policymaking process, before exploring the contingency of New Labour over time. This will enable me in the final section to offer a fuller characterisation of its political economy, both at home and abroad. This, I suggest, should be understood as the ultimate contribution of my thesis now that my analysis is at an end.

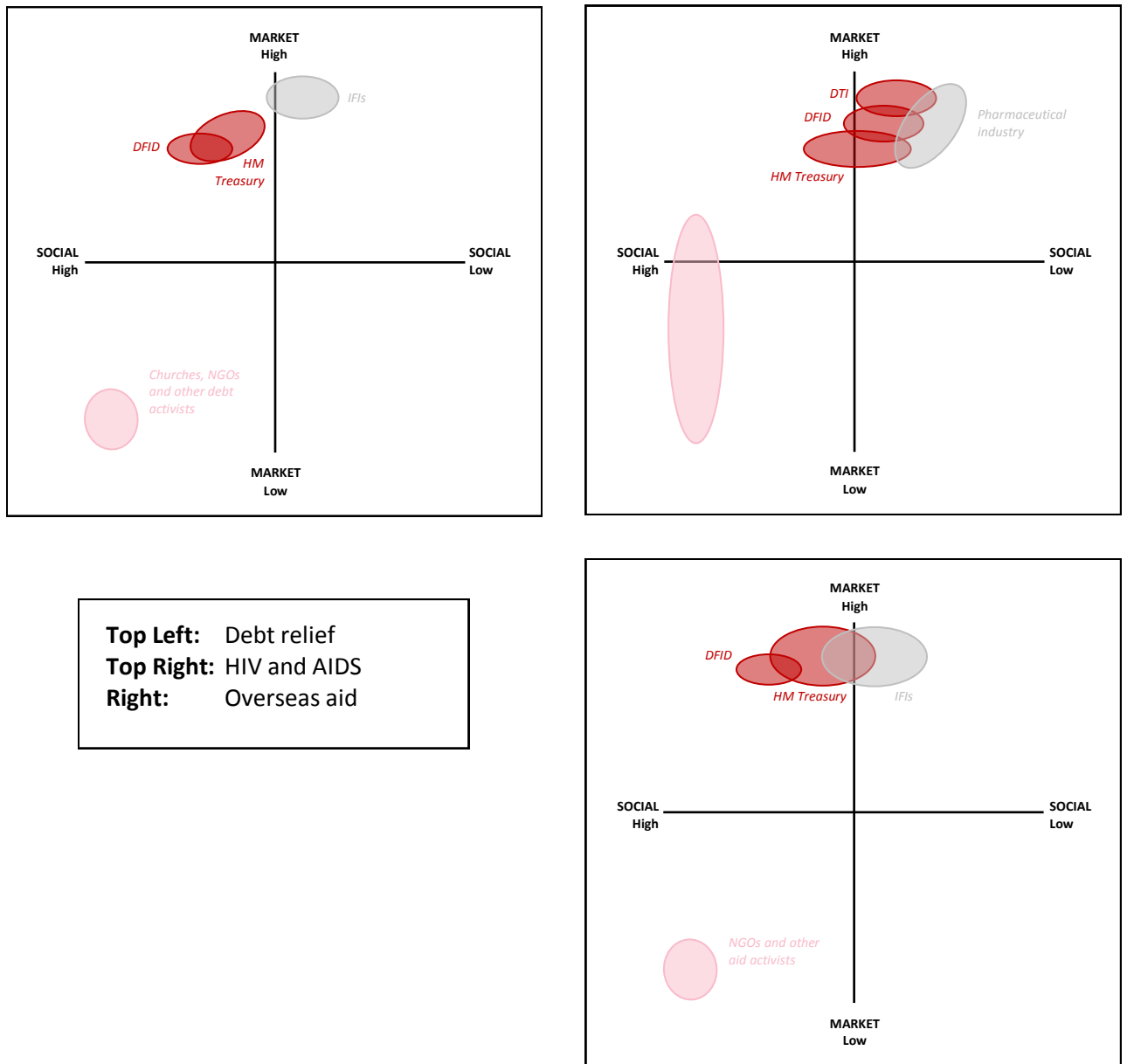
Capturing and Characterising New Labour’s Changing Political Economy over Time

As I remarked in the opening chapter, much of the New Labour literature has tended to characterise its political economy as being uniform and unchanging over time. However,

as I have demonstrated throughout the thesis, while there were themes that remained fairly constant during New Labour's time in office, there was still far too much complexity present to formulate a linear account that one might be able to singularly read-off. No more clearly was this complexity evident than in the three empirical case studies that explored in depth New Labour's response to the core policy areas of debt relief, HIV and AIDS, and overseas aid. As a means of exploring and understanding the full extent of this complexity, in this section I explore the pattern of New Labour's international development policies as they evolved over time. To do this, I refer back to the charts in each of the case study chapters that illustrated the gradual changes that each of the policies underwent.

Although uneven, arguably the most striking feature of these diagrams is the overall pattern that emerges over time of a clear commitment to delivering 'social' outcomes through 'market' means. In **Fig. 8.2**, the Treasury – taking the policy-lead over the issue of debt relief – positioned itself high up and just left of the central 'market' axis, suggesting a clear commitment to accommodating the exigencies of the market for the purposes of delivering greater levels of debt relief. The debate may well have been framed in moral terms, particularly to constituencies from within civil society located in the bottom left-hand square, but it was not *determined* by these arguments. The debts of developing countries were to be written-off on economic terms rather than on the basis of any moral imperative. This placed the government therefore far closer to the IFIs than to the 'social' constituencies found to the left of the chart.

Fig. 8.2 Phase 1 of New Labour's International Development Policies

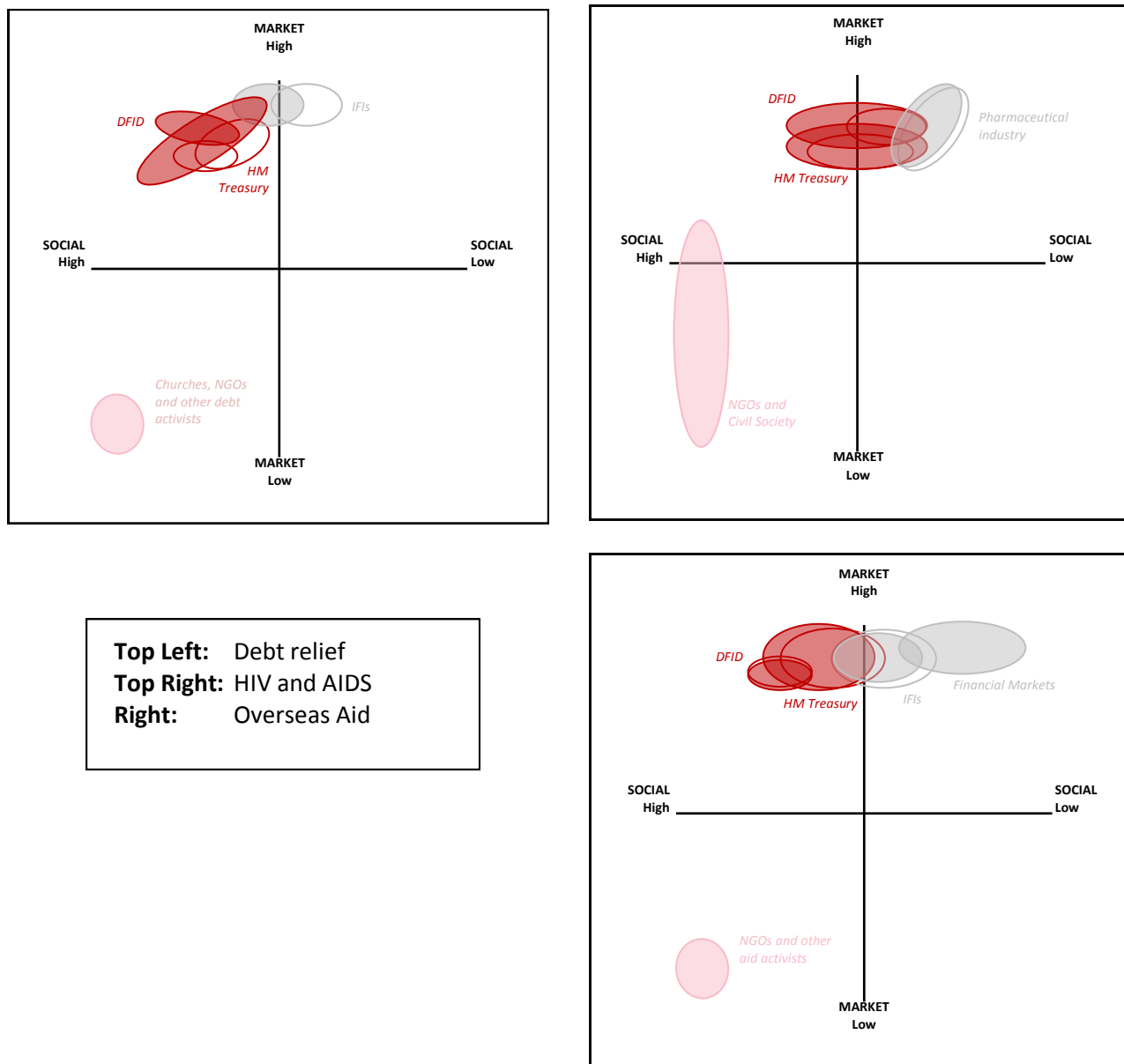


In terms of what this early commitment to debt relief looked like in relation to New Labour's other policies, there was a far closer relationship between the government departments and the pharmaceutical industry. The DTI was clearly to the right of the central 'market' axis, not merely assimilating, but actively championing the expectations of the pharmaceutical industry. Although not quite to the same extent, both DFID and the

Treasury show a clear accommodation of the pharmaceutical industry over any 'social' concerns that were being voiced by civil society. The role of civil society in this instance is striking because, generally, it *wanted* to see greater engagement with the pharmaceutical industry and for markets to work in the interests of the poor, hence the spread up the left-hand side. What these constituencies did not want to see however was 'business as usual'. Both equity *and* efficiency were important, they argued, but the former should be prioritised over the latter. In the minds of the 'social' constituencies this would ensure that those living in the developing world would have the same level of access to antiretrovirals as those living in the developed world.

The IDTF is a slight anomaly in the analysis since no sooner had it been mooted as a possible means of delivering aid by the Treasury, it was discarded and replaced by the IFF. Making any direct comparisons between this particular policy and the previous two opening phases is therefore somewhat disingenuous. Nevertheless, it provides an early indication of New Labour's commitment to deliver long-term aid in a way that facilitates financial self-actualisation at the expense of welfare dependency.

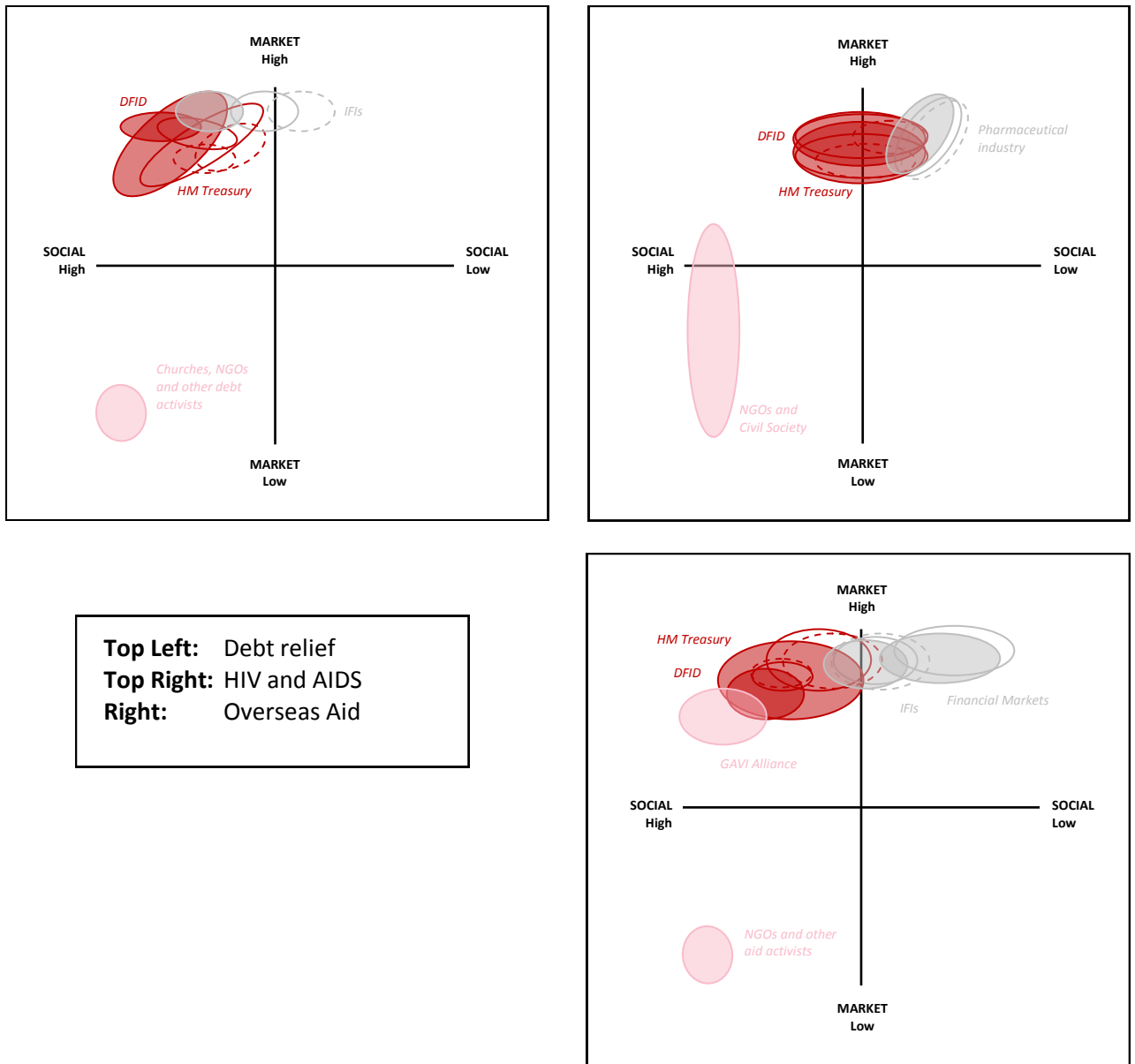
Fig. 8.3 Phase 2 of New Labour's International Development Policies



The second phase of these policies saw an increased degree of convergence between the respective positions. The above diagram (Fig. 8.3) showed both DFID and the Treasury (interestingly, DTI ministers did not talk about the government's AIDS strategy after 2000) as having moved towards a more left-of-centre position. Each of the policies used mechanisms designed at the very least to appeal to 'market' constituencies. This was done either by putting in place 'pro-investment' market reforms, as in the case of the new

global economic architecture, or through the introduction of supply-side reforms to incentivise the pharmaceutical industry to invest in the so-called ‘diseases of poverty’. Others, like the IFF used the market itself to raise the money required to meet the existing shortfall in development aid.

Fig. 8.4 Phase 3 of New Labour’s International Development Policies



The third and final set of phases appeared to bolster New Labour's commitment to social outcomes: of increased debt relief, improved access to antiretrovirals and immunisation and vaccine programmes in the developing world. Again however, they continued to reveal the continuing close relationship between New Labour and the various market constituencies. This left the altogether more 'social' constituencies on the periphery of the core policy network comprising of government actors and 'market' constituencies. Therefore, while the New Labour government may have moved towards reaching a more 'social' set of outcomes, it did so through engagement and dialogue with other market constituencies rather than civil society. For its part, civil society remained relatively static in its expectations. Unlike, for instance, the pharmaceutical industry which did at least begin to signal its commitment to addressing the AIDS crisis, these 'social' constituencies showed little evidence of offering concessions over policy. This of course, is no bad thing *per se*. Indeed, it would suggest that these 'social' constituencies treated these issues as matters of (moral) principle rather than pragmatism. However, this position stood in stark contrast to the *realpolitik* in which the government either sought to or felt it had to undertake, through its iterative accommodation of 'market' constituencies over time.

Concluding Remarks

The contingency of the different positions taken up by the Blair and Brown governments whilst in office does make characterising the political economy of the New Labour project problematic. Having taken this contingency into account however, a clear and altogether more accurate depiction of New Labour has emerged. Over time, the trajectory of New Labour's international development policies moved towards the delivery of an altogether more 'social' set of outcomes whilst remaining wedded to accommodating the

expectations of the market. On the positive side, New Labour was successful in shifting the terms of the debate with other more 'market'-orientated constituencies such as the IFIs and the pharmaceutical industry. However, this it did by prioritising these market-based constituencies in the policy process.

New Labour's track-record with regards international development must be judged in the light of its *domestic* as well as international political economy. At home, New Labour went to great lengths to present itself as a 'credible' government; one that could be trusted to look after the economy, and act, as 'the new party of business' in the best interests of firms and their shareholders. New Labour's credibility, carefully staked out by the Treasury, underpinned its commitment to matters of international development, and at the same time, enabled Gordon Brown in particular to transmit his model of political economy into the international realm. For New Labour, achieving this required a capitulation to the interests of global capital and assimilating market imperatives over any moral commitment to address poverty in the developing world.

Of course, this is not to say that New Labour officials did not talk about the 'moral imperative'. In fact, they did so frequently. It was often cited as the basis for New Labour's intervention in the developing world, and enabled Blair and Brown to continue the illustrious lineage of Labour leaders, like Wilson, Callaghan and Smith who had been committed to tackling global poverty. New Labour ministers however, would be 'strategically selective' in the way they would use this particular discourse. To strictly 'market' audiences, officials would talk of the importance of maintaining macroeconomic stability, creating a good investment climate, and pursuing growth in order to achieve development. To audiences from within civil society – faith groups, NGOs, anti-poverty

coalitions – the ‘moral challenge of development’ would be highlighted. However, according to ministers, this challenge could only be met through a series of ostensibly ‘pro-poor’ policies. That is, they championed the *same* set of policies that ministers also used to ‘sell’ development to ‘market’ constituencies. Therefore, New Labour’s international development policies tended to prioritise and in turn, be determined by, the expectations of ‘market’ constituencies. This however proved problematic when confronting such issues that were, or at least *should be*, understood in distinctly ‘moral’ terms, and which necessitated, for these ‘social’ constituencies, ‘a moral response’.

Why though does any of this matter? After all, Blair’s mantra, and indeed much of New Labour’s policymaking was centred upon the idea of ‘what counts is what works’, and ‘new ways of delivering old values’. Indeed, the Treasury, particularly under the chancellorship of Brown maintained that market efficiency was the best way to deliver social and economic equity. However, envisaging development in principally market terms squeezed the space afforded to constituencies who viewed global poverty as essentially a ‘social’ or even moral issue. This would leave a deficit in responding to the normative issues of who development is for, and what purpose it should have. If only the expectations of market constituencies are included, then only market outcomes will be delivered.

This draws me to my final point, and one that lies at the heart of New Labour’s political economy: the role of the market in the delivery of public goods. Domestically, New Labour’s economic and financial architecture, its commitment to business, the way it framed its welfare provision were all attuned to meet the expectations of the market. Similarly, the provision of public goods abroad within the sphere of international

development, whether debt relief, antiretrovirals or aid, relied upon a series of arrangements that either depended upon market-mechanisms, such as the IFF and IFFIm for their delivery, or were derived from the expectations of the global market. However, the increasing marketisation of publicly-provided services leaves societies much more exposed to the excesses and inherent instability of market economies. New Labour, of course, recognised this and was instrumental in institutionalising a new economic architecture both at home and abroad. However, this new arrangement merely reflected the role of the 'virtuous state': a role that would 'enable' the market to flourish. The failure of New Labour to conceive of a model of political economy outside the orthodoxy of the market left those it sought to help at continued risk from the deleterious effects of these self-same market processes. New Labour's model of political economy, as I have described it here, neglected the systemic inequalities that lie at the root of global poverty, and continued to expose individuals who are already among the most vulnerable on the planet to the crises and failures, let alone 'constraints', of global capitalism.

A1: HM Treasury’s Policy Announcements Relating to International Development, 1997/98–2006/07

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor’s Parliamentary Statement	Outside Policy Constituencies
1997/98	Pre-Budget Report	<i>International development not mentioned either in the PBR or the Chancellor’s statement.</i>		<i>n/a</i>
	Budget ¹	‘Millennium Gift Aid’ scheme.	‘Millennium Gift Aid’ scheme introduced as a tax relief for giving, designed to enable British citizens to contribute more to poverty relief and education in developing countries. For every £100 a British citizen donates, the Treasury will contribute up to £40. Millennium to be remembered not just nationally but internationally for the redemption of debt and the reduction of world poverty. ²	Recipients of charitable giving British taxpayer
	Comprehensive Spending Review ³	<p>“An expanded and refocused international development programme to target help on the poorest people in the poorest countries” and “reduce poverty and social exclusion”.</p> <p>Increase in aid to provide the resources for DFID to implement the reforms set out in its <i>Eliminating World Poverty</i> White Paper.</p> <p>Developing countries which are following “sound economic policies” will receive more assistance; those which do not will receive less.</p>	Sale of majority stake in the Commonwealth Development Corporation (CDC) enables Chancellor to increase overseas aid from the low of 0.25 percent of national income – the budget figure New Labour inherited from the Conservatives – to 0.3 percent of national income. This aid will be targeted at overseas development assistance on health, education and anti-poverty programmes. Debt reduction for the poorest countries. ⁴	<p>Aid recipients</p> <p>CDC</p> <p>World Bank</p> <p>UN development agencies</p> <p>British business</p> <p>HIPCs</p> <p>WTO</p> <p>IMF</p> <p>British taxpayer</p>

¹ *HM Treasury* (1998c: 70)

² Brown (1998b)

³ *HM Treasury* (1998b)

⁴ Brown (1998d)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
1997/98 <i>cont.</i>	Comprehensive Spending Review <i>cont.</i>	<p>Sale of majority share of the CDC as soon as possible to release several hundred million pounds into aid spending.</p> <p>Enhance DFID's influence with the World Bank and the UN development agencies.</p> <p>Aid no longer to be conditional upon trade agreements with British firms.</p> <p>Build new partnerships with British business to support development goals.</p> <p>Continue to provide an international lead on debt relief for the poorest countries; building on the HIPC initiative and the Chancellor's 'Mauritius Mandate'.</p> <p>Encourage and assist developing countries to become more fully integrated into the multilateral trading system and to participate in the WTO.</p> <p>Work with the IMF and World Bank in helping developing countries to maintain macroeconomic stability and sustainable growth to benefit the poor.</p> <p>Implement a 'Millennium Gift Aid' initiative to enable British taxpayers to support poverty relief projects in the developing world.</p>		
1998/99	Pre-Budget Report	<i>No mention made of international development either in the PBR or the Chancellor's speech.</i>		<i>n/a</i>

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
1998/99 <i>cont.</i>	Budget ⁵	No reference to international development. Treasury however to review charity taxation in order to simplify and modernise the system as a means of encouraging more people and businesses to give to charity and make it easier for donors and charities to operate.	Brown urges the "British people to give more to those who have too little" through the 'Millennium Gift Aid' scheme. "As governments make their contribution to Third World debt relief, all of us can make a contribution to Third World poverty relief". Part of a new "democracy of giving, where all those who can, help all those who can't". Charity to be no longer seen as "the rich bestowing favours on the poor". Chancellor proposes "extending the tax advantages of 'Millennium Gift Aid' so that "in future for every £100 a British citizen donates to any charity, the government will contribute £30. ⁶	Charities and NGOs British taxpayer
1999/00	Pre-Budget Report ⁷	Support for debt relief through the HIPC process and new IMF-World Bank Poverty Reduction and Growth Facility. Contribution to the HIPC Trust Fund as a means of financing health and education, including prevention and treatment of AIDS, and reducing infant mortality. Key measure of success not just how much debt is cancelled, but how many people are lifted out of poverty.	<i>International development not mentioned in the Chancellor's statement.</i>	HIPCs World Bank and IMF Education and healthcare systems in the developing world

⁵ *HM Treasury* (1999a: 74–75)

⁶ Brown (1999a)

⁷ *HM Treasury* (1999b: 88)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
1999/00 <i>cont.</i>	Budget ⁸	Further reforms to make the tax system work better for charities themselves and to promote social responsibility and voluntary giving. In future, any donation whether large or small, one-off or regular, will qualify for tax relief.	Ticket sales for charitable fundraising events to be exempt from VAT. These measures will "help those charities and NGOs who, with the churches, have, for decades, led the crusade to combat Third World poverty and secure debt relief". With these reforms, "this government matches their commitment because it shares their cause – a virtuous circle of debt reduction, poverty relief and economic development for the poorest countries". ⁹	Aid recipients Charities and NGOs British taxpayers Churches
	Spending Review ¹⁰	Increased aid spending by 6.2 percent a year in real terms. Increased bilateral aid to poor countries with "favourable policy environments". Unsustainable debts of all HIPC countries committed to poverty reduction to be relieved by 2004. Creation of a public-private partnership for CDC plc.	<i>International development not mentioned in the Chancellor's statement.</i>	Aid recipients HIPC countries CDC plc
2000/01	Pre-Budget Report ¹¹	Emphasis placed upon 'the diseases of poverty' (HIV and AIDS, malaria and tuberculosis) as barriers to achieving the Millennium Development Goals. Problem of under-research into these diseases in developing countries.	<i>International development not mentioned in the Chancellor's statement.</i>	Pharmaceutical industry Healthcare systems in developing countries

⁸ *HM Treasury* (2000b: 100–101)

⁹ Brown (2000d)

¹⁰ *HM Treasury* (2000b: 39–41, 73–75)

¹¹ *HM Treasury* (2000c: 115–116)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2000/01 <i>cont.</i>	Pre-Budget Report <i>cont.</i>	Government to discuss with the pharmaceutical industry tax incentives and strategies to minimise the perceived risks in researching and manufacturing suitable vaccines and other medicines.		
	Budget ¹²	<p>Debt relief through the HIPC initiative.</p> <p>Commitment to the 2015 International Development Targets (Millennium Development Goals).</p> <p>'Commonwealth Education Fund' set up to introduce universal primary education in Commonwealth countries.</p> <p>A new commitment to fight the diseases of poverty announced by the Chancellor and Secretary of State for International Development, Clare Short. A comprehensive study by the PIU in the Cabinet Office, working closely with DFID and the Treasury, will examine further options and draw up plans for a comprehensive global strategy to secure the resources to purchase existing medicines and to create the market required to stimulate research into new vaccines.</p>	<p>A new tax credit that will incentivise British companies to accelerate research on diseases – like AIDS, TB, Malaria and other preventable diseases, which every year kill 8 million people, including 3 million children in our poorest countries. For Brown, Britain had both “a capacity to help and a moral duty to act”. Subject to a commitment by the pharmaceutical companies to invest in and deliver new drugs and vaccines in ways that truly meet the needs of the poor and sick, the Secretary of State for International Development and Chancellor willing to extend this new tax credit even further, and support it through the introduction of a new purchase fund for global health. This will not only develop new life-saving drugs but make existing drugs more widely available.¹³</p>	<p>HIPCs</p> <p>UN development agencies</p> <p>The Commonwealth</p> <p>Healthcare systems in developing countries</p> <p>Pharmaceutical industry</p>

¹² *HM Treasury* (2001c: 99–100)

¹³ Brown (2001c)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2000/01 <i>cont.</i>	Budget <i>cont.</i>	<p>Further incentives to create affordable health interventions for the poorest countries including a new tax credit for R&D into drugs and vaccines for the diseases of poverty subject to consultations with the pharmaceutical industry.</p> <p>New tax incentives to encourage the pharmaceutical industry to raise the level of donations of drugs and vaccines and to do so in a more consistent manner, in support of developing countries' own health strategy and the needs of their people.</p>		
2001/02	Pre-Budget Report ¹⁴	<p>Four steps to increase global prosperity and promote social justice:</p> <p>(1) New codes and standards to be introduced in order to improve the terms on which the poorest countries participate in the global economy;</p> <p>(2) Business urged to engage in the development process by adopting high corporate standards, including the creation in developing countries of investment forums between the public and private sectors;</p>	<p>"If globalisation is to work for all the people of the world including the poor, then "a new deal for prosperity" must be forged between the richest developed countries and the poorest developing countries". Proposal to the Financing for Development Conference of the United Nations that the international community establish a new international fund to leverage up to US\$50 billion a year to finance the fight against poverty. "Significant" increase in the amount of Britain's overseas development aid and in its share of national income.¹⁵</p>	<p>Developing <i>and</i> developed countries ('Global New Deal')</p> <p>Business and international investors</p> <p>WTO</p> <p>World Bank, IMF and the Regional Development Banks</p>

¹⁴ *HM Treasury* (2001e: 97–99)

¹⁵ Brown (2001g)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2001/02 <i>cont.</i>	Pre-Budget Report <i>cont.</i>	<p>(3) A fairer trade regime that enables to developing countries to participate in the global economy;</p> <p>(4) An international development trust fund to pool aid contributions and support the work of the World Bank, the IMF and the Regional Development Banks.</p> <p>Continued support for the HIPC initiative. Creditor countries urged to adopt the UK's practice of providing 100 percent bilateral relief, and holding payments in trust for countries yet to receive debt relief.</p> <p>The development of a new Global Fund to fight HIV/AIDS, tuberculosis and malaria as a means of providing resources to purchase medicines and create a market to stimulate research into new treatments for the 'diseases of poverty'.</p> <p>A High Level Working Group on Access to Medicines, chaired by the Secretary of State for International Development set up to work in partnership with key stakeholders to increase access to essential medicines by poor people in developing countries.</p>		<p>Healthcare systems in developing countries</p> <p>Pharmaceutical industry</p> <p>UN</p>

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2001/02 <i>cont.</i>	Pre-Budget Report <i>cont.</i>	<p>Consultations with the UK pharmaceutical industry on a new tax credit to reward R&D into drugs and vaccines to treat diseases threatening lives in the least developed countries.</p> <p>A new approach to development, in which developing countries commit to 'pro-poor' policies, including economic stability, good government, and support for health and education and developed countries open their markets to developing country exports, improve the effectiveness of their aid and make progress towards the 0.7 percent target for the proportion of GNP devoted to aid.</p>		
	Budget ¹⁶	<p>International Development Trust Fund to pool contributions and leverage private sector finance as a means of delivering the US\$50 billion a year required to meet the MDGs by 2015.</p> <p>A new tax credit to encourage companies to increase R&D into the 'diseases of poverty'.</p> <p>Debt relief through the HIPC initiative, 100 percent bilateral relief as a means of reducing poverty.</p>	<i>International development not mentioned in the Chancellor's statement.</i>	<p>OECD/DAC countries</p> <p>Recipients of aid</p> <p>Pharmaceutical industry</p> <p>Healthcare systems in developing countries</p> <p>HIPCs</p>

¹⁶ *HM Treasury* (2002a: 106–108)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2001/02 <i>cont.</i>	Spending Review ¹⁷	<p>Increased overseas aid.</p> <p>Greater levels of debt relief.</p> <p>A New Partnership for African Development (NEPAD) based upon a commitment by African countries to improve political and economic governance, and promote peace and poverty reduction. Developed countries, in return, committed to “reward such countries with improved market access, increased aid, and assistance with conflict resolution and peace-building”.</p> <p>Support for the Global Fund for Health to combat the ‘diseases of poverty’.</p> <p>Increased support for education and in particular, the Commonwealth Education Fund.</p> <p>Commitment to make trade work developing countries.</p> <p>Closer partnerships, multilaterally with institutions such as the G8, European Union, NATO, UN, IMF, World Bank and the Commonwealth, as well as bilaterally with countries such as the United States.</p>	<p>Further increases in UK aid from the £2 billion it was in 1997, and the £3.3 billion in 2001, to £4.9 billion by 2006 – the biggest ever rise. A 35 percent real terms increase since 2001, a 93 percent real terms increase since 1997. From the 0.26 percent of national income in 1997, 0.32 percent in 2002 to 0.4 percent by 2006. This new aid money to act as “an encouragement” to the international aid community and “a signal for a new US\$50 billion international financing facility”.¹⁸</p>	<p>OECD/DAC countries (particularly in relation to a new IFF)</p> <p>HIPCs</p> <p>World Bank and IMF</p> <p>NEPAD countries</p> <p>Healthcare systems in developing countries</p> <p>Global Health Fund</p> <p>G8</p> <p>EU countries</p> <p>NATO</p> <p>UN</p> <p>The Commonwealth</p>

¹⁷ *HM Treasury* (2002b: 55–58, 101–104)

¹⁸ Brown (2002d)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2002/03	Pre-Budget Report ¹⁹	<p>Fairness at home to be matched by genuine progress in reducing global poverty abroad.</p> <p>Fulfilment of the MDGs to require "a new deal for the global economy", with all countries meeting their shared obligations:</p> <ul style="list-style-type: none"> Developing countries accepting their primary responsibility for their own development, through good governance and policies that favour growth and investment and meet the basic needs of their people; and Developed countries increasing international support through open markets, reforms to improve aid effectiveness and significantly greater aid flows for poverty reduction <p>International Finance Facility to increase the aid required to meet the MDGs.</p> <p>Renewed commitment to debt relief.</p> <p>Support for NEPAD.</p> <p>Ensuring universal primary education, particularly in the Commonwealth.</p> <p>Tackling the 'diseases of poverty'.</p>	<p>"A new imperative" and "a new opportunity to meet the global poverty challenge". Having already agreed US\$62 billion of debt relief for 26 of the poorest countries "through the Prime Minister's Africa Initiative" and "the tireless work of the International Development Secretary", the Chancellor proposes the cancellation of US\$100 billion worth of debt for 38 countries. Reference made to "all Members on all sides of the House and all churches, faith groups and NGOs in our constituencies for their tremendous work" in this area.</p> <p>Proposal for a new International Finance Facility following recent discussions with finance ministers from the US, France, Germany, Italy and other European countries, as well as the Heads of the IMF and World Bank. This new IFF would leverage long-term international commitments to raise the amount of development aid necessary to halve poverty and meet the MDGs by 2015.²⁰</p>	<p>Developed and developing countries ('Global New Deal')</p> <p>OECD/DAC countries (IFF)</p> <p>World Bank and IMF</p> <p>HIPCs</p> <p>NEPAD countries</p> <p>The Commonwealth</p> <p>Healthcare systems in developing countries</p> <p>Global Health Fund</p> <p>Pharmaceutical industry</p> <p>NGOs, churches and faith groups</p>

¹⁹ *HM Treasury* (2002c: 105–108)

²⁰ Brown (2002g)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2002/03 <i>cont.</i>	Budget ²¹	<p>International development commitments framed by the MDGs. A "new Marshall Plan" for the global economy is required with all countries meeting their shared obligations in order to meet these ambitious targets. To fund this and meet these goals by 2015, an extra US\$50 billion a year of development assistance is needed. Proposal for an IFF to raise this finance.</p> <p>Continued commitments towards improving aid effectiveness, increased debt relief, tackling the 'diseases of poverty', achieving universal education, and sequentially liberalising trade to integrate developing countries into the global economy.</p> <p>Post-conflict support for Iraq.</p>	<p>"It is now right for Britain and America to lead action against the hopelessness and poverty of the poorest countries". Britain to table plan "for a \$50 billion a year International Finance Facility to fund primary education for the 115 million children without it, and to fund health care and life saving drugs to tackle AIDS, malaria and TB at prices poor countries can afford" at the forthcoming G7 and then IMF and World Bank meetings in Washington.²²</p>	<p>Developed <i>and</i> developing countries ('Global New Deal', 'modern Marshall Plan')</p> <p>OECD/DAC countries (IFF)</p> <p>G7/G8 countries</p> <p>World Bank and IMF</p> <p>Healthcare systems in developing countries</p> <p>Global Health Fund</p> <p>Pharmaceutical industry</p> <p>The Commonwealth</p> <p>WTO</p> <p>Iraqi government</p>
2003/04	Pre-Budget Report ²³	Continued commitment to the MDGs.	Brief mention in the Chancellor's statement concerning "the war against poverty in Africa and round the world". Focus however, largely upon "our international development responsibilities in Iraq". ²⁴	OECD/DAC <i>and</i> developing countries (IFF)

²¹ *HM Treasury* (2003a: 124–127)

²² Brown (2003h)

²³ *HM Treasury* (2003c: 122–125)

²⁴ Brown (2003m)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2003/04 <i>cont.</i>	Pre-Budget Report <i>cont.</i>	<p>A new compact for development between the richest and the poorest countries, with shared obligations. This global plan is based upon four pillars:</p> <ul style="list-style-type: none"> (1) A substantial increase in global aid flows through an IFF, coupled with further improvements in aid effectiveness; (2) A fairer trade regime that enables to developing countries to participate in the global economy; (3) The creation in developing countries of the right domestic conditions for business investment and adoption of high corporate standards by the international business community for engagement; (4) A new rules-based system for global economic growth and stability, with all countries pursuing agreed codes and standards of fiscal and monetary policy transparency. <p>Link between aid and trade reinforced.</p> <p>Continued commitment to the HIPC initiative as a means of ensuring the world's poorest countries achieve "a robust exit from unsustainable debt".</p> <p>Multilateral efforts to support the reconstruction of post-conflict Iraq.</p>		<p>WTO</p> <p>International business and investors</p> <p>IMF</p> <p>Iraqi government</p>

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2003/04 <i>cont.</i>	Budget ²⁵	<p>Continued commitment to the MDGs.</p> <p>International community urged to adopt the Chancellor's proposals for an IFF as the means by which the MDGs might be met.</p> <p>Launch of the Commission for Africa to deal with the specific problems faced by the African continent.</p> <p>Continued commitment to debt relief through the HIPC process.</p> <p>Trade and sequenced market liberalisation identified as important drivers of economic growth and development.</p> <p>Continued bilateral and multilateral support for the reconstruction and development of Iraq.</p>	<p>The UK's G8 Presidency to be "a presidency for development". Commitment not to "freeze or cut the international development aid budget but increase it".</p> <p>Announcement of "matched funding for a year for the Commonwealth Education Fund which supports the objective that by 2015 every child everywhere has primary education" and "for the Sports Relief charity which will work with Comic Relief in tackling AIDS and poverty in Africa".²⁶</p>	<p>OECD/DAC countries (IFF)</p> <p>Commission for Africa</p> <p>IMF</p> <p>HIPCs</p> <p>Developing countries</p> <p>WTO</p> <p>Iraqi government</p> <p>G8 countries</p> <p>NGOs</p>

²⁵ *HM Treasury* (2004a: 124–127)

²⁶ Brown (2004b)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2003/04 <i>cont.</i>	Spending Review ²⁷	<p>Commitment to MDGs, financed through increased aid. Importance of the IFF as a mechanism for achieving this.</p> <p>Debt relief regarded as “predictable, untied and counter-cyclical” and therefore regarded as “a good form of development assistance for the poorest countries”. However, “HIPC debt relief alone has not ensured a sustainable debt level for the world’s poorest countries”. Further measures now needed to relieve countries committed to the MDGs and poverty reduction of their debt burden. Proposed multilateral mechanism which would deliver up to 100 percent multilateral debt relief.</p> <p>UK spending on HIV/AIDS-related programmes to rise to at least £1.5 billion over the next three years.</p> <p>Reform of the global trading system and supply-side measures focusing upon health, education and infrastructure all essential for developing countries to realise the benefits of trade.</p> <p>Commission for Africa established as a forum to address the problems that are slowing Africa’s progress towards meeting the MDGs.</p>	<p>Africa to receive £1.25 billion to fund health, education and anti-poverty programmes by 2007/08. £1.5 billion in total to promote treatments and cures for HIV and AIDS across the whole developing world. Increase in DFID’s budget from £3.8 billion this year to £5.3 billion by 2008 – an average annual real terms increase of 9.2 percent. These increases mean that Britain’s aid commitment under New Labour will, by 2008, have risen since 1997 by 140 percent in real terms. For every £1 of UK aid spent in 1997, New Labour will by 2008, be spending £3.</p> <p>Thanks expressed by the Chancellor to “the churches, faith groups and NGOs for their representations – to date, and to the Treasury, over 15,000 representations for this Spending Review – that we raise spending on aid and not cut it”.²⁸</p>	<p>OECD/DAC countries (IFF)</p> <p>HIPCs</p> <p>IMF and creditor countries</p> <p>HIV-affected countries in the developing world</p> <p>WTO</p> <p>Developing countries</p> <p>Commission for Africa</p> <p>African countries</p> <p>NGOs, churches and faith groups</p>

²⁷ *HM Treasury* (2004b: 77–81, 135–139)

²⁸ Brown (2004d)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2004/05	Pre-Budget Report ²⁹	<p>Continued commitment to the MDGs. However progress towards meeting these goals is being hampered by a lack of investment in key areas. The IFF therefore essential to scale-up the required development finance.</p> <p>Importance of the Commission for Africa's findings since they will feed into Britain's presidency of the G8 in 2005. Focus here on three key areas: aid, debt relief and trade.</p> <p>Health concerns also highlighted, and in particular the impact that the 'diseases of poverty' are having upon developing countries. Importance therefore of incentivising pharmaceutical firms to invest far more heavily in finding vaccines and treatments for illnesses such as HIV and AIDS, malaria and TB.</p> <p>Continued bilateral and multilateral support for the reconstruction and development of Iraq.</p>	<p>Focus upon Britain's G8 presidency and issues relating to debt relief and development.</p> <p>Priorities for 2005, outlined by both the Chancellor and Hilary Benn, the Secretary of State for International Development, to be "the International Finance Facility designed to double aid to halve poverty; 100 percent multilateral debt relief; delivering the Doha development round; and...maximising efforts to develop an infrastructure for co-ordinating research in AIDS, increase funding for AIDS research, and develop innovative advance purchasing agreements for both AIDS and malaria drugs".³⁰</p>	<p>OECD/DAC countries (IFF)</p> <p>Commission for Africa</p> <p>World Bank, IMF and WTO</p> <p>G8 countries</p> <p>Healthcare systems in developing countries</p> <p>The Global Fund for Health</p> <p>Pharmaceutical industry</p> <p>Iraqi government</p>

²⁹ *HM Treasury* (2004d: 112–116)

³⁰ Brown (2004f)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2004/05 <i>cont.</i>	Budget ³¹	<p>Continued commitment to the MDGs.</p> <p>More and better aid, supported by the Chancellor's proposed IFF.</p> <p>Deeper and broader debt relief, whereby 100 per cent bilateral debt relief will be matched with 100 percent multilateral debt relief.</p> <p>Sequenced trade policy reforms to enable trade to deliver substantial benefits to poor countries.</p> <p>Implementation of the Commission of Africa's recommendations concerning finance, trade, debt, governance, and peace and security through the UK's respective presidencies of the G8 and EU.</p> <p>Increased aid and debt relief for countries affected by the tsunami in the Indian Ocean to help with the ongoing humanitarian relief effort.</p> <p>A three-step approach to develop vaccines for malaria and HIV:</p> <ol style="list-style-type: none"> (1) Better coordinated research; (2) An increase in publicly funded research; 	<p>Implementation of the Commission for Africa's recommendations throughout Britain's presidency of the G8.</p> <p>Announcement that by July 2005, Hilary Benn will have signed new debt reduction agreements with 19 of the world's poorest countries to signal Britain's commitment to unilaterally provide its share of 100 percent relief on multilateral debts, and in doing so release money urgently needed to fund health and education in developing countries.³²</p>	<p>OECD/DAC countries</p> <p>HIPCs</p> <p>WTO</p> <p>Commission for Africa</p> <p>G8 and EU countries</p> <p>Countries affected by the tsunami in the Indian Ocean</p> <p>Pharmaceutical industry</p> <p>African peacekeeping organisations</p> <p>Iraqi government</p>

³¹ *HM Treasury* (2005a: 127–132)

³² Brown (2005d)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2004/05 <i>cont.</i>	Budget <i>cont.</i>	<p>(3) Advance purchase agreements to incentivise investment in R&D and make the vaccines produced more affordable.</p> <p>Increased financial support for peacekeeping operations in Africa, particularly in Darfur.</p> <p>Continued bilateral and multilateral support for the reconstruction and development of Iraq.</p>		
2005/06	Pre-Budget Report ³³	<p>Implementation of the IFF using part of the revenues from air passenger duty to generate a long-term financial commitment to the IFF.</p> <p>Shift of focus to the IFFIm – the International Finance Facility for Immunisation as a means of demonstrating the technical feasibility of the main IFF whilst supporting the Vaccine Fund and the Global Alliance for Vaccines and Immunisation, projects which work to tackle some of the deadliest diseases in the developing world.</p> <p>Agreement reached over the Multilateral Debt Relief initiative as a means of securing the “deeper and broader debt relief” pursued by the UK government.</p>	<p>As well as “doubling of aid to Africa and debt relief”, the Development Secretary, Hilary Benn is “to expedite the critical negotiations on trade” and “treble Britain’s aid for trade to £100 million”.</p> <p>Britain to “contribute £40 million to an expanded UN Emergency Fund and £50 million to a new IMF Shocks Facility” to help prepare the world for natural disasters.³⁴</p>	<p>Global Fund for Health</p> <p>GAVI</p> <p>HIPCs and other countries with multilateral debts</p> <p>IMF</p> <p>Creditor countries</p> <p>Healthcare and education systems in developing countries</p> <p>WTO</p> <p>UN</p> <p>Disaster Emergency Relief Fund</p>

³³ *HM Treasury* (2005b: 118–123)

³⁴ Brown (2005i)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2005/06 <i>cont.</i>	Pre-Budget Report <i>cont.</i>	<p>Commitments to universally free healthcare and education.</p> <p>A fairer international trading system to allow for greater integration into the global economy by developing countries.</p> <p>Increased amounts of humanitarian relief aid. Call for reform of the Disaster Emergency Relief Fund. Support for a new IMF Shocks Facility to help the reconstruction of countries ravaged by natural disasters or hit by commodity shocks. Contribution of £50 million to this Facility.</p> <p>Support to facilitate greater flows of remittances from people living and working in the UK to relatives living in the developing world.</p> <p>Increased support for peacekeeping operations in areas such as Darfur and the Democratic Republic of Congo.</p> <p>Comprehensive report into terrorist financing and money laundering to be launched.</p> <p>Continued bilateral and multilateral support for the reconstruction and development of Iraq.</p>		<p>IMF Shocks Facility</p> <p>African peacekeeping organisations</p> <p>Iraqi government</p>

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2005/06 <i>cont.</i>	Budget ³⁵	<p>Continued commitment to MDGs.</p> <p>Increased aid through the IFF. Launch of the IFFIm as a means of providing US\$4 billion over ten years to support the efforts of GAVI and its work in tackling the preventable diseases found in the poorest countries all over the world.</p> <p>Improved aid effectiveness.</p> <p>Implementation of the MDRI by the World Bank and African Development Bank expected later in the year to provide US\$50 billion in debt relief for the 38 HIPCs.</p> <p>Continued commitment to free and universal healthcare and education.</p> <p>Disappointment at the outcome of the latest round of trade negotiations. Renewed efforts required by the international community to secure a fairer trade deal for developing countries.</p> <p>Support for African-led peacekeeping operations. Financial support for the DRC to organise free and fair elections, and a new Peacebuilding Fund.</p>	<p>Increased 'securitisation of development'. £200 million set aside to promote peacekeeping in the most troubled countries of the world. Disbursement of US\$30 million in famine relief to the Horn of Africa as a contribution to the new UN emergency relief fund alongside Britain's own emergency contribution of over US\$60 million.</p> <p>Proposals for the IFF to be moved forward to deliver on the promises made at Gleneagles on aid and transparency. As part of the commitment to double aid to Africa, the Chancellor, along with fellow finance ministers will help finance a new initiative launched by Nelson Mandela to meet the MDG of free schooling for every child by 2015. Contribution to an aid-for-trade fund that will help build the infrastructure and capacity to trade in developing countries urgently in need of support, and ensure developing countries can both support the trade round and benefit from it.³⁶</p>	<p>OECD/DAC countries (IFF and IFFIm)</p> <p>GAVI</p> <p>World Bank</p> <p>African Development Bank</p> <p>Healthcare and education systems in developing countries</p> <p>WTO</p> <p>African Standby Force</p> <p>African Union Mission</p> <p>UN Central Emergency Revolving Fund</p> <p>Humanitarian relief agencies</p> <p>Iraqi government</p>

³⁵ *HM Treasury* (2006a: 121–126)

³⁶ Brown (2006b)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2005/06 <i>cont.</i>	Budget <i>cont.</i>	<p>Annual contribution of £40 million to the reformed UN Central Emergency Revolving Fund. Need to strengthen the response of the international community to both humanitarian disasters and the longer term reconstruction of affected countries.</p> <p>Continued bilateral and multilateral support for the reconstruction and development of Iraq.</p> <p>Comprehensive report into terrorist financing and money laundering to be launched</p>		
2006/07	Pre-Budget Report ³⁷	<p>Renewed commitment to the MDGs</p> <p>Universal access to free healthcare</p> <p>Universal access to comprehensive HIV prevention, treatment and care by 2010 funded through the Global Fund for AIDS, TB and malaria. Particular focus upon improving access for girls.</p> <p>Increasing R&D into cures and vaccines for diseases that disproportionately affect developing world countries. Use of public-private partnerships and Advance Market Commitments in order to incentivise greater private sector investment</p>	Launch of a new partnership with scientific research councils and charities, including the Wellcome Trust and the Gates Foundation to enable British science to do more to eradicate poverty and disease around the world. ³⁸	<p>Pharmaceutical industry</p> <p>Healthcare systems in developing countries</p> <p>Scientific research councils</p> <p>Gates Foundation</p> <p>Global Fund for Health</p> <p>OECD/DAC countries (IFFIm)</p>

³⁷ *HM Treasury* (2006b: 128–132)

³⁸ Brown (2006c)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2006/07 <i>cont.</i>	Pre-Budget Report <i>cont.</i>	<p>Launch of a research collaborative programme for the development sciences. Led by a high level steering board including leading scientists from the Research Councils, the Wellcome Trust and government departments that fund development science, it will be supported by the Gates Foundation in an advisory capacity.</p> <p>Integration of the IFFIm as a means of financing this new commitment to healthcare.</p> <p>Improved access to education programmes, and long-term finance to help countries realise their education plans. Again, particular focus upon increasing access for girls.</p> <p>Renewed commitment for debt relief, and in particular the MDRI as a means of extending debt relief to those countries not eligible to enter the HIPC process.</p> <p>Calls for reform of the UN and in particular its coordination and coherence in areas of development, humanitarian assistance and the environment.</p> <p>Urgent reform of the global trade system required, and resumption of the Doha Round of trade talks at the WTO.</p>		<p>Education systems in developing countries</p> <p>HIPCs and other countries with multilateral debts</p> <p>IMF</p> <p>UN</p> <p>WTO</p> <p>UN Framework Convention on Climate Change</p> <p>The Special Climate Change Fund</p> <p>The Least Developed Countries Fund for Climate Change</p> <p>UNCERF</p> <p>IMF Shocks Facility</p> <p>African Union Mission</p> <p>Lebanese government</p> <p>Iraqi government</p>

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2006/07 <i>cont.</i>	Pre-Budget Report <i>cont.</i>	<p>Increased investment in infrastructure necessary to meet the 'aid-for-trade' pledges made by developed countries.</p> <p>Drawing upon the findings of the Stern Report, climate change identified as having a disproportional impact upon the poor. Significant funding into strategies that will mainstream climate change risk reduction in developing countries.</p> <p>Support for the UN Central Emergency Relief Fund and continued commitment to the new IMF Shocks Facility.</p> <p>Continued support for peacekeeping operations, particular in the Darfur region of Sudan, and the work of the African Union Mission.</p> <p>Humanitarian relief and support for the reconstruction of Lebanon in the wake of the crisis suffered by the country.</p> <p>Ongoing support for the post-conflict reconstruction of Iraq</p>		

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2006/07 <i>cont.</i>	Budget ³⁹	<p>Commitment to the promises made in 2005 at Gleneagles, as well as to the MDGs.</p> <p>Increased aid to meet the 0.7 percent/GNI target by 2013.</p> <p>Debt relief initially through the HIPC initiative and then the MDRI process</p> <p>Universal access to free education.</p> <p>Commitment to increase finance to support this improved access to basic healthcare systems, principally through the IFFIm to enable governments to abolish user fees and provide vaccines and treatments for preventable diseases that primarily affect children.</p> <p>AMCs to incentivise the R&D by pharmaceutical firms into medicines that can prevent and treat the 'diseases of poverty' found in developing countries.</p> <p>Renewed commitment to achieving the goal of universal access to comprehensive HIV prevention, and the replenishment of funds for the Global Fund for Health.</p>	<p>Focus of international development shifts to climate change and the environment. Britain to lead the way working with helping developing countries to address climate change. £50 million set aside to support a "path-breaking" ten-country initiative across central Africa to prevent the destruction of the second largest rainforest in the world, and in doing so protect the livelihoods of 50 million people under threat.</p> <p>£800 million allocated to the Environmental Transformation Fund, jointly run by the Secretaries for International Development and the Environment to signal a commitment to international poverty reduction through environmental protection.⁴⁰</p>	<p>G8 countries</p> <p>Aid recipients</p> <p>HIPCs and countries eligible for debt relief through the MDRI</p> <p>Education and healthcare systems in developing countries</p> <p>IFFIm donors</p> <p>Pharmaceutical industry</p> <p>The Global Fund for Health</p> <p>Environmental and climate change mechanisms</p> <p>World Bank and Regional Development Banks</p> <p>WTO</p>

³⁹ *HM Treasury* (2007a: 133–138)

⁴⁰ Brown (2007a)

Fiscal Year	Spending Report	Key Themes	Highlights of the Chancellor's Parliamentary Statement	Outside Policy Constituencies
2006/07 <i>cont.</i>	Budget <i>cont.</i>	<p>£800 million of ODA for the Environmental Transformation Fund to support development and poverty reduction through environmental protection, and help developing countries respond to climate change.</p> <p>Assistance to the World Bank and the Regional Development Banks to develop a Clean Energy Investment Framework to accelerate public and private investment in low carbon energy in developing countries.</p> <p>Resumption of the Doha Round of trade talks welcomed. Successful conclusion dependent upon developed countries delivering increased market access; ending export subsidies; substantially reducing all domestic support; and providing effective special and differential treatment to enable developing countries to capture the gains from trade.</p> <p>Greater 'aid-for-trade' required in order to support this commitment to increased market access. Focus of this investment to be upon building the necessary infrastructure in developing countries.</p>		

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