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LATHAM AND THE THIRD WAY: RADICALISING NEO-LIBERALISM ?

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The current period has been described as "the era of the catch-all Third Way" in which "the development of Third Way politics look[s] like a historic shift, not least because it is global in scope" (cited in Basham, 1999). In the late 1990s, the search for a so-called Third Way indeed became a focus of intense discussion in academe and politics across countries. From Bill Clinton and the New Democrats to Tony Blair and New Labour and Gerhard Schröder and his *Die Neue Mitte*, the Third Way notion appears to enjoy strong support among powerful Western governments, presumably motivated and largely vindicated by electoral outcomes (Baer, 1999; Claven, 2000).

Equally important is the intellectual sponsorship that the Third Way has attracted, notably from renowned British sociologist Anthony Giddens. His 1998 book *The Third Way* is commonly taken to define the position in general and inform Britain's New Labour administration in particular. His later book, *The Third Way and Its Critics*, has sought to rebut the most common criticism on the Left, namely that the Third Way is neoliberalism by other means. As he insists, "Third Way politics is not a continuation of neoliberalism, but an alternative political philosophy," touting it as a framework to reconcile the exigencies of the purported new knowledge-based, globalised economy with the values of a humane society (Giddens, 2000: 32-33). At the other extreme, Patrick Basham (1999) describes the Third Way as "a Trojan Horse for socialists." In a sense, perhaps the Third Way resurrects a belief in non-market, social values that ardent economic liberalism threatens to extinguish.

Others have meanwhile dismissed it as "the Loch Ness Monster of contemporary public policy – everyone has heard of it, there are occasional sightings, but no one is sure that the beast really exists" (cited in Basham, 1999). This cynical view presents the Third Way as a mere marketing tool for leftist parties in response to globalisation and its problems, aligning with critics who deem it nothing new. Yet the widespread institutional and intellectual support for the Third Way suggests that it is worth taking seriously, at least as a subject of critique. Certainly, there is sufficient scholarship associated with the idea to seek to establish its content and thus what it represents ideologically.

Australia's foremost proponent has been Mark Latham, ALP parliamentarian for the Western Sydney seat of Werriwa from 1994. Since the publication of his 1998 book *Civilising Global Capital*, Latham has espoused the need to revamp social democracy and the ALP through this new theoretical prescription. Quitting the front-bench after the 1998 election in disgust at the perceived "retro-economic" agenda adopted by the ALP since its crushing 1996 defeat, he became a maverick backbencher, writing for the *Sydney Morning Herald*, *Australian Financial Review* and *Quadrant*, among others, in addition to giving lectures, all of which has popularised the Third Way notion (Wright, 1998a: 2; Latham, 2001a: 15). Latham has also written or co-edited two other books. Not only does his intellectual framework represent one of the more sophisticated developments of the Third Way among fellow theorists, but it is also unusual to have an Australian politician write on theory and public policy.

The successful intellectual campaign resulted in Latham's revitalised prominence in the ALP's policy processes during the 1998-2001 term in Opposition. Most apparent, then leader Kim Beazley had recast the party's Caucus economics committee into a driving force of change and Latham seemed to have full rein over this forum (Milne, 1999: 13). Thus Milne remarked that: "...the economic 'Lathamisation' of the ALP is proceeding, albeit largely unacknowledged" (1999: 13). Unsurprisingly then, as Scott (2001: 23) argues, the ALP eschewed its earlier 'soft-left' agenda during this term. As Beazley would enunciate in a Budget reply speech in 2000: "We all now largely agree on...the need for fiscal discipline, an independent monetary policy, deregulation of financial

markets, the floating of the dollar, low inflation and a more open economy" (cited in Latham, 2001a: 15). Following the 2001 election loss, it was only natural that Latham would return to the frontbench in the key roles of assistant shadow treasurer and shadow minister for economic ownership, housing and urban development.

This paper offers a critical analysis of Latham's contribution to the global debate on the future of social democratic politics. It is not my aim to engage in the debate as to whether Latham deviates from some essential 'Labor tradition', despite how some in the ALP have reacted to his views (Wright, 1998b: 3; Beazley, 1998: 1-9)¹; rather, it is to argue that the contours of a *variant* neoliberal ideology may be discerned in his conception of the dynamics within and between the modern Australian economy and society. This echoes Anderson's claim that "the Third Way is the best ideological shell of neo-liberalism today", where neoliberalism is understood as a market-driven policy agenda of privatisation, marketisation, deregulation and individualisation (cited in Callinicos, 2001: 8). The Third Way as constructed by Latham, far from countering neoliberalism, retains and even radicalises its scope within the economy and society.

The paper is organised into two sections. The first sketches a short genealogy of the Third Way, a notion used throughout the 20th Century in a variety of contexts. The second section is broken into two subsections, interrogating respectively: the Third Way's 'new economy' mantra; and its implications for the 'new politics' as embodied in the idea of the 'enabling state', examining its approach to welfare, civil society and education in an information age. What is of interest is the politics of Latham's theory in terms of how the nature of society and social change in an era of global capitalism are conceived. The Third Way purportedly lies somewhere beyond the 'Old Left' and 'New Right', and that somewhere is the subject of this paper.

¹ Arguably, the antecedent for Third Way thought is the Australian Labor government of 1983-96. For a critique of Labor's 13 years in power in terms of emptying out the labour tradition, see Beilharz (1994).

A Short Genealogy of the Third Way

The sense of the third way as a middle course in politics has been inherent in the traditional use of the term. Among other referents, it has been applied to social democracy itself, Meidner's strategy for the Swedish SAP in the 1950s, German social democracy, market socialism and revisionist Marxism, and corporatism as a *tertium genus* between pluralist liberal democracy and statist political systems (Giddens, 1998: 25-26). McDonnell (1999: 21) recalls Marxist political philosophers have been using the term for many years. Ota Šik, for example, in his 1976 *The Third Way: Marxist-Leninist Theory and Modern Industrial Society*, uses the term to describe a system whereby market forces are given scope to operate within the economy but the government intervenes to redistribute wealth to ensure equality of outcomes. Even so, the Christian Democrat Eduardo Frei, who led Chile in the late 1960s, would label his program of 'Revolution in Liberty' a third way. Hence Giddens feels compelled to clarify that:

...the term 'third way' is of no particular significance in and of itself. It has been used many times before in the past history of social democracy, and also by writers and politicians of quite different persuasions. I make use of it here to refer to social democratic renewal (1998: vii-viii).

The term is sometimes used to denote an alternative to the opposing ideologies of capitalism and socialism or else to denote a modification of one or the other. Crudely put, the Third Way appears to be an expedient label – ambiguous but suggestive of originality at the same time, much like the word 'independent' in politics. Such would explain its popularity over time and across causes.

In the sense that Latham employs the term to denote social democratic renewal, he means that:

The recasting of social democratic ideology draws from the most attractive aspects of liberalism and socialism: liberal in the sense of selectively pursuing state powers for the creation of social and economic freedoms; socialist in the sense of wanting to foster a

dense web of social responsibility and respect for the common good (1998a: 326).

Whereas Giddens (1998: 37-46) identifies the Third Way as a modernised centre-left position, Latham (1998a: xxx-xxxv) conceives it in terms of a new synthesised "radical centre". Whether the distinction is one of mere semantics or wields a greater significance is a moot point. Either way, it is clear that the metaphor derives its meaning from what it is not, that is 'old-style social democracy' with its excessive faith in the state on the one hand, and on the other neoliberalism with its equally misplaced trust in the free market. In the words of Latham (1998b: 386), "the Third Way seeks to resolve the core ideological tension of the past two centuries – the clash between socialism and liberalism." Or, as Callinicos (2001: 29) describes it, "we can have our cake and eat it – combine the capitalist dynamism celebrated by the New Right with the social justice sought by the Old Left."

The Third Way Worldview

According to Latham (1998a: xvi), the Third Way does not undermine the goals and purposes of social democracy; its contribution instead lies in prescribing new and different methods and programs to earlier approaches to achieve those 'ends'. The ends remain the same, that is, but the means must be adapted to a different context. Viewed in this way, the appeal of his vision is apparent (insofar as the dichotomy itself is accepted). Yet on closer inspection, this picture of the Third Way becomes more problematic. Latham's dogmatic understanding of social democracy's "goals and purposes" in terms of civilising capitalism and how he defines this notion are, in fact, politicised and thus contestable. And the same goes for how he perceives the modern political and economic settings. In the end, Latham's depiction of the Third Way worldview serves to obfuscate its ideological content.

In a speech to the Sydney Institute, Latham (1998c) described *Civilising Global Capital* as "an attempt to deal boldly with the complexity of the new politics through a fresh set of values and policy ideas." But this picture is incomplete, for the book's first half focuses on "the chase for

global capital" and "policies for the new economy." The conceptual foundations of the Third Way paradigm arguably lie in the alleged advent of a 'new economy' and its consequent social effects. Properly understood, therefore, it is the relationship between ethico-political values and socio-economic change that underpins the Third Way outlook (see Callinicos, 2001). This offers a better approach to analysing its ideological content.

The 'New Economy'

For Latham (1998a: xx), a defining characteristic of the new economy is economic globalisation. It is broadly recognised that there has been a transformation of capital in finance, production and commodity trade in the past 50 years. Although debate remains about whether or not current levels of economic interdependence surpass those at the turn of the 19th century, there are some distinctive features to the present situation, as Latham observes. First are the new and important actors on the global economic scene such as multinational corporations, financial houses and institutions, including the World Bank, IMF and WTO. Latham beholds a sea of 'footloose' capital, sloshing around the globe without constraint or much consideration. Second are the communication and technology revolutions. These may be seen as the catalysts of economic globalisation, increasing the speed and scale of global economic relations. In another sense, however, these phenomena purportedly represent something else, namely the advent of a new information-based economy. Economic globalisation and the information age are the twin cornerstones of Latham's 'new economy' mantra.

The political implications of economic globalisation are clear to Latham: there is the need for a new national approach to economic and social policy, for the traditional faith of social democrats in the nation-state as both the framework and the means of achieving progressive reform is misplaced today. But if the 'realities' of economic globalisation are accepted wisdom, what is too often overlooked is the role of political agency in facilitating, and even driving, the process. For all its structural elements, conscious political agency is equally central to the story of economic globalisation. In fact, it is the activity of states which has

enabled this process and remains integral to its persistence, expansion and character, as Weiss (1998) illustrates. This is one of the predominant messages of protesters at world political and economic forums, who are anti-*corporate* globalisation rather than anti-globalisation *per se* as media pundits and political leaders prefer to portray them. For his part, Latham subscribes to the view of an autonomous global market, with its own non-political logic, whilst confining the state's role to encouraging continuous – and often painful – social and economic adjustments in the domestic sphere. This sounds much like orthodox neoliberalism.

Turning to the idea of the 'information age'; Latham believes its inherent dynamics signify a social and economic departure from the old, industrial economy. As Castells has put it, the advent of the information age is "as major an historical event as was the eighteenth-century industrial revolution, inducing a pattern of discontinuity in the material basis of economy, society, and culture" (cited in Callinicos, 2001: 39). For others, however, the communication and technology revolutions are more narrowly focused phenomena, and certainly more an extension of capitalism than heralding (in the words of one Blair adviser, Charles Leadbeater) a "post-capitalist society" (see Callinicos, 2001: 40-41). Most notably, Latham (1998a: 79-83) claims it has ushered in the 'symbolic analyst' (or what he later calls the 'wired worker'), the new worker of this new economy. This group comprises engineers, consultants, artists, information technology specialists, creative designers and entertainers. He contrasts this with two other worker categories: the 'in-person service provider', whose modern growth is a product of the outsourcing of personal and household functions to commercial enterprises; and 'routine production worker', declining artefact of the Fordist system of production.

Latham emphasises the growing ranks of 'wired workers' who enjoy a command over computer technology, the application of personal skills and often much work autonomy. These people, usually well educated and working in small self-directed teams, are described as "the free agents of the new economy" (Latham, 1999: 9). More, Latham suggests that the rise of the wired worker is coterminous with the decline of trade unionism in Australia, for the "skills and interests of workers, along with the logic of their representation, have been dispersed. The emergence of

symbolic-analytic workers has helped to overturn conventional notions of exploitation and collective action in the workplace" (1998a: 84). All this culminates in his version of 'the end of class'. Adducing Hegel's dialectic, Latham asserts that the information age has dissolved the capital-labour dichotomy in the production process and thus resolved the class struggle of the industrial age, achieving by economic-technological revolution the goals that Marxists thought would only be possible through political revolution: "Labour as the thesis, capital as the antithesis, wired workers as the synthesis – this is the new economy" (1999: 10). While he declares the death of class as a social force in the new information age on one level, consistent with a neoliberal perspective, he goes further still in pronouncing that class relations have ceased to be a useful way in which to understand social power altogether.

Scanlon argues that Latham's enthusiasm for the wired worker has less to do with historical materialism than pragmatic calculations of political strategy. The appeal of this group lies in their disproportionate societal influence to population size, owing to their position in late capitalism as the embodiment of the highest cultural ideal. As Scanlon (1999: 18) rebuts: "Those involved in wired work...embody the synthesis, not of capital and labour, but of intellectuality and the commodity form." In a similar vein, Callinicos (2001: 31) asserts that the category of wired or service workers "is of little use analytically because it does not register differences in what Marx called the relations of production." A call-centre operator and a Wall Street banker both work in the service industry, but their conditions are worlds apart: call-centres offer low-paid, highly supervised, semi-automated, insecure employment, (they are often described as 'factories' of the modern service economy), while the latter form of employment confers a dominant position in the structure of economic power at work and on the labour market. Broadly, service workers may occupy a relatively privileged position in the labour market, but as Stilwell (2000: 95) points out, they remain subject to exploitation in the economic sense that it is only rational for employers to employ them if their wages are less than the value of the goods and services they earn for the enterprise. So the problems arising from antagonistic class interests do not dissolve, rather they tend to shift terrain, into contestation over intellectual property rights, for example. The core workplace conflict remains the traditional dichotomy of capital versus labour, even

though the nature of work may be vastly different. Barnes (2001: 3) certainly suggests as much in his study of landmark industrial action by 22 programmers at the Software Systems Centre in Sydney in April of 1999. As one cheeky headline at the time read: "Angry geeks down mouses in industry first", and possibly world first.

Overall, as Collins (2001: 302) contends, the industrial relations agenda of the Third Way aims to improve business competitiveness. Unlike neoliberalism, however, this need not exclude Old Left issues like collective bargaining and individual employment rights. For these are instead recast in terms of workforce efficacy, thus eroding their distributive or democratic dimensions. More generally, we can conclude that, far from presenting a 'realistic' picture of new and transformative economic trends, Latham offers a highly stylised one to suit his larger political agenda, to which we now turn.

The 'New Politics'

If the 'new economy' mantra is more contested than Latham would like to believe and less supportive of his agenda in this area, then his 'new politics' is even more fraught with danger. The link between the two comes in the form of resolving the fiscal overload of the state in the current economic context while not abandoning, indeed even promising to empower, the citizenry in the process. The answer to this dilemma is in the guise of social devolution. As Scanlon (2001: 483) states: "proponents of the Third Way have sought to mobilise the affective relationships and ethical obligations of community as a way of limiting the scope of the state. If the Third Way's claim to a 'new politics' has any substance...it is in the importance that its advocates appear to attach to the role of community in governance."

There is a strong economic component to this idea of reconstructing governance. As globalisation and the information age have altered the economic ground rules, Latham argues Australia should abandon the old national tools of tariff protection and industry welfare, especially since footloose industrial capital has the capacity to absorb public handouts and relocate to countries offering more generous forms of business

welfare. Australia should instead invest in those inputs to the new economy which remain relatively immobile, such as education, social capital and infrastructure (Latham, 1998a: 50-56). Latham highlights the role of human, social and physical capital in Australia's long-run growth prospects, believing it allows us to lever benefits from the globalisation of industrial and financial capital and capture the gains of the information age. Yet while it may seem economically and socially desirable for the state to promote the acquisition and accumulation of these 'inputs', Latham (1998a: xxxii) staunchly declares "the era of large-scale, centralised, paternalistic government to be at an end." The Third Way instead espouses the idea of the 'enabling state'.

The 'enabling state' aims to refashion "the work of government around rewarding the citizenry for the exercise of effort and responsibility" (Latham, 1998a: xxxii). The irony is that such an 'enabling state' appears in practice to manifest the very paternalism which Latham detests. No better is this demonstrated than in his conception of the new welfare state. In a speech to the Brisbane Institute, Latham argued "the existing welfare state sustains a culture of welfare dependency" (cited in Watts, 1999: 21). The problem stems from the Old Left's definition of inequality as material deprivation, leading it to passively redistribute income to the poor. Latham (1998a: xxxviii) prefers to conceive inequality in terms of 'social capability', recognising "personal well-being relies upon more than the availability of material and social goods: citizens must have the capacity to effectively utilise these resources." As such, "unconditional welfare is a crime against the poor[...]. It gives people support without requiring from them a positive engagement in society" (cited in Watts, 1999: 27). The poor are poor, in this view, because of inadequate social and personal resources, *not* inadequate financial resources. This also downplays external barriers to work, emphasising behavioural factors like psychological incompetence. All this serves to underpin a framework of 'mutual obligation', wherein the state disburses rewards to people deemed to make responsible contributions to their (and thus society's) interests, and sanctions on acts deemed to the contrary.

Latham (1998a: xxxi) further promotes this view as "during this era of globalisation and insecurity, each of us as individuals plainly *needs to do*

more to advance our own interests – to study harder, to prepare and save more effectively for an uncertain future, to work smarter, and to develop the competitive skills that deliver job security in an open economy.” It only makes sense, then, that welfare must also come to rely more on private contributions through income security accounts (Latham, 1998a: 221-231). More recently, Latham (2002) has released a discussion paper promoting asset-based welfare, including first share ownership schemes and matched savings accounts. Whatever be the merits of these proposals, he is more cautious to couch them as a supplement to the current welfare approach. Either way, the fusion of self- and public interest in the Third Way model is absolute.

The three pillars of the mutual obligation regime are that it enhances social and economic participation, punishes dole bludgers and reflects community expectations. In March this year, though, the Independent Review of Breaches and Penalties in the Social Security System reported that:

While the current system often functions in an appropriate manner, there are many occasions on which its operation in relation to particular job-seekers can be reasonably described as arbitrary, unfair or excessively harsh. There are also many occasions when it diminishes people's capacity and opportunity to continue seeking work and become less dependent on social security (cited in Ziguras and Flowers, 2002: 3).

It went on to conclude that breaches were imposed too frequently, and penalties for breaches caused ‘unnecessary and unjustifiable hardship.’ If there are such people as ‘dole cheats’, moreover, the penalties and breaching provisions do not so much appear to catch these people as they know how the system operates, but rather the most disadvantaged job-seekers, like the homeless and those with substance abuse and mental health problems. A recent report by the Brotherhood of Saint Laurence, moreover, contests the view that the ‘harsh’ nature of the breach penalty regime is a reflection of prevailing community attitudes. In a commissioned Newspoll survey, it found that 95 per cent of respondents proposed penalties lower than the current level for all breach stages (2002: 1). To what extent public fiscal goals are driving welfare reform is an open question.

Ultimately, Latham's renovated welfare policy panders to the 'downwards envy' of the middle classes towards the poor by replacing welfare predicated on need with the morality of entitlement politics with its distinction between the 'deserving' and the 'undeserving' poor.² As Watts (1999:30) describes it, "Latham restates...the old idea that the 'poor' are poor because of their personal and collective deficiencies which are essentially moral and social in nature." At an abstract level, the concept of social capability may have some resonance, but problems arise at a practical level: to what extent, for example, can the welfare system be redesigned around a concept which eschews quantifiable approaches? Latham's 'no rights without responsibilities' creed is far from helpful in this respect. To be sure, the state should encourage an 'active welfare subject' with the provision of training, education and vocational experience opportunities for welfare recipients, but there should be less emphasis on penalties and obligations as these deny an individual's agency and dignity, and (paradoxically) threaten their economic and social participation. More so, as mounting evidence reveals that these policies are failing 'hard-to-help' people – the total number of long-term unemployed, for one, is higher today than in 1996, with 378,130 people looking for work for 12 months or more. And that is the official figure. Overall, Latham's approach to welfare has little to do with equality, however defined (see Dworkins, 2001).

The restoration of social capital as a precondition for economic development is a recurrent theme in Latham's thought, notably in *Civilising Global Capital*. It is at once an economic, sociological and political concept. Drawing upon the work of Putnam (1993), Latham contends a 'strong society' with bonds of trust and mutuality between citizens leads to a 'strong economy.' The rationale for this is that people in a society with dense networks of respect and co-operation tend to value interdependence as much as self-interest, facilitating economic transactions (1998a: 262-273, 309-312). Szreter (2001: 290-291) goes so far as to say that social capital offers the Third Way its own distinctive political economy, providing a new analysis of the economy. For his part, Latham is equally eager to present the Third Way as having a

2 This point is well established in the social scientific literature. See, for example, Andersen (1990: 32-33).

commitment to issues other than the market and state through helping to foster "the mutualism of network organisations" in civil society (2000b: 11-12).

Clearly, this concept has much appeal. The problem, in terms of how the Third Way approaches it, emerges in how actual civil society actors are to be 'empowered', and its political implications. To the extent that Latham perceives civil society as a new public policy tool, he wants the state to shift social service delivery to nongovernment organisations. The veiled intention of 'empowerment' is hence to scale back formal state responsibilities. Nonetheless, whenever a government gives funds in this way, notably in salient areas like health and welfare, benchmark standards are demanded. Since a government is held accountable for expenditure of public money, it expects standards of performance and due process. Invariably, this must lead to interference with the potential to affect the nature of the sector: beyond some point, at least, civil society autonomy *vis à vis* the state must be diminished, also jeopardising aspects of voluntary action (Nahan, 1998: 406-407). To be precise, it is not government funding *per se* in question here, but rather the guidelines and philosophy that accompany it (see Walzer, 1999: 62-67).

More poignantly, Bahnisch is critical of Latham's contempt for bureaucracy, implicitly abandoning its liberal justifications of fairness, democracy and accountability, and of his naïve faith in the power of civil society. What is worse, however, is his lionisation of a civil society and communities that do not exist, and "because they do not exist, due to declining levels of social capital and trust, they have to be very selectively created by the State" (Bahnisch, 2002: 140). In this context, the state seems to have full rein to graft its moral values onto the networks in civil society 'being empowered'. Thus welfare service delivery comes to mean that help is received at the same time as a moral lesson from a contracted religious group. In short, civil society appears to be an instrument in a quasi-authoritarian vision of the state.

Education holds a distinct pride of place in Latham's new politics. He contends that education, especially at primary and secondary levels, offers the best prospects for addressing poverty and inequality as well as overcoming intergenerational welfare dependency (1998a: 235-244).

Education, that is, gives the best chance for life-time employability in the knowledge-based economy, where permanent employment is a thing of the past. The new 'digital divide' between the information-rich and -poor must thus be bridged, and policies to promote special educational programs are required to this end, specially in disadvantaged areas. Latham argues for customised learning, institutional redesign to involve parents as educators, and also specialised and better quality post-secondary institutions (1998a: 236-241, 244-248). Some of these may be important areas for reform, but the key issue arises around funding sources.

Latham (1998a: 232-235) sees the priorities of investment in education carving out a distinct role for government because individuals tend to underinvest in education, and this is most true for those from lower socio-economic groups who are likely to be more risk averse in the face of uncertain returns. Rest assured, though, that this does not constitute grounds for (old-style) paternalistic government; rather, it reveals the need for lifelong learning accounts (LLAs), an idea first canvassed in the 1998 West Report on Australian higher education financing and policy. Lately, he has moderated his tone in saying that "...they [LLAs] would serve as a supplement to public sector funding, not as a substitute for it. This point should be emphasised: my proposal is an add-on to the existing funding system" (2001b: 43). Previous to this, the relationship between LLAs and public funding was certainly ambivalent in his work (see Latham, 2000a: 33-36; Latham, 2001c). He suggests that LLAs would draw funds from a variety of sources, including: the Federal government (subject to means testing), superannuation funds (subject to prudential guidelines), employer and employee contributions as determined in enterprise bargaining agreements, and extant social security benefits (2001b: 43). The LLA, for Latham, is but a "clever way of drawing education funding out of the private sector" to "provide a financial buffer against changes in life's circumstances, such as workplace restructuring", thereby ensuring the requisite flexibility in the new economy by allowing the means to pursue learning requirements (2001b: 42).

The essence of lifelong learning accounts is consumer sovereignty, allowing people to spend their account when and where they want in an

education services market. It has the further advantage of appealing to the much vaunted 'aspirational' voter. From a critical perspective, however, LLAs represent a subtle vehicle for the introduction of market disciplines and a shift in the state's responsibility for rationing access to post-secondary education. In the context of a shortfall in the number of course places, the case could be made that this stems from a disparity between institutional decisions about supply and account-holder demand, not a failure on the part of government to fund new places. More problematic still, in seeking an increase in the government's contribution to their accounts (to pay for courses), the interests of account-holders could conflict with those of institutions arguing for an expansion in their direct grants (see Murphy, 2002: 4, 24).

It is also instructive that Latham consistently ignores any serious discussion of the controversial HECS funding model introduced under Hawke in 1989. In *Civilising Global Capital*, it receives a mere two sentences: one where he applauds its equity features, the other where he recognises the need to moderate its financial impact (1998a: 227, 247). It is instructive as the amount of *per capita* tertiary funding from federal Labor and Liberal governments has fallen year-on-year since 1989. HECS has, in other words, served as no more than an alibi for both Labor and Liberal governments to neglect higher education, and LLAs would likely exacerbate this trend. More generally, Latham is reluctant to attach dollar commitments to his 'Knowledge Nation' rhetoric, so failing to endow it with substance. Nor, indeed, does he consider the possibility of conflict between the expansion of the market, and its social logic, and the values of education (see Scott, 2000: 36-37; Scanlon, 2000: 39-40).

Perhaps most contentious is Latham's view that the responsibility of parents as educators "needs to be written into case management contracts, the fulfilment of which determines the ongoing allocation of income support" (1998a: 245). Recent research, however, contests this 'culture of poverty' outlook, finding children of poor parents do not have consistently worse schooling outcomes because of how they are parented compared to other socio-economic groups, but rather positive and negative parenting practices permeate all socio-economic groups (Chao and Willms, 2000). And how, to be sure, would he suggest enforcing such a policy?

While the concepts and practices of empowerment, community capacity-building and social entrepreneurship are attractive, Latham appropriates this discourse to pursue an agenda of self-reliance and reduced state dependency. In calling upon, and organising, the poor and marginalised to care for and manage themselves, it can be said that he wants to substitute the neoliberal politics of exclusion with the even more pernicious and subtle politics of (self-)containment, underpinned by the further colonisation of the social life-world by market logic.

Conclusion

The hallmark of the Left has long been, if not always a scientific, then at least a moral critique of the power dimensions of markets. Yet Latham's position on this matter is clear: "markets... simply represent a mechanism for pricing and allocating resources and, hence, stimulating economic activity" (1998a: 38). Apart from his litany of right-wing nostrums, he also denigrates the environment and identity politics, labelled as "segment-of-life characteristics" (1998a: 165-167). What Latham understands by 'Old Left', moreover, tends to be vague at best, caricatured at worst. Of the 12 cursory references to 'socialism' in *Civilising Global Capital*, for example, Latham leaves us to conclude that it amounts to "supply side planning and regulation" to address the flaws of the market system, or, alternatively, "state ownership of the means of production" (1998a: 39, xvii). If the Left is labourist, bureaucratic and profligate, then the New Right's vice appears at most to be a forgivable surfeit of enthusiasm for 'free markets'.

On 22 March 2002, *The Guardian* reported that Blair had replaced the 'philosophy' of the 'Third Way' with the new 'project' of the 'Third Phase'. In Australia, the term, if not the politics, also seems to have lost its appeal. The buzz-word 'modernisation' would appear to be the antipodean replacement. While there is much to the view that, in the words of Bahnisch (2002: 137), the Third Way is "a wonderfully versatile (because empty) political signifier", pragmatism still involves political choices. At one level, the Third Way may be about short-term political management (not transformation), but more profoundly it allows its advocates to claim to have abandoned neoliberalism at the same time

as stabilising the conditions for its further promotion. In describing this as 'the' Third Way, the term itself plays an ideological game since most people want something between central planning and *laissez-faire*. Merkel (2001: 51) points out, moreover, that there are many 'third ways of social democracy', identifying four types in Europe alone: Britain's market-oriented way; the Dutch consensus-oriented way; Sweden's reformed welfare state way; and France's statist way. Notably there is also growing interest in transcending *all* present types of third way (see Clark, 2002: 35-36).

Ultimately, the Third Way is based upon the illusion that it is possible to negotiate a balance between free market and non-market approaches to social organisation. Whether the Third Way espoused by Latham will successfully defuse the tensions generated by globalisation in the short-run, its timidity to confront the cause of those tensions will prove politically unsustainable in the longer term. For, as Emy (1999) contends, any balancing act in practice tends to require *increasing* concessions to the neoliberal agenda. The point is to make a political choice – namely, to embed the economy in society, and “make growth and wealth...means to realising other social values, not...ends in themselves.” Regrettably, the widespread nature of support for the Third Way idea in countries which have recently undergone radical free-market restructuring shows the potency of such politics and the inadequacy of the traditional Left, locally and internationally, to counterpose that agenda.

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