

That option no longer exists:

Britain 1974-76

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Rexamining the mid-1970s from a Labour left perspective, as the author does, is an interesting idea. Once again we can read about:

- * the Communist Party's Liaison Committee for the Defence of Trade Unions, which resulted in the CP having 'an influence within the trade union movement vastly out of proportion to its numbers' (pp. 13/4);
- * the Institute for Workers' Control (chapter 3);
- * the decision of the Labour Party to abolish the proscription list of organisations to which members of the Labour Party could not belong, 'letting in and empowering members who were driven by political principles rather than unquestioning party loyalty regardless of policy' (pp. 31/2), notably members of the Militant Tendency;
- * and the rise to the leadership of this wider left of Tony Benn.

The author's analysis of the situation agrees with that of MI5 and its allies on the right at the time, with one essential difference: MI5 was aware that the 'Moscow gold' from the Soviet Union was mostly going to the Communist Party's industrial department (which was running the Liaison Committee for the Defence of Trade Unions). As a result anyone or any organisation which had contact with the CPGB – and that was a large slice of the British left at the time – were deemed by MI5 to be a legitimate target for investigation (because of the 'trace' to the Soviets); and MI5 saw (or pretended to see) the rise of this wider Labour left as essentially Soviet subversion: the Soviets control the CPGB; the CPGB control the unions; the unions control the Labour Party; therefore the Soviets control the Labour Party.¹

This MI5 theory led the anti-communist right to counter-organise and the author gives us a pretty detailed account of this in 1974-6: the rise of the anti-subversion lobby (he mentions Brian Crozier's ISC but not IRD); the so-called private armies, GB75 and Unison; the surveillance and bugging of many on the left; the smear campaigns

¹ The author does not mention the Soviet money. MI5 had been tracking the Soviet funds in British politics since the 1920s. See Kevin Quinlan's *The Secret War Between the Wars: MI5 in the 1920s and 1930s*, reviewed at <http://www.lobster-magazine.co.uk/free/lobster69/lob69-secret-war.pdf>.

(notably Clockwork Orange) centred round the Army Information Policy unit in Northern Ireland; and the talk about coups and 'the Chile option'.

And then there was Tony Benn 'an eloquent and effective socialist in a vital ministerial position who had support across the extra-parliamentary left and trade union movement' (p. 116) with his plans for the industrial regeneration of Britain via a National Enterprise Board, planning agreements and (maybe) state control of the leading British companies. Which would have been hard enough with a large parliamentary majority; but in an administration without an overall majority was an absurdity. It wasn't going happen: not because the civil service obstructed Benn (which they did) but because there was no support for it within the Cabinet; nor, critically in the British system, from the prime minister (nor, had they been asked, from the electorate). Prime Minister Wilson diverted Benn's energies into a referendum on membership of the EEC and, having seen that off, retired at 60 (as he had always told his friends he would), before the dementia which was in his family affected him.

Through the core political story the author intercuts some of the wider cultural events on the left of the period: the rise of feminism, anti-fascism, squatting, and pop music (reggae and punk). I found this nostalgic but irrelevant.

My disagreement with the author's thesis begins with his version of the Industrial Relations Act of the Heath government which preceded Wilson. He presents it simply as an attack on the unions, which they resisted. But it was part of Heath's wider ambitions to create something like the German model of industrial relations in this country, with the unions as one of the three legs of the stool with government and industry. This project failed (a) because Heath couldn't explicitly announce this to his party, many of whom would have rejected it; and (b) there was no way British trade unions, *which funded the Labour Party*, could be persuaded to embark on this journey – even though most of the senior leadership of the unions would probably have welcomed it – with a Conservative government. (And it is absolutely *bizarre* that anyone in the Heath government associated with this could ever have thought otherwise.)

The author writes:

'For a brief period in the 1970s there was another option. If

progressed with vigour and commitment it might have avoided the damage subsequently inflicted on the UK economy by the City and the financial sector, the crippling of domestic industry, ever escalating social inequalities and the creation of a parasitic super-rich elite within the virtual tax haven of central London.’ (p. 134)

The author thinks that other option was the socialist project, with the CPGB, Millies and all, fronted by Benn. In my view that is a delusion. The important option was the corporatist project sought first by Labour – the *In Place of Strife* proposals proposed by Wilson and Barbara Castle² – and then by Heath. The opposition to *In Place of Strife* within the Labour Party was led by James Callaghan – for purely careerist motives; he wanted to be prime minister and needed the backing of the unions. It was thus entirely apposite that it should be Callaghan who announced to the Labour Party conference of 1976, in a speech written by his son-in-law Peter Jay, that ‘Keynesian’ economics had to be abandoned as ‘that option no longer exists’ (the title of this book). Callaghan said:

‘We used to think you could spend your way out of recession and increase employment by boosting government spending. I tell you, in all candour, that that option no longer exists. And in so far as it ever did exist, it only worked on each occasion.....by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step. Higher inflation followed by higher unemployment. We have just escaped from the highest rate of inflation this country has known; we have not yet escaped from the consequences: high unemployment. That is the history of the last 20 years.’

This was just nonsense. In 1956, the beginning of the 20 year period offered by Jay (through Callaghan), inflation was 5% on average over the year; for most of the Labour governments of 1966-70 it was less than that; and it was 5% in January 1970. By contrast, for almost all of the 1980-1997 period of Conservative governments which were ostensibly primarily focused on keeping inflation under control by

2 See <http://en.wikipedia.org/wiki/In_Place_of_Strife>.

'controlling the money supply', inflation was above 5%.³

On the other hand, to whom was the speech really being addressed? The Labour conference, or the IMF and the international money markets, with both of which Labour had just experienced months of difficulties?⁴

Monetarism, the version adopted by the Conservatives of 'controlling the money supply' (they couldn't even *define* it), was simply a light disguise (enough to con the media) for creating a recession – which they did. Recessions reduce inflation. (Creating more poor people, you reduce demand in the economy, which inhibits price increases.) Like Mrs Thatcher, Peter Jay had been persuaded that there was no alternative. It is not difficult to understand why: in 1976 no-one had ever seen 'Keynesian' policies deal with inflation at 25%. But inflation was coming down when Callaghan made his speech and was falling when Mrs Thatcher won the election in 1979. There's an essay to be written on what caused that fall: the remnants of the Labour government's social programmes and incomes policy – the so-called social contract – or the beginnings of 'monetarism' introduced, as per the 1976 IMF agreement?

This book has end notes but no index.

Robin Ramsay

3 The quotation and the paragraph following it are from an essay of mine at <http://www.newleftproject.org/index.php/site/article_comments/how_labour_embraced_the_city>.

4 I sent a draft of this to Professor Scott Newton who is working on this period and he commented:

'...Callaghan was acting politically.....because he wanted to stop the markets from selling sterling (the Treasury had given up on using the reserves to stem the tide). The speech and indeed the IMF episode, of which it was a part, were all about getting back confidence so that the pound would stabilise and the government could carry on with the cautious social-democratic/corporatist strategy worked out by Wilson and Healey in 1975 – and this was actually the only option available to a Labour government at the time.'