

To the new President: rethink London

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History rarely repeats itself, but moments of similarity do occasionally occur. We are definitely in such a moment now: or at least I am. The excitement surrounding Obama's inauguration once surrounded Tony Blair's arrival in power – I remember it well. I suspect therefore that there is mileage in comparing those two moments.

Washington in 2009 is not London in 1997, but it is close.

Of course the immediate agendas faced by Obama and Blair are not comparable. Obama faces a global meltdown, a looming internal recession, a broken banking system and a housing crisis as Tony Blair did not. But their underlying economic agendas were and are remarkably similar: deindustrialization and structural unemployment; fragile currency and large trade deficit; skills shortfall and over-stretched school system; high levels of personal debt and entrenched income inequality; excessive overseas military burdens accumulated through years of world leadership.

Not surprisingly perhaps, Obama's solutions to those weaknesses parallel Blair's closely.

- *Both emphasize the importance of skill enhancement and government funding for R&D growth.*
- *Both propose tax relief for small businesses, a role for government in the provision of venture capital, and improved infrastructure funded by public money.*
- *Both allow for a modest strengthening of trade union rights.*
- *Both emphasize the importance of public-private partnerships.*
- *Both advocate welfare reform to erode poverty by returning people to work.*
- *Both emphasize an ethic of personal responsibility.*

The question is: will all that be enough?

I suspect that sadly the answer is probably no. Certainly in the UK, deindustrialization still continues apace, the trade deficit is as high as ever, and personal debt levels are currently greater even than here. For all the years of effort, poverty is on the rise again in Britain, and the global credit crisis has turned New Labour's long period of economic growth into a recession similar to our own. Underlying and unresolved economic weaknesses have been exposed, and New Labour is again in electoral trouble.

But then Blair and company did things that the Obama administration need not do. They narrowed their industrial policy to the lowering of corporate taxation and the encouragement of competition. They stimulated consumption primarily by deregulating the banking system and letting personal borrowing soar. They abandoned their skills revolution in favor of an English version of No Child Left Behind; and they turned their face against the management of trade. They thought they could bridge the UK's perennial productivity gap merely by opening domestic markets to more efficient foreign companies; but they were wrong.

If there is a lesson in this for the incoming administration, it is surely that Obama needs to be “Blair +”

- *lower corporate taxation yes, but only on companies bringing jobs back to the US, or spending heavily on R&D here;*
- *a better funded system of public schooling yes, but also major new initiatives on the training and retraining of the adult work force;*
- *free trade, certainly, but no dumping in the US of under-priced goods made possible by underpaid labor abroad;*
- *and no easing of regulations on the banking sector, no handouts to failed CEOs while home owners struggle with the threat of foreclosure*

The times demand a new ethic of public responsibility to balance that of private gain. New Labour has come to realize that, and is desperately reinventing itself even as I write. What they have learned the hard way, Obama and his team can discover simply by watching. Let us hope they have the time and wisdom to take in the view.