

Gordon's Swedish model

After watching the Queen's Speech last week, I found it hard to agree with the commentators who were insisting that the government's intention was to scare us out of our wits. We have indeed been given reason to run screaming into our homes, but the threat is not the government's policy on security. No, what is truly alarming about New Labour is the speed with which an entirely new policy agenda has been launched by ministers, one whose effect on national life will be infinitely more pervasive and damaging than having to carry a piece of plastic in our wallets.

In a campaign of shock and awe, the government has, within the space of three weeks, outlawed hunting, proposed a ban on smoking in public places and restrictions on the promotion of fatty foods, and set new limits on parents' ability to chastise their children. Aware of the danger that people might feel that New Labour is mutating rapidly into Nanny Labour, No. 10 has come up with a new line. 'This isn't nanny government,' said Peter Hain in a rather nanny-ish tone. 'It is about the progressive power of government as a force for good.'

This is more than a new phrase. It has become a kernel of the agenda for Labour's third term. What's more, at a time when we are told that Gordon Brown is barely speaking to Tony Blair or Alan Milburn, it is a line being used by all of them. The Chancellor repeated the words 'progressive consensus' no fewer than a dozen times in his speech to the Labour party conference in September. Where the rest of us arrive at a consensus, Mr Brown prefers to announce them in advance, as he did his consensus that a lavishly taxpayer-funded state monopoly is the only way to deliver healthcare in the 21st century.

Let's be clear about what the 'progressive consensus' actually means: an agenda for big, expensive and increasingly intrusive government. It is dressed up, most persuasively by Alan Milburn, as the means to enhance social mobility and extend opportunity. But underneath its policy solutions are painfully familiar: state diktat, higher spending and redistribution.

For an insight into where all of this is heading, it is worth noting the comments of New Labour's guru and inventor of the 'third way', Professor Anthony Giddens, that there are 'close parallels' between the programmes of New Labour and Sweden's social democrats. And it is the suggestion that Britain might become the new Sweden which should truly set alarm bells ringing in corporate Britain and indeed in the home of any British taxpayer.

It might be possible to regard Sweden with a certain benign affection. Many of its exports have been most welcome in Britain. After all, this is the country which gave us Ulrika Jonsson, Abba and Ikea furniture. Not only that, but Sweden has had the wisdom to keep out of the euro, makes sensible cars and generally seems to be a good thing.

There is, however, another Sweden. Setting aside its crime rate, which is the highest in Europe, and its problem of alcoholism, both feats which Britain is attempting to emulate, this is the mother of high-tax nations. Sweden's tax burden is an eye-watering 50.8 per cent of GDP, compared with 35.3 per cent here and 25.4 per cent in the US. Nearly £6 of every £10 in the country is spent by the government. About 10 per cent of the Swedish workforce are on sick leave at any one time.

But the Left in Britain has always become misty-eyed at the thought that there might be a socialist, or at least semi-socialist, enclave in the world that works. I can still remember Neil Kinnock's instant response when, as Labour leader, he was asked if socialism had been successful in any country. Yes, he exclaimed: Sweden.

In fact Sweden has paid a heavy price for its generous welfare state. In 1970 Sweden's GDP per capita was the third highest in the world; by 2000, it had fallen to 17th and is now lower than all but five southern states in the US. Between 1980 and 1999, the gross income of

Sweden's poorest households increased by just over 6 per cent, while the rise in the US was three times as fast.

The brief intervention of a conservative government in the early 1990s introduced economic and public service reforms, including tax reductions, which dramatically improved Sweden's economic performance, resulting in a period of better growth and lower unemployment. But ironically these are policy lessons which New Labour refuses to learn. Sweden has successfully introduced school choice, but this has been rejected by our government. Under bold Swedish health reform a quarter of patient visits are now with private providers, but the Health Secretary John Reid has arbitrarily declared that at the most 15 per cent of care may be supplied by the independent sector to NHS patients.

Instead, the government seems intent on importing the worst features of the Swedish model to Britain: its prohibition of smacking (introduced in 1979, as we elected Margaret Thatcher); its partial smoking ban, which came into force earlier this year; and, most damaging of all, elements of its welfare system. Sweden has the world's most generous system of universal childcare and enables parents to be at home with their children for up to 16 months of paid leave.

PricewaterhouseCoopers has estimated that the cost of the government's plan to move in the same direction could reach £8.5 billion per year by 2010. While Gordon Brown spouts platitudes about the challenge from the Far East, taxes in Britain are already rising to a 24-year high. And as our tax burden accelerates above the OECD average and — incredibly — approaches that in Germany, our peer group countries are cutting theirs, so eroding our competitive advantage. The twin costs of poor public sector productivity and a rising tax burden will inevitably retard growth and therefore living standards over the long term. The cost will amount to £6,000 a year foregone per person, or £14,400 per family, in 25 years' time.

New Labour's most successful policy was to give up political control over interest rates and leave the job to people better qualified to do it. But this lesson, like the brutal, anti-politician message from voters in the North East who rejected extra government in the shape of regional assemblies, seems to have been lost on ministers. 'I wish to celebrate and promote the role of the state in family life,' said the children's minister, Margaret Hodge, last week. 'For me it's not a question of whether we should intrude in family life, but how and when.' Mrs Hodge plans to begin by advising every new parent how to read a book to their children and limit the amount of television they watch.

Ministers may well be mistaken in calculating that interventions like this will be popular. A recent ICM poll found that 71 per cent of voters believe that the government is introducing too much legislation which infringes personal liberty. Yet reaction from the Conservative party to Labour's progressive agenda has been curiously muted, sometimes confused. The party has criticised the nanny state. Yet it has also floated the possibility of giving tax relief for childcare. Taking increasing amounts of money from low-income households, churning it through government and offering it back in the forms of tax credits, baby bonds or childcare support doesn't just entrench dependency and the role of the state: it is inherently inefficient. There is a startlingly simple solution to problems such as the cost of childcare: cut taxes significantly, especially for lower income groups, and thereby give people real spending power and choice over how to provide for families themselves.

As Labour flirts with its new consensus, ideological differences between the parties are becoming clearer. Britain is, to use Tony Blair's phrase, at a fork in the road. One way leads to the new Sweden, to ever bigger, more expensive and intrusive government, of the kind from which Britain has traditionally recoiled. The other way leads to personal responsibility, freedom, and the wealth that follows. It shouldn't be difficult for Conservatives to decide which way to travel.

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