"Globalisation, Big Business and the Blair Government"

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Abstract:

After reviewing definitions of globalisation, this paper suggests that the ‘company state model is becoming increasingly important in business-government relations. It is argued that Prime Minister Blair has a particular construction of globalisation which fits in well with the agenda of big international business. However, increasing tensions have arisen in the relationship between New Labour and business, reaching crisis point in May 2000. The paper concludes by suggesting that Burnham’s depoliticisation thesis arrives at the right conclusion using the wrong methodology.

Keywords: Globalisation; Business; Multinationals; Britain; New Labour.

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Globalisation is an essentially contested concept. Some analysts would argue that all we are experiencing at the beginning of the 21st century is an accelerated form of internationalisation; others would argue that there is something we can call ‘globalisation’, but it is a malign force which requires organised political resistance.

I am increasingly reminded of the debate over corporatism which took place in the 1970s and 1980s. The debate was bedevilled by disagreements between those who wanted to use corporatism simply as an analytical concept to help to understand certain changes that appeared to taking place in national political economies; and those who wanted to prescribe corporatism as an appropriate way of running the Keynesian welfare state. Similar tensions between analysis and prescription characterise the debate on globalisation.

There was also little agreement on a definition of corporatism which made the conduct of the debate very difficult. Such a lack of agreement on definition is also a problem in the debate on globalisation. By the time some of these issues had started to be resolved, the phenomenon of corporatism had started to decline in importance at a macro level and analysts were forced back to a debate about whether it was to be found in the dairy industry. Such an outcome seems less likely in the case of globalisation (both the general disappearance of the phenomenon and its survival in the special conditions of the cowshed). While it is not an irreversible process, it is driven by an economic dynamic which has considerable momentum behind it, even if forms of political resistance are on the increase.

Beneath the Valley of the hyper globalists

The time has come to set out my stall, as Alan Curbishley would say. My general position is that something is happening which does represent a step change in the international political economy. However, one must be careful of a new form of determinism which sees globalisation as a kind of flood sweeping along and obliterating all distinctive national structures in its path. Globalisation can be politically mediated, although whether that is more possible at a regional than a national level is an interesting research question.

Let me try and put the question of definition to one side. Political scientists with a definition are like dogs with a bone: they will continue to gnaw at it while ignoring more nutritious alternatives. In very general terms, the processes underlying globalisation may be described as follows: trade grows faster than output; foreign direct investment grows faster than trade; international financial transfers grow much faster than foreign direct investment. Driving all these processes are the activities of multinational companies, some of which have the characteristics of emergent 'stateless firms'. (Grant, 1997). One might argue that these processes could just as well be described as internationalisation. (For a useful typology which places internationalization and globalization as end points on a spectrum, see Goodman, 1997, p.670). I do not want to press the point too much: the argument in the second half of this paper could stand if one rejects the G word. Indeed, it could stand if one want to describe the phenomena being analysed as 'blancmange' or any other suitably neutral term. Let us not let terminology stand in the way of our exploration of processes. Whether one refers to the linesman as a 'lino' or an assistant referee does not alter the fact that he is visually challenged.

Globalisation may be understood as a continuing and dynamic process which reduces the significance of national boundaries (and hence the autonomy of nation-states as economic policy actors) as impediments to the free movement of (above all) capital, goods, services (and to a much lesser extent) labour. It is a highly complex phenomenon which does not necessarily produce political convergence. (Wincott, 2000).

Higgott (1998, p.6) distinguishes four broad approaches to globalisation. Let us set to one side the argument that globalisation relates to a specific historical epoch, and that the current phenomenon is little different from the pre-1914 international economy. Let us also set to one side, important though it is, the argument that gloablization is a technological and social revolution (while reminding ourselves that technological revolutions are invariably socially mediated). We are then left with two approaches.

The first sees globalisation as a confluence of economic phenomena 'especially the liberalisation and deregulation of markets, privatisation of assets, retreat of state welfare functions, diffusion of technology, cross-national distribution of production and foreign direct investment, and the integration of capital markets.' (Higgott, 1998, p.6). This rather deterministic version of globalisation can be interpreted as 'simply the latest - triumphalist - version of neo-liberalism' (Wincott, 2000, p.174). Social democrats find it particularly provoking. Nevertheless, it does capture at least a partial reality. It is interesting to note that Germany, the bastion of the organised market economy approach, is being breached by the onslaughts of globalisation. The successful acquisition of Mannesmann by Vodafone has at least symbolic importance,

Another version of globalisation is to see it 'as the hegemony of American values'. (Higgott, 1998, p.6). As Strange comments, 'All too often, [globalisation] is a polite euphemism for the continuing Americanisation of consumer tastes and cultural practices.' (Strange, 1996, p.xiii). One does not have to quote statistics to appreciate the current strength of the American economy. It is also one of the sources of the vulnerability of globalisation: a serious setback for the American economy would have global repercussions and what seemed to be an irreversible process might be brought to a halt. There are a number of possible futures.

It is also important, however, to be aware of the extent to which the European and North American economies are increasingly becoming integrated, despite the recurrent flare ups of trade tensions, usually over agricultural issues. There is a sense in which if globalisation means anything it is the dominance of the global economy by the US and the EU which between them account for around half of world GDP and global trade. Foreign direct investment (FDI) between the two domains is increasing rapidly. 'In 1996 about 50 per cent of the US foreign direct investment position was in the EU, and almost 60 per cent of EU foreign direct investment was in the USA.' (Blank and Taillandier, 1998, p.12). Recent figures suggest a further acceleration of two-way FDI.

In this paper there will be a particular emphasis on the way in which globalisation calls forth new political arrangements and structures. Note, for example, the Disputes Settlement Mechanism (DSM) of the World Trade Organisation which impinges on the sovereignty of signatory states. A country like the United States could, of course, decide that the DSM was an unacceptable price to pay for freer trade. Moves towards less managed trade have already been frustrated by the events in Seattle (as much as by poor preparation by the participants as by the events on the streets). Trade has become one of the main sites of political resistance to globalisation, but it is an arena in which one could argue that all that is occurring is internationalisation and that the most important processes associated with globalisation are less visible than the WTO.

The WTO is a good target for opponents of globalisation, and they may be able to win significant victories in areas such as food safety, but less institutionalised settings may be where the real dynamic of globalisation is to be found and where imbalances such as those between north and south are perpetuated.

Even so, globalisation cannot be a purely economic process. New political structures are involved, whether their role is to facilitate globalisation or to check it. One example referred to later in the paper is the Transatlantic Business Dialogue which forms part of the EU-US summit process which may be seen as a mechanism for managing differences between the two largest political domains involved in the globalisation process.

Identifying and analysing such structures still leaves open the question of what role remains for the nation state in conditions of globalisation, an issue which is particularly relevant in the context of this panel. Let me first make it clear that I do not accept the reformist conventional wisdom that the nation state is losing all its authority either to supranational institutions or to subnational governments, important though both of these are. To give an anecdotal example, I spent considerable time recently carefully reading the 'Greenwich speech' of the Secretary of State for Education, David Blunkett. This was not because of the location in which it was delivered, but because I was advised by my superiors that it was as important for the future of higher education in this country as the 'Woolwich speech' delivered by Crosland in 1965 which announced the binary divide. If one is involved in the business of education, or the provision of health services, the nation state remains an important (and increasingly intrusive) actor.

Baker, Gamble and Seawright (1999) suggest that three perspectives are useful in assessing the relevance of the debate on globalisation to the British case. ‘The proponents of hyper-globalisation argue that the changes introduced by globalisation are so profound that they have altered profoundly the political economy context of national policy-making.’ (p.5). I have never been particularly convinced by the ‘borderless world’ thesis. One of its most vigorous proponents has been Ohmae who informed us that ‘During 1988 nearly 90 per cent of all Japanese honeymooners went abroad. Facts of these kinds are hard to ignore.’ (Ohmae, 1990, p.19). It can be argued with some confidence that it is possible to ignore them and the whole permanently jet lagged, airport bookstall hyper globalist school.

The national political economy perspective ‘defends the continuing viability of social democracy and other national economic policy regimes ... The world economy is still an *international* economy rather than a *global* economy.’ (Baker, Gamble and Seawright, 1999, p.7). This perspective deserves to be taken seriously, but it may overstate the authority and room for manoeuvre of the nation state. This experience of the ‘Rover affair’ illustrates how few options it may have.

The perspective I find myself closest to is that of ‘open regionalism’ (Baker, Gamble and Seawright, 1999, p.9). Its main elements are:

1. A rejection of the more extreme formulations of the hyper globalists and a recognition that nation-states remain important actors.

2. The changes represented by globalisation, particularly those in the financial markets, are real changes which have altered the context for national economic policy making.
3. The central importance of the process of European integration. The term *open* regionalism is deployed because entities such as the EU are not old fashioned protectionist blocs. They form part of a wider system of governance and regulation of the global economy, but they do facilitate the creation of a new political space.

The EU's contradictory position in relation to globalization

The EU is beset with a fundamental contradiction in that it is both a facilitator of globalisation and endeavours to offer social protection against its worst effects. The creation of a single market and a single currency makes it easier for multinational companies to organise their production on a Europe wide basis and to seek to capture a large share of the European market. One perspective advanced within the Commission has been to see 'globalization as an opportunity rather than a threat: a force for the creation of employment rather than a danger to jobs within the EU.' (Rosamond, 1999, p.665).

However, as Rosamond emphasises, there are 'potentially many "globalizations" at work within the EU polity.' (Rosamond, 1999, p.667). The notion of a 'social Europe' is an important one, a protected space in which an effort is made to tackle problems such as 'social exclusion'. Somewhat perversely, the EU has been most successful (at a considerable financial and opportunity cost) in creating a protected space for its farmers, a marginal and declining group. The farmers who have benefitted most from the CAP have been those who are already wealthy. There are signs, however, that under the umbrella of 'multifunctionality' the terms of the debate are shifting towards the creation of a more inclusive rural policy which would nevertheless require protection against the more rabid antipodean demands for complete trade liberalisation in agriculture.

Nevertheless, there are tensions between the vision of a 'social Europe' and demands for the effective integration of the EU in the global economy, tensions perhaps reflected in the value of the euro against the dollar. These tensions are particularly relevant to consideration of the British case. It is evident that Tony Blair favours an American model in terms of flexible labour markets. He has reasserted his view that Europe needs to take a fresh direction in its economic policy and 'that there is a growing consensus that the European social model needs revitalising.' (*Financial Times*, 16 March 2000). (Decoding hint: for 'revitalising', a hurrah word, read 'liberalising' a boo word). Some progress was made in this direction at the Lisbon summit and subsequent meetings. There are still limits, however, in the extent to which France and Germany are prepared to move towards more liberal labour markets and the momentum within the EU is towards the creation of new social rights for workers.

The fundamental issue here has, of course, been well put by Polanyi: labour cannot be treated just as a commodity. Labour 'is the technical term used for human beings, in so far as they are not employers but employed'. (Polanyi, 1944, p.75). As he argues, 'the alleged commodity "labor power" cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual who happens to the bearer of this particular commodity.' (Polanyi, 1944, p.73). Can a global economy permit the construction of a morally determined space in which the human being as employee is permitted certain rights and protections? Or does its logic confine both the EU and member states to a mopping up operation for the socially excluded who are at least in part the victims of economic forces beyond their control? New Labour's answer would be to give them more responsibility for their fate by equipping them with the skills required in a rapidly changing economy.

If what New Labour's 'Third Way' offers is a compromise between 'old fashioned' social democracy rendered redundant by the forces of globalisation, and the quiescent acceptance of all its consequences by neo-liberals, then one test is whether it is able to offer individuals an adequate protective covering which allows them to retain their dignity.

Big business and its representative structures: the triumph of the company state?

Before we consider how New Labour has chosen to construct its understanding of globalisation, let us review the political representation of big business. In earlier work, I have advanced three models of business-government relations: the company state; the associative state; and the party state. (Grant, 1993, pp.13-17). The last model, which relies on factions of a dominant party mediating between the state and business interests, was seen as unlikely to survive in the long run and inherently prone to corruption. It has effectively disappeared in Italy and been undermined in Japan.

The associative state in which well organised and influential business associations mediate between business and the state has deep structural and cultural roots in countries such as Germany and will not be easily pushed aside by the forces of gloablization. However, 'the long-run prediction [remains] that the company state model of business-government relations will tend to become more important in the long run.' (Grant, 1993, p.18). In other words, direct interactions between the company and the state, mediated by the company's government relations division, become of increasing importance. When they fail to occur, or are confined to 'hints' dropped by the company, as in the BMW/Rover case, there's trouble ahead.

What is evident is that trade associations are facing increasing difficulties both at the European and the national level. At the EU level, direct contacts between companies and the Commission have flourished, while in a number of key industries, federations of federations have been replaced (or at least complemented) by direct membership associations organising the leading firms. There is something of a crisis of the traditional trade association in Brussels. As Nauwelaerts (1999, p.22) has observed, 'globalisation and changing member expectations are hitting European trade associations hard.' As one government relations director interviewed by the writer in Brussels in 1999 commented, 'The classic business associations [that] have been in Brussels for thirty years now face a challenge just as traditional political parties face a challenge from the organisations of civil society.'

At the national level associations in mature industries are faced with the loss of members through closures or mergers. The merged company may be controlled from outside Britain. The international headquarters may be unwilling to pay national trade associations subscriptions; the local subsidiary may be willing to do so, but have no budget line it can use. The stripping out of middle management levels in companies means that there are fewer staff available to serve on association committees. Matters are not easier, however, in high tech industries. Small start-up firms may be difficult to recruit and retain and, in any case, their subscriptions may not meet the cost of the services they require. Increasingly, the role of associations is to provide services at a fee, but in doing so they face commercial competitors who may be able to offer a better price-quality mix. The one special good they may be able to offer their members is a 'quality kitemark', although even this may be open to challenge under competition law. The importance attached by the CBI to the Trade Association Forum suggests a commitment to tackling the problems of trade associations which has often been absent in the past. It seems that one remedy the CBI is recommending is that of mergers of associations, a subject on which it has sponsored a report.

The Confederation of British Industry (CBI) has emerged from the long darkness of the Thatcher and Major years a much smaller organisation in terms of staff. They can now all be fitted into two floors of Centre Point (admittedly largely in open plan, IT oriented offices). The organisation still faces the problem of 'stifling breadth', treading a difficult course between offering political leadership to business and offending its members who have been willing at various points in its history to exercise the option of 'exit with voice'. Its hesitancies over the Euro illustrate this problem well.

Although the CBI is proud to have recently recruited 'lastminute.com', its heartland is really in the 'old economy' rather than the 'new economy' of dot com companies. It is to the CBI that the companies of Britain's shrinking manufacturing base turn as they struggle to succeed in the context of a 'strong' (overvalued) pound.

The appointment of a director general from the membership (Digby Jones, the former chair of the West Midlands region), while creating a certain frisson at Centre Point, may reassure the membership that the CBI is still responsive to their concerns.

The CBI has entered the sunlit uplands again with the election of the Blair Government. The outgoing president commented, 'the working relationship between this government and the CBI is "probably closer than at any time in the last 25 years" - certainly closer than under the Thatcher or Major governments.' (*Financial Times,* 10 July 2000). Consultation is close, frequent and intense. Concessions are often given, if less frequently publicised.

Nevertheless, the CBI faces a dilemma in terms of the declining ability of government to deliver what its members want. As the director-general commented in a recent speech at Centre Point, 'The paradigm has fundamentally changed in the western democracies as we enter the 21st century. The power of politicians is waning.'

The Blair approach to globalisation

The Blair Government's general perspective is to see globalisation as a challenge and an opportunity rather than a threat. Globalisation was a useful device that could be deployed as part of the process of converting 'old' into 'new' Labour. It made it possible to argue that any government's room for manoeuvre was limited and that powerful international financial markets demand a market based philosophy. As Hay and Watson argue (1999, p.155), 'It is the discursive construction of globalization, rather than globalization *per se* which is driving political change in contemporary Britain ... globalization acts as a convenient *post hoc* rationalization for a logic of tax cutting which the Labour Party had already internalized.'

Blair's analysis of globalisation started from the belief that:

> The determining context of economic policy is the new global market. That imposes huge limitations of a practical nature ... on macroeconomic policies (*Financial Times*, 22 May 1995)

Given that Blair apparently views globalisation as both a normative and an empirical imperative, what is there left for government to do in the sphere of economic policy? The prime minister elaborated his own views of what he saw as the three key tasks for 'centre-left' governments in his meeting with President Clinton in February 1998:

> One was that, as a result of globalization, it was essential that domestic

> governments held to fiscal and monetary prudence. Second, that there was a role for government, but that was not in extensive economic regulation but in empowerment with the equipment of the individual to make the markets operate better. Thirdly, that we have to construct a tax and benefit system which was sound and helped to make work pay. (Senior British Official, 1998, p.1).

None of these statements would be objectionable to a person holding a social market stance. It is interesting how Blair uses the phrase ‘really successful businessman’ as an accolade of high praise and how he has been keen to associate himself with entrepreneurs. Much of this has to do with the personal values of the prime minister rather than with globalisation which offers a convenient justification for a stance he might well take in any case. ‘One of the most striking traits of Tony Blair is his reverence for big companies. His empathy with professional managers - especially the quasi-American model which throngs the CBI - is infinitely greater than any fraternal bond with trade unionists.’ (*Financial Times,* 4 February 1998). ‘Although concerned at the rhetorical level with the promotion of social justice ... “New” Labour is principally concerned with strengthening the power of capital ... Blair’s designated image for his Labour Party is that it is a party for and of business’. (Herffernan, 2000, p.73).

Even if there was no globalisation, Tony Blair would be predisposed to the company state. He made it clear before he was elected that he wanted to have a closer relationship with business:

> People don’t even question for a moment that the Democrats are a pro-business party. They should not be asking that question about New Labour. New Labour is pro-business, pro-enterprise and we believe that

> there is nothing inconsistent between that and a just and decent society. (*Financial Times*, 16 January 1997).

Even as concerns have been raised about the erosion of Labour support in the 'heartlands' (or among 'core' voters in marginal seats), Tony Blair has stuck to his belief in a close working relationship with business:

> ' ... sometimes people want me to adopt old-fashioned rhetoric. Well, I won't. I will say nothing other than what I believe, which is that I'm delighted that we have business people and entrepreneurs who can today support the Labour party. And I never ever want to see that situation change again.' (*Financial Times*,16 March 2000).

Rhetoric is, of course, cheap but it has been matched by the Government's actions in the sphere of economic policy. Immediately after the election it was decided to give the Bank of England's monetary policy committee control over the setting of interest rates. A key policy lever was thus transferred away from the government to a setting more amenable to global economic forces. It is believed that monetary policy needs to be insulated from political influence in a global economy. Interestingly, John Major was against such a move on democratic grounds, believing that the person setting interest rates should be directly accountable to Parliament. However, the imperative for the Blair Government was to establish credibility with the markets.

On the fiscal front, the government's policies have been marked by prudence. New Labour pledged that it would adhere to the spending commitments of its Conservative predecessors for the first two years in office. The Chancellor used his first budget to announce a deficitreduction plan. 'Reminiscent of the first Thatcher Government's medium-term financial strategy ... the new Labour Government has instituted the first overtly "rules-based" policy in Britain since the Thatcher Government ended its monetary targeting experiment in the early 1980s.' (Hay and Watson, 1999, p.159-60).

The government has specified two key rules that in accordance with the principles of the new fiscal framework seek to avoid a rise in the burden of public debt. The 'golden' rule requires that over the economic cycle, the government will borrow only to invest and not to fund current spending. The government will meet the golden rule if, on average over a complete economic cycle, the current budget is in balance or surplus. The sustainable investment rule requires that public sector net debt as a proportion of GDP will be held over the economic cycle at a stable and prudent level. The government believes that, other things being equal, a modest reduction in net public sector debt to below 40% of GDP over the economic cycle is desirable.

The Chancellor has thus relinquished his control of monetary policy (although government still sets the inflation target) and constrained his autonomy in relation to fiscal policy. There are those who argue that these constraints should be even tighter, but most analysts would regard the conduct of fiscal policy as prudent. As Hay and Watson comment (1999, p.158), 'The actions of New Labour in power point to the realization of the tendential depoliticization of macroeconomic policy implicit in its neo-liberal rhetoric.' Whether the rhetoric is actually neo-liberal might be disputed, but it is certainly consistent with a social market stance. As Skidelsky notes (1999, p.287), 'The economic policy model suggested by the [social market approach] is one that combines a rule-based macroeconomic policy ... with the promotion of flexible product and labour markets, and targeted investment in human capital.' Such an approach certainly implies a measure of depoliticisation of economic policy, a theme that will be returned to in the conclusion.

Happy days are here again?

For a big business person, the return of the Blair Government should have been a glad morning indeed. Britain had a government which many of them regarded as centre-right, despite its styling itself as centre-left. As one chief executive put it, 'Businesses support centre-right policies. This [Labour government] is a centre-right government.' *(Financial Times,* 8 November 1997). More recently, Digby Jones, the new CBI director-general has said that 'he shared the same "centre-right" political ground with the government.' (*Financial Times,* 17 November 1999). Indeed, it was argued that it was the most pro-big business government that Britain had ever had. The Government has shown itself willing to make concessions to business on a wide range of issues from the union recognition law to climate change reduction taxes (although there has been some business disappointment about the outcome in that area).

This does not mean, however, that the relationship has been entirely free of tensions. Leaving aside the question of the high value of pound and membership of the Euro, where business itself cannot decide what is in its best interests, there are two main areas of tension. One arises from the suspicion that the government is prone to 'regulation by stealth'. The other arises from conflicts between non-economic areas of government policy and the objectives of business. By the time of the budget in March 2000 there were signs of a more general worsening of the relationship between government and business.

Despite the 1980s being hailed as the era of deregulation, in practice it was often a period of reregulation. All modern governments face pressures to 'do something' about problems in society. There is thus 'a tendency for statism and bureaucracy to creep back "pragmatically", in response to particular "shocks" liable to provoke the hysteria of the media and as a consequence a public demand that "something be done"'. (Skidelsky, 1999, p.280). 'Tough new measures' are then announced which increase the regulatory burden.

One may put this more formally in the following terms. Risk averseness varies across individuals in society. However, those who are particularly risk averse (for example, on food safety issues) are likely to combine with others in pressure groups to secure a desired reduction of risk. Given that concentrated pressures tend to outweigh diffuse preferences, government's line of least resistance is to respond positively to demands for more regulation. This is particularly attractive given that regulation generally places a relatively low burden on the public finances compared to other measures and may even generate revenue. The costs of compliance are borne by the regulated and are generally not very visible and easy to calculate. Thus one ends up with an outcome which is more risk restraining than would be the outcome of the simple aggregation of individual preferences. There may be a net welfare loss if one believes that a successful and thriving society requires some relatively unrestrained risk takers.

This propensity to regulate is reinforced by an emphasis on its virtues in some of the Third Way literature. Giddens (1998, p.20) has argued that what he terms 'the new mixed economy' refers 'to a balance between regulation and deregulation; and between the economic and the non-economic in the life of the society.' If one looks at the grounds for regulation that he sets out they are potentially very extensive. Moreover, Wolf has argued (1999) that the indirect exercise of state power through regulation may actually enhance the efficiency of the control exercised by the core state. The regulatory temptation is thus an attractive one for government.

By the time of its 1999 conference the CBI was complaining publicly about the 'crippling burden' of regulation. The CBI president, Sir Clive Thompson, listed twenty-two laws and regulations ranging from working time regulations to the Data Protection Act that had contributed to higher business costs and lower flexibility. (*Financial Times,* 2 November 1999). One might dismiss this as typical business rhetoric about government 'interference', but it does represent a real underlying concern.

The government has to address audiences other than business and some of the policies it has developed have brought it into conflict with business interests. The prime example was the 'rip off Britain' campaign which claimed that British consumers were having to pay more for goods and services than their counterparts in other countries. Retailers who have taken the brunt of the campaign were particularly aggrieved claiming that 'It does look a bit like old fashioned business bashing.' (*Financial Times,* 28 September 1999). Following pressure from the CBI, and some criticism from ministers outside the Department of Trade and Industry, it was made known in October 1999 that the campaign would be toned down.

At around the same time the government was involved in a public row with leading pharmaceutical companies over the decision by the National Institute for Clinical Excellence (NICE) to ban the new flu treatment Relenza from the NHS. If better value for money is to be delivered in the NHS, a central government objective, one way of doing that is controlling drug costs. However, pharmaceuticals is a research intensive industry and the companies would argue that they need to recover their investment. From their perspective, 'The emergence of NICE as a new obstacle to market entry serves to wipe out, at a stroke, a key element of the UK's competitive advantage in the global pharmaceutical industry.' The open letter sent to the Prime Minister by the British Pharma Group representing the (then) three British-based multinational pharmaceutical companies bluntly stated that the Relenza decision 'has potentially devastating consequences for the future of the British-based pharmaceutical industry.' (*Financial Times*, 6 October 1999). The government response was to dismiss this row as a little local difficulty. A DTI adviser commented:

> ... this is a very specific issue. It is not about the relationship between government and business more generally. That relationship is good, especially compared to previous Labour governments, and with the Tories. (*Financial Times,* 7 October 1999).

Nevertheless, there were increasing signs that the political honeymoon between government and business was coming to an end. The new director-general of the CBI set out a policy programme in January 2000 which indicated a more combative approach to government compared with that of his predecessor, the emollient Adair Turner who had built up a close relationship with ministers. Unlike his predecessors, both of whom had a connection with the management consultants McKinsey, Digby Jones was a businessman with a reputation as a corporate dealmaker who had served as chair of the CBI's Midlands region. He listed demonstrating independence from government as one of his main priorities. 'I don't believe that the perception that we have been too close to government is something that CBI members want. I don't want to be cosy with government.' (*Financial Times,* 29 March 2000). Personalities can matter as well as structures.

Business and the Blair Government in conflict

The Chancellor's 2000 budget, although widely seen as a political success, was preceived by business as too oriented towards winning the next election by meeting the concerns of Labour's core supporters (and those of 'middle England'). There was concern about the re-emergence of 'old Labour' tendencies as ministers sought to placate party factions. Business circles saw the government as having turned away from business. There was particular disappointment at the small additional sum allocated to transport infrastructure which is a particular concern of the CBI. The CBI's director-general commented, 'I would not call this the Budget for business that we were hoping for.'

(Financial Times, 22 March 2000). The *Financial Times* concluded, 'business leaders are rapidly losing trust in ministers who were regarded as a welcome change from their discredited Conservative predecessors.'

On 29 March the *Financial Times* ran a headline story, Honeymoon over, business leaders warn Labour.' The director general of the increasingly influential British Chambers of Commerce stated:

> I think business attitudes may well have reached a watershed. There is growing dislluisonment with this government's pro-business credibility. There is a growing feeling that they are not hearing us. They listen, but they do not hear. (*Financial Times,* 29 March 2000).

The Government's response showed some of the uncertainity and confusion that came to characterise its performance on the following months. On the one hand, there was an immediate (and probably coincidental) announcement of a Business Coordination Unit in the Privy Council Office, run by a senior civil servant with the leader of the house (and former

DTI minister) Margaret Beckett in charge. The task of the unit was to coordinate shop floor visits and improve lines of communication with industrial leaders.

However, there was also an insistence that there was not really a problem, or if there was one, it was to do with individuals such as Digby Jones and Chris Humphries who found themselves the subject of attention from the spin doctors. There was a view in government circles that, while small businesses might be electorally quite significant, winning the support of big business was less important now that Gordon Brown had established New Labour's credentials for fiscal stability. There was thus an inclination to play hard ball. In the run up to the CBI conference at which Tony Blair was scheduled to speak, a quote from a 'senior government member' appeared more than once in the press: 'There is a feeling that business is behaving increasingly like any other pressure group. Well, if that is how they want to play it, that is how they will be treated.' (*Financial Times*, 18 May 2000).

The Blair speech was trailed as a shot across business's bows. The *Financial Times*, used by both sides to put their case, carried a front page story 'Blair to warn business on its influence.' (*Financial Times*, 16 May 2000). 'Tony Blair will signal to business leaders tonight that the government has broader priorities than appeasing its growing ranks of critics in the business community.' However, the warning signal never came. The speech 'veered between apology and defiance.' (*Financial Times*, 18 May 2000). The most plausible interpretation is that a decision was taken a few hours before the dinner to tone down the speech so as not to raise the temperature.

Other events, however, served to raise it. Just before the March budget, Tony Blair held one of his occasional meetings with the Multinational Chairmen's Group, one of the less well known but most influential groups within British business politics (it meets under the auspices of the CBI). They were reassured by what they heard. When the budget was delivered, it included a bombshell for multinational companies. Multinationals minimise their tax bills on profits repatriated by countries with low tax rates by ‘mixing’ them with profits from higher tax countries to low the amount due to the British tax authorities. The Chancellor announced that he was going to outlaw mixing and in future a British tax rate of 30% would apply. Estimates of the cost to multinationals varied widely, but the figure was probably in the billions rather than the £300 million projection of the Inland Revenue.

Some of the initial estimates were, nevertheless, exaggerated and irritated the Treasury. The professional services and accounting firm, PwC, was particularly vociferous in its complaints. The Chancellor went on *Breakfast with Frost* to attack the leader of the PwC campaign personally, pointing out that he had once advised the disgraced Conservative minister, Neil Hamilton. The result was a new low in relations between business and the Treasury with business people attacking named Treasury officials and praising others and the Treasury, who had felt left out of the loop by ministers, attacking political appointees who were felt to lack political judgement. The CBI sought to mediate with Digby Jones having a long meeting with Tony Blair to find a solution which would not lead to the impression that the Chancellor was being overruled by the Prime Minister or forced to back down by multinational companies. The only concession the Government would offer was a nine month delay which left business leaders deeply disappointed.

Further difficulties were caused by the Regulation of Investigatory Powers Bill which gives the security services the right to intercept E mails. Business criticisms of the cost of implementation alarmed Downing Street and they offered a contribution of £20 million. This was not enough to save the Government from defeat in the House of Lords which voted for 'fair' compensation in July 2000.

One other area of tension deserves mention. The Scottish Parliament and the Welsh Assembly and their executives are perceived as less 'business friendly' than London based institutions. Fewer than a dozen of Scotland's 129 MSPs have business backgrounds with most of the members being former councillors, trade unionists and public sector workers. This is a particular concern in Edinburgh because of its importance as a financial centre. The decoupling of Scottish business rates from those elsewhere in Britain upset business interests. In June 2000 five organisations formed a new structure to lobby ministers jointly on behalf of business (CBI Scotland; the Institute of Directors in Scotland; Scottish Chambers of Commerce; Scottish Council Development and Industry; and Scottish Financial Enterprise). Devolved government makes it more difficult for Tony Blair to deliver on his pledges to business.

Conclusions

The principal conclusion of this paper is that the Labour Government's understanding of globalisation is constructed in the mind of Tony Blair (and other key actors such as Anthony Giddens). If there is no G, Tony would still be well disposed to BB (big business). His overall stance was succinctly stated in a speech to American financiers (who else?) in New York in 1998. After he had expressed his delight at appearing in front of such a 'distinguished group of people' in a 'great city' he stated:

> ... the new Labour Government attaches enormous importance to its relations with business both here and in the UK and abroad. The importance we attach not just to developing close links with British

> business but also with business abroad is demonstrated by the degree with which we want to go out and have a proper dialogue with business and *be the natural party of business. (writer's italics).* We believe that is what we should be. The days when business and government had a difficult relationship are largely over, but we want to build now a relationship for the long term that really works. (10 Downing Street Newsroom, 14 April 1998).

One could commend the political realism of this stance in an era of globalisation and the company state. One could also say that a variety of political responses to the phenomenon we know as 'globalisation' is possible. Business is a difficult client to satisfy and there are new signs of tension in its relationship with new Labour. Labour also has to be responsive to other clienteles, not least because it wants to be re-elected with a solid majority. Tensions between 'the politics of support' and the 'politics of power' start to arise (to use Andrew Gamble's terminology) and may even infect the key relationship between the prime minister and chancellor. Seeing how these tensions play out is almost as fascinating as watching a good football match.

Blair came close to confronting business in May 2000, but backed away. Instead there has been a renewed emphasis on offering concessions to business. An increasingly tarnished government cannot risk a major rift with business, having placed so much emphasis on the importance of its support. On the business side, there is likely to be a reluctance to sacrifice the new 'privileged' insider status. However, as Sir Clive Thompson commented when he stood down as CBI president:

> The danger is being over-flattered by sitting around the table with Government and the CBI was flattered by the buzz of working with ministers. But that does not mean that you are fulfilling your duty to the membership. The membership is more interested in what the outcome is. It has been a wonderful experience but the question is how successful have we been and I think we had mixed success. (*The Independent*, 10 July 2000).

As far as least some business persons are concerned, the concessions the CBI has won on the minimum wage and the working time directive are outweighed by the legitimacy it has given to the new laws. However, there might be less concern about the regulatory burden if the pound was not so overvalued and the Government gave a clearer leader on the euro (although business is by no means united on this issue).

Some of the most important changes in structures and processes may take place at a transantional level. The Transatlantic Business Dialogue (part of the US-EU summit mechanism) is a significant new development which potentially increases the influence of chief executives of major companies based on either side of the Atlantic. It is the subject of research in progress with David Coen at London Business School.

It may be suggested that the trends outlined here are consistent with the depoliticisation thesis advanced by Peter Burnham. He draws attention to a 'new politics of restructuring in terms of the shift from *politicised* to *depoliticised* forms of state management of labour power and money'. (Burnham, 1999, p.38). He sees depoliticisation as a governing strategy in Britain taking three main forms: shift of tasks from government to 'non-political' bodies as a means of underwriting credibility; measures to externally validate policy; and the adoption of binding ‘rules’ which limit government room for manoeuvre. It is possible even for an unreconstructed Weberian to see value added in Burnham’s perspective without approaching it within the terms of ‘a particular reading of Marx.’ (Burnham, 1999, p.51).

A ready and willing acceptance of globalisation as a driver for change is part of a Blairite world view which is and should be open to challenge and critical debate. Part of that debate should be continuing reflection about the form the relationship between government and business should take. There is much to be said for an effective working partnership, provided it is a genuine partnership and not a relationship in which the values and preferences of one partner dominates. Although British politics, and economic policy in particular, still operates within the general terms of a new political settlement constructed after 1979, no one can say at the beginning of the century what the political configuration will be even ten years hence.

That is what makes politics an interesting but also a difficult subject of study.

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