a succession of partisan Tory governments.

Only in the past year has the penny begun to drop with the Labour Party that the two-party system is dead. Britain's unfair first past the post method of election is delivering a one-party system and will go on doing so unless something happens. During the lifetime of this government, a redistribution of electoral districts will take about 20 seats away from Labour due to population changes. Labour, however, entered this election with no firm commitment to introduce proportional representation (PR) and no attempt to create a limited electoral pact with the Liberals. Although the Tories have a substantial margin over Labour, 336 to 271 seats, they needed to lose just 12 more seats to be unable to form a government. There are a good many seats where the Conservatives' majority is 1,000 or less. Ultimately, therefore, some 10,000 floating voters in a few constituencies decided the result. A determined effort by Labour and the Liberals in key marginals could have unseated the Conservatives. A Labour commitment to PR could have shifted a small but vital percentage of Liberals and floating voters. A promise of PR would give Liberals once and for all a reason to vote Labour, and it would convince wavering voters that Labour did not intend to govern as an old-style partisan party.

Labour entered the election with the most radical program of constitutional change it has ever offered: an elected assembly and devolved government for Scotland, regional governments in England and Wales, the abolition of the House of Lords and its replacement by an elected (on a PR basis) second chamber, a program of anti-discrimination legislation, a Freedom of Information Act, among others. Missing were two items: PR and a real Bill of Rights. Yet these were the only two, apart from greater autonomy for Scotland, which mattered. Labour's reforms became an issue in the last week of the campaign; they were radical enough to be frightening to institutional conservatives and yet not radical enough to inspire people to vote Labour or change people's minds about the party. Labour's fearful conservatism betrayed it into being prepared to interfere with the British Constitution but not to rewrite it. It has therefore paid the price for its timorous attempt to appease its own anti-PR lobby led by deputy leader Roy Hattersley.

Hattersley has now resigned—along with leader Neil Kinnock. One can only hope that the Labour Party will now embrace PR and accept the need for a strategy of co-operation with the Liberals in bringing it about. If Labour still fails to do this, then it is finished as a radical and reforming party.

Pro-Labour intellectuals are numb with shock and wringing their hands about an historic defeat and the end of socialism as we know it. They did this in 1987 too, when some of them even convinced themselves that Mrs Thatcher had staged a British economic miracle. It is curious that a government that has staged two major recessions in a decade, that has a record of unique ineptitude in economic management in the advanced industrial world, should be returned to office. What does this say about Labour?

The truth is that Labour's economic strategy was completely wrong—and despite the fact that John Smith, the Shadow Chancellor, and likely next party leader, was very popular with the voters. Firstly, its monetary policy was slavishly conservative. John Smith was committed to maintaining the value of the pound within the European exchange rate mechanism (ERM) although this rate is crippling for British industry, condemns the economy to permanent recession and is unsustainable. Secondly, Labour proposed substantial tax increases for middle income earners (over £21,000 or about $A45,000), and the Tories concentrated on this throughout the campaign. The problem here is that key groups were being faced with high tax increases in
the middle of a recession to finance limited and ineffectual changes in social spending and a small increase in Child Benefit, a modest rise in pensions, and small extra amounts for the National Health Service (NHS) and education. As the Tories pointed out, with a chutzpah unique to the pin-striped breed, the middle classes were being asked to make sacrifices for small changes in spending that couldn't possibly sort out the underfunding crisis of the public sector that the Tories themselves had created in the last 13 years! However, the claim is quite true: Labour did not offer a real alternative in economic and social policy. One can only conclude that key sections of the electorate looked at their wallets and decided to keep the change.

Labour's mistake in my view was not their proposal to raise taxes, but what they proposed to spend them on. Had they concentrated on manufacturing investment, industrial training and transport infrastructure—explaining the extent of the Tories' neglect of manufacturing and the need to reverse industrial decline—they might have had some hope. Factories before pensions, trained workers before the NHS, roads before Child Benefit, is a hard set of priorities for a traditionally welfare state party to offer. However, Labour tried to have it all, while being fiscally 'responsible' and practising 'sound money'. It was at once too conservative on economic policy and too committed to a diverse range of under-funded spending initiatives. If it had put industrial renewal first, and concentrated all its efforts on the Tories' economic failures, it might have had some chance of denting traditional opinion. As it was, it appeared to be a high-tax, soft-on-spending party that wasn't going to do anything dramatic: better the devil you know.

Labour will now have to decide what kind of party it wants to be. It will have to face the fact that Britain cannot afford a major increase in social spending, given middle income earners' attitudes, unless it is able to achieve a much better rate of sustainable economic growth. It will have to work out how to achieve such growth, and move away from the current mixture of macro-economic caution and half-hearted advocacy of an industrial policy. It will have to decide that a key component of economic modernisation is constitutional reform, to create a more equitable balance between the parties and a more collaborative political culture that allows long-run co-operation to manage the economy. If it does these two things it may have a future as a party of government. If it does not, it can remain a party of the poor, of the public sector and of opposition.

The intellectuals' angst about the future is easy to understand. The Conservatives don't like them. Britain is economically and culturally stagnant, and will remain so while mainstream Toryism rules. But ignore the idle chatter of the 'death of socialism'. Labour on 35% of the vote is one of the few remaining strong parties of the Left in Europe. The reason Labour is out of government is that it has been too stupid to see the need to change the electoral system while in government (in 1974-79) and too conservative to make this a major plank on its policy platform while in opposition. Major's victory is far from good news, but it means that the opposition in Britain has to get up, dust itself off and get back to fighting the Tories. Anything else is just designer agonising by people who are upset they aren't on the winning side, and who thought things were going to be easy this time around because the Tories were forced to fight an election in a recession.

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